



Circular no.: MCX/TRD/241/2024

April 19, 2024

**Launch of Crude Oil Mini Options Contract with Crude Oil Mini (10 Barrels)
Futures as underlying**

In terms of the provisions of the Rules, Bye-Laws and Business Rules of the Exchange, the Members of the Exchange are hereby notified as under:

The Exchange is pleased to announce the launch of Crude Oil Mini Options contract with effect from Tuesday, April 23, 2024

Crude Oil Mini Options contract will be available for trading as below:

Contract Launch Date	Contract Expiry Date	Contract Expiry month
April 23, 2024	June 14, 2024	June, 2024
April 23, 2024	July 17, 2024	July 2024

The contract specification and trading parameters of the contracts as specified in Annexure herewith, shall be binding on all the Members of the Exchange and constituents trading through them. Further, it may be noted that, for all the applicable margins, the Members are requested to refer the latest circulars issued by Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) from time to time.

Particulars	Dates
Contract	Crude Oil Mini Options 14 June 2024
Underlying Futures Contract	Crude Oil Mini 18 June 2024
Contract Start Date	April 23, 2024
Option Contract Expiry Date	14 June 2024
Sensitivity Report shall be provided on	June 10, 11, 12 & 13, 2024 at End of Day
Option Devolvement Intimation can be provided from	June 12, 2024 to June 14, 2024
Option Devolvement Margin First Day	June 13, 2024 (from Beginning of Day)
Option Devolvement Margin Second Day	June 14, 2024 (from Beginning of Day)
First day of Trading after Option Positions Devolving into Futures Positions	June 17, 2024

Particulars	Dates
Contract	Crude Oil Mini Option 17 July 2024
Underlying Futures Contract	Crude Oil Mini 19 July 2024
Contract Start Date	April 23, 2024
Option Contract Expiry Date	17 July 2024
Sensitivity Report shall be provided on	July 11, 12, 15 & 16, 2024 at End of Day
Option Devolvement Intimation can be provided from	July 15, 2024 to July 17, 2024
Option Devolvement Margin First Day	July 16, 2024 (from Beginning of Day)
Option Devolvement Margin Second Day	July 17, 2024 (from Beginning of Day)
First day of Trading after Option Positions Devolving into Futures Positions	July 18, 2024

Members are requested to take note of the same.

Rohit Lunker
Assistant Vice President- Market Operations

Kindly contact Mr. Ashish Bhagtani on 022- 6649 4000 or send an email at customersupport@mcxindia.com for further clarification.

**Contract Specification for MCX Crude Oil Mini Options with Crude Oil Mini
(10 barrels) Futures as underlying**

Annexure

Symbol	CRUDEOILM
Underlying	Underlying shall be Crude Oil Mini Futures contract traded on MCX
Description	Options on Crude Oil Mini Futures
Option Type	European Call & Put Options
Contract Listing	Contracts will be available as per the Contract Launch Calendar
Contract Start Day	The next business day immediately after the expiry of the near month futures contracts
Expiry Day (Last Trading Day)	Two business days prior to the Expiry Day of the underlying futures contract
Trading	
Trading Period	Mondays through Fridays
Trading Session	Monday to Friday: 9.00 a.m. to 11.30 / 11.55 p.m.* * Based on US daylight saving time
Trading Unit	One MCX Crude Oil Mini futures contract (10 bbl)
Underlying Quotation/ Base Value	Rs. Per barrel
Underlying Price Quote	Ex – Mumbai (excluding all taxes, levies, and other expenses)
Strikes	25 In-the-money, 25 Out-of-the-money and 1 Near-the money (51 CE and 51 PE). The Exchange, at its discretion, may introduce additional strikes, if required.
Strike Price Intervals	Rs. 50
Base price	Base price shall be theoretical price on Black 76 option pricing model on the first day of the contract. On all other days, it shall be previous day's Daily Settlement Price of the contract.
Tick Size (Minimum Price Movement)	Rs. 0.05
Daily Price Limit	The upper and lower price band shall be determined based on statistical method using Black76 option pricing model and relaxed considering the movement in the underlying futures contract. In the event of freezing of price ranges even without a corresponding price relaxation in underlying futures, if deemed necessary, considering the volatility and other factors in the option contract, the Daily Price Limit shall be relaxed by the Exchange.
Margins	The Initial Margin shall be computed using SPAN (Standard Portfolio Analysis of Risk) software, which is a portfolio based margining system. To begin with, the various risk parameters shall be as under: A. Price Scan Range – 3.5 Standard Deviation (3.5 sigma) B. Volatility Scan Range – Minimum 5% or as decided by MCXCCL from time to time. For applicable VSR refer latest circulars issued by MCXCCL. C. The Short Option Minimum Margin (SOMM) and Margin

