

CIRCULAR

SEBI/HO/MRD/TPD-1/P/CIR/2025/79

May 29, 2025

To**All Stock Exchanges****All Clearing Corporations****(Except Commodity Derivatives Exchanges and Clearing Corporations)**

Sir/Madam,

Measures for Enhancing Trading Convenience and Strengthening Risk Monitoring in Equity Derivatives

1. Derivatives market enables efficient price discovery, improved market liquidity and permits investors to manage risk. Stock Exchanges and Clearing Corporations (CCs) together provide the platform and products for trading in derivatives market, while ensuring online real time risk management, adequate surveillance, as well as smooth settlement of trades.
2. The role of product offering, risk management, and surveillance by Stock Exchanges and Clearing Corporations is crucial in ensuring integrity of securities market ecosystem. This is specifically pertinent in view of the evolving market dynamics in derivatives segment in recent years, with increased retail participation, offering of short tenure index options contracts, and heightened trading volumes in index derivatives on expiry day. Regulation 28 (2) read with Part–C of Schedule II of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations, 2018), considers Risk Management, Surveillance, and Product development functions of Stock

Exchanges and Clearing Corporations as core functions. In addition, Clearing and Settlement is considered as a core function of Clearing Corporations.

3. The Securities and Exchange Board of India Act, 1992 ("SEBI Act") mandates SEBI to protect the interest of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit. One of the means to achieve the aforesaid mandate as provided in the SEBI Act is to regulate the market through measures that enables regulating the business of Stock Exchanges.
4. In order to review the existing regulatory measures for investor protection while ensuring the orderly development and strengthening of equity Futures and Options (F&O) market, as well as to identify measures to assist Stock Exchanges in carrying out their aforementioned core functions, SEBI deliberated the matter with Expert Working Group (EWG) on derivatives, to improve risk metrics for the following objectives:
 - 4.1. Better monitoring and disclosure of risks in F&O
 - 4.2. Reduce instances of spurious F&O ban periods in single stocks
 - 4.3. Better oversight over the possibility of concentration or manipulation risk in index options
5. On the basis of the measures recommended by the EWG, a [consultation paper](#) was issued by SEBI on February 24, 2025, in the matter. The comments received were examined by SEBI and the matter was further deliberated in Secondary Market Advisory Committee (SMAC) along with Stock Exchanges and CCs. Based on the deliberations, it has been decided to put in place the following measures to strengthen the equity derivatives framework (Implementation timelines provided at Para 6 of the circular):

5.1. Formulation of Open Interest

- 5.1.1. Open Interest (OI) of the participants in derivatives shall be measured at a portfolio level by computing the net Delta adjusted open positions across

futures and options for an underlying at a given point in time. Delta denotes sensitivity of price movement of derivative position with respect to that of the underlying. Accordingly, long futures have a delta of +1 times notional. For options, delta will range between 0 and +1 times notional for long calls and between 0 and –1 times notional for long puts. In case of short options position, effective delta for short calls is negative and that of short put is positive.

5.1.2. Gross addition of such net Future Equivalent Open Interest (FutEq OI) across all Unique Client Codes (UCCs) would form the FutEq OI for the Stock/Index Derivatives, as illustrated in Table 1 below.

Table 1: Illustration of FutEq OI for various F&O positions

Scrip 1	Long Position in Futures	Long Position in Call	Delta of long Call	Long Position in Put	Delta of long Put	Short Position in Put	Delta of Put	Short Position in Call	Delta of call	Notional OI	FutEq OI
Client 1	300									300	300
Client 2		500	0.5							500	250
Client 3	300	500	0.5	400	-0.5					1200	350
Client 4						-400	-0.5	-400	0.5	800	0
Market wide OI										2800	900

5.1.3. CCs have been disseminating FutEq OI for all the scrips/indices on their websites and have been intimating entity level FutEq OI to participants through their portal. The same shall be continued for the instant purpose.

5.2. Definition of Market Wide Position Limit (MWPL)

5.2.1. As per Clause 3.3.2.1.1 of Chapter 5 of the SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, MWPL for single stocks (i.e. aggregate open positions in all futures and all options contracts on a particular underlying stock) is 20% of the number of shares held by non-promoters in the relevant underlying security (i.e. free float holding).

