

National Stock Exchange of India Limited

Circular

Department: COMMODITY DERIVATIVES	
Download Ref No: NSE/COM/69121	Date: July 15, 2025
Circular Ref. No: 40/2025	

All Members,

Liquidity Enhancement Scheme – Silver Options on Goods

In terms of the provisions of the Rules, Byelaws and Business Rules of the Exchange, the Members of the Exchange are notified as under:

SEBI vide its circular SEBI/HO/CDMRD/DMP/CIR/P/2018/55 dated March 26, 2018, permitted introduction of Liquidity Enhancement Scheme (LES) in the commodity derivative contracts.

NSE vide its circular NSE/COM/59196 dated November 1, 2023, had announced introduction of LES in Silver Options with effect from November 27, 2023, and further enhance the scheme with its circular no. NSE/COM/60675 dated February 13, 2024, Circular No. NSE/COM/62115 dated May 22, 2024, Circular No. NSE/COM/66109 dated January 13, 2025, and Circular No. NSE/COM/68021 dated May 15, 2025 to encourage active participation and overall market development.

The Exchange reinvide bid for Liquidity Enhancement Scheme (LES) for Market Maker 3 (MM3) and Market Maker 5 (MM5).

Selection of Market Maker 3 & 5

Trading members who are interested in providing continuous quotes as Market Maker 3 or Market Maker 5 shall be required to register with the Exchange. Members registered as designated Market Maker shall be required to fulfil order level obligations as specified in this circular.

The eligibility criteria for Market Maker are as given below:

- Net worth of ₹ 5 Crores.
- No serious disciplinary action against the member in the last one year.

National Stock Exchange of India Limited

- Additionally, existing Market Makers (i.e. 1, 2 & 4) or their related entities are not eligible to apply to become designated MM3 or MM5 and only registered algo members in the Commodity segment are eligible to apply under this scheme.

The exchange will reappoint MM3 & MM5 for the Silver (30 kgs) Options on Goods contract based on a competitive bidding procedure. The successful bidder shall be appointed as MM3 or MM5 till August 26, 2025.

The interested applicants can submit their bid in the format specified (as per Annexure I) on or before July 17, 2025, (1700 hrs) to become eligible for being appointed as the designated Market Maker. Based on the bids received, NSE would perform the evaluation of bids as per the grading scale given in Annexure II.

Minimum Quote Obligations

Market Maker 3 & 5 shall provide 2-way continuous quotes in both Calls and Puts on all trading days as per the stated obligation as under:

- Obligation of Market Maker 3**
Strikes to be quoted: 4 OTM strike prices with a difference of 250 in front month contract (beyond obligated strikes of all other market makers i.e., MM1, MM2, MM4 and MM5).
- Obligation of Market Maker 5**
Strikes to be quoted: 5 OTM strike prices, beyond the strikes quoted by MM4, which are in the multiples of 250 (other than strike prices in multiples of 500 and 1000) in front month contract

An example of the market maker-wise obligated strikes is provided in Annexure III.

The quote obligations and their base requirements in terms of minimum lots and maximum spreads are provided below –

Table1: Base minimum lots requirements for Designated Market Makers 3 & 5:

Level/ Line	Minimum lots (Bids & Asks separately) at all eligible strikes for respective market maker.		Required presence as % of total time specified by the exchange (monthly presence requirement)
	Bid Side	Ask Side	
Top Line	1	1	85%
Second Line	1	1	

National Stock Exchange of India Limited

Table2: Base maximum spread requirements for Designated Market Makers 3 & 5:

Premium range in INR (Bid based)	Maximum Bid Ask spread in INR	
	Top line	Second line
0.50 to 500	45	Top line Bid –20 and Ask +20
500.50 to 1000	90	Top line Bid –30 and Ask +30
1000.50 to 2000	180	Top line Bid –40 and Ask +40
>2000	270	Top line Bid –50 and Ask +50

The exchange reserves the right to terminate the services of any or all MMs in case of non-fulfilment of their quoting obligations or for any other actions that are detrimental to the development of the market. The selection committee will have power to take appropriate action against the market maker(s) who discontinue their services within 2 weeks of their empanelment. A penalty of INR 5 lakhs will be applicable in such a case.

