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NSE announces incentives for trade in Global Indices

The National Stock Exchange is launching liquidity enhancement scheme (LES) for derivatives on S&P 500 and DJIA Indices. The scheme shall come into effect from September 15, 2011.

In June 2011, SEBI had permitted exchanges to introduce LES in specific securities subject to fulfillment of the stipulated conditions for a maximum period of six months. The introduction of LES by NSE is in line with the above circular issued by SEBI.

Internationally, exchanges introduce such schemes in order to enhance liquidity, particularly in newly launched products. Trading interest is observed to be enhanced by Liquidity enhancement scheme (LES) in products having inherent potential. When there are multiple competing products, LES acts as an important incentive to attract the attention of market participants and thus generate liquidity in the long run.

The scheme is open to all market participants, i.e. it shall include the members and their clients as well. The scheme provides a three tier incentive structure, i.e. order level, trade level and open interest level.

With regard to the order level incentive, all market participants fulfilling the stipulated obligations and criteria shall be eligible to receive incentives on a proportionate basis from a pool allocated in this regard.

In respect of trade level incentives, a buy trade shall entail an incentive of Rs.400 per crore and a sell trade Rs.1700 per crore.

The incentive will be given on the basis of the contract value of the futures contract and in the case of options, on the basis of premium paid for the contracts.

In respect of Open interest level incentives, top five participants in terms of the total open interest shall be provided incentives from a specifically allocated pool for this purpose.

All these incentives are subject to applicable limits and conditions as detailed in the [circular](#).

As may be noted, no transaction charges will be levied on the trades done in these contracts from the date of commencement till February 29, 2012. The above referred incentives through LES are over and above this waiver of transaction charges.