NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : FINANCE & ACCOUNTS	
Download Ref No : NSE/FA/33113	Date : August 31, 2016
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To all the Trading Members

Sub : Framework of Market Making Scheme in Debt Segment

Pursuant to Exchange circular NSE/DS/23367 dated May 8 2013 and circular NSE/DS/24832 dated October 25, 2013, Exchange notified the launch of dedicated Debt Segment and changes in Debt Segment respectively. SEBI, vide its circular CIR/MRD/DP/03/2013 dated January 24, 2013 regarding dedicated Debt Segment on Stock Exchanges, has also permitted market making in the Debt Segment to infuse liquidity in the market.

In order to encourage wider participation in Debt Segment, the Exchange has proposed to introduce a market making scheme in Debt Segment.

The broad framework for the market making scheme is as follows:

- The scheme is applicable for Corporate Bonds traded in Retail as well as Institutional Debt Segment.
- The scheme shall be open for all participants who fulfill the stipulated obligations.
- The incentives would be computed and settled on a monthly basis.
- Any participant fulfilling the following obligations shall be treated as a market maker for that security.
    - The market participants should provide quotes on both sides (buy/sell) on a day for at least 75% of the trading time within the Best 5 Buy/Sell order.
    - The market participants should fulfil the above condition on at least 50% of the trading days in a month.
- Qualified market makers will be incentivized based on the counter party with which the trade gets executed. The incentives are as follows:

Rebate Side 1	Side 1	Side 2	Rebate Side 2
Zero	Non Market Maker	Non Market Maker	Zero
Zero	Non Market Maker	Market Maker	Rs.0.50 per lakh of turnover subject to max of Rs.50/- per trade
Rs.0.50 per lakh of turnover subject to max. of Rs.50/- per trade	Market Maker	Non Market Maker	Zero
Rs.0.25 per lakh of turnover subject to max of Rs.25/- per trade.	Market Maker	Market Maker	Rs.0.25 per lakh of turnover subject to max of Rs.25/- per trade.

- In order to maintain market integrity, no incentives shall be provided on trades with same counterparties i.e., same Unique Client Code (UCC) on both sides.
- Total incentive for the month across all the participants cannot exceed Rs.25 lacs for the month. In case, the incentive exceeds Rs.25 lacs for the month, the incentive will be provided on pro-rata basis to the participant.

The scheme shall be effective for a period from September 01, 2016 to October 31, 2016.

For National Stock Exchange of India Limited

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