

- Arbitrage take advantage of the price difference between the futures market and the cash market.
- Devise strategies based on the high levels of correlation between S&P CNX Nifty and CNX Bank index

## Bank Nifty Futures and Options

### Contract Specifications

Underlying Index	CNX Bank Index
Security descriptor	Futures: Options:
Contract Size	Permitted lot size shall be 50 and multiples thereof
Price Steps	Re. 0.5
Price Bands	Not applicable
Trading Cycle	Maximum of three months - the near month, the next month and the far month. New contract shall be introduced on the next trading day following the expiry of near month contract
Expiry day	Last Thursday of the expiry month or the previous trading day if the last Thursday is a trading holiday
Settlement basis	Cash settlement
Style of option	European

## Disclaimer

Market conditions can lead to substantial profit or loss. Investors are advised to seek adequate product and market knowledge as well as proper investment advice before trading futures.

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# BANKNIFTY Futures & Options

*Trading in Banking Sector  
just got easier*



**NATIONAL STOCK EXCHANGE  
OF INDIA LIMITED**

National Stock Exchange (NSE) which brought transparency, transformation and state of the art technology to the Indian Capital Markets introduced trading in derivatives in June 2000. NSE is the market leader in India, the largest exchange in single stock futures and the tenth largest futures exchange in the world. NSE is accessed from around 300 cities across the country with around 45000 trading terminals by around 950 members. The central order book with a tight bid-ask spread provides a liquid market for the investors.

Derivatives trading at NSE commenced with S&P CNX Nifty futures, followed by S&P CNX Nifty options, stock options and stock futures. Presently there are around 153 stocks and two indices - S&P CNX Nifty and CNX IT index on which derivatives are being traded. NSE, in line with the market demand now introduces trading in **Bank Nifty** futures and options based on the CNX Bank Index.

The Indian banking Industry has been undergoing major changes, reflecting a number of underlying developments. Advancement in communication and information technology has facilitated growth in Internet banking, ATM Network, Electronic transfer of funds and quick dissemination of information. In order to have a good benchmark of the Indian banking sector, India Index Service and Product Limited (IISL) (A Joint Venture between CRISIL and NSE) has developed the CNX Bank index.

### CNX Bank Index

CNX Bank Index is a market capitalization weighted index comprised of the 12 most liquid and large capitalized Indian Banking stocks listed at NSE. It provides investors and market intermediaries with a benchmark that captures the performance of Indian Banks. The average total traded value for the last six months of CNX Bank Index stocks is approximately 74% of the traded value of the banking sector. CNX Bank Index stocks represent about 79% of the total market capitalization of the banking sector as on February 28, 2007.

### Composition of CNX Bank Index:

Sr. No.	Company	Weightage (%)
1	Bank of Baroda	3.53
2	Bank of India	3.53
3	Canara Bank	3.78
4	Corporation Bank	1.64
5	HDFC Bank Ltd.	13.08
6	ICICI Bank Ltd.	32.82
7	Oriental Bank of Commerce	1.97
8	Punjab National Bank	5.91
9	State Bank of India	24.26
10	Syndicate Bank	1.56
11	Union Bank of India	2.18
12	UTI Bank Ltd.	5.73

### Index statistics:

Value of the CNX Bank index (Feb 28 2007): 5240.30

Base period of the index: January 01, 2000

Base value of the index: 1000

Market Capitalization (Feb 28 2007): Rs. 2,26,048.48crores.

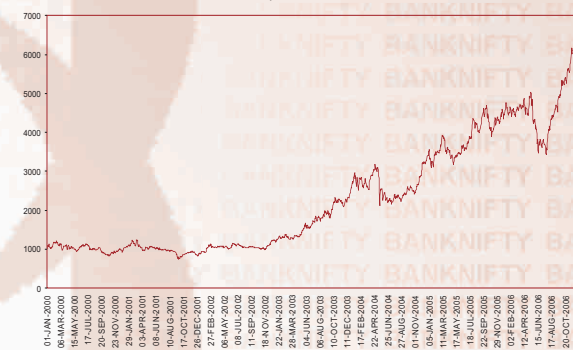
### Comparison with S&P CNX Nifty:

(As on May 26, 2005)	S&P CNX Nifty	CNX Bank
Average Market Cap (in Rs. crs.) (March 2006 February 2007)	1710994.40	213134.81
P/E Ratio (Feb 28, 2007)	18.01	13.96
Price to Book Value (Feb 28, 2007)	4.77	2.22
Dividend Yield (Feb 28, 2007)	1.27	1.39
Volatility (of Avg. Daily Returns) (March 2006 February 2007)	1.70	1.98

### Returns of the index:

Period	CNX Bank
Jan 2002 Dec 2002	40.94%
Jan 2003 Dec 2003	111.96%
Jan 2004 Dec 2004	31.23%
Jan 2005 Dec 2005	29.65%
Jan 2006 Dec 2006	32.52%
Jan 2007 Feb 2007	-12.79%

Bank Nifty - CNX Bank Index



### Why to trade in Bank Nifty Futures & Options

Bank Nifty futures and options are based on CNX Bank index. Trading in Bank Nifty derivatives enable the following:

- Invest take a view of the banking sector, which is one of the active and most important sectors of the economy. Instead of investing in a particular stock and thereby taking on the risks associated with the price movements in that stock, they can trade the entire sector by buying or selling Bank Nifty.
- Hedge reduce risks associated with market exposure to the banking sector by taking a counter position in the derivatives market.