

## **LEIPS-XI**

*( Effective from June 03,2013)*

Pursuant to SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011 (BSE Notice no-20110602-18, dated June 02, 2011), permitting stock exchanges to introduce Liquidity Enhancement Schemes (LES) for illiquid securities in their equity derivatives segment, the Exchange has launched a series of **Liquidity Enhancement Incentive Programmes (LEIPS)** with the goal of creating lasting, self-sustaining liquidity in BSE's Derivatives Segment.

**Eleventh programme in the series LEIPS-XI was launched on April 26, 2013. The programme focuses on Options contract on S&P BSE-100 Index.**

The programme incentivizes both Market Makers (MMs) and General Market Participants (GMPs) by payment of cash for their participation as per prescribed terms and conditions.

Active trading members of Derivatives Segment of the Exchange who have already signed up for in LEIPS-VIII and LEIPS-IX programme as GMPs shall be treated as GMPs in LEIPS-XI programme as well. Trading members who wish to opt out of the LEIPS-XI programme as GMPs shall be required to intimate the Exchange of the same.

Registered Market Makers of LEIPS-VIII and LEIPS-IX programme shall have to register themselves as a Market Maker in LEIPS-XI programme & expressly indicate their interest to do Market Making in the options contracts on underlying index eligible under LEIPS-XI programme.

Other active trading members of Derivatives Segment of the Exchange can register themselves as a Market Maker (MM) or a General Market Participant (GMP) for this programme as well.

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in futures contracts on S&P BSE-100 Index. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Quote based incentive for MMs
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
4. Lower transaction fees for all active trading members.

The Exchange monitors performance of the programme including presence of MMs and their compliance with the quote obligations through a mix of online and offline monitoring tools. The Exchange also publishes information on the programme from time to time as applicable vide SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011.

LEIPS-XI programme shall remain in force till October 25, 2013 subject to below mentioned conditions regarding discontinuation of scheme.

In accordance with the aforesaid SEBI circular the Exchange may amend / discontinue the programme at any time with an advance notice of 15 days. Also, the programme shall be discontinued as soon as the average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.

The Exchange has been regularly amending the terms and conditions of its LEIPS Programmes based on the overall progress of the programme, market feed back and policy changes.

**With effect from June 03, 2013, the Exchange proposes following key amendments in terms and conditions of LEIPS –IX programme -**

- ◆ Introduction of Level 4 Quote incentive with shorter lot size.
- ◆ Introduction of additional conditions for MMs qualifying for Quoting incentives in different levels.

For any further clarifications, please contact your designated Relationship Managers.

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Liquidity Enhancement Incentive Programmes (LEIPS-VII) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivatives segment. **LEIPS-XI focuses on Option contract on S&P BSE-100 Index.** The programme incentivizes both MMs and GMPs by payment of cash for their participation in the programme as per prescribed terms and conditions.

