



Metropolitan Stock Exchange of India Limited

Department: Market Operations - Surveillance and Risk

Segment: Equity Derivative

Circular No: MSE/SURV/8842/2020

Date : March 23, 2020

Subject: Revised position limits in Equity Index Derivatives (Futures and Options)

To All Members,

This has reference to the Press Release No. PR No. 18/2020 by SEBI on March 20, 2020 titled – “Regulatory measures taken by SEBI in view of ongoing market volatility”. Copy of the same is attached herewith. Point 3 of Annexure A, of the Press Release is as under.

Quote “

3. Index Derivatives

Revised position limits in equity index derivatives (futures and options)

- (i) Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:
 - a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds’ / FPIs’ / Trading Members’ (Proprietary) / Clients’ holding of stocks.
 - b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds’ / FPIs’ holding of cash, government securities, T-Bills and similar instruments.
- (ii) Further to 3(i) above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients:
 - a. Equity Index Futures Contracts: Rs. 500 Crores.
 - b. Equity Index Options Contracts: Rs. 500 Crores.
- (iii) If any of the aforesaid entities exceed the respective limits prescribed at 3(i) and 3(ii) above, an additional deposit shall be payable by the entity equivalent to double the amount of margin chargeable on excess position beyond the limits prescribed at 3(i) and 3(ii) above and the same shall be retained by stock exchanges / clearing corporations for a period of 3 months.
- (iv) The existing positions as on the date of issuance of the circulars by the stock exchanges / clearing corporations would not be impacted (i.e., the positions shall be permitted to be held till expiry or close-out, whichever is earlier). However, if a fresh position is taken, then the entire positions (including the grandfathered positions) shall be subject to limits mentioned above.



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- (v) The above framework may be applicable for a period of 1 month, w.e.f. March 23, 2020 for institutions and trading members (proprietary). For others, the applicability will begin w.e.f. March 27, 2020.

“Unquote

Various scenarios with reference to Point no. 3 of Annexure- A of the above-mentioned Press Release, on “Index Derivatives- Revised position limits in equity index derivatives (futures and options)” are as follows.

Value in Crs (negative is short and positive is long) based on Previous day close price/ settlement price				
Scenarios	Futures Positions Value (Netted all expiries)	Options Positions Value (Netted across Call Puts, based on sentimental positions across expiries)	Excess Positions Value (After giving benefit of Rs. 500 Crores)	Requirement
1	-400	-400	0	No Action. Both within Rs. 500 Crs limit
2	-400	-600	-100	Action. Short side Underlying required for Rs. 100 Crs
3	-600	-400	-100	Action. Short side Underlying required for Rs. 100 Crs
4	-600	-600	-200	Action. Short side Underlying required for Rs. 200 Crs
5	-600	300	-100	Action. Short side Underlying required for Rs. 100 Crs
6	-600	-1000	-600	Action. Short side Underlying required for Rs. 600 Crs
7	-600	600	100	Action. Short side required underlying for Rs.100 crs
			-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
8	600	-600	100	Action. Short side required underlying for Rs.100 Crs
			-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
9	600	100	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs
10	600	300	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs



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11	600	600	200	Action. Long side Cash, GSec, TBills Rs. 200 Crs only for FPIs and MFs
12	2000	-2000	-1500	Action. Short side required underlying for Rs.1500 Crs Action. Long side required Cash,GSec,TBills for Rs 1500 Crs for FPIs and MFs
13	-2000	1000	500	Action. Short side required underlying for Rs.1500 crs Action. Long side required Cash,GSec,TBills for Rs 500 Crs for FPIs and MFs
14	-750	250	-250	Action. Short side Underlying required for Rs. 250 Crs

As specified in “3(iv) of Annexure A” of Press Release, existing positions will be not be impacted i.e. the existing positions shall be permitted to be held till expiry or close out, whichever is earlier. However, if a fresh position is taken then the entire position including the grandfathered position shall be subjected to the above limits. E.g. if an entity is holding short futures of say 10,000 Qty worth Rs.510 crores, which is grandfathered, and the entity increases the short position to say 10,050 Qty, then the entire position, worth approx. Rs 510 crores, shall be subjected to the process followed for short position as mentioned above. Similar will be case for fresh position taken in long positions which are grandfathered.

Apart from the above, there is no further change in the extant monitoring methodology. The above framework will be applicable for a period of one-month w.e.f. March 23, 2020 for Institutions and Trading Members (Proprietary). For others the applicability of this framework will begin w.e.f. March 27, 2020.

Trading members are requested to take note of the above ensure that regulatory intent conveyed through the Press Release No.PR No.18/2020 by SEBI on March 20,2020 are complied with.

**For and on behalf of
Metropolitan Stock Exchange of India Limited**

**Shailendra Singh
Assistant Vice President**