

National Stock Exchange of India Limited

Circular

Department: COMMODITY DERIVATIVES	
Download Ref No: NSE/COM/58361	Date: September 12, 2023
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All Members,

Introduction of Options contracts on underlying WTI Crude Oil and Natural Gas Futures in Commodity Derivatives Segment

Exchange is pleased to inform its members that the exchange has received approval from SEBI, for launching Options contracts on underlying WTI Crude Oil and Natural Gas Futures. The contracts would be available for trading from October 23, 2023, as per the respective launch calendars.

In this reference, Exchange notifies details of contract specifications and launch calendars which are as follows:

Commodity Name	Annexure No.
Options on WTI Crude Oil Futures	A
Options on Natural Gas Futures	B

For any queries related to Risk Management, Clearing and Settlement, members are requested to contact NSE Clearing Limited.

For and on behalf of
National Stock Exchange of India Limited

Aarti Surve
Chief Manager

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Annexure – A

CONTRACT SPECIFICATIONS – OPTIONS WITH WTI CRUDE OIL FUTURES AS UNDERLYING

PRODUCT PARAMETERS	WTI CRUDE OIL OPTIONS ON FUTURES
UNDERLYING	WTI Crude Oil Futures contract traded on NSE
INSTRUMENT TYPE	OPTFUT
OPTIONS TYPE	The options contracts shall be European styled which can be exercised only on the expiration date
SYMBOL	WTICRUDE
DESCRIPTION	WTICRUDEYYMMM <strike price><CE/PE>
CONTRACT LISTING	Monthly contracts. Details as per the launch calendar
CONTRACT COMMENCEMENT DAY	As per launch calendar
LAST TRADING DAY (CONTRACT EXPIRY)	Two business days prior to the Expiry day of the underlying futures contract.
TRADING	
TRADING PERIOD	Mondays through Fridays
TRADING SESSION	Monday - Friday 9:00 am to 11:30 / 11:55 pm* * Based on US daylight saving time period
TRADING UNIT	One NSE WTI Crude Oil futures contract
UNDERLYING QUOTATION / BASE VALUE	₹ per Barrel
TICK SIZE	₹ 0.10 (10 Paise)
MINIMUM NUMBER OF STRIKES	Each option expiry shall have minimum three strikes available viz., one each for In the Money (ITM), Out of the Money (OTM) and At the Money (ATM). The Exchange, at its discretion, may introduce additional strikes, if required.
STRIKE PRICE INTERVAL	Rs 50
BASE PRICE	Base price shall be theoretical price on the option pricing model as decided by the Exchange/Clearing Corp, on the first day of the contract. On all other days, it shall be previous day's Daily Settlement Price of the contract.
DAILY PRICE LIMIT	The upper and lower price band shall be determined based on statistical method as decided by the Exchange/Clearing Corp and relaxed considering the movement in the underlying futures contract. In the event of freezing of price ranges even without a corresponding price relaxation in underlying futures, if deemed necessary, considering the volatility and other factors in the option contract, the Daily Price Limit shall be relaxed by the Exchange.
MARGINS	The Initial Margin shall be computed using SPAN (Standard Portfolio Analysis of Risk) software, which is a portfolio based margining system. To begin with, the various risk parameters shall be as under:

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	A. Price Scan Range – 3.5 Standard Deviation (3.5 sigma) B. Volatility Scan Range – As decided by the Clearing Corp from time to time. For applicable VSR refer latest circulars issued by the Clearing Corp. C. The Short Option Minimum Margin (SOMM) and Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer to the latest circulars issued by the Clearing Corp from time to time. D. Extreme Loss Margin – Minimum 1% (to be levied only on short option positions) E. Premium of buyer shall be blocked upfront on real time basis. F. For Additional Margin refer latest circulars issued by the Clearing Corp from time to time.
PREMIUM	Premium of buyer shall be blocked upfront on real time basis.
MARGINING AT CLIENT LEVEL	Initial Margins shall be computed at the level of portfolio of individual clients comprising of the positions in futures and options contracts on each commodity.
REAL TIME COMPUTATION	The margins shall be recomputed using SPAN at Begin of Day, 9.30 am, 11.00 am, 1.00 pm, 3.00 pm, 5.00 pm, 7.00 pm, 8.30 pm, 10.30 pm and End of Day.
MARK TO MARKET	The option positions shall be marked to market by deducting / adding the current market value of options positions (positive for long options and negative for short options) times the number of long / short options in the portfolio from / to the margin requirement. Mark to Market gains and losses would not be settled in Cash for Options Positions
RISKS PERTAINING TO OPTION THAT DEVOLVE INTO FUTURES ON EXPIRY	a) In the initial phase, a sensitivity report shall be provided to members of the impending increase in margins at least 2 days in advance. The mechanism shall be reviewed and if deemed necessary, pre-expiry option margins shall be levied on the buy / sell / both positions during the last few days before the expiry of the option contract. b) The penalty for short collection / non collection due to increase in initial margins resulting from devolvement of options into futures shall not be levied for the first day.
ADDITIONAL AND/ OR SPECIAL MARGIN	At the discretion of the Exchange when deemed necessary
MAXIMUM ALLOWABLE OPEN POSITION	Position limits for options would be separate from the position limits applicable on futures contracts.