		Market Makers		General Market Participants	
Clause 1 – Incentives / Benefits	<b>Trading Volume<sup>†</sup> Based Cash Incentive</b>	Market Maker (MM) shall be paid incentives on notional turnover at moneyness strikewise rates as per clause 6 & Table 2 overleaf		General Market Participant shall be paid incentives on notional turnover at moneyness strikewise rates as per clause 6 & Table 2 overleaf	
	<b>Quoting Based Cash Incentive</b>	<ul style="list-style-type: none"> <li>Upon fulfillment of Level 2 Quote Obligations, qualifying MMs shall be paid incentives at Moneyness Strike-wise rates (refer Annexure 1 overleaf) till payout crosses pool of Rs. 4 Lakhs. Thereafter incentives to be paid on pro-rata basis.</li> <li>Upon fulfillment of Level 3 Quote Obligations, qualifying MMs shall be paid incentives at Rs. 2 Lakhs per day per MM (refer Annexure 2 overleaf) till payout crosses pool of Rs. 4 Lakhs. Thereafter incentives to be paid on pro-rata basis.</li> <li>Upon fulfillment of Level 4 Quote Obligations, qualifying MMs shall be paid incentive from the pool of Rs. 1 Lakh per day (refer Annexure 3 overleaf). Thereafter incentives to be paid on pro-rate basis.</li> </ul>		Not Applicable	
	<b>Open Interest<sup>#</sup> Cash Incentive</b>	Based on daily Exchange OI in S&P BSE-100 Options <sup>c</sup> . <sup>¥</sup> Only short option positions shall be eligible for incentives. <ul style="list-style-type: none"> <li>Till Exchange OI for S&amp;P BSE-100 Options on any given trading day is less than or equal to Rs. 1000 Cr., the incentive for that day shall be paid at a rate of Rs.100 per Cr of Member OI<sup>¥</sup> for the day.</li> <li>If Exchange OI for S&amp;P BSE-100 Options on any given trading day crosses Rs.1000Cr, then incentive for that day shall be paid on proportionate basis from a daily pool of Rs.1 Lakhs.</li> </ul>			
	<b>Retail customer incentive</b>	<ul style="list-style-type: none"> <li>Retail incentive program as per Exchange notice number 20121106-36 dated November 06, 2012, notice no 20130104-2 dated January 04, 2013 and notice no 20130114-16 dated January 14, 2013</li> </ul>			
	<b>Lower Transaction Fee</b>	<b>Options (Rs. / Cr. Premium)</b>			
	Passive		Active		
	0		50		
Clause 2 – Obligations	<b>Quote Obligation</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
		Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 3	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 3 overleaf
	The only exceptions** shall be due to technical reasons and fast market conditions. Fulfillment of these quote obligation conditions is subject to the obligation conditions specified below. (** Indicative Exceptions— Market halts in a contract or underlying shall not be counted as trading hours)				
<b>Spread &amp; Size</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	
	2-way quote in any one or more market making contract series <sup>‡</sup> as per quote obligations specified in Table 3	2-way quote in any one or more market making contract series <sup>‡</sup> as per quote obligations specified in Annexure 1	3 layered, 2-way quotes in all 14 market making contract series <sup>‡</sup> as per quote obligations specified in Annexure 2	2-way quote in all 14 market making contracts series <sup>‡</sup> as per the quote obligation specified in Annexure 3	
<b>Roll Period</b>	– 5 days prior to expiry – Quote obligations for the current month contracts shall also be applicable to the next month contracts.	– 2 days prior to expiry – Quote obligations for the current month contracts shall also be applicable to the next month contracts.	– 2 days prior to expiry – Quote obligations for the current month contracts shall also be applicable to the next month contracts.	– 2 days prior to expiry – Quote obligations for the current month contracts shall also be applicable to the next month contracts.	
<b>After the daily volume cap is breached</b>	Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 3 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 3 overleaf even after the volume incentive cap is breached	
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<sup>†</sup> Incentives are payable only for current, near and far month expiration on monthly options contracts on eligible underlying

<sup>#</sup> OI—Notional volume of options contracts that are not closed or delivered at the end of a particular day, except current month futures contracts on their day of expiry.

<sup>‡</sup> Market making contract series shall be published by the exchange on a daily basis

<sup>c</sup> Open Interest Incentives shall be applicable on incentive eligible contract series only that shall be published by the exchange on a daily basis

