

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2770  
ANSWERED ON:29.08.2012  
SEBI NORMS FOR TRADE QUESTION  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Securities and Exchange Board of India (SEBI) proposes to tighten norms to trade in derivative segment;
- (b) if so, the details thereof;
- (c) whether in order to improve market integrity, it has been decided in consultation with stock exchanges, to tighten the eligibility and exit criteria for stocks in derivatives segment; and
- (d) if so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRINAMO NARAIN MEENA)

(a) & (b): Securities and Exchange Board of India (SEBI), the market regulator for exchange traded derivatives, issued circular dated July 23, 2012 with a view to allowing only stocks that have adequate liquidity to be included in the Futures and Options (F&O) segment, SEBI vide its aforesaid circular, increased the minimum threshold values of Market-wide Position Limits (MWPL) and Median Quarter Sigma Order Size (MQSOS). It also introduced an additional criterion of average monthly turnover in F&O segment.

(c) & (d): Yes, Sir. To improve market integrity, SEBI has, in consultation with Stock Exchanges, modified the entry and exit criteria for stocks in the equity F&O segment. The extant criteria are as under:

i) Entry Criteria: A stock will be included in the F&O segment only if:

- a. the stock is in list of the top 500 stock in terms of average daily market capitalization and average daily traded value in the previous six months on a rolling basis,
- b. the stock's MQSOS over the last six months is not less than Rs.10 Lakh, and;
- c. the MWPL in the stock is not less than Rs.300 crores.

Further, it has been provided that in case the circuit filter on a stock is reduced even once during the past six months, on account of surveillance action, then that stock should undergo a cooling off period of six months before a decision is taken to introduce derivatives on it. In addition, once the stock is excluded from the F&O segment, it would not be considered for re-inclusion in the segment for a period of one year from the date of its exit from the F&O segment.

ii) Retention / Exit Criteria: For a stock to remain in F&O segment:

- a. the stock's MQSOS over a period of six months should not go below Rs. 5 lakh,
- b. the MWPL of the stock should not go below Rs, 200 crore in the last three months,
- c the average monthly turnover of the stock in F&O segment should not go below Rs. 100 crore in last three months.

If a stock fails to meet any of the above criteria in para (ii) above for three months consecutively, then the stock is excluded from F&O segment and no fresh month F&O contract can be considered in the stock for a period of one year from the date that they exit the F&O segment,