

Consultation Paper on “Review of provisions related to Base Price and Price Bands for Exchange Traded Funds (ETFs)”

Objective:

1. The objective of this consultation paper is to seek public comments on the proposals on Base Price and Price Bands for Exchange Traded Funds (ETFs).

Background:

2. ETF is a mutual fund scheme that invests in securities in the same proportion as an index of securities and the units of exchange traded fund are mandatorily listed and traded on exchange platform. Gold ETFs and Silver ETFs invest primarily in gold or gold related instruments; and silver or silver related instruments respectively. Currently, the Asset Management Companies (AMCs) of Mutual Funds are allowed to launch only passive ETFs on the following broad categories:
 - 2.1. Equity ETFs
 - 2.2. Debt ETFs (including Liquid and Overnight ETFs)
 - 2.3. Commodity ETFs (Gold ETFs and Silver ETFs)
3. As ETFs are traded like individual scrips, they are subject to price bands similar to that of individual scrips based on the base price.
4. Currently, there are individual scrip wise price bands of up to 20% either way, applicable for all scrips in the rolling settlement except for the scrips on which derivatives products are available. Restrictive price bands are also applicable for scrips under various surveillance measures. Further, 10%, 15% and 20% market wide circuit breakers are triggered by movement of either BSE Sensex or the NSE Nifty 50, whichever is breached earlier. These price bands are applied on the T-1 Day closing price level of the index/scrip.
5. In case of ETFs, no separate price bands have been prescribed. Stock exchanges currently apply a fixed price band of ±20% on the base price of ETFs except a price band of ±5% for Overnight ETFs investing only in TREPs.

6. Further, the base price for applicability of price bands for ETFs is taken as T-2 Day closing Net Asset Values (NAVs) by exchanges instead of T-1 Day closing NAV/price as in case of index and individual scrips.

Need for Review

7. The closing NAV of ETFs typically differs between T-1 and T-2 Day. Accordingly, the existing practice of using the T-2 Day closing NAV for determining the base price for ETFs, results in an inherent lag of one trading day in the base/reference value used for applying price bands.
8. Currently, the corporate actions such as bonus, dividends, etc. effective on T-1 Day, are being adjusted manually in the T-2 Day closing NAV for the purpose of determination of the base price. This manual process increases the risk of errors and omissions of certain corporate actions.
9. The existing fixed price band of $\pm 20\%$ for ETFs except Overnight ETFs ($\pm 5\%$) may not be commensurate with the maximum permissible price range of the underlying which is dependent on the T-1 Day closing price.
10. Further, the existing fixed price band of $\pm 20\%$ to all ETFs (except Overnight ETFs) regardless of its underlying/benchmark does not appropriately reflect the permissible movement and volatility of the underlying, and therefore may lead to situations where the ETF's trading range is excessively wide relative to the underlying.

Consultation with Stock Exchanges and Secondary Market Advisory Committee of SEBI (SMAC)

11. Base Price

- 11.1. Currently, the NAV of ETFs are available by 11 pm on the same day. However, commodity ETFs (gold or silver) having exposure to commodity derivatives are permitted to disclose NAV by 09 am on the next day.
- 11.2. The exchanges are of the view that there are operational constraints in using the closing NAV of T-1 Day as the base price for the T Day.

- 11.3. The SMAC after detailed deliberation recommended that the latest available indicative NAV (iNAV) of T-1 Day may be used as base/reference price for determination of price bands for ETFs on T Day.
- 11.4. As the latest available iNAV on T-1 Day would be a single point iNAV, which may be an outlier price, thus may not be referred as the base price. In this regard, it is proposed that the base price on T Day may be either of the following:
- 11.4.1. Closing price of ETFs on T-1 Day (i.e. weighted average traded price of last 30 minutes).
- 11.4.2. Average iNAV of last 30 minutes on T-1 Day.
- 11.4.3. Closing NAV of T-1 Day (if available).

12. Price Band:

- 12.1. Analysis of Previous Close Price and Trade Price for next trading day: Daily close-to-previous close variation analysis was computed for ETFs for the period 01.04.2025 to 31.12.2025, the following are the observations:

ETF's with Underlying as	SEs	Maximum Variation (T day Close price to T-1 day Close price) observed (in %)	Maximum Variation (T day High to T-1 day Close price) observed (in %)	Maximum Variation (T day Low to T-1 day Close price) observed (in %)
Index (Equity)	NSE	-17%/+20%	-11%/ +22.3%[^]	-20.38%^{^^} /+4%
	BSE	15%/-13%	21%#/-7%	-15%/20%
Index (Debt)	NSE	-3%/5%	-1%/16%	-10%/2%
	BSE	11%/-10%	11%/-2%	11%/-10%
Commodity (Gold/Silver)	NSE	-10%/+15%	-4%/+21.26%[@]	21.26%^{@@} /+5%
	BSE	16%/-12%	19%/-10%	-9%/-21%*
Overnight (ETF name denoted by 1 D)	NSE	-0.04%/+0.14%	0.04%/ +19.98%^{**}	-10%\$ /+0.14%
	BSE	1%/-1%	2%/-1%	1%/-6% ^{\$\$}

[^] 1 instance of maximum variation between T day High to T-1 day close > 20%

^{^^} 3 instances of maximum variation between T day Low to T-1 day close < (-)20%

[#] 1 instance of maximum variation between T day High to T-1 day close > 20%

[@] 3 instances of maximum variation between T day High to T-1 day close > 20%

^{@@} 5 instances of maximum variation between T day Low to T-1 day close < (-)20%

^{*} 1 instance of maximum variation between T day Low to T-1 day close < (-)20%

^{**} 2 Instances of maximum variation between T day High to T-1 day close > 5%



- \$ 2 instances of maximum variation between T day Low to T-1 day close < (-)5%
\$\$ 1 instance of maximum variation between T day Low to T-1 day close < (-)5%

12.2. Considering the recent high volatility (during the last week of January, 2026) in gold and silver prices in the domestic/international market, the existing price bands for gold/silver ETFs (based on T-2 NAV) had become inadequate to ensure alignment of their market prices with the underlying assets. To address this issue, as an interim measure, T-1 Day Closing NAV/ Closing Price were used as base price by exchanges for Gold/ Silver ETFs, the same being available due to a holiday between T-1 day and T day.

12.3. Single Day Movement in ETFs: It was observed that in case of more than 99.8% of the ETFs in equity/debt segment, the max movement was less than or equal to 10%. For commodity ETFs, in case of more than 98% of ETFs, the maximum movement was less than or equal to 9%. For Overnight/TREPs based ETFs Max variation of ETFs varied between -5% to +5 %.

% of ETF's covered				
Underlying	Exchanges	T day