

CIRCULAR

SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/140

October 15, 2024

To

All recognised Stock Exchanges

All recognised Clearing Corporations

Dear Sir/ Madam,

Sub: Monitoring of position limits for equity derivative segment

- 1 Para 1.3.2.3 and para 2.3.2.3 of Chapter 5 of the Master Circular on Stock Exchanges and Clearing Corporations (SECC), dated October 16, 2023, specifies the overall position limit at the Trading member (TM) level (proprietary + client) to be higher of INR 500 crores or 15% of the total Open Interest (OI) in market. This position limit is separately applicable for all open positions on futures and options contracts, in a particular underlying index.
- 2 Based on the feedback received from market participants, the deliberations held in the Secondary Market Advisory Committee (SMAC) and further internal discussions, the following has been decided:
 - 2.1 The position limits for TMs, cumulatively for client and proprietary trades, in index Futures and Options contracts may be set at higher of INR 7,500 crore or 15% of the total OI in the market.
 - 2.2 As per the extant practice, the position limits will be applicable for index futures and index options separately.
- 3 It is also noted that that open interest of both the participants and the market is dynamic and changing throughout the day. With a view of providing better clarity to the market participants in terms of their position limits, the following has been decided:
 - 3.1 In conformity with the extant practice in currency derivatives segment, positions of market participants in the equity derivatives segment (index and

stocks) shall also be monitored based on total open interest of the market at the end of previous day's trade.

3.2 In case of a drop in market OI compared to the previous day's market OI, market participants may breach the specified position limits even if their positions have remained unchanged throughout the day.

3.3 For such cases of passive breaches, market participants would not be penalised and not be required to unwind their positions.

4 The provisions of this circular shall come into effect as follows:

4.1 The provisions mentioned at para 2 above, would come into effect immediately.

4.2 The provisions mentioned at para 3 above, would come into effect from April 01, 2025.

5 The Stock Exchanges and Clearing Corporations are accordingly advised to:

5.1 Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be necessary/applicable.

5.2 Bring the provisions of this circular to the notice of the market participants (including TMs) and to disseminate the same on their website.

6 This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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