SEBI’s New Framework for Risk Monitoring

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Why in News?

The Securities and Exchange Board of India (SEBI) has come up with a new framework for risk monitoring and increased the position limits for futures and options.

- SEBI had changed the method to calculate the value of open interest (OI) from notional value-based to delta-based.
- The new method will weigh OI by the price sensitivity making it impossible to manipulate trades.
- SEBI has also increased the limits for positions for options.
- The net end-of-day open interest limit for options will be ***Rs.1,500 crore and gross OI will be at Rs.10,000 crore***.
- For futures, the OI limits are fixed based on the type of investors ranging from 5% of future OI value to 15% of future OI value.
- SEBI has decided not to impose limits on intraday trading.
- Delta-adjusted open interest is a true reflection of the positions taken by traders at large.
- In effect, positions are being assigned weights as per the delta, making the risk management framework stronger.
- SEBI has set a phased timeline for exchanges to implement these steps till September.

Reference

The Hindu | New framework on F&O risk monitoring