

Contract Specification for WTI Crude Oil Options on Futures

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| Symbol | WTICRUDE |
| Underlying | Underlying shall be WTI Crude Oil Futures contract traded on BSE |
| Description | Option on Crude Oil Futures |
| Option Type | European Call & Put Options |
| Contract Listing | Contracts will be available as per the Contract Launch Calendar |
| Contract Start Day | The next business day immediately after the expiry of the near month futures contracts |
| Expiry Day (Last Trading Day) | Two business days prior to the Expiry day of the underlying futures contract |
| Trading | |
| Trading Period | Monday through Friday |
| Trading Session | Monday to Friday: 9.00 a.m. to 11.30 / 11.55 p.m. * * based on US daylight saving time period |
| Trading Unit | One BSE WTI Crude Oil futures contract |
| Underlying Quotation/ Base Value | Rs. Per barrel |
| Underlying Price Quote | Ex – Mumbai (excluding all taxes, levies and other expenses) |
| Strikes | 25 In-the-money, 25 Out-of-the-money and 1 Near-the money (51 CE and 51 PE). The Exchange, at its discretion, may introduce additional strikes, if required. |
| Strike Price Intervals | Rs. 50 |
| Base price | Base price shall be theoretical price on Black 76 option pricing model on the first day of the contract. On all other days, it shall be previous day's Daily Settlement Price of the contract. |
| Tick Size (Minimum Price Movement) | Rs. 0.10 |
| Daily Price Limit | The upper and lower price band shall be determined based on statistical method using Black76 option pricing model and relaxed considering the movement in the underlying futures contract. In the event of freezing of price ranges even without a corresponding price relaxation in underlying futures, if deemed necessary, considering the volatility and other factors in the option contract, the Daily Price Limit shall be relaxed by the Exchange. |
| Margins | The Initial Margin shall be computed using SPAN (Standard Portfolio Analysis of Risk) software, which is a portfolio-based margining system. To begin with, the various risk parameters shall be as under: A. Price Scan Range – 3.5 Standard Deviation (3.5 sigma) B. Volatility Scan Range – Minimum 5% or as decided by |

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| | <p>ICCL from time to time. For applicable VSR refer latest circulars issued by ICCL.</p> <p>C. The Short Option Minimum Margin (SOMM) and Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer latest circulars issued by ICCL from time to time.</p> <p>D. Extreme Loss Margin – Minimum 1% (to be levied only on short option positions)</p> <p>E. Premium of buyer shall be blocked upfront on real time basis.</p> <p>F. For Additional Margin refer latest circulars issued by ICCL from time to time.</p> |
| Premium | Premium of buyer shall be blocked upfront on real time basis. |
| Margining at client Level | Initial Margins shall be computed at the level of portfolio of individual clients comprising of the positions in futures and options contracts on each commodity |
| Real time computation | The margins shall be recomputed using SPAN at Begin of Day, 10.30 am, 12.30 pm, 1.30 pm, 3.00 pm, 5.00 pm, 7.00 pm, 8.30 pm, 10.30 pm and End of Day. |
| Mark to Market | The option positions shall be marked to market by deducting / adding the current market value of options positions (positive for long options and negative for short options) times the number of long / short options in the portfolio from / to the margin requirement. Mark to Market gains and losses would not be settled in Cash for Options Positions. |
| Risks pertaining to option that devolve into futures on expiry | <p>a) In the initial phase, a sensitivity report shall be provided to members of the impending increase in margins at least 2 days in advance. The mechanism shall be reviewed and if deemed necessary, pre-expiry option margins shall be levied on the buy / sell / both positions during last few days before the expiry of option contract.</p> <p>b) The penalty for short collection / non collection due to increase in initial margins resulting from devolvement of options into futures shall not be levied for the first day.</p> |
| Additional and/ or Special Margin | At the discretion of the Exchange when deemed necessary |
| Position Limits | |
| Maximum Allowable Open Position | <p>Position limits for options would be separate from the position limits applicable on futures contracts.</p> <p>For individual clients: 9,60,000 barrels or 5% of the market wide open position, whichever is higher for all Crude Oil Options contracts combined together.</p> <p>For a member collectively for all clients: 96,00,000 barrels or 20% of the market wide open position, whichever is higher for all Crude Oil Options contracts combined together.</p> <p>Upon expiry of the options contract, after devolvement of options position into corresponding futures positions, open positions may exceed their permissible position limits applicable for future contracts. Such excess positions shall have to be reduced to the permissible position limits of futures contracts within two trading days.</p> |

| Settlement | |
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| Settlement of premium/ Final Settlement | T+1 day |
| Mode of settlement | <p>On expiry of options contract, the open position shall devolve into underlying futures position as follows: -</p> <ul style="list-style-type: none"> • long call position shall devolve into long position in the underlying futures contract. • long put position shall devolve into short position in the underlying futures contract. • short call position shall devolve into short position in the underlying futures contract. • short put position shall devolve into long position in the underlying futures contract. <p>All such devolved futures positions shall be opened at the strike price of the exercised options</p> |
| Exercise Mechanism at expiry | <p>All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>The ITM option contract holders, who have not submitted contrary instructions, shall receive the difference between the Settlement Price and Strike Price in Cash as per the settlement schedule.</p> <p>In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless.</p> <p>All Out of the money (OTM) option contracts shall expire worthless.</p> <p>All devolved futures positions shall be considered to be opened at the strike price of the exercised options.</p> <p>All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p> <p>ITM for call option = Strike Price < Settlement Price ITM for put option = Strike Price > Settlement Price</p> |
| Due Date Rate (Final Settlement Price) | Daily settlement price of underlying futures contract on the expiry day of options contract. |

Contract Launch Calendar of BSE WTI Crude Oil Options

| Contract Month | Contract Launch Date | Contract Expiry Date |
|-----------------------|--------------------------------|---------------------------------|
| November-23 | October 2023 | 15 th November 2023 |
| December-23 | October 2023 | 14 th December 2023 |
| January-24 | October 2023 | 17 th January 2024 |
| February-24 | October 2023 | 14 th February 2024 |
| March-24 | 20 th November 2023 | 15 th March 2024 |
| April-24 | 19 th December 2023 | 17 th April 2024 |
| May-24 | 22 nd January 2024 | 16 th May 2024 |
| June-24 | 20 th February 2024 | 14 th June 2024 |
| July-24 | 20 th March 2024 | 17 th July 2024 |
| Aug-24 | 22 nd April 2024 | 15 th August 2024 |
| Sep-24 | 21 st May 2024 | 17 th September 2024 |
| Oct-24 | 19 th June 2024 | 17 th October 2024 |