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Sebi proposes measures to curb speculative trading in index derivatives

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India Has Flagged Risks From Speculative Trading By So-Called Retail Investors. | Representative Image

India's markets regulator on Tuesday proposed a series of near-term measures to prevent speculative trading in index derivatives, including curbing multiple option contract expiries and increasing the size of options contracts.

India has flagged risks from speculative trading by so-called retail investors.

The Securities and Exchange Board of India (Sebi) has proposed to initially set a minimum value of 1.5 million to 2 million rupees ($18,000-$24,000) for derivative contracts, and after six months, it will raise the threshold to up to 3 million rupees.

The Sebi also proposed weekly options contracts to be provided on a single benchmark index of an exchange and brokerages to collect option premiums on an upfront basis from their clients. It has also proposed an increase in margins on near-term expiry.

The massive changes will bring down retail volumes on options, hit many high frequency traders and people who use algorithm for trades as well as exchanges, said Amit Kumar Gupta, founder of Fintrekk Capital.

The markets regulator sought a policy intervention after the notional value of traded index options more than doubled in 2023-2024 to $907.09 trillion.

The share of retail investors in derivative trading volumes has risen to 41 per cent so far 2024 from 2 per cent in 2018 .

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