SEBI Eases Regulations on Intraday Position Limits for Index Derivatives

The Securities and Exchange Board of India (SEBI) vide its **Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/41 dated March 28, 2025**, had addressed the intraday monitoring of position limits for index derivatives.

The circular outlines a temporary modification to the implementation of intraday monitoring, originally mandated in the SEBI Master Circular dated December 30, 2024. While exchanges are still required to monitor position limits intraday from April 1, 2025, as planned, penalties for breaches will be suspended until further notice.

The decision stems from concerns raised by industry associations, including the Association of National Exchanges Members of India (ANMI), the Bombay Brokers' Forum (BBF), and the Confederation of Professional Associations of India (CPAI).

These associations cited the lack of readiness in broker and client systems to handle intraday monitoring of existing notional position limits. They also pointed to SEBI's ongoing consultation regarding delta-based or futures-equivalent limits for index derivatives, suggesting that implementing systems based on current parameters could lead to obsolescence. The consultation paper proposes higher intraday limits than end-of-day limits which are not in line with the current position limits.

According to the circular, stock exchanges are instructed to implement intraday monitoring by taking at least four position snapshots throughout the trading day, as stipulated in the original master circular. However, SEBI has explicitly stated that no penalties will be levied for intraday breaches of existing position limits, and these breaches will not be considered violations.

Exchanges are also required to develop a joint Standard Operating Procedure (SOP) to inform market participants about the modalities of intraday monitoring and to notify clients and trading members of any breaches for risk management purposes.

This directive is issued under the authority granted by Section 11(1) and Section 11(2)(a) of the SEBI Act, 1992, and Regulation 51 of the SECC Regulations, 2018, aimed at protecting investor interests and regulating the securities market.

The circular emphasizes that this temporary suspension of penalties is intended to allow market participants time to adapt to the upcoming regulatory changes and to ensure a smooth transition. The document is available on the SEBI website for further reference.

Link - https://www.sebi.gov.in/legal/circulars/mar-2025/intraday-monitoring-of-position-limits-for-index-derivatives_93123.html