

Dear Client,

Sub: **Physical settlement of derivatives contract.**

As mandated by SEBI, stocks which do not meet the Enhanced Eligibility criteria shall move from cash to physical settlement. Kindly refer the circular as communicated by NSE, where physical settlement has been introduced for July 2018 expiry and onwards.

- [46 Scrips\(Physical Settlement\)](#)
- [FAQ for Physical Settlement](#)
- [FNO ANNEXURE](#)

With introduction of physical settlement, all the open positions (Futures & in the Money Options) of near month will be settled through actual pay-in or pay-out of shares if positions are left open.

**Crux points with respect to physical settlement are as given below.**

The following positions in respect of contracts identified by Exchange shall be physically settled:

**Unexpired Futures**

1. Long Futures shall result into a buy (Security receivable) Positions.
2. Short Futures shall result into a Sell (Security deliverable) Positions.

**In-the –Money Call Options**

1. Long Call exercised shall result into a buy (security receivable) positions
2. Short Call assigned shall result into a sell (security deliverable) positions

### **In –the –Money Put Options**

1. Long Put exercised shall result into a sell (Security deliverable) positions
2. Short Put assigned shall result into a buy ( Security receivable ) Positions

The quantity to be delivered/ received shall be equivalent to the market lot \* number of contracts which result into delivery settlement.

The delivery settlement obligation shall be computed at the following prices

Futures – Final Settlement price of the futures contract

Options – Strike Price of the respective option contract

### **The physical settlement shall be effected on Expiry+2 days.**

Post expiry, positions which are converted to physical settlement , margins as applicable in Capital Market segment (i.e. VAR, Extreme Loss Margins, and Mark to Market margins) shall be applicable and levied as delivery margins.

For details refer NSE Circular Number dated 15/06/2018 NSCCL/CMPT/38039 and FAQ on the same is provided in detail wide circular no.NSCCL/CMPT/38332 dated 16.07.2018

Failure of the seller to deliver securities shall result in buy-in-auction for the shares by Clearing Corporation as per auction schedule declared periodically. Currently auction shall be conducted on Expiry+3 days and settled on Expiry+4 days. The auction amount shall be charged in case of short delivery of shares. Failure to procure shares in auction shall be closed out.

Please note that NIRMAL BANG RMS will square off open position in Stock Futures / Option's which has been mandated by Exchanges for physical settlement, at least 2 days before expiry day. You can choose to rollover your positions or close the same before 3 days including expiry day (Monday). E.g. July expiry contracts needs to be closed/rollover by you on or before 3 days including expiry day or else the same would be closed by NIRMAL BANG RMS any time of last 3 days expiry.

Also all open position in such contract's will be on-square off mode before 3 days including expiry day (Tuesday, Wednesday, Thursday).

Hence for every expiry NIRMAL BANG RMS will square off open positions in Stock Futures / Options as at least 2 days prior to expiry day (last Thursday of every expiry).

Kindly take adequate care while trading in options as in case of illiquid contract it will be difficult to square-off position which may result in physical settlement.

In case NIRMAL BANG RMS is unable to square off, then such contracts will be physically settled and client will be required to honor the securities and funds settlement obligations resulting out of such settlement.

**In case of any further queries or assistance please feel free to contact to RMS Team or mail on [rms@nirmalbang.com](mailto:rms@nirmalbang.com)**

Team RMS

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