	<p>Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer latest circulars issued by MCXCCL from time to time.</p> <p>D. Extreme Loss Margin – Minimum 1% (to be levied only on short option positions)</p> <p>E. Premium of buyer shall be blocked upfront on real time basis.</p> <p>F. For Additional Margin refer latest circulars issued by MCXCCL from time to time.</p>
Premium	Premium of buyer shall be blocked upfront on real time basis.
Margining at client Level	Initial Margins shall be computed at the level of portfolio of individual clients comprising of the positions in futures and options contracts on each commodity
Real time computation	The margins shall be recomputed using SPAN at Begin of Day, 9.30 am, 11.00 am, 1.00 pm, 3.00 pm, 5.00 pm, 7.00 pm, 8.30 pm, 10.30 pm and End of Day.
Mark to Market	The option positions shall be marked to market by deducting / adding the current market value of options positions (positive for long options and negative for short options) times the number of long / short options in the portfolio from / to the margin requirement. Mark to Market gains and losses would not be settled in Cash for Options Positions.
Risks pertaining to option that devolve into futures on expiry	<p>a) In the initial phase, a sensitivity report shall be provided to members of the impending increase in margins at least 2 days in advance. The mechanism shall be reviewed and if deemed necessary, pre-expiry option margins shall be levied on the buy / sell / both positions during last few days before the expiry of option contract.</p> <p>b) The penalty for short collection / non-collection due to increase in initial margins resulting from devolvement of options into futures shall not be levied for the first day.</p>
Additional and/or Special Margin	At the discretion of the Exchange when deemed necessary
Position Limits	
Maximum Allowable Open Position	<p>Position limits for options would be separate from the position limits applicable on futures contracts.</p> <p>For individual clients: 9,60,000 barrels or 5% of the market wide open position, whichever is higher for all Crude Oil Options contracts combined together.</p> <p>For a member collectively for all clients: 96,00,000 barrels or 20% of the market wide open position, whichever is higher for all Crude Oil Options contracts combined together.</p> <p>Upon expiry of the options contract, after devolvement of options position into corresponding futures positions, open positions may exceed their permissible position limits applicable for future contracts. Such excess positions shall have to be reduced to the permissible position limits of futures contracts within two trading days.</p>
Settlement	

Settlement of premium/ Final Settlement	T+1 day
Mode of settlement	<p>On expiry of options contract, the open position shall devolve into underlying futures position as follows:</p> <ul style="list-style-type: none"> • long call position shall devolve into long position in the underlying futures contract. • long put position shall devolve into short position in the underlying futures contract. • short call position shall devolve into short position in the underlying futures contract. • short put position shall devolve into long position in the underlying futures contract. <p>All such devolved futures positions shall be opened at the strike price of the exercised options</p>
Exercise Mechanism at expiry	<p>All In the money (ITM)# option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>The ITM option contract holders, who have not submitted contrary instructions, shall receive the difference between the Settlement Price and Strike Price in Cash as per the settlement schedule.</p> <p>In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless.</p> <p>All Out of the money (OTM) option contracts shall expire worthless.</p> <p>All devolved futures positions shall be considered to be opened at the strike price of the exercised options.</p> <p>All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p> <p>#ITM for call option = Strike Price < Settlement Price ITM for put option = Strike Price > Settlement Price</p>
Due Date Rate (Final Settlement Price)	Daily settlement price of underlying futures contract on the expiry day of options contract.

Contract Launch Calendar of MCX Crude Oil Mini Options (10 bbl) Contracts expiring during the year 2024

Contract Month	Contract Launch Date	Contract Expiry Date
June 2024	23 rd April 2024	14 th June 2024
July 2024	23 rd April 2024	17 th July 2024
August 2024	21 st May 2024	14 th August 2024
September 2024	19 th June 2024	17 th September 2024
October 2024	22 nd July 2024	17 th October 2024
November 2024	20 th August 2024	15 th November 2024
December 2024	20 th September 2024	16 th December 2024