NOTICES

Notice No.	20170821-18	Notice Date	21 Aug 2017
Category	Trading	Segment	Derivatives
Subject	Facility of providing 'Do not Exercise' instruction on Expiry day in Equity Derivatives		
Attachments	ANNEXURE.doc		

Content

Members of the Exchange are aware that currently after end of trading session on expiry day, all open long positions across In-The-Money options contracts are automatically exercised and cash settled. Members may note that Exchange shall be introducing new facility of providing 'Do not Exercise' instruction on certain in-the-money options contract on expiry day.

Salient features of the new facility are as follows-

- Buyer of option can indicate a choice not to exercise In-the-money open long positions on the expiry day which are currently exercised automatically.
- This facility shall be provided on Index options & Stock options contracts.
- On day of the expiry, a file EX_POTM_<CLG.NO.>_YYYYMMDD.CSV/ EX_POCM_<CLG.NO.>_YYYYMMDD.CSV containing long open positions on 'Close-To-The-Money' options contracts would be provided to the member.
- Close-To-Money (CTM) options contract shall be identified as under -
  - ✓ Three ITM option series having strike prices immediately higher than final settlement price (for put options) and three ITM option series having strike prices immediately lower than final settlement price (for call options) shall be referred to as CTM option contracts.
- Trading Members would be provided file EX_POTM_<CLG.NO.>_YYYYMMDD.CSVfor their own and client level positions and Clearing Members would be provided EX_POCM_<CLG.NO.>_YYYYMMDD.CSV file containing their CP- code level positions. Members desirous of not exercising the option shall be required to submit "Do not Exercise" (i.e. to mention N" against the positions in the file) instructions against each client-wise long position on the CTM contracts within stipulated session timings.
- If a member opts not to exercise a long position in a CTM contract, such position shall expire unexercised and lapse.
- If a member does not provide any response within the cut-off time or if the information provided by the member is incomplete or not valid, then as per existing procedure such long positions shall be automatically exercised.
- All other open long positions on ITM options contracts other than CTM options contracts shall be automatically exercised as at present
- Such auto-exercised positions would be randomly assigned to the options writers/sellers.

Operational mechanism to indicate choice to Exercise In-The-Money option contracts

- ➢ At the end of Expiry day, a new file called as 'Option Exercise File' (**EX_POTM_<CLG.NO.>_YYYYMMDD.CSV)/** (**EX_POCM_<CLG.NO.>_YYYYMMDD.CSV**) containing client wise open long positions on CTM options contracts shall be provided to member on Extranet.
- ➢ Member has to provide response as "N" against position which he does not want to exercise. Member shall be provided a time window of 30 minutes to submit "Do not Exercise" ("N" instructions against each client-wise long position in the CTM contracts. This window shall be available from 4:30 pm to 5:00 pm on expiry day (monthly as well as weekly expiry) or as per the timings as announced from time to time.
- ➢ A new column **"Exercise Instruction"** has been added at the end of file where 'N' which stands for 'Do not Exercise' to be provided and uploaded back to Extranet.
- ➢ If member does not provide any response within the cut-off time or if the information provided by member is incomplete or not valid, then as per existing procedure such client-contract-long positions shall be automatically exercised.
- ➢ During the option exercise window, member can upload the file multiple times (file should contain cumulative records) and every record shall be responded with "Response file" and system shall consider the latest file uploaded by the members within the stipulated time.

Operational Timelines -

Sr No	File name	Remark	Session Timings
1	EX_POTM_<CLG.NO.>_YYYYMMDD.CSV	Client wise CTM contract open long position file shall be provided on Extranet to trading members	4:30 pm
2	EX_POCM_<CLG.NO.>_YYYYMMDD.CSV	Client wise CTM contract open long position file shall be provided on Extranet to clearing members for CP code level positions	4:30 pm
3	EX_POTM_<CLG.NO.>_YYYYMMDD.Mnn	Trading members to upload Exercise request on the Extranet system	5:00 pm
4	EX_POCM_<CLG.NO.>_YYYYMMDD.Mnn	Clearing members to upload Exercise request on the Extranet system	5:00 pm
5	REX_POTM_<CLG.NO.>_YYYYMMDD.MNN	Response file to the trading members	---
6	REX_POCM_<CLG.NO.>_YYYYMMDD.MNN	Response file to the clearing members	---

File format & sample file is enclosed herewith for ready reference as ANNEXURE.

Trading & Clearing members may note that this functionality shall be introduced with effect from monthly expiry of August 2017 i.e. August 31, 2017.

For any further clarifications, Members may contact their relationship managers or following officers:-

Particular	Contact Number	Email ID
Trading related queries	022-22728226/8436/8039	trading.ops@bseindia.com
Clearing and Settlement related queries	022-22728881/8185/8467	bse.csd@bseindia.com

For and on behalf of BSE Ltd & ICCL,

Ketan Jantre	Hitesh Shah
General Manager-Trading Operations	Asst.General Manager-ICCL