SEBI TO REVIEW SETTLEMENT PRICE METHODOLOGY FOR DERIVATIVE CONTRACTS IN LIGHT OF THE CLOSING AUCTION SESSION (CAS) ROLLOUT

The Securities and Exchange Board of India ("SEBI"), vide **Press Release PR No. 53/2026 dated September 3, 2026,** has announced that it may propose certain changes to the methodology for determination of settlement prices of derivative contracts on expiry. The announcement follows the experience gathered during the initial period of implementation of the Closing Auction Session ("CAS") in the Equity Cash Segment and the feedback received from market participants. SEBI has stated that a consultation paper in this regard will be issued in about a week. CAS was introduced by SEBI vide circular dated January 16, 2026, with effect from August 3, 2026, for determination of the closing price of securities, and the closing price so determined also serves as the basis for determination of settlement prices for derivative contracts on expiry.

ANALYSIS

- CAS was introduced in the Equity Cash Segment with effect from August 3, 2026, for determination of the closing price of securities. As stipulated in the circular dated January 16, 2026, the closing price determined through CAS additionally forms the basis for determination of settlement prices of derivative contracts on expiry, thereby linking the cash segment price discovery mechanism directly to derivative settlement outcomes.
- The CAS framework was finalised after an extensive consultative process. This included two rounds of public consultation undertaken on December 5, 2024 and August 22, 2025, deliberations in the advisory committee, and discussions with Stock Exchanges, broker associations, institutional investors, market participants and other stakeholders. SEBI has recorded that the inputs received through these consultations were examined and duly considered while finalising the framework.
- Since implementation, SEBI has continued to engage with Stock Exchanges, brokers, proprietary traders, software vendors, mutual funds, industry associations and Foreign Portfolio Investors, with a view to facilitating smooth implementation and addressing operational and other issues arising during the initial period of adoption.
- SEBI has monitored the functioning of CAS and its impact on the market during the first month of its operation. Feedback and suggestions were received from market participants and stakeholders through multiple channels, including social media and other media platforms.

- Among the issues raised, a significant area of feedback relates specifically to the determination of settlement prices of derivative contracts on expiry on the basis of the closing price determined through CAS.
- Having considered the experience of the initial period of CAS implementation and the stakeholder feedback received, SEBI may propose certain changes in the methodology for determination of settlement prices of derivative contracts. A consultation paper setting out the proposed changes is to be issued in about a week.

KEY TAKEAWAYS

- SEBI has signalled a possible revision of the settlement price methodology for derivative contracts on expiry, in response to the operational experience of the first month of CAS and feedback received from market participants.
- The existing framework remains unchanged for the present. The press release is an announcement of intent and does not by itself modify the CAS-based settlement price methodology; the closing price determined through CAS continues to serve as the basis for derivative settlement prices until any revision is formally notified.
- A consultation paper is expected within approximately one week of September 3, 2026. Market participants, including Stock Exchanges, brokers, proprietary traders, mutual funds and FPIs, may wish to prepare their responses and assess the operational implications of any potential change in methodology.
- The concern is specific to the derivative segment. SEBI's release identifies settlement price determination on expiry as the significant area of feedback, while the CAS mechanism for determination of closing prices in the Equity Cash Segment itself has not been called into question.
- The development reflects SEBI's continued consultative approach, consistent with the two rounds of public consultation and advisory committee deliberations that preceded the introduction of CAS.

The press release is attached herein.

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