



NATIONAL SECURITIES CLEARING CORPORATION LIMITED

DEPARTMENT : FUTURES & OPTIONS

Download Ref No : NSCCL/CMPT/35635

Date : August 22, 2017

Circular Ref. No : 89/2017

All Members,

Sub: Facility of 'Do not Exercise' in Equity Options

This is in partial modification to circular reference no.NSCCL/CMPT/34657 dated April 17, 2017 Part B- 5.3 regarding Exercise settlement for option contracts. Currently all "In the Money" (ITM) equity options are automatically exercised on the expiry day of the contract.

A facility will be provided to specify 'Do not Exercise' instruction on Expiry day in Options contracts. On the expiry day, members shall be given an option to specify not to exercise in respect of Close To Money (CTM) option strikes. This facility shall be provided on Collateral Interface for Members (CIM) platform under menu "Exercise Request". All ITM option contracts, not in the 'CTM' option series, shall be exercised automatically as per existing practice.

The CTM strikes range shall be arrived as under:

1. For Call Options - 3 ITM options strikes immediately below the final settlement price shall be considered as 'CTM'
2. For Put Options - 3 ITM options strikes immediately above the final settlement price shall be considered as 'CTM'.

A file containing the CTM contract details shall be downloaded to the members on expiry day. A facility to download the file containing the details of CTM positions shall be provided. This file shall contain all CTM long positions and Exercise Flag shall be set as 'Y' as default option. A file upload facility shall be provided to the members to specify an option to change default Exercise Flag from 'Y' to 'N'. A response file shall be generated for each file uploaded by the member.

The Member can upload the file specifying the exercise instruction multiple times till the cut off time as mentioned in below table. If the member does not provide any preference within the cut-off time or if the information provided by the member is incomplete or not valid, then as per existing procedure such positions shall be automatically exercised. The positions where Exercise Flag is indicated as 'N' by the cut-off time shall not be exercised.

File format and timelines is as follows-

Sr no	Particulars	Annexure Reference	Tentative Timelines**
1	File providing the details of CTM contracts	Annexure 1	4.00 PM
2	File providing the details of CTM positions.	Annexure 2	4.30 PM
3	File to be uploaded by member for 'Do not Exercise' instruction	Annexure 3	4.30 PM to 5.00 PM
4	Return file for 'Do not Exercise' instruction uploaded by member	Annexure 4	4.30 PM to 5.00 PM

** A facility to view the time window applicable for the day shall be provided on CIM.

Trading members are required to provide "do not exercise" instruction for their client as well as proprietary positions. Trading cum Clearing members are required to provide exercise instruction for their Custodian Participant positions in addition to their client & Proprietary positions. Professional Clearing Members are required to confirm for their Custodian Participant positions only.

At the cut off time, the latest record of all the ITM positions shall be taken for automatic exercise.

This functionality shall be introduced for all weekly as well as monthly expiry with effect from August 31, 2017.

**For and on behalf of
National Securities Clearing Corporation Ltd.**

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