

NATIONAL SECURITIES CLEARING CORPORATION LIMITED
FUTURES & OPTIONS SEGMENT
Circular No. 1045

Download No. NSCCL/F&O/ 14657

April 26, 2010

Clearing & Settlement – Options on Gold Benchmark Exchange Traded Scheme (GOLDBEES)

Further to circular no.034 (Download No. NSE/FAOP/14655) dated April 26, 2010 and in continuation to our circular no. 974 (Download No.NSCCL/F&O/13061) dated September 10, 2009 for the Futures & Options Segment members are requested to note the procedure for Clearing, Settlement and Risk Management for Options contracts on Gold Benchmark Exchange Traded Scheme (GOLDBEES).

Final Exercise Settlement for Option contracts:

Options contracts on GOLDBEES shall expire on the same day as all other derivative contracts in the Futures & Options segment. However the last trading day for these contracts shall be one business day prior to the expiry date.

Exercise style of option contracts shall be European wherein all in-the-money contracts shall get automatically exercised on the expiry day. Exercise settlement shall be effected for all in-the-money option contracts on the expiry day of an option contract. Long positions at in-the money contracts shall be assigned to short positions in option contracts with the same series on a random basis. The exercise settlement shall be on a T+1 day basis from the expiry day i.e. on the next business day after the expiry day, along with other derivative contracts in the Futures & Options Segment.

Final Settlement Price:

The final settlement price for options contracts on GOLDBEES shall be the Net Asset Value (NAV) of the GOLDBEES as on the last trading day of the contract.

Final Settlement Margin:

The net amount payable by the clearing member on account of final settlement of futures and exercise/assignment of options contracts on GOLDBEES shall be levied as final settlement margin from the end of last trading day of the contract till the end of expiry day.

Position Limits:

Position Limits for derivatives on Exchange Traded Funds (ETFs) shall be as follows:

1. Market-wide Position limit (MWPL): The MWPL for futures and options contracts on an ETF shall be 20% of the Assets under Management (AUM).

2. Trading Member level position limit:
 - a. For an ETF having MWPL of Rs.500 crore or more, (AUM Rs.2500 crore or more), the combined futures and options position limit shall be 20% of applicable MWPL or Rs.300 crore, whichever is lower, within which futures position limit cannot exceed 10% of applicable MWPL or Rs.150 crore, whichever is lower
 - b. For an ETF having applicable MWPL less than Rs.500 crore (AUM less than Rs.2500 crore), the combined futures and options position limit shall be 20% of applicable MWPL and futures positions shall not exceed 20% of applicable MWPL or Rs.50 crore whichever is lower.
3. Client Level Position Limit: The gross open position across all derivative contracts on a particular underlying ETF shall not exceed the higher of 1% of the AUM in terms of number of units or 5% of the open interest in the derivatives contracts on the particular ETF.

The monitoring of the above position limits shall be in accordance with the procedure followed for monitoring of position limits in the Futures & Options segment.

Risk Management:

The risk management framework in terms of estimation of volatility, fixation of price scan range and volatility scan range, minimum initial margin, exposure margin, calendar spread margin, updation of risk parameters, client margin reporting etc as applicable for derivatives on underlying stocks shall be made applicable, mutatis mutandis, for derivative contracts on GOLDBEES.

All other rules, procedures and actions currently applicable to the Futures & Options Segment shall be applicable mutatis mutandis to options contracts on GOLDBEES to the extent applicable.

For any further clarifications members may contact the following officials of the Clearing Corporation: Mr. Abhijeet Sontakke, Mr. Atique Khatri & Mr. Purab Sata

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Yours faithfully,

For National Securities Clearing Corporation Ltd.

Rana Usman

Asst Vice President