5.2.2. It has been decided to calibrate it to the new formulation of OI measurement and also link it to cash market activity in the following way:

- 5.2.3. The MWPL shall be lower of 15% of free float and 65x Average Daily Delivery Value (ADDV) across CCs with a floor limit of 10% of free float.
- 5.2.4. This metric shall be recalculated every three months based on the rolling ADDV for the preceding three month period.
- 5.2.5. Tying the MWPL to cash market delivery volume will reduce the potential manipulation and better align derivatives risk with the underlying cash market liquidity.
- 5.2.6. As per Clause 3.3.2.1.2.1 of Chapter 5 of the SEBI Master Circular dated December 30, 2024, the Stock Exchanges are required to test, at the end of the day, whether the market wide Open Interest for any scrip exceeds 95% of the MWPL for that scrip. Henceforth, Stock Exchanges/CCs shall test whether the market wide FutEq OI for any scrip exceeds 95% of the proposed MWPL for that scrip.

5.3. Position Creation for Single Stocks during Ban Period

- 5.3.1. As per Clause 3.3.2.1.2.1 of Chapter 5 of the SEBI Master Circular dated December 30, 2024, once the market wide Open Interest for any scrip exceeds 95% of the MWPL for the scrip, the members/clients shall trade only to decrease their positions through offsetting positions (this is called ban period).
- 5.3.2. It has been decided that any trading done by entities in the derivatives contracts of a scrip, subsequent to its entry in the ban period, should result in reduction of FutEq OI on end of day basis. For instance, if delta position is (+10) or say (-10) at the end of day 1, then it could be reduced till 0 by end of day 2. Change in sign of delta value would not be considered an acceptable instance of reduction of delta position. Further, passive increase in FutEq OI on account of movement in the scrip shall not be considered a breach.
- 5.3.3. For illustration, assume the position of an entity at the end of day 1 when the scrip went in to ban period in derivatives, as mentioned in the table below. For subsequent days, the examples of permissible behavior from the perspective of delta reduction is illustrated in Table 2:

Table 2: Illustration of position creation during ban period

Day	EoD Position	Comments
1	Long Futures 1 lot	Stock went into ban period EoD day 1. Delta position is positive. Any decrease till 0 is permissible on subsequent days.
2	Long Futures 1 lot (with underlying appreciating by 5%)	Passive increase in EoD delta by 5% as no new position is created. Permissible.
3	Long Futures 1 lot + Long Put option 1 lot	Overall delta reduction as long put has negative delta. Permissible.
4	Long Futures 1 lot + Long Put option 1 lot + Short OTM Call option 1 lot	Further delta reduction as short call has negative delta. As long as EoD delta above 0, permissible.
5	Long Futures 2 lot + Long Put option 1 lot + Short Call option 1 lot	Additional Delta creation in positive side compared to previous day. Not permissible.

5.3.4. CCs to prepare a joint SOP, in consultation with SEBI, for monitoring the end of day delta position of entities and penalty structure thereof in this regard within one month from the date of the circular (Implementation date of this measure is mentioned at Para 6 of the circular).

5.4. Intraday monitoring of MWPL utilization for single stocks

5.4.1. To safeguard market integrity and limit settlement risk from intraday spikes in FutEq OI, Stock Exchanges shall perform intraday monitoring of MWPL utilization at least four random times during the trading session to:

5.4.1.1. take appropriate actions once OI utilization breaches certain limits such as levying Additional Surveillance Margin, monitoring for entity level concentration, additional surveillance checks etc.

5.4.1.2. report instances of significant utilization of MWPL / breach of MWPL to SEBI in the fortnightly Surveillance meeting.

5.4.2. Stock Exchanges shall prepare a joint SOP, in consultation with SEBI, in this regard within one month from date of the circular (Implementation date of this measure is mentioned at Para 6 of the circular).

5.5. Position Limits for Index Futures and Index Options

5.5.1. In order to strike a balance between market stability / fear of manipulation of underlying constituents associated with a large size index position and the ability to take meaningful exposure by participants, following limits have been stipulated for index options at PAN level:

5.5.1.1. Net end of day FutEq OI limit for options to be ₹1,500 cr. and gross FutEq OI to be ₹10,000 cr. (i.e. neither gross long FutEq OI nor gross short FutEq OI shall exceed ₹10,000 cr.).