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	For individual clients: 9,60,000 barrels or 5% of the market wide open position, whichever is higher for all WTI Crude Oil Options contracts combined together. For a member collectively for all clients: 96,00,000 barrels or 20% of the market wide open position, whichever is higher for all WTI Crude Oil Options contracts combined together. Upon expiry of the options contract, after devolvement of options position into corresponding futures positions, open positions may exceed their permissible position limits applicable for future contracts. Such excess positions shall have to be reduced to the permissible position limits of futures contracts within two trading days.
SETTLEMENT	
SETTLEMENT OF PREMIUM/ FINAL SETTLEMENT	T + 1 day
MODE OF SETTLEMENT	On expiry of options contract, the open position shall devolve into underlying futures position as follows: • Long call position shall devolve into long position in the underlying futures contract • Long put position shall devolve into short position in the underlying futures contract • Short call position shall devolve into short position in the underlying futures contract • Short put position shall devolve into long position in the underlying futures contract All such devolved futures positions shall be opened at the strike price of the exercised options
EXERCISE MECHANISM AT EXPIRY	All In the money (ITM)# option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. The ITM option contract holders, who have not submitted contrary instructions, shall receive the difference between the Settlement Price and Strike Price in Cash as per the settlement schedule. In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless. All Out of the money (OTM) option contracts shall expire worthless.

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	All devolved futures positions shall be considered to be opened at the strike price of the exercised options. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner. #ITM for call option = Strike Price < Settlement Price ITM for put option = Strike Price > Settlement Price
DUE DATE RATE (FINAL SETTLEMENT PRICE)	Daily settlement price of underlying futures contract on the expiry day of options contract.

Contract Launch Calendar for NSE WTI Crude Oil Options on futures

Contract Month	Contract launch date	Contract expiry date
December 2023	23 rd October 2023	14 th December 2023
January 2024		17 th January 2024
February 2024	20 th November 2023	14 th February 2024
March 2024	19 th December 2023	15 th March 2024
April 2024	22 nd January 2024	17 th April 2024
May 2024	19 th February 2024	16 th May 2024
June 2024	20 th March 2024	14 th June 2024
July 2024	22 nd April 2024	17 th July 2024
August 2024	21 st May 2024	14 th August 2024
September 2024	19 th June 2024	17 th September 2024

The launch calendar may undergo some changes based on the announcement and revision in the holiday list of NSE and NYMEX (CME Group) respectively.

Kindly refer latest circular issued by Exchange / Clearing Corporation for updated Margins, Position Limits and Expiry Dates etc.

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Annexure-B

CONTRACT SPECIFICATIONS – OPTIONS WITH NATURAL GAS FUTURES AS UNDERLYING

PRODUCT PARAMETERS	NATURAL GAS OPTIONS ON FUTURES
UNDERLYING	Natural Gas Futures contract traded on NSE
INSTRUMENT TYPE	OPTFUT
OPTIONS TYPE	The options contracts shall be European styled which can be exercised only on the expiration date
SYMBOL	NATURALGAS
DESCRIPTION	NATURALGASYMMM <strike price><CE/PE>
CONTRACT LISTING	Monthly contracts. Details as per the launch calendar
CONTRACT COMMENCEMENT DAY	As per launch calendar
LAST TRADING DAY (CONTRACT EXPIRY)	Two business days prior to the Expiry day of the underlying futures contract.
TRADING	
TRADING PERIOD	Mondays through Fridays
TRADING SESSION	Monday - Friday 9:00 am to 11:30 / 11:55 pm* * Based on US daylight saving time period
TRADING UNIT	One NSE Natural Gas futures contract
UNDERLYING QUOTATION / BASE VALUE	₹ per mmBtu
TICK SIZE	₹ 0.05 (5 Paise)
MINIMUM NUMBER OF STRIKES	Each option expiry shall have minimum three strikes available viz., one each for In the Money (ITM), Out of the Money (OTM) and At the Money (ATM). The Exchange, at its discretion, may introduce additional strikes, if required.
STRIKE PRICE INTERVAL	Rs 5
BASE PRICE	Base price shall be theoretical price on the option pricing model as decided by the Exchange/Clearing Corp, on the first day of the contract. On all other days, it shall be previous day's Daily Settlement Price of the contract.
DAILY PRICE LIMIT	The upper and lower price band shall be determined based on statistical method as decided by the Exchange/Clearing Corp and relaxed considering the movement in the underlying futures contract. In the event of freezing of price ranges even without a corresponding price relaxation in underlying futures, if deemed necessary, considering the volatility and other factors in the option contract, the Daily Price Limit shall be relaxed by the Exchange.
MARGINS	The Initial Margin shall be computed using SPAN (Standard Portfolio Analysis of Risk) software, which is a portfolio based margining system. To begin with, the various risk parameters shall be as under: A. Price Scan Range – 3.5 Standard Deviation (3.5 sigma)