	Market Makers	General Market Participants																		
Clause 3	<b>Eligibility</b> <ul style="list-style-type: none"> <li>Members have to register with the exchange to participate as a MM</li> <li>Net worth of Rs. 1 Cr. (~ USD 0.20 Million)</li> <li>No serious disciplinary action against the member in the last 1 year</li> </ul>	Members have to register with the exchange to be eligible for the incentives.																		
Clause 4	<b>Penalty— Monitoring Obligations</b> <ul style="list-style-type: none"> <li>Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day</li> <li>In case of non-fulfillment of obligations for a specific day, MM's incentive payments shall be at GMP rates</li> <li>Exchange provides online system (<a href="https://leipsmm.bseindia.com">https://leipsmm.bseindia.com</a>) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity</li> <li>Exchange reserves the right to render any members ineligible for further participation in the programme if they engage in activities that are detrimental to the development of the markets</li> </ul>	Exchange reserves the right to render any members ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the markets																		
Clause 5	<b>Daily Caps—</b> Cash volume incentives shall be paid upto a maximum of <b>Rs. 3990/-Cr. in S&amp;P BSE-100 Options (Notional volume)</b> as follows—																			
Clause 5	<table border="1"> <thead> <tr> <th rowspan="2">Total No of Time Periods</th> <th rowspan="2">Duration of Each Time Period</th> <th colspan="2">Time period wise cap for Options Trading (Notional Volume)</th> </tr> <tr> <th>All ITM, ATM,OTM 1 &amp; OTM 2</th> <th>OTM 3 &amp; OTM 4</th> </tr> </thead> <tbody> <tr> <td>First 30 and Last 30 minutes</td> <td>1 minute</td> <td>Rs 3.5 Crores</td> <td>Rs. 10.5 Crores</td> </tr> <tr> <td>Interim 315 Minutes</td> <td>1 minute</td> <td>Rs 2.5 Crores</td> <td>Rs. 7.5 Crores</td> </tr> <tr> <td colspan="2">Daily Volume Incentive Cap</td> <td>Rs 997.5 Crores</td> <td>Rs. 2992.5 Crores</td> </tr> </tbody> </table>		Total No of Time Periods	Duration of Each Time Period	Time period wise cap for Options Trading (Notional Volume)		All ITM, ATM,OTM 1 & OTM 2	OTM 3 & OTM 4	First 30 and Last 30 minutes	1 minute	Rs 3.5 Crores	Rs. 10.5 Crores	Interim 315 Minutes	1 minute	Rs 2.5 Crores	Rs. 7.5 Crores	Daily Volume Incentive Cap		Rs 997.5 Crores	Rs. 2992.5 Crores
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Clause 5	<ol style="list-style-type: none"> <li>Incentive to be paid on pro rata basis on volume contributed by each member in particular time period.</li> <li>Only excess volume of per minute cap i.e. volume beyond the specified cap for the time interval in all ITM, ATM OTM1 &amp; OTM 2 shall be added to the volume contributed under OTM 3 &amp; OTM 4 strikes. Accordingly the incentives will be calculated on a pro rata basis. (₹ — Refer Incentive Computation illustration on page 4)</li> </ol>																			
Clause 6	<table border="1"> <thead> <tr> <th>Type of Incentive</th> <th>Applicable To</th> <th>Payout Structure</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Trading Volume based Cash Incentive</td> <td>MM, GMP</td> <td>Pro-rata basis on options notional volume at rate as per Table 2 overleaf (₹ — Refer Incentive Computation illustration on page 4)</td> </tr> <tr> <td>MMs fulfilling Level 1 Quote Obligations</td> <td>Additional volume based cash incentive for fulfilling Level 1 Quote Obligations on options notional volume at rate as per Table 2 Overleaf (Passive side) and aforementioned incentive ceilings</td> </tr> <tr> <td rowspan="2">Quoting based Cash Incentive</td> <td>MMs fulfilling Level 2 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 3 Lakh per day per MM. (refer Annexure 1 overleaf)</td> </tr> <tr> <td>MMs fulfilling Level 3 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 2 Lakh per day per MM (refer Annexure 2 overleaf).</td> </tr> <tr> <td>OI based Cash Incentive</td> <td>MM, GMP</td> <td>Based on Daily Average OI</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>All above payouts shall be computed and paid on daily basis.</li> <li>All cash payouts shall be paid after TDS deductions. TDS certificate shall be issued on quarterly basis.</li> <li>Service Tax related to incentive payouts shall be paid to the members upon submission of invoice.</li> </ul>		Type of Incentive	Applicable To	Payout Structure	Trading Volume based Cash Incentive	MM, GMP	Pro-rata basis on options notional volume at rate as per Table 2 overleaf (₹ — Refer Incentive Computation illustration on page 4)	MMs fulfilling Level 1 Quote Obligations	Additional volume based cash incentive for fulfilling Level 1 Quote Obligations on options notional volume at rate as per Table 2 Overleaf (Passive side) and aforementioned incentive ceilings	Quoting based Cash Incentive	MMs fulfilling Level 2 Quote Obligations	Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 3 Lakh per day per MM. (refer Annexure 1 overleaf)	MMs fulfilling Level 3 Quote Obligations	Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 2 Lakh per day per MM (refer Annexure 2 overleaf).	OI based Cash Incentive	MM, GMP	Based on Daily Average OI		
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Clause 7	<b>Eligible Underlying</b> <ul style="list-style-type: none"> <li>S&amp;P BSE-100 Options contracts as per Table 2</li> </ul>	S&P BSE-100 Options contracts as per Table 2																		
Clause 8	<b>Time Lines</b> <ul style="list-style-type: none"> <li>Launch— April 26,2013</li> <li>The programme shall run till average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.</li> </ul>																			