Additional Points for Market Maker 3 & 5

- The obligation fulfilment of the designated market makers shall be as per their bids submitted and no change shall be entertained.
- Performance of MMs for 85 % of the time would be measured on a monthly basis.
- For a trading day, the At-the-money option strike shall be determined based on the closing value of the corresponding Silver Futures of the previous trading day.
- Presence measurements will be on a monthly basis on an average basis across all strikes which the MM is stated to quote.
- The timelines for computing presence on a daily basis shall be from 9.10 am to 11.20 pm / 11.45* pm (**based on daylight saving sessions*).
- If the market is only open during the evening session, presence will be computed from 5.10 pm to 11.20 / 11.45* pm (**based on daylight saving sessions*).
- The rollover period is 5 trading days prior to the expiry date of the front month options contract. The market makers 3 & 5 will start quoting in subsequent month contract from the start of rollover period.
- The topline would be given a weightage of 90% whereas the second line would have 10% weightage.
- No Incentive to be paid for monthly presence of less than 70% however, for presence between:
 - 80 to 85%: 25% will be deducted from the overall incentive amount.
 - 75 to 80%: 40% will be deducted from the overall incentive amount.
 - 70 to 75%: 50% will be deducted from the overall incentive amount.

National Stock Exchange of India Limited

- j) The Market Makers shall on a best effort basis, also quote in the strikes other than the obligated strikes, if there is an open interest in those strikes, to facilitate smooth rollover by other market participants.

The above scheme shall be operational from August 1, 2025, and shall remain in force till August 26, 2025. The Exchange reserves the right to amend / discontinue the scheme at any time with an advance notice of 15 days.

Quoting Incentive

Subject to all quoting obligations and requirements being met, the monthly eligible incentive for designated market makers as per this circular shall be as mentioned below:

- Market maker 3 shall be eligible for INR 25,00,000 (Twenty Five lakhs only),
- Market maker 5 shall be eligible for INR 25,00,000 (Twenty Five lakhs only),

For further information on the above scheme, please contact NSE Commodities team at 'nsecommodities@nse.co.in'.

**For and on behalf of
National Stock Exchange of India Limited**

**Designated Officer
Commodity Derivative Department.**

National Stock Exchange of India Limited

Annexure I

Application Format for Market Making

(To be printed on the official letter head of the applicant)

To
Designated Officer
Commodity Derivative Department
National Stock Exchange of India.

Registration as Market Maker No..... (3/5) for Silver (30 Kgs) Options on Goods contracts.

- We M/s _____ (Member Name / Clearing Number & Member code) having its registered office at _____ would like to get registered as a Market Maker No..... (3/5) of the National Stock Exchange of India Limited for the Silver (30 Kgs) Options on Goods contracts.
- We are aware that the successful bidders from an objective criterion-based bidding process shall be appointed as the designated market maker.
- We understand that the Exchange reserves the right to amend / discontinue the scheme or expand condition(s) laid down in their circular at its discretion in accordance with SEBI circulars / guidelines issued from time to time.
- We understand that the Exchange reserves the right to terminate the services of the Market Maker in case of non-fulfilment of their quote obligations or for any other actions that are detrimental to the development of the market. This would lead to withholding of any adjustments against incentive accruals and lead to legal proceedings.
- We agree to comply with the terms and conditions as specified in the exchange circular regarding Silver (30 Kgs) Options on Goods contract and LES, as may be amended by the exchange from time to time.

National Stock Exchange of India Limited

- We have enclosed our bid below:

Sr. No.	Obligations	Member Commitments	
1	Minimum Quoted Lots at Top line (Bid - Ask) on each side		
2	Maximum Bid / Ask spread at Topline	Premium range in INR (Bid based)	Maximum Bid - Ask spread in INR
		0.50 to 500	
		500.50 to 1000	
		1000.50 to 2000	
		>2000	

The details of the contact person from our organization are as given below:

Name: _____

Designation: _____

Mobile: _____

Phone: _____

Email: _____

For << Organization Name>>

(Signature of Authorized Signatory & Stamp)