5.5.1.2. Stock Exchanges shall prepare a joint SOP, in consultation with SEBI, to strictly monitor intraday positions and trading activities of major participants from the perspective of market integrity / surveillance concerns and take appropriate measures.

5.5.2. In order to facilitate market participants to take meaningful market wide exposure and to develop index futures segment further, following position limits are stipulated for index futures:

5.5.2.1. FPI Category I / Mutual Funds / Trading Member (Proprietary) / Clients - higher of 15% of futures OI for that index or ₹500 cr.

5.5.2.2. FPI Category II (other than individuals, family offices and corporates) - higher of 10% of futures OI or ₹500 cr.

5.5.2.3. FPI Category II (Individuals, family offices and corporates) higher of 5% of futures OI or ₹500 cr.

5.5.2.4. The above stated position limits for index futures would be measured on gross notional basis.

5.5.2.5. As Open Interest of both the participants and the market is dynamic and changing throughout the day and with a view to provide better clarity to the market participants in terms of their position limits, the following has been decided:

- 5.5.2.5.1. Positions of market participants in the equity derivatives segment (index) shall also be monitored based on total Open Interest of the market at the end of previous day's trade.
- 5.5.2.5.2. In case of a drop in market OI compared to the previous day's market OI, market participants may breach the specified position limits even if their positions have remained unchanged/reduced throughout the day.
- 5.5.2.5.3. Such cases of passive breaches shall not be considered as violation.
- 5.5.3. In line with existing practice, in addition to the above specified position limits for index options and index futures, entities shall be allowed to take additional exposure in equity index derivatives subject to the following:
 - 5.5.3.1. Aggregate short positions in index derivatives (short futures, short calls and long puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index futures) the holding of stocks.
 - 5.5.3.2. Aggregate long positions in index derivatives (long futures, long calls and short puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index futures) the holding of cash and cash equivalent, government securities, T-Bills and similar instruments.
 - 5.5.3.3. Stock Exchanges / CCs shall prepare a joint SOP, in consultation with SEBI, for monitoring the positions of entities including the penalty/additional surveillance margin framework for entities breaching the position limits. The SOP shall be prepared within 30 days from the date of the Circular and shall also cover the reporting framework for entities taking additional exposure beyond the limits prescribed at para 5.5.3.1 and 5.5.3.2 of the Circular.
- 5.5.4. Considering that market participants may be in the process of designing systems to monitor their FutEq OI, in discussion with market participants and Stock Exchanges/CCs, following glide path for implementing aforesaid position limits for index options, shall be provided by Stock Exchanges w.e.f. July 01, 2025:

- 5.5.4.1. By 9 PM on each trading day (T), Stock Exchanges shall intimate the entities (and their TM/CM) if the FutEq OI in options on any index is beyond the permissible limit (i.e. ₹1,500 cr. net or ₹10,000 cr. gross long / gross short as mentioned at Para 5.5.1.1 above).
- 5.5.4.2. If the entity has long position beyond permissible limits then cash (or cash equivalent) would be required to be intimated to Stock Exchanges / CCs by 12 noon next trading day (T+1).
- 5.5.4.3. If the entity has short position beyond permissible limits after considering the security holding value of T day or long position beyond permissible limits after considering the cash / cash equivalent reported by 12 noon on T+1 day, the entity will have to bring down options positions within permissible limit by end of T+1, as per delta value of derivatives contracts as of end of T+1.
- 5.5.4.4. If entities don't have systems to compute same day delta, bringing end of day position on T+1 day within the permissible limit with T day market close data provided by Stock Exchange for various derivatives contracts, shall also be considered acceptable.
- 5.5.4.5. If the entity fails to reduce the position within the permissible limit on T+1 day, as mentioned above, the same would attract Additional Surveillance Deposit/Penalty as decided by Stock Exchanges.
- 5.5.4.6. The aforesaid glide path will be applicable till December 05, 2025, post which entities willing to take large delta based positions in index options are expected to have their own delta computing / monitoring system.
- 5.5.4.7. Subsequent to December 05, 2025, the end of day excess position in index options on each day shall be checked by exchanges against the holding of securities / reported cash or equivalent on that day. Excess position beyond permissible limits, will attract Additional Surveillance Deposit/Penalty, as decided by Stock Exchanges.
- 5.5.4.8. It is emphasized that the provision of one day to reduce the position beyond permissible limit is only with the intention to provide time to implement delta monitoring system by entities / trading members who wish to take positions close to or beyond permissible limit. It would

not impact typical retail traders / investors. To that extent, Stock Exchanges shall discuss the instances of entities repeatedly taking excess position for a day in fortnightly surveillance meeting with SEBI to ensure that the instant glide path is not misused by any entity to take large overnight positions beyond permissible limit.