Table 2—Trading Volume Based Cash Incentive

Moneyiness* (Call & Put)	Market Makers Incentive Rate (Rs. per Cr.)				General Market Participants Incentive Rate (Rs. per Cr.)			
	Passive*		Active*		Passive*		Active*	
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
All remaining ITMs	NA	NA	NA	NA	120	120	120	120
ITM 2	120	240	120	120	120	120	120	120
ITM 1	110	220	110	110	110	110	110	110
ATM	100	200	100	100	100	100	100	100
OTM 1	90	180	90	90	90	90	90	90
OTM 2	80	160	80	80	80	80	80	80
OTM 3	40	80	40	40	40	40	40	40
OTM 4	30	40	30	30	30	30	30	30
All remaining OTMs	NA	NA	NA	NA	0	0	0	0

£ - Illustration for trading volume based incentive calculation as per Incentive ceiling and payout structure :

Per minute Incentive Cap in 1 <sup>st</sup> minute of trading time.	Time period wise incentive cap In 1 <sup>st</sup> minute of trading time	Scenario 1 - Volume in 1 <sup>st</sup> minute of trading time	Scenario - 2 Volume in 1 <sup>st</sup> minute of trading time	Member A-Turnover in scenarios 1	Member A-Turnover in scenarios 2
All ITM,ATM,OTM1 & OTM 2	Rs.3.5 Cr	Rs.5 Cr	Rs.1Cr	OTM1 passive buy -Rs 3 Cr*	OTM1 passive buy -Rs 1 Cr
OTM3 & OTM 4	Rs.10.5 Cr	Rs.16 Cr	Rs.5 Cr	OTM3 active buy -Rs. 2Cr	OTM3 active buy -Rs. 5 Cr
Total	Rs.14 Cr	Rs.17 Cr	Rs.6 Cr	Rs.5 Cr	Rs.6 Cr

#### Scenario 1 - Total trading volume based cash incentive Rs.318/-

Pro-rata calculation— 1) All ITM,ATM,OTM1 &OTM2 = Rs 3.5 Cr/5Cr =0.7;

2)OTM3 & OTM4 = Rs.10.5 Cr/(Rs.16Cr+ Rs.1.5Cr) = 0.6 [Excess of 1st minute cap in All ITM,ATM,OTM1&OTM2 = Rs.5-Rs.3.5Cr = Rs.1.5Cr. ]

\*Member A Turnover in OTM1 after Session cap of Rs.3.5 Cr. was breached = Rs. 1.5 Cr.

#### Incentive calculation for Member A

OTM 1 Passive buy = A) Rs.3 Cr \* 0.7\* Rs.90/Cr = **Rs.189/-** ; B) Rs. 1.5 \* 0.6 \*Rs.90/Cr= **Rs.81/-**

OTM 3 active buy = C) Rs.2 Cr \*0.6\*Rs.40/Cr = **Rs.48/-** ; Total [A+B+C] = Rs.189+Rs.81+Rs.48 = **Rs.318/-**

#### Scenario 2 - Total trading volume based cash incentive Rs.290

OTM 1 Passive buy = Rs 1 Cr \*1\*Rs.90/Cr = **Rs.90 (No pro rata as incentive cap not breached)**

OTM 3 active buy = Rs 5 Cr \* 1 \* Rs.40/Cr = **Rs.200 (No pro rata as incentive cap not breached)**

Table 3—Level 1 Quote Obligations

Spread Specification for S&P BSE-100 Options ^	
Bid Prices of Premium (Rs.)	Maximum Spread (Rs.) (Current Month Contract)
0—9.9999	0.15
10—49.9999	0.25
50—99.9999	0.50
100—200	0.75
Above 200	1.00
Minimum quantity of contracts	10

\* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

§ ITM, ATM and OTM strike prices on which Level 1 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

^ If the sell Quote of any strike is quoted as 0.05 paise, then MM will not be obliged to give the Bid Quote.

