

CIRCULAR

Circular No.	20190607-2	Circular Date	20190607
Category	Trading Operations	Segment	Derivatives
Subject	Revision in methodology for computation of Daily Settlement Price		
Attachments	<ul style="list-style-type: none">Annexure		

All Members,

Subject: Revision in methodology for computation of Daily Settlement Price

The existing methodology for computing the Daily Settlement Price (DSP) of the index futures and options is as follows:

- i. Volume Weighted Average Price (VWAP) of all trades during the last 30 minutes of each trading session
- ii. In the event that there are no trades in the last 30 minutes of the trading session, then the volume weighted average price of all trades during the entire trading session, subject to a minimum of 5 trades is considered
- iii. If there are less than 5 trades during the trading session, then the theoretical DSP of the futures is calculated using the cost-of-carry model as per the below equation :

$$F = Se^{rT}$$

Where,

- F = Theoretical futures price
S = Underlying asset spot index price at 3:30 PM (IST) – close of Indian equity markets
T = Time to maturity
r = Risk free rate of interest per annum
e = exponential (constant = 2.71828 approx.)

- iv. For theoretical close price of options contracts the Black - Scholes model is considered.

The current DSP methodology, as discussed above, considers the spot price of the index available at 3:30 PM (IST) for calculation of the theoretical DSP for both the sessions. As the market trades for twenty two hours currently, in order to align the DSP with the prevalent market price, the VWAP of the current month index futures contracts (explained at **Annexure**) will be considered, for calculating the theoretical price of illiquid index futures and options contracts.

The above methodology shall be implemented with effect from Monday, June 10, 2019. The same will be tested in the mock trading to be held on Saturday, June 8, 2019.

For any further clarifications, Members are advised to contact their designated Relationship Manager.

For and on behalf of India International Exchange (IFSC) Ltd.,

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