



CIRCULAR

CIR/DNPD/3/2012

July 23, 2012

To

Managing Director/ Chief Executive Officer

Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Revision of Eligibility Criteria for Stocks in Derivatives Segment

1. This circular is issued in partial modification of Master Circular on Exchange Traded Derivatives CIR/DNPD/1/2012 dated January 2, 2012.
2. In order to improve market integrity, it has been decided, in consultation with Stock Exchanges, to tighten the eligibility and exit criteria for stocks in derivatives segment as given hereunder.

Eligibility criteria for stocks in derivatives segment

3. At present, minimum Median Quarter Sigma Order Size (MQSOS) requirement for a stock to be eligible for introduction in derivatives segment is ₹ 5 Lakh. It has been decided to revise this minimum MQSOS requirement to ₹ 10 Lakh.
4. Thus, in Para '3.1.2.b' of the master circular, for the letters and figures "Rs. 5 Lakh (Rupees Five Lakh)", the following letters and figures shall be substituted, namely "₹ 10 Lakh".
5. At present, minimum MWPL requirement for a stock to be eligible for introduction in derivatives segment is ₹ 100 crore. It has been decided to revise this minimum MWPL requirement to ₹ 300 crore.
6. Thus, in Para '3.1.2.c' of the master circular, for the letters and figures "Rs. 100 crores (Rupees Hundred Crores)", the following letters and figures shall be substituted, namely "₹ 300 crore".

Exit criteria for stocks in derivatives segment

7. At present, minimum MWPL requirement for a stock to be retained in derivatives segment is ₹ 60 crore. It has been decided to revise this minimum MWPL requirement to ₹ 200 crore.



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At present, minimum MQSOS requirement for a stock to be retained in derivatives segment is ₹ 2 Lakh. It has been decided to revise this minimum MQSOS requirement to ₹ 5 Lakh.

An additional criterion of 'stock derivatives to have average monthly turnover in derivatives segment for last three months of ₹ 100 crore' has also been decided to be implemented for a stock to be retained in derivatives segment.

8. Thus, for the first paragraph under heading "Exit criteria for stocks in derivatives" under Para '3.1.2' of the master circular, the following paragraph shall be substituted:

"The criteria for retention of stock in derivatives segment are as under:

- a. The stock's median quarter-sigma order size over last six months shall be not less than ₹ 5 lakh.
- b. MWPL of the stock shall not be less than ₹ 200 crore.
- c. The stock's average monthly turnover in derivatives segment over last three months shall not be less than ₹ 100 crores"

9. Rest of the stipulations regarding eligibility and exit criteria for single stock derivatives will remain as it is.

10. Exchanges are directed to take necessary action to give effect to this circular. No fresh month contract shall be issued on stocks that may exit the F&O segment, however, the existing unexpired contracts may be permitted to trade till expiry and new strikes may also be introduced in the existing contract months.

11. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

12. This circular is available on SEBI website at www.sebi.gov.in under the category "Derivatives- Circulars".

Yours faithfully,

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