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**NATIONAL SECURITIES CLEARING CORPORATION LIMITED  
FUTURES& OPTIONS SEGMENT**

**Circular No. NSCC/F&O/C&S/365**

**August 26, 2004**

**Sub: Market Wide Position Limit for futures and options on individual securities**

This circular is in partial modification to our earlier circular no. NSCC/F&O/C&S/200 dated June 17, 2003 and in accordance with the SEBI circular SEBI/DNPD/Cir-26/2004/07/16 dated July 16, 2004.

Accordingly, the market wide position limit for futures and options on individual securities shall stand modified as under:

**1. Market Wide Position Limit for futures and options on individual securities:**

The market wide limit of open position (in terms of the number of underlying stock) on futures and option contracts on a particular underlying stock shall be lower of-

- 30 times the average number of shares traded daily, during the previous calendar month, in the relevant underlying security in the underlying segment,

Or

- 20% of the number of shares held by non-promoters in the relevant underlying security i.e. free-float in terms of the number of shares of a company.

This limit is applicable on all open positions in all futures and option contracts on a particular underlying stock.

The relevant authority shall specify the market wide position limits on the last trading day of the previous month which shall be reckoned for this purpose during the next month.

The requirement of increase in the price scan range and volatility scan range, when the total open interest in particular underlying stock reaches 80% and 90% of the market wide limit of the underlying stock, stands revoked.

**The revised market wide position limits shall be enforced as under:**

- At the end of each day the Exchange shall test whether the market wide open interest for any scrip exceeds 95% of the market wide position limit for that scrip. If so, the Exchange shall take note of open position of all client/ TMs as at the end of that day in that scrip, and from next day onwards the client/ TMs shall trade only to decrease their positions through offsetting positions till the normal trading in the scrip is resumed.
- The normal trading in the scrip shall be resumed only after the open outstanding position comes down to 80% or below of the market wide position limit
- The dissemination of market wide position limits shall be given at regular interval or such other duration as may be decided by the relevant authority.
- At the end of each day during which the ban on fresh positions is in force for any scrip, when any member or client has increased his existing positions or has created a new position in that scrip the client/ TMs shall be subject to a penalty 1% of the value of increased position subject to a minimum of Rs.5000 and maximum of Rs.1, 00,000. The positions, for this purpose, will be valued at the underlying close price. An example for the above is given in Annexure
- The penalty shall be recovered from the clearing member affiliated with such trading members/clients on a T+1 day basis along with pay-in. The amount of penalty shall be informed to the clearing member at the end of the day.
- Further, where a stock has remained subject to the ban on new position for a significant part of the month consistently for three months the security shall be phased out as per SEBI circular no. SMDRP/DC/CIR -13/02 dated December 18, 2002.

Further, for securities having a mean value of impact cost greater than 1% in addition to the price scanning range, the minimum initial margin for futures on individual securities and the short option minimum charge for option on individual securities contracts shall also be scaled up by square root of three.

This circular shall be effective from September 01, 2004.

Members are advised to take note of the above.

For any further clarifications Members may contact the following officials of the Clearing Corporation:

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For National Securities Clearing Corporation Ltd.

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**Annexure 1**

**Illustration for computing positions for levy of penalty**

In cases where the clients/ TMs have reduced their positions during the period when the ban on fresh positions is in force for any scrip but subsequently increases the position during the ban period, the penalty shall be computed based on the value of increase in positions. The same is illustrated with an example:

	Open Positions		
	Day 1	Day 2	Day 3
<b>% of MWPL</b>	<b>95%</b>	<b>94%</b>	<b>91%</b>
Client A	1000	1100	1080
Client B	900	850	875
Position on which penalty shall be levied on client A	-	100	80
Position on which penalty shall be levied on client B	-	0	25