5.5.4.9. Stock Exchanges/CCs shall submit a joint SOP to SEBI for operationalizing position limit monitoring during the aforesaid glide path within one month from the date of circular. The said SOP shall also include details of appropriate measures to be taken by Stock Exchanges in case of repeated instances of position creation by entities beyond permissible limit for one day.

5.5.4.10. Clauses 1.3.2, 1.3.3, 1.3.4 and 1.3.5 of Chapter 5 of SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024 provide for position limits for index futures and Clauses 2.3.2, 2.3.3 and 2.3.4 provide for position limits for index options. These clauses are modified to account for the stipulation on position limits for index options and index futures and are reproduced at **Annexure-1** of the Circular.

5.6. Pre-open session for the derivatives market

5.6.1. The pre-open session to be extended to current-month futures contracts on both single stocks and indices, mirroring the modalities of the cash market's pre-open and post-closing sessions.

5.6.2. In the last five trading days before expiry, these sessions shall extend to next-month futures contracts as liquidity shifts from one expiry to the other on account of rollover of futures contracts.

5.7. Eligibility criteria for Derivatives on Non-Benchmark indices

5.7.1. In addition to the existing eligibility criteria for derivatives on indices, specified in Clause 1.1.2 of Chapter 5 of SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, Stock Exchanges shall follow the following prudential norms before introducing derivatives on non-benchmark indices:

- 5.7.1.1. Minimum of 14 constituents.
 - 5.7.1.2. Top constituent's weight $\leq 20\%$
 - 5.7.1.3. Combined weight of the top three constituents $\leq 45\%$
 - 5.7.1.4. All other constituents' individual weights must be lower than those of the higher-weighted constituents (i.e., a descending weight structure).
- 5.7.2. Exchanges shall evaluate and ensure compliance with the aforesaid additional criteria at the end of every calendar quarter. Stock Exchanges shall submit their proposal for non-benchmark indices having derivatives contracts on them to SEBI, within 30 days from the date of the circular.

5.8. Individual Entity-Level Position Limits for Single Stocks

- 5.8.1. The existing combined futures and options position limits for single stocks which are essentially linked to MWPL, as per Clause 3.3.2 and 4.3.2 of Chapter 5 of SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, are recalibrated to the new definition of MWPL as follows:
- 5.8.1.1. Client / NRI: 10% of MWPL
 - 5.8.1.2. Trading Member (Proprietary): 20% of MWPL
 - 5.8.1.3. Trading Member (Proprietary + Client) / FPI (Category I) / MF: 30% of MWPL
 - 5.8.1.4. FPI (Category II - other than FPIs in sub-category individuals, family offices, corporates): 20% of MWPL
 - 5.8.1.5. FPI (Category II - FPIs in sub-category individuals, family offices, corporates): 10% of MWPL
 - 5.8.1.6. To address the issue of entity holding significant percentage of OI in the scrip, Stock Exchanges / CCs shall prepare a joint SOP, in consultation with SEBI, to monitor such position of top entities and take appropriate measures in case of surveillance / market stability concerns arising out of concentrated / outsized positions both at delta level and notional level.

6. Phased implementation of proposals:

In line with discussions with Stock Exchanges / CCs and other stakeholders, and in order to provide adequate time to market participants for shifting to FutEq OI, the phased implementation timelines are as under:

Sr. No	Para	Brief description of the measure	Effective From
1	5.1	Formulation of FutEq Open Interest	Already implemented
2	5.2	Definition of Market Wide Position Limit	October 01, 2025
3	5.3	Position creation for Single Stocks during Ban Period	October 01, 2025
4	5.4	Intraday monitoring of MWPL utilization for single stocks	November 03, 2025
5	5.5	Position Limits for Index Futures	July 01, 2025
		Position Limits for Index Options (glide path implementation)	July 01, 2025 to December 05, 2025
		Position Limits for Index Options (normal implementation)	December 06, 2025
6	5.6	Pre-open session for the derivatives market	December 06, 2025
7	5.7	Eligibility criteria for Derivatives on Non-Benchmark indices	November 03, 2025
8	5.8	Individual Entity-Level Position Limits for Single Stocks	October 01, 2025

(In general, implementation dates are aligned with monthly compliance mock sessions conducted by Stock Exchanges which happen on first Saturday of the month).