Name:

Designation:

Date:

Location:

National Stock Exchange of India Limited

Notes:

- Members are requested to send their bid in email with subject “Bid for LES on Silver Options on Goods for MM3 or MM5” to **Mr. Hitesh Sethia** at **hsethia@nse.co.in**
- If the bid is incomplete, Exchange shall reject the application.
- Bid shall be evaluated as per the Selection Criteria specified in **Annexure II**.
- Applicant with the highest scores in the evaluation shall be appointed as designated MM in the respective category i.e. MM3 or MM5.
- If the highest bid as per the evaluation is a tie, the participants shall be given half an hour time to resubmit their revised bid on the day of intimation to the market makers, and the appointment is made based on their scoring in the revised bid submissions.
- In the event of tie again, the MMs shall be selected by a draw of lots between the applicants whose scores have tied.

National Stock Exchange of India Limited

Annexure II

Evaluation Criteria Scoring Model for the Purpose of Selection of MM

- Topline quantity for all eligible strikes.

Scenario	Buy / Sell lots (each side)	Points
Scenario 1	1	5
Scenario 2	2	7

- Topline Bid Ask spread for premium INR 0.50 to 500.

Scenario	Bid – Ask in INR	Points
Scenario 1	45	1
Scenario 2	40	3
Scenario 3	35	5
Scenario 4	30	7

- Topline Bid Ask spread for premium INR 500.50 to 1000.

Scenario	Bid – Ask in INR	Points
Scenario 1	90	1
Scenario 2	80	3
Scenario 3	70	5
Scenario 4	60	7

- Topline Bid Ask spread for premium INR 1000.50 to 2000.

Scenario	Bid – Ask in INR	Points
Scenario 1	180	1
Scenario 2	160	3
Scenario 3	140	5
Scenario 4	120	7

- Topline Bid Ask spread for premium > 2000.

Scenario	Bid – Ask in INR	Points
Scenario 1	270	1
Scenario 2	250	3
Scenario 3	230	5
Scenario 4	210	7

National Stock Exchange of India Limited

Annexure III

Market Maker-wise Obligated Strikes

An example of the market maker-wise obligated strikes for quoting is provided below for reference.

Assuming that the closing value of the corresponding Silver Futures on the previous trading day is 74,900, the obligated strikes for each market maker shall be as given below:

Moneyiness Descriptor*	CE strikes	PE strikes	Market Maker
ITM 2	74,000	76,000	MM 1
A-ITM 2	74,250	75,750	MM4
ITM 1	74,500	75,500	MM 1
A-ITM 1	74,750	75,250	MM4
ATM	75,000	75,000	MM 1
A-OTM 1	75,250	74,750	MM4
OTM 1	75,500	74,500	MM 1
A-OTM 2	75,750	74,250	MM4
OTM 2	76,000	74,000	MM 1
A-OTM 3	76,250	73,750	MM4
OTM 3	76,500	73,500	MM 1
A-OTM 4	76,750	73,250	MM4
OTM 4	77,000	73,000	MM 1
A-OTM 5	77,250	72,750	MM5
OTM 5	77,500	72,500	MM 2
A-OTM 6	77,750	72,250	MM5
OTM 6	78,000	72,000	MM 2
A-OTM 7	78,250	71,750	MM5
OTM 7	78,500	71,500	MM 2
A-OTM 8	78,750	71,250	MM5
OTM 8	79,000	71,000	MM 2
A-OTM 9	79,250	70,750	MM5
OTM 9	79,500	70,500	MM 2
A-OTM 10	79,750	70,250	MM3
A-OTM 11	80,000	70,000	MM3
A-OTM 12	80,250	69,750	MM3
A-OTM 13	80,500	69,500	MM3

* For referencing purpose only, text for moneyiness descriptor subject to change.

In the above table obligated strikes of MM3 are highlighted with blue colour and obligated strikes of MM5 are highlighted with orange colour.

National Stock Exchange of India Limited

For further information, please contact NSE Commodities team at 'nsecommodities@nse.co.in'

**For and on behalf of
National Stock Exchange of India Limited**

**Designated Officer
Commodity Derivative Department**