**Annexure 1: Level 2—Quote Based Obligation and Incentive**

- MMs shall have flexibility to choose a spread – size specification from those listed in Table 4 and Table 5 below:

**Table 4—Level 2: Spread Size Specification**

	Option 1	Option 2	Option 3
<b>Maximum Spread</b>	Higher of 0.50% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5	Higher of 0.75% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5	Higher of 1.00% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5
<b>Minimum Lots (no. of contracts)</b>	30	40	50

**Table 5— Bid Price Based Maximum Permissible Spread for Level 2 Quoting Obligations**

Bid Price Range (Rs.)	Max. Permissible Spread (Rs.)
0 - 9.9999	0.15
10 - 49.9999	0.25
50 - 99.9999	0.50
100 - 200	0.75
Above 200	1.00

- MMs can interchangeably use the above spread—size specifications on an intra-day basis. i.e. MMs have the flexibility to choose different spread—size specifications at different points in time.

- Illustration:**

Case 1: MM 'A' maintained 2-way quote in the following manner (no time overlap amongst the options):

- ◆ At a spread of 0.50% of bid price with 30 lots between 9.15 am. to 12.00 pm
- ◆ At a spread of 0.75% of bid price with 40 lots between 12.00 pm. to 1.00 pm.
- ◆ At a spread of 1.00% of bid price with 50 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will be from 9.15 am to 3.00 pm.

Case 2: MM 'B' maintained 2-way quote in the following manner (time overlap amongst the options):

- ◆ At a spread of 0.50% of bid price with 30 lots between 9.15 am. to 12.00 pm.
- ◆ At a spread of 0.75% of bid price with 40 lots between 10.00 am. to 12.00 pm.
- ◆ At a spread of 1.00% of bid price with 50 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will be from 9.15 am. to 12.00 pm. and then from 1.00 pm. to 3.00 pm.

- Incentive payable to MMs upon fulfillment of Level 2—Quote Based Obligation in Current Month and Roll over month contract shall be as per table 6 below:

**Table 6—Level 2 Quote Obligation Incentive<sup>^</sup>**

Moneyness* (Call and Put)	Quote Based Cash Incentive (Level 2) Rate per MM for CALL (Rs.)	Quote Based Cash Incentive (Level 2) Rate per MM for PUT (Rs.)	Additional Incentive if Quoting in pairs	Total (Rs)	Quote Based Cash Incentive (Level 2) pool across all eligible MMs (Rs.)
ITM 2	20,000	20,000	5,000	45,000	2,28,000
ITM 1	18,000	18,000	4,000	40,000	2,00,000
ATM	18,000	18,000	4,000	40,000	2,00,000
OTM 1	13,500	13,500	3,000	30,000	1,52,000
OTM 2	9,000	9,000	2,000	20,000	1,00,000
OTM 3	6,750	6,750	1,500	15,000	72,000
OTM 4	4,500	4,500	1,000	10,000	48,000
<b>Total</b>	<b>89,750</b>	<b>89,750</b>	<b>20,500</b>	<b>2,00,000</b>	
<b>Additional Incentive for fulfilling quoting obligations in all the above strikes (Rs.)</b>					<b>1,00,000</b>
<b>Total Pool for Level 2 Quoting Incentives (Rs.)</b>					<b>4,00,000<sup>#</sup></b>

<sup>#</sup> Level 2 Quote Based Incentives shall be distributed from the existing daily pool of Rs. 4 Lakhs. i.e if the total of Level 2 Quote Based Incentives crosses Rs. 4 Lakhs, incentives shall be paid proportionately from the pool. During rollover period (2 days prior to expiry), a separate pool of Rs. 4 Lakhs shall be available for Level 2 Quote Based Incentives pertaining to roll over contracts.

<sup>^</sup> If the sell quote of any strike is quoted as 0.05 paise, then the MM will not be obliged to give the Bid Quote.

