16 April 2025

To: SEBI

Dear Sirs/Madams

SEBI - Consultation Paper on the Final Settlement Day (Expiry Day) for Equity Derivatives

FIA[1] appreciates the opportunity to provide comments to SEBI's "Consultation Paper on the Final Settlement Day (Expiry Day) for Equity Derivatives" (the **Consultation Paper**).

We support SEBI's intent to enhance predictability and stability for market participants through a more structured and rationalized approach to the expiries of equity derivatives contracts across exchanges. The effort to ensure well-spaced expiry days—while optimizing their number—demonstrates a thoughtful approach to reducing concentration risk, supporting innovation, and strengthening risk management frameworks. This not only supports investor protection and orderly market functioning, but will also contribute meaningfully to overall market integrity and long-term resilience.

We would also like to offer some comments on each of the proposals set out in the Consultation Paper, with the aim of supporting SEBI in achieving its regulatory objectives while preserving market stability and efficiency. Our responses follow the numbering in the Consultation Paper.

1. Paragraph 4.1 - Expiries of all equity derivatives contracts of an exchange will be uniformly limited to one of either Tuesdays or Thursdays

We are supportive of SEBI's proposal to limit expiries on a given exchange to either Tuesday or Thursday, considering the current market structure where BSE and NSE are the only exchanges offering equity derivatives. This arrangement would enable optimal spacing between expiries and offers practical benefits to market participants by allowing them to trade on one exchange early in the week, settle positions the next day, and arrange funding to trade on the other exchange.

[1] FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's clearing firm members play a critical role in the reduction of systemic risk in global financial markets. Further information is available at www.fia.org.

We also agree with SEBI's approach to avoid Monday expiries, as significant news or events over the weekend can introduce gap risk and lead to heightened volatility at market open, potentially disrupting orderly trading conditions.

Looking ahead, to support the long-term evolution of the market, we respectfully suggest that SEBI retains the flexibility to allow new equity derivatives exchanges to propose alternative expiry days for regulatory approval, where supported by a strong and well-reasoned justification. This would help ensure that new entrants are not constrained by the need to compete directly with incumbents, enabling them to build liquidity and attract participation more effectively. Such an approach would foster a more competitive and dynamic marketplace. This would ultimately benefit end investors through enhanced access and lower costs, while remaining fully aligned with SEBI's objectives of market stability, innovation, and orderly functioning.

2. Paragraph 4.2 - Every exchange will continue to be allowed one weekly benchmark index options contract, on their chosen day (Tuesday or Thursday)

We acknowledge the legitimate concerns around the use of weekly options by certain segments of the investor base who may not fully appreciate the associated risks. To address these concerns, there could be value in considering measures such as calibrated access controls or enhanced investor education, rather than limiting the availability of the instruments. This would help mitigate potential risks while maintaining market functionality and preserving investor choice.

Such an approach would allow weekly expiries to continue serving as a valuable tool for both institutional and retail investors by supporting effective risk management and enabling cost-efficient hedging.

3. Paragraph 4.3 - Besides benchmark index options, all other equity derivatives contracts will be offered with a minimum tenor of 1 month, and the expiry will be in the last week of every month on their chosen day (last Tuesday or last Thursday of the month)

Aligning the expiry of monthly single stock options with that of benchmark index options on the chosen day of the last week of the month would help streamline the expiry calendar across exchanges, reduce operational complexity, and support more efficient position management by investors. It would also enhance consistency in the Indian market, particularly in instances where expiry dates currently vary—such as BSE's mid-month and month-end expiries.

We also note that shorter-tenor contracts—including weekly and bi-weekly index and single stock options—have been successfully adopted in many global derivatives markets. These instruments provide investors with additional flexibility to manage near-term exposures, hedge around specific events, and align positions more precisely with cash flows and portfolio adjustments.

In this context, retaining some degree flexibility around tenors could help to ensure the derivatives market remains responsive to a diverse range of investor needs and trading strategies. Such flexibility could continue to support effective risk management and contribute to the development of a well-functioning and adaptive derivatives ecosystem.

4. Paragraph 4.4. Exchanges will now seek prior approval of SEBI for launching or modifying any contract expiry or settlement day.

We are strongly supportive of SEBI's proposal to require exchanges to obtain prior regulatory approval before launching or modifying contract expiry or settlement day, particularly in light of the number of expiry migrations observed during 2024–25. While there may be valid reasons for making such adjustments, these changes can introduce operational and financial complexity and carry broader implications for market functioning and investor outcomes.

Recent developments in the market have further highlighted the potential risks of implementing expiry changes without sufficient clarity or coordination[2]. These events underscore the importance of a transparent and structured framework to guide such decisions and ensure consistency, clarity and certainty across the market.

To support this process, exchanges should be required to provide a clear and well-reasoned rationale for any proposed change. This would assist regulatory evaluation and enable investors and intermediaries to prepare and respond appropriately. It would also ensure that any changes are carefully considered, minimise disruption, and remain aligned with the overarching goals of market stability and transparency.

To further strengthen the proposed framework, we respectfully ask that SEBI considers adopting an approach similar to international jurisdictions such as the U.S., where proposed changes to

[2] On 4 March 2024, NSE announced a change to shift contract expiries from Thursday to Monday, starting with April 2025 contracts. The market responded accordingly, with rollovers and pricing adjusted to reflect the revised schedule. However, following the release of SEBI's Consultation Paper, this decision was subsequently deferred. The has introduced significant uncertainty and now affects a much larger share of open interest, with nearly the entire ~$46 billion in single stock futures open interest being impacted. This rises to approximately $52 billion when including onshore index futures, increasing still further when factoring in IFSC Nifty (with around $10 billion in open interest) and associated options positions. Retail investors, who typically account for 35–40% of long-side open interest at any given time, are particularly exposed, even if the impact is less apparent at the individual contract level.

expiry schedules are published for public consultation. Allowing stakeholders to provide input would not only help gauge the level of industry support but also enable a fuller understanding of the potential implications before any changes are implemented. This added layer of transparency would complement the regulatory review process and further reinforce market confidence and clarity.

We welcome the opportunity to work with SEBI to address these comments. Please feel free to contact me at bherder@fia.org or TzeMin Yeo, Head of Legal & Policy, Asia Pacific at tmyeo@fia.org should you wish to further discuss.

Yours

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