



Circular no.: MCX/TRD/242/2024

April 19, 2024

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**Launch of Natural Gas Mini Options Contract with  
Natural Gas Mini (250 MMBtu) Futures as underlying**

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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 Natural Gas Mini Options contract with effect from Tuesday, April 23, 2024

Natural Gas Mini Options contract will be available for trading as below:

Contract Launch Date	Contract Expiry Date	Contract Expiry month
April 23, 2024	May 24, 2024	May 2024
April 23, 2024	June 21, 2024	June 2024

The contract specifications 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	Natural Gas Mini Options 24 May 2024
Underlying Futures Contract	Natural Gas Mini 28 May 2024
<b>Contract Start Date</b>	<b>April 23, 2024</b>
<b>Option Contract Expiry Date</b>	<b>May 24, 2024</b>
Sensitivity Report shall be provided on	May 20, 21, 22 & 23, 2024 at End of Day
Option Devolvement Intimation can be provided from	May 22, 2024 to May 24, 2024
Option Devolvement Margin First Day	May 23, 2024 (from Beginning of Day)
Option Devolvement Margin Second Day	May 24, 2024 (from Beginning of Day)
First day of Trading after Option Positions Devolving into Futures Positions	May 27, 2024

<b>Particulars</b>	<b>Dates</b>
Contract	Natural Gas Mini Options 21 June 2024
Underlying Futures Contract	Natural Gas Mini 25 June 2024
<b>Contract Start Date</b>	<b>April 23, 2024</b>
<b>Option Contract Expiry Date</b>	<b>June 21, 2024</b>
Sensitivity Report shall be provided on	June 17, 18, 19 & 20, 2024 at End of Day
Option Devolvement Intimation can be provided from	June 19, 2024 to June 21, 2024
Option Devolvement Margin First Day	June 20, 2024 (from Beginning of Day)
Option Devolvement Margin Second Day	June 21, 2024 (from Beginning of Day)
First day of Trading after Option Positions Devolving into Futures Positions	June 24, 2024

Members are requested to take note of the same.

Rohit Lunker  
Assistant Vice President- Market Operations

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Kindly contact Mr. Ashish Bhagtani on 022- 6649 4000 or send an email at [customersupport@mcxindia.com](mailto:customersupport@mcxindia.com) for further clarification.

**Contract Specification for MCX Natural Gas Mini Options with Natural Gas Mini  
(250 MMBtu) Futures as underlying**

**Annexure**

<b>Symbol</b>	NATGASMINI
<b>Underlying</b>	Underlying shall be Natural Gas Mini Futures contract traded on MCX
<b>Description</b>	Options on Natural Gas Mini Futures
<b>Option Type</b>	European Call & Put Options
<b>Contract Listing</b>	Contracts will be available as per the Contract Launch Calendar
<b>Contract Start Day</b>	The next business day immediately after the expiry of the near month Futures Contracts
<b>Expiry Day (Last Trading Day)</b>	Two business days prior to the Expiry Day of the underlying Futures Contract
<b>Trading</b>	
<b>Trading Period</b>	Mondays through Fridays
<b>Trading Session</b>	Monday to Friday: 9.00 a.m. to 11.30 / 11.55 p.m.* * Based on US daylight saving time period
<b>Trading Unit</b>	One MCX Natural Gas Mini Futures Contract (250 MMBtu)
<b>Underlying Quotation/ Base Value</b>	Rs. / MMBtu
<b>Strikes</b>	15 In-the-money, 15 Out-of-the money and 1 Near-the-money (31CE and 31 PE). The Exchange, at its discretion, may introduce additional strikes, if required.
<b>Strike Price Intervals</b>	Rs. 5
<b>Base price</b>	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.
<b>Tick Size (Minimum Price Movement)</b>	Rs. 0.05
<b>Daily Price Limit</b>	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.
<b>Margins</b>	<p>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:</p> <ul style="list-style-type: none"> <li>A. Price Scan Range – 3.5</li> <li>B. Volatility Scan Range – 10 % (or such other % as prescribed by MCXCCL based on risk framework)</li> <li>C. Short Option Minimum Margin – 10% (or such other margin as prescribed by MCXCCL based on risk framework)</li> <li>D. Extreme Loss Margin – Minimum 1% (or such other margin as prescribed by MCXCCL based on risk framework)</li> <li>E. Premium of buyer shall be blocked upfront on real time basis.</li> </ul> <p>The Margin Period of Risk (MPOR) shall be at least three days (or such other margin period of Risk (MPOR) as prescribed by MCXCCL based on risk framework).</p> <p>Parameters would be reviewed and changed, if required.</p>

<b>Premium</b>	Premium of buyer shall be blocked upfront on real time basis.
<b>Margining at client Level</b>	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
<b>Real time computation</b>	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.
<b>Mark to Market</b>	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.
<b>Risks pertaining to option that devolve into futures on expiry</b>	<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>
<b>Additional and/ or Special Margin</b>	At the discretion of the Exchange when deemed necessary
<b>Position Limits</b>	
<b>Maximum Allowable Open Position</b>	<p>Position limits for Options would be separate from the position limits applicable on Futures Contracts.</p> <p>For individual clients: 120,00,000 MMBtu or 5% of the market wide open position, whichever is higher for all Natural Gas Options Contracts combined together.</p> <p>For a member collectively for all clients: 12,00,00,000 MMBtu or 20% of the market wide open position, whichever is higher for all Natural Gas 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>
<b>Settlement</b>	
<b>Settlement of premium/Final Settlement</b>	T+1 day
<b>Mode of settlement</b>	<p>On expiry of Options Contract, the open position shall devolve into underlying futures position as follows: -</p> <ul style="list-style-type: none"> <li>• long call position shall devolve into long position in the underlying futures contract.</li> <li>• long put position shall devolve into short position in the underlying futures contract.</li> <li>• short call position shall devolve into short position in the underlying futures contract.</li> <li>• short put position shall devolve into long position in the underlying futures contract.</li> </ul>

	All such devolved Futures positions shall be opened at the strike price of the exercised Options
<b>Exercise Mechanism at expiry</b>	<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 &lt; Settlement Price ITM for put option = Strike Price &gt; Settlement Price</p>
<b>Due Date Rate (Final Settlement Price)</b>	Daily Settlement Price of underlying Futures Contract on the expiry day of Options Contract.

### Contract Launch Calendar for Natural Gas Mini Options (250 MMBtu) for the year 2024

Contract Month	Contract Launch Date	Contract Expiry Date
May 2024	23 <sup>rd</sup> April 2024	24 <sup>th</sup> May 2024
June 2024	23 <sup>rd</sup> April 2024	21 <sup>st</sup> June 2024
July 2024	26 <sup>th</sup> April 2024	24 <sup>th</sup> July 2024
August 2024	29 <sup>th</sup> May 2024	23 <sup>rd</sup> August 2024
September 2024	26 <sup>th</sup> June 2024	23 <sup>rd</sup> September 2024
October 2024	29 <sup>th</sup> July 2024	24 <sup>th</sup> October 2024
November 2024	28 <sup>th</sup> August 2024	21 <sup>st</sup> November 2024
December 2024	26 <sup>th</sup> September 2024	24 <sup>th</sup> December 2024