\* ITM, ATM and OTM strike prices on which Level 2 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

**Annexure 2: Level 3—Quote Based Obligation and Incentive**

- Market maker shall be paid Rs.2,00,000 daily incentive in addition to Level 2 Quote Based Incentive if he maintains 3 layered 2—way quotes in all the 14 strikes as published by the Exchange on the S&P BSE-100 Options.
- During roll over period (2 day prior to expiry), market maker shall also be paid Rs.2,00,000 if he maintains 3 layered 2—way quotes in all the 14 strikes of the current month as well as on roll over contracts as published by the Exchange on the S&P BSE-100 Options Contracts. However, MM willing to avail near month Quoting incentive, shall have to fulfil the quoting obligation of current month also.
- MMs shall have flexibility to choose a 3 layered quote spread — size specification from those listed in Table 7 and Table 8 below:

**Table 7—Level 3: Spread—Size Specification**

	Option 1	Option 2	Option 3
<b>Layer 1</b>	Higher of 0.50% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 30 contracts	Higher of 0.75% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 40 contracts	Higher of 1.00% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 50 contracts
<b>Layer 2</b>	Bid and ask price at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 30 contracts	Bid and ask quotes at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 40 contracts	Bid and ask quotes at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 50 contracts
<b>Layer 3</b>	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 30 contracts	Bid and ask quotes at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 40 contracts	Bid and ask quotes at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 50 contracts

**Table 8— Bid Price Based Maximum Permissible Spread for Layer 1 of Level 3 Quoting Obligations**

Bid Price Range (Rs.)	Max. Permissible Spread (Rs.)
0 - 9.9999	0.15
10 - 49.9999	0.25
50 - 99.9999	0.50
100 - 200	0.75
Above 200	1.00

**Illustration:**

- Case 1: Call ATM Strike with layer 1 at a spread of 0.50% of bid price & lot size of 30

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	30	45.00	45.40	30
Layer 2	30	44.75	45.65	30
Layer 3	30	44.50	45.90	30

- Case 2: Call ITM 1 Strike with layer 1 at a spread of 0.75% of bid price & default contract size of 40

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	40	101.00	101.75	40
Layer 2	40	100.75	102.00	40
Layer 3	40	100.50	102.25	40

- Case 3: Put OTM 2 Strike with layer 1 at a spread of 1.00% of bid price & default contract size of 50

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	50	6.00	6.15	50
Layer 2	50	5.75	6.40	50
Layer 3	50	5.50	6.65	50

- Case 4: Call ATM Strike with layer 1 at a spread of 0.50% of bid price & lot size of 30

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	30	45.00	45.40	30
Layer 2	30	45.00	45.40	30
Layer 3	30	45.00	45.40	30

- Similarly to Level 2—Quote Based Obligations, MM can interchangeably use any of the above 3-layered spread—size specifications on an intra-day basis. i.e. MMs may choose different 3—layered spread—size specifications at different point in time.
- Level 3 Quote Based Incentives shall be distributed from the **daily pool of Rs. 4 Lakhs**. i.e. if the total of level 3 Quote Based incentives crosses Rs. 4 lakhs, incentives shall be paid proportionately from the pool. During roll over period a separate daily pool of Rs. 4 Lakhs shall be available for Level 3 Quote Based Incentives pertaining to roll over contracts.
- If the sell quote of any strike is quoting as 0.05 paise, then the MM will not be obliged to give the Bid Quote.

#### **Expiry Day Quoting Incentive:**

On Expiry day, Market maker shall be paid from the pool (Additional) of Rs. 50,000/- if he maintains 3 layered 2 way quotes in all the current month Moneyness strikes except OTM 3 & OTM 4 strikes. However, if the bid price is equal to 0.05 paise, MM will be required to provide only 1 layered two way quote.

During the expiry day MM will also be eligible for the said incentive with flexibility to be present 75% of the trading time and with a 50% relaxation to the number of contract mentioned under the Table 7 under each option and each layer only for the current month contract.

