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## Sebi tweaks exercise mechanism of options on commodity futures

Under mechanism, Sebi said All In the Money option contracts will be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so

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Capital markets regulator [Sebi](#) on Monday tweaked the "exercise mechanism" of option contracts on commodity futures.

The decision has been taken based on feedback received from stock exchanges and the recommendations of Commodity Derivatives Advisory Committee of [Sebi](#).

In a circular, [Sebi](#) said the prescribed mechanism will be adopted by exchanges for exercise of the options contracts on expiry.

Under the mechanism, [Sebi](#) said All In the Money (ITM) option contracts will be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.

Besides, All Out of the Money (OTM) option contracts shall expire worthless, it added.

All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner, the regulator said.

The new framework will be effective from the date of new series of commodity

derivatives launched on or after February 1, 2022, the Securities and Exchange Board of India (Sebi) said.





In June 2017, the regulator permitted commodity derivatives exchanges to introduce trading in options on commodity futures and stipulated guidelines with regard to the product design and risk management framework to be adopted for trading in options on commodity futures.

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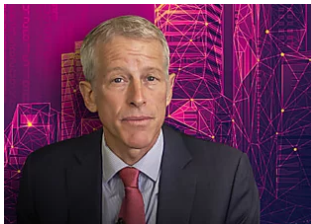
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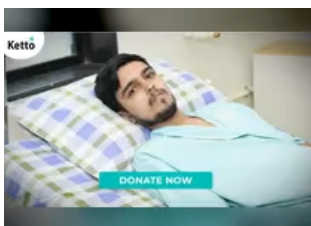
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