7. Stock Exchanges and Clearing Corporations are directed to take necessary steps to put in place systems for implementation of this Circular, including necessary amendments to the relevant bye-laws, rules and regulations, if any.
8. This circular is being issued in exercise of powers conferred under Section 11(1) read with Section 11(2)(a) of the SEBI Act, 1992, read with Regulation 51 of SECC Regulations, 2018, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

9. This circular is available on SEBI website at www.sebi.gov.in under the category “Legal → Circulars”.

Yours faithfully,

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Annexure-1 – Clauses of Chapter 5 of SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, for Position Limits in Index Derivatives

Index Futures

1.3.2. Position Limits:

1.3.2.1. Market Level:

There are no market wide position limits specified for index futures contracts.

1.3.2.2. Trading Member(Proprietary)/ FPI/ Mutual Fund/ Client:

1.3.2.2.1. Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:

1.3.2.2.1.1. Aggregate short positions in index derivatives (short futures, short calls and long puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index futures) the holding of stocks. The same shall be sourced from the depositories by the Stock Exchanges.

1.3.2.2.1.2. Aggregate long positions in index derivatives (long futures, long calls and short puts) shall not exceed (FutEq terms for Index options and gross notional terms for Index futures) the holding of cash and cash equivalent, government securities, T-Bills and similar instruments. The members of the respective entities shall report the same to Clearing Corporation.

1.3.2.2.2. Further to para 1.3.2.2.1 above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients in index futures:

1.3.2.2.2.1. FPI Category I / Mutual Funds / Trading Member (Proprietary) / Clients - higher of 15% of futures OI for that index or ₹500 cr.

1.3.2.2.2. FPI Category II (other than individuals, family offices and corporates) - higher of 10% of futures OI or ₹500 cr.

1.3.2.2.3. FPI Category II (Individuals, family offices and corporates) higher of 5% of futures OI or ₹500 cr.

1.3.2.2.3. The above stated position limits for index futures would be measured on a gross notional basis. The position limits shall be computed on a gross basis at the level of MF and on a net basis at the level of FPI/client/sub-schemes of MF and proprietary positions.

1.3.2.2.4. Stock Exchanges / CCs shall prepare a joint SOP, in consultation with SEBI, for monitoring the positions of entities including the penalty/additional surveillance margin framework for entities breaching the position limits. The SOP shall also cover the reporting framework for entities taking additional exposure beyond the limits prescribed at para 1.3.2.2.1.

1.3.2.2.5. As per existing practice, if any of the aforesaid entities exceed the respective limits prescribed at para 1.3.2.2.1 and para 1.3.2.2.2 above, an additional deposit shall be payable by the entity equivalent to the amount of margin chargeable on excess position beyond the limits prescribed at para 1.3.2.2.1 and para 1.3.2.2.2. above and the same shall be retained by Stock Exchanges for a period of 1 month”.

1.3.2.3. Trading Member (Proprietary + Client):

1.3.2.3.1. From October 15, 2024, the position limits available for Trading Member (Proprietary + Clients) shall be higher of 15% of futures OI for that index or ₹7,500 cr.

1.3.2.3.2. The above stated position limits for index futures would be measured on a gross notional basis.

1.3.2.3.3. Stock Exchanges / CCs shall prepare a joint SOP including the penalty structure, in consultation with SEBI, for monitoring the breach of position limits by the entities.

1.3.3. Monitoring of position limits at the end of day:

1.3.3.1. FPI

1.3.3.1.1. The FPI shall report to the Clearing Member (Custodian) the extent of FPI's holding of cash, government securities, T-Bills and similar instruments before the end of the day. The Clearing Member (Custodian) in turn shall report the same to the Clearing Corporation as required in point 1.3.2.2.1.2.

1.3.3.1.2. The Stock Exchange shall monitor the FPI position limits in equity index derivative contracts in the manner specified below:

1.3.3.1.2.1. The FPI would be required to notify the names of the Clearing Member/s and Custodian through whom it would clear its derivative trades to Clearing Corporation.

