भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/DNPD/6/2010 October 27, 2010

To

Chief Executive Officers of Equity Derivatives Segment
National Stock Exchange of India Limited (NSEIL)
Bombay Stock Exchange Limited (BSE)

Dear Sir,

Sub: European Style Stock Options

1. This is in continuation of SEBI Circular No. SMDRP/DC/CIR-7/01 dated June 20, 2001, regarding exercise style of stock option contracts.

2. In consultation with Stock Exchanges, it has been decided to provide flexibility to Stock Exchanges to offer either European style or American style stock options.

3. After opting for a particular style of exercise, a Stock Exchange shall offer option contracts of the same style on all eligible stocks.

4. All other contract specifications, including risk management framework applicable for American style stock options, shall apply to European style stock options. Any modification shall require prior approval of SEBI.

5. The Stock Exchanges interested to introduce European style stock options are advised to:

   a put in place proper systems and procedures for smooth introduction of European style stock options,

   b make necessary amendments to the relevant bye-laws, rules and regulations for introduction of European style stock options,

   c notify all categories of market participants, including general public, and also to disseminate the same on their websites, at least one month in advance of implementing the switchover in the exercise style.

6. After opting for a particular style of exercise, a Stock Exchange may change to another style of exercise only after seeking prior approval of SEBI.

7. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

8. The circular shall come into force from the date of the circular.

9. This circular is available on SEBI website at www.sebi.gov.in, under the category "Derivatives- Circulars".

Yours faithfully,

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