भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

प्रेस विज्ञप्ति
PRESS RELEASE

संपर्क प्रभाग, सेबी भवन, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
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PR No.34/2020

Regulatory measures to continue

On review of the COVID-19 pandemic related situation, it has been decided that the regulatory measures introduced vide SEBI Press Release dated March 20, 2020[1], shall continue to be in force till **July 30, 2020**.

The stock exchanges and clearing corporations will be issuing necessary instructions to the market participants in this regard.

Mumbai
June 18, 2020

[1] SEBI Press Release dated March 20, 2020 is available at - https://www.sebi.gov.in/sebi_data/attachdocs/mar-2020/1584706501261.pdf

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PR No.18/2020

Regulatory measures taken by SEBI in view of ongoing market volatility

1. In the recent past, world over, the stock markets have been quite volatile owing to concerns relating to COVID-19 pandemic and the resultant fear of economic slowdown. The movement in the Indian stock market has been broadly in tandem with the other global markets.

2. On account of our existing robust risk management framework, despite significant movements in the market, there has not been any disruption in the settlement cycles of the Stock Exchanges / Clearing Corporations.

3. Taking note of the continued abnormally high volatility in the market, SEBI discussed with the Stock Exchanges, Clearing Corporations and Depositories appropriate measures that may be taken in the existing circumstances.

4. Pursuant to the said discussions and keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity, measures as per **Annexure A** have been taken.

5. These measures will kick-in w.e.f. the beginning of trading on March 23, 2020 and will be in effect for a period of one month. The position would be reviewed thereafter and appropriate view taken thereupon.

6. The stock exchanges / clearing corporations will be issuing necessary instructions to the market participants in this regard.

7. SEBI and Stock Exchanges will continuously monitor the market developments and review the position and take any further suitable actions as may be required.

Annexure-A

1. **Stocks in derivatives segment (F&O stocks)**

   (i) Revision of Market Wide Position Limit (MWPL)

   For stocks in F&O segment meeting the following criteria, MWPL may be revised to 50% of the existing levels:

   a) Average Daily Price High Low variation percentage (during last 5 trading days) should be more than or equal to 15%,

   OR

   b) Average MWPL utilization percentage (during last 5 trading days) should be more than or equal to 40%

   The aforesaid revised MWPL shall be for the purpose of introducing ban period on fresh positions and not for determining the enhanced eligibility criteria for derivatives stocks as mentioned in the SEBI circular SEBI/HO/MRD/DP/CIR/P/2018/67 dated 11 April, 2018.

   End-of-day positions, as on the date of issuance of the circulars by the stock exchanges / clearing corporations in this regard, would not be impacted.

   In the event MWPL utilization in a security crosses 95%, derivative contracts enter into a ban period, wherein, all clients / trading members are required to trade in the derivative contracts of said scrips only to decrease their positions through offsetting positions. Any increase in open positions would attract appropriate penal and/or disciplinary action of the stock exchanges / clearing corporations.

   Accordingly, stock exchanges / clearing corporations shall put in place effective mechanism to monitor whether the market wide open interest for scrips meeting the aforesaid criteria exceeds 95% of the reduced market wide position limit as arrived at above. Further, the stock exchanges / clearing corporations shall check on an intra-day basis (monitoring of Peak intraday OI or periodic intraday monitoring of OI) whether any member or client has exceeded his existing positions or has created a new position in the scrips in the new ban period.

In addition, the current penalty structure adopted by the stock exchanges / clearing corporations may be enhanced to 10 times of the minimum and 5 times of the maximum penalties specified by the stock exchanges / clearing corporations, to function as an effective deterrent in the current market context.

The above framework may be applicable w.e.f. March 23, 2020 for a period of 1 month.

(ii) Increase in margin for stocks meeting the aforesaid criteria (as mentioned at Sr. No. 1(i))

- For such stocks, margin rate in Cash Market shall be increased to minimum 40% in a phased manner as follows:
  - Minimum 20% to be effective from March 23, 2020
  - Minimum 30% to be effective from March 26, 2020
  - Minimum 40% to be effective from March 30, 2020
- Proposed margins would only be applied in Cash Market (i.e., derivatives contracts on these stocks will continue to be charged margins as per the extant framework).
- Proposed margins rate may be applicable for a period of 1 month.

2. Increase in margin for Non-F&O Stocks in Cash Market

(i) For stocks with price band of 20% and witnessing an intraday (high-low) price movement of more than 10% for 3 or more days in last 1 month, minimum margin rate shall be increased in a phased manner as follows:

- 30% to be effective from March 23, 2020
- 40% to be effective from March 26, 2020
- 40% or Max intraday high-low variation (during last 1 month), whichever is higher, to be effective from March 30, 2020

(ii) The above margin rates may be applicable for a period of 1 month.

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.

(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.

4. Flexing of dynamic price bands for F&O stocks

(i) Currently, stocks in the F&O segment are subject to dynamic price bands. The bands are relaxed in the event of market trends in either direction. One of the conditions followed by stock exchanges for relaxing the price band is that a minimum of 25 trades should be executed with 5 different UCCs on each side of the trade at or above 9.90% and so on.

(ii) In addition to the existing requirements, the dynamic price bands may be flexed only after a cooling-off period of 15 minutes from the time of meeting the existing criteria specified by stock exchanges for flexing.