1.3.3.1.2.2. A unique code would be assigned by the Clearing Corporation to each registered FPI intending to trade in derivative contracts.

1.3.3.1.2.3. The FPI would be required to confirm all its positions to the designated Clearing Members online but before the end of each trading day.

1.3.3.1.2.4. The designated Clearing Member/s would at the end of each trading day submit the details of all the confirmed FPI trades to the Clearing Corporation.

1.3.3.1.2.5. The Stock Exchanges would compute the total FPI trading exposure and monitor the position limits at the end of each trading day. The cumulative

FPI position may be disclosed to the market by the Clearing Corporation on a T + 1 basis, before the commencement of trading on the next day.

1.3.3.1.2.6. In the event of an FPI breaching the position limits on any derivative contract on an underlying index, action as specified in 1.3.2.2.5 shall be applicable.

1.3.3.1.3. The open position for index derivative contracts would be valued as the FutEq OI multiplied with the closing price of the respective underlying in the cash market.

1.3.3.2. Mutual Fund

1.3.3.2.1. The Mutual Fund shall notify the names of the Clearing Member/s for each scheme through whom it would clear its derivative contracts to Clearing Corporation. The Stock Exchange would then assign a unique client code to each scheme of the Mutual Fund. For the purpose of monitoring of position limits, the Mutual Funds will be considered as trading members like registered FPIs and the schemes of Mutual Funds will be treated as clients.

1.3.4. Intra-day monitoring of position limits:

1.3.4.1. In addition to the End of Day monitoring mechanism as stated above, the position limits, for equity index derivative contracts, would also be monitored on an intraday basis from April 01, 2025.

1.3.4.2. For this purpose, Stock Exchanges shall consider minimum four position snapshots during the day. The number of snapshots may be decided by the respective Stock Exchanges subject to a minimum of 4 snapshots in a day. The snapshots would be randomly taken during pre-defined time windows.

1.3.4.3. However, there shall be no penalty for breach of existing position limits intraday and such intraday breaches shall not be considered as violations.

1.3.4.4. Stock Exchanges shall prepare a joint SOP, in consultation with SEBI, to strictly monitor intraday positions and trading activities of major participants from the perspective of market integrity / surveillance concerns and take appropriate measures.

1.3.5. Passive breaches of position limits:

1.3.5.1. As Open Interest of both the participants and the market is dynamic and changing throughout the day and with a view to provide better clarity to the market participants in terms of their position limits, the following has been decided:

1.3.5.1.1. Positions of market participants in index future contracts shall also be monitored based on total OI of the market in index future contracts, at the end of previous day's trade.

1.3.5.1.2. In case of a drop in index futures OI compared to the previous day's index futures OI, market participants may breach the specified position limits even if their positions have remained unchanged/reduced throughout the day.

1.3.5.1.3. Such cases of passive breaches shall not be considered as violation.

Index Options

2.3.2. Position Limits:

2.3.2.1. Market Level

There are no market wide position limits specified for index option contracts.

2.3.2.2. Mutual Fund/ FPI/ Trading Member (Proprietary)/ Client

2.3.2.2.1. Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:

- 2.3.2.2.1.1. Aggregate short positions in index (short futures, short calls and long puts) shall not exceed (in FutEq terms) the holding of stocks. The same shall be sourced from the depositories by the Stock Exchanges.
- 2.3.2.2.1.2. Aggregate long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in FutEq terms) the holding of cash and cash equivalent, government securities, T-Bills and similar instruments. The members of the respective entities shall report the same to Clearing Corporation
- 2.3.2.2.2. Further to para 2.3.2.2.1. above, additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients in index options:
- 2.3.2.2.2.1. Net end of day FutEq limit to be ₹1,500 cr. And
- 2.3.2.2.2.2. Gross end of day FutEq limit to be ₹10,000 cr. (i.e. both long delta and short delta shall not cross ₹10,000 cr. each).
- 2.3.2.2.3. Stock Exchanges / CCs shall prepare a joint SOP, in consultation with SEBI, for monitoring the breach of position limits by the entities.
- 2.3.2.2.4. Till the aforesaid SOP is formalized, as per the exiting practice, if any of the aforesaid entities exceed the respective limits prescribed at para 2.3.2.2.1 and para 2.3.2.2.2 above, an additional deposit shall be payable by the entity equivalent to the amount of margin chargeable on excess position beyond the limits prescribed at para 2.3.2.2.1 and para 2.3.2.2.2 above and the same shall be retained by stock exchanges for a period of 1 month.
- 2.3.2.2.5. In terms of glide path for implementing the position limits for index options, as stated at para 2.3.2.2.1 and para 2.3.2.2.2 above, the following facilitation shall be provided by Stock exchanges from July 01, 2025 till December 5, 2025:

