

SEBI has withdrawn Calendar Spread Margin Benefit on Expiry Day for Single Stock Derivatives, to align with Index Derivatives Framework

The Securities & Exchange Board of India (SEBI) vide its Circular No. HO/47/15/11(2)2025-MRD-TPD1/ I/4226/2026 dated February 5, 2026, has addressed the treatment of calendar spread margin benefit for single stock derivatives on the expiry day. It refers to Chapter 5 of the SEBI Master Circular dated December 30, 2024, which outlines stipulations for calendar spread margin treatment in the derivatives segment, specifically under Clause 1.2.6. Currently, for index derivatives, the benefit of offsetting positions across different expiries, known as 'calendar spread', is not available on the day of expiry for contracts expiring on that day, as per Clause 1.2.7.

Based on references received from trading members regarding potential risks arising from calendar spread benefit on expiry day for single stocks, and after discussions with the Secondary Market Advisory Committee (SMAC) of SEBI, it has been decided that the benefit of offsetting positions across different expiries shall not be available on the day of expiry for contracts expiring on that day for single stock derivatives. The existing margin calculations for calendar spread positions will remain unchanged for positions involving all expiries other than the contracts expiring on a given day.

The Circular clarifies that this measure aligns the calendar spread treatment for single stock derivatives with that on index derivatives. It is intended to provide sufficient time to end clients and trading members to bring in additional margin on the expiry day or to roll over or close calendar spread positions on expiry day. Without such a formulation, there is a risk of a sudden increase in margin on the day following expiry of one leg of the calendar spread position, with limited recourse available to trading members in case of margin shortfall or open leg showing significant adverse price movement.

The Circular will become effective three months from its date. Stock Exchanges and Clearing Corporations are directed to take necessary steps to implement the circular, including making any required amendments to their bye-laws, rules, and regulations.

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