National Stock Exchange of India Limited

Circular

Department: COMMODITY DERIVATIVES	
Download Ref No: NSE/COM/58906	Date: October 12, 2023
Circular Ref. No: 64/2023	

All Members,

Introduction of Options on Gold (1 Kg) Futures in Commodity Derivatives Segment

Exchange is pleased to inform members that approval has been received from SEBI for Options on Gold (1 Kg) Futures and trading shall be made available with effect from October 16, 2023, in Commodity Derivatives segment.

The details of contract specifications are available in Annexure A and launch calendar details are available in Annexure B.

The risk management, clearing & settlement details shall be intimated separately by NCL.

The contract.gz file made available to trading members on the NSE Extranet (Path: //comtftp/comtcommon) from October 13, 2023, end of day and will reflect the new contracts. Members are advised to load the above file in the trading application before trading on October 16, 2023.

For and on behalf of
National Stock Exchange of India Limited

Bharat Gandhi
Chief Manager

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Annexure A

Contract Specifications: Options on Gold (1 Kg) Futures as underlying.

PRODUCT PARAMETERS	GOLD OPTIONS ON FUTURES
UNDERLYING	GOLD 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	GOLD
DESCRIPTION	GOLDYYMMM <strike price><CE/PE>
CONTRACT LISTING	As per launch calendar
CONTRACT COMMENCEMENT DAY	Business day immediately following the last trading day. (Expiry Day + 1)
LAST TRADING DAY (CONTRACT EXPIRY)	Three business days prior to the first business day of Tender Period 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 GOLD futures contract
UNDERLYING QUOTATION / BASE VALUE	Rs per 10 grams
TICK SIZE	Rs 0.50
MINIMUM NUMBER OF STRIKES	25 In-the-money, 25 Out-of-the-money and 1 Near-the money (51 CE and 51 PE). The Exchange, at its discretion, may introduce additional strikes, if required.
STRIKE PRICE INTERVAL	Rs 100
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	It will be specified by NSE Clearing Corporation by separate circular.
PREMIUM	Premium of buyer shall be blocked upfront on real time basis.
MARGINING AT CLIENT LEVEL	It will be specified by NSE Clearing Corporation by separate circular.
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. For client level: 10 MT or 5% of the market wide open position whichever is higher - For all Gold Options contracts combined together. For a member level: 100 MT or 20% of the market wide open position whichever is higher - For all Gold 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. 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.

A) The Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated February 27, 2020.

B) For all the applicable margins, refer to the latest circulars issued by NCL from time to time.

Annexure B

Contract Launch Calendar

Options contract Launch month	Options Contract Expiry Month	Corresponding Futures Contract Expiry Month
October 16, 2023	Nov-23	Dec-23
	Jan-24	Feb-24
	Mar-24	Apr-24
	May-24	Jun-24
	Jul-24	Aug-24
	Sep-24	Oct-24

* The launch calendar may undergo some changes based on the announcement and revision in the holiday list.

* The specific dates of launch and expiry will be announced before the launch of contracts based on the announcement of the holiday list.

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