

Press Release Archives

August 28, 2001

SEBI sub-committee meeting on corporate action adjustments in derivatives

August 28, 2001, Mumbai: The meeting of the sub-committee of the SEBI Advisory Committee on Derivatives was held to discuss the issues relating to adjustment of corporate actions in the strike prices of the option contracts. The meeting was attended by SEBI, NSE and BSE representatives.

SEBI based on the recommendations of the Technical Group vide its circular SMDRP/DC/Cir 8/01 dated June 21, 2001 has prescribed that the basis of any adjustment for corporate action shall be such that the value of the position of the market participants on cum and ex-dates for corporate action shall continue to remain the same as far as possible. Further the dividend which are below 10% of the market value of the underlying stock, would be deemed to be ordinary dividends and no adjustment in strike price would be made for ordinary dividends. For extra-ordinary dividends, above 10% of the market value of the underlying stock, the strike price would be adjusted.

In case of VSNL on July 10, 2001, the company announced a total dividend of 500% which amounts to Rs. 50 per share including a normal dividend of Rs. 10 per share. On the previous day, the closing price of the scrip of VSNL Ltd. was Rs. 309. Hence the total dividend as a percentage of market price amounts to 16.18% and therefore is considered as extra-ordinary dividend. Therefore the strike price of all option contracts on VSNL Ltd. would need to be adjusted.

The Committee considered the issues involved with the adjustment of the extra-ordinary dividend and decided as under:

1) To decide whether the dividend is extra-ordinary (i.e. over 10% of the market price of the underlying stock.), the market price would mean the closing price of the scrip on the day previous to the date on which the announcement of the dividend is made by the Company after the meeting of the Board of Directors. However, in cases where the announcement of dividend is made after the close of market hours, the same day's closing price would be taken as the market price. Further, if the shareholders of the company in the AGM change the rate of dividend declared by the Board of Directors, then to decide whether the dividend is extra-ordinary or not would be based on the rate of dividend communicated to the exchange after AGM and the closing price of the scrip on the day previous to the date of the AGM.

2) In case of declaration of extra-ordinary dividend by any company, the total dividend amount (special and / or ordinary) would be reduced from all the strike prices of the option contracts on that stock.

3) The revised strike prices would be applicable from the ex-dividend date specified by the exchange.

Based on the above criteria, the extra-ordinary dividends of 500% declared by VSNL Ltd., the sub-committee decided that the full value of dividend i.e. Rs. 50 would be deducted from all the cum-dividend strike prices on the ex-dividend date in the underlying market.

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The Exchange has successfully completed its 381st Normal Settlement

The Exchange has successfully completed its 381st Normal Settlement (Rolling T+5 following SEBI directive) since inception i.e., Settlement Number N – 2001060 on August 28, 2001. The settlement statistics are as follows:

Particulars	Values
	N-2001060
Total traded quantity (lakhs)	777.36
Total traded value (Rs. In Crores)	1491.55
Total value of the settlement (Securities) (Rs. In Crores)	236.41
Total value of the settlement (Funds) (Rs. In Crores)	111.87
Shortages for the settlement	0.43%
% of Delivery (No. of shares delivered / No. of shares traded)	19.48%

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