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	B. Volatility Scan Range – As decided by the Clearing Corp from time to time. For applicable VSR refer latest circulars issued by the Clearing Corp. C. The Short Option Minimum Margin (SOMM) and Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer to the latest circulars issued by the Clearing Corp from time to time. D. Extreme Loss Margin – Minimum 1% E. Premium of buyer shall be blocked upfront on real time basis. F. For Additional Margin refer latest circulars issued by the Clearing Corp from time to time.
PREMIUM	Premium of buyer shall be blocked upfront on real time basis.
MARGINING AT CLIENT LEVEL	Initial Margins shall be computed at the level of portfolio of individual clients comprising of the positions in futures and options contracts on each commodity.
REAL TIME COMPUTATION	The margins shall be recomputed using SPAN at Begin of Day, 9.30 am, 11.00 am, 1.00 pm, 3.00 pm, 5.00 pm, 7.00 pm, 8.30 pm, 10.30 pm and End of Day.
MARK TO MARKET	The option positions shall be marked to market by deducting / adding the current market value of options positions (positive for long options and negative for short options) times the number of long / short options in the portfolio from / to the margin requirement. Mark to Market gains and losses would not be settled in Cash for Options Positions
RISKS PERTAINING TO OPTION THAT DEVOLVE INTO FUTURES ON EXPIRY	a) In the initial phase, a sensitivity report shall be provided to members of the impending increase in margins at least 2 days in advance. The mechanism shall be reviewed and if deemed necessary, pre-expiry option margins shall be levied on the buy / sell / both positions during the last few days before the expiry of the option contract. b) The penalty for short collection / non collection due to increase in initial margins resulting from devolvement of options into futures shall not be levied for the first day.
ADDITIONAL AND/ OR SPECIAL MARGIN	At the discretion of the Exchange when deemed necessary
MAXIMUM ALLOWABLE OPEN POSITION	Position limits for Options would be separate from the position limits applicable on Futures Contracts.

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	For individual clients: 120,00,000 MMBtu or 5% of the market wide open position, whichever is higher for all Natural Gas Options Contracts combined together. For a member collectively for all clients: 12,00,00,000 MMBtu or 20% of the market wide open position, whichever is higher for all Natural Gas Options Contracts combined together. Upon expiry of the Options Contract, after devolvement of Options position into corresponding Futures positions, open positions may exceed their permissible position limits applicable for Future Contracts. Such excess positions shall have to be reduced to the permissible position limits of Futures Contracts within two trading days.
SETTLEMENT	
SETTLEMENT OF PREMIUM/ FINAL SETTLEMENT	T + 1 day
MODE OF SETTLEMENT	On expiry of options contract, the open position shall devolve into underlying futures position as follows: • Long call position shall devolve into long position in the underlying futures contract • Long put position shall devolve into short position in the underlying futures contract • Short call position shall devolve into short position in the underlying futures contract • Short put position shall devolve into long position in the underlying futures contract All such devolved futures positions shall be opened at the strike price of the exercised options
EXERCISE MECHANISM AT EXPIRY	All In the money (ITM)# option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. The ITM option contract holders, who have not submitted contrary instructions, shall receive the difference between the Settlement Price and Strike Price in Cash as per the settlement schedule. In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless. All Out of the money (OTM) option contracts shall expire worthless.

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	All devolved futures positions shall be considered to be opened at the strike price of the exercised options. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner. #ITM for call option = Strike Price < Settlement Price ITM for put option = Strike Price > Settlement Price
DUE DATE RATE (FINAL SETTLEMENT PRICE)	Daily settlement price of underlying futures contract on the expiry day of options contract.

Contract Launch Calendar for NSE Natural Gas Options on futures

Contract Month	Contract launch date	Contract expiry date
November 2023	23 rd October 2023	23 rd November 2023
December 2023		21 st December 2023
January 2024	27 th October 2023	23 rd January 2024
February 2024	28 th November 2023	22 nd February 2024
March 2024	27 th December 2023	21 st March 2024
April 2024	29 th January 2024	23 rd April 2024
May 2024	27 th February 2024	24 th May 2024
June 2024	26 th March 2024	21 st June 2024
July 2024	26 th April 2024	24 th July 2024
August 2024	29 th May 2024	23 rd August 2024
September 2024	26 th June 2024	23 rd September 2024

The launch calendar may undergo some changes based on the announcement and revision in the holiday list of NSE and NYMEX (CME Group) respectively.

Kindly refer latest circular issued by Exchange / Clearing Corporation for updated Margins, Position Limits and Expiry Dates etc.

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