- 2.3.2.2.5.1. By 9 PM on each trading day (T), Stock Exchanges shall intimate the entities (and their TM/CM) if the FutEq OI in options on any index is beyond the permissible limit (i.e. ₹1,500 cr. net or ₹10,000 cr. gross long / gross short).
- 2.3.2.2.5.2. If the entity has long position beyond permissible limits then cash (or cash equivalent) would be required to be intimated to Stock Exchanges / CCs by 12 noon next trading day (T+1). If the entity has short position beyond permissible limits after considering the security holding value of T day or long position beyond permissible limits after considering the cash / cash equivalent reported by 12 noon on T+1 day, the entity will have to bring down options positions within permissible limit by end of T+1, as per delta value of derivatives contracts as of end of T+1.
- 2.3.2.2.5.3. If entities don't have systems to compute same day delta, bringing end of day position on T+1 day within the permissible limit with T day market close data provided by Stock Exchange for various derivatives contracts, shall also be considered acceptable.
- 2.3.2.2.5.4. If the entity fails to reduce the position within the permissible limit on T+1 day, as mentioned at para 2.3.2.2.5.3 above, would result in to levy of Additional Surveillance Deposit by Stock exchanges in accordance with para 2.3.2.2.4 above.
- 2.3.2.2.5.5. The above glide path will be applicable till December 05, 2025, post which entities willing to take large delta positions in index options are expected to have their own delta computing / monitoring system. Subsequent to December 05, 2025, the end of day excess position in index options on each day shall be checked by Stock Exchanges against the holding of securities / reported cash or equivalent on that day. Excess position beyond permissible limits, will attract Additional Surveillance Deposit/Penalty, as decided by Stock Exchanges.

2.3.2.2.5.6. It is emphasized that the provision of one day to reduce the position beyond permissible limit is only with the intention to provide time to implement delta monitoring system by clients / trading members who wish to take excess positions close to or beyond permissible limit. It would not impact typical retail traders / investors. To that extent, Stock Exchanges shall discuss the instances of entities repeatedly taking excess position for a day in fortnightly surveillance meeting with SEBI to ensure that the instant glide path is not misused by any entity to take large overnight positions beyond permissible limit.

2.3.2.2.5.7. Stock Exchanges / CCs shall prepare a joint SOP including details of appropriate measures to be taken by Stock Exchanges in case of repeated instances of position creation by entities beyond permissible limit for one day.

2.3.2.3.Trading Member (Proprietary + Client):

- 2.3.2.3.1. From October 15, 2024, the position limits available for Trading Member (Proprietary + Clients) shall be higher of 15% of options OI for that index or ₹7,500 cr.
- 2.3.2.3.2. The above stated position limits for index options would be measured on a gross notional basis.
- 2.3.2.3.3. Till the SOP at 2.3.2.2.3. is formulated, the extant penalty structure for breach of overall TM level limits would continue.
- 2.3.2.3.4. It is also noted that that Open Interest of both the participants and the market is dynamic and changing throughout the day. With a view of providing better clarity to the market participants in terms of their position limits, the following has been decided:

2.3.2.3.4.1. The positions of market participants in index option contracts shall also be monitored based on total OI of the market in index option contracts, at the end of previous day's trade.

2.3.2.3.4.2. In case of a drop in index options OI compared to the previous day's index options OI, market participants may breach the specified position limits even if their positions have remained unchanged/reduced throughout the day.

2.3.2.3.4.3. Such cases of passive breaches shall not be considered as violation.

2.3.3. Monitoring of position limits

2.3.3.1. FPI

Same as that for index future contracts as specified in clause 1.3.3.1

2.3.3.2. Mutual Fund

Same as that for index future contracts as specified in clause 1.3.3.2

2.3.4. Intra-day monitoring of position limits

Same as that for index future contracts as specified in clause 1.3.4