#### **Annexure 3: Level 4—Quote Based Obligation and Incentive**

- Daily incentive pool of Rs. 1 lac for the current month if MM qualifies the spread size specification given below in all the Market making contracts.
- Any Market Maker who is qualifying for Level—3 incentive will not be eligible for level—4 incentive.
- On Expiry & Expiry—1 day i.e. roll over period for Level-2 & Level 3 , if the MM qualifies in Level—3 (either in current or roll over month) he will not be eligible for Level—4 incentives (Current & roll months contracts).
- On Expiry and Expiry-1 day additional incentive from the pool of Rs. 50,000/- for near month contracts only if the MM is quoting in the current month contract.
- MMs shall have flexibility to choose a spread — size specification from those listed in Table 9 and Table 10 below:

**Table 9—Level 4: Spread Size Specification**

	Option 1	Option 2	Option 3
<b>Maximum Spread</b>	Higher of 0.50% of Bid Price or Bid Price based Max. Permissible Spread as per Table 10	Higher of 0.75% of Bid Price or Bid Price based Max. Permissible Spread as per Table 10	Higher of 1.00% of Bid Price or Bid Price based Max. Permissible Spread as per Table 10
<b>Minimum Lots (no. of contracts)</b>	4	6	8

**Table 10— Bid Price Based Maximum Permissible Spread for Level 4 Quoting Obligations**

Bid Price Range (Rs.)	Max. Permissible Spread (Rs.)
0 - 9.9999	0.15
10 - 49.9999	0.25
50 - 99.9999	0.50
100 - 200	0.75
Above 200	1.00

Registration Form for General Market Participant (GMP)

Please print the form on next page on the official stationary (letter head) of the member and  
Submit it to your relationship manager.



To,  
Business Development,  
BSE Ltd,  
P.J Towers, Dalal Street,  
Mumbai 400001, India  
Fax: (022) 2272 3001

Registration as General Market Participant (GMP)

1. We \_\_\_\_\_(name of the member / Clearing Number) would like to register in LEIPS programme as a General Market Participant.
2. We have read and understood the details of the LEIPS programme.
3. We are aware that we have to follow a separate registration process if we are interested to participate in LEIPS programme as a Market Maker.
4. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate or amend the programme or expand one or more of the conditions laid down in their circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:

Front Office Vendor: \_\_\_\_\_

Back Office Vendor: \_\_\_\_\_

7. Listed below are the contact details of designated person from our organization for all derivatives related transactions:

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Mobile: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_  
Name Position (of Designated Person)

\_\_\_\_\_  
(Signature / Stamp of the company)

\_\_\_\_\_  
Place, Date

\_\_\_\_\_  
Phone / Fax/ Email Id

**Registration Form for Market Maker in LEIPS-XI**

(Please print the form on next page on the official stationary of the member and  
Submit it to your relationship manager)

To,  
Business Development Department,  
BSE Ltd,  
P.J Towers, Dalal Street,  
Mumbai 400001, India  
Fax: (022) 2272 3001

Registration in LEIPS-XI as Market Maker

1. We \_\_\_\_\_ (name of the member / Clearing Number) are registering as 'Market Maker' (MM) in listed underlying and type (as indicated in Table 1—List of underlying for Market Making) in accordance to the terms and conditions stated in the LEIPS-XI – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-XI – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-XI – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-XI circular (as well as all circulars issued by SEBI and the BSE) to maintain the sanctity of the market place. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate this programme or amend or expand one or more of the conditions laid down in this circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:  
Front Office Vendor: \_\_\_\_\_  
Back Office Vendor: \_\_\_\_\_
7. Listed are the contact details of the designated person from our organization for all derivatives related transactions:  
Name: \_\_\_\_\_  
Designation: \_\_\_\_\_  
Mobile: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

\_\_\_\_\_  
Name Position (Designated Person)  
\_\_\_\_\_  
(Signature / Stamp of the company)  
\_\_\_\_\_  
Place, Date  
\_\_\_\_\_  
Phone / Fax/ Email Id

Registration in LEIPS-XI as Market Maker (cont.)

Please indicate securities for which your firm is registering as market maker by putting a clearly marked “X” in the appropriate cell in the Table 1—List of underlying for Market Making (below). Your application shall be considered incomplete without this.

Table 1—List of Underlying for Market Making

Underlying	Options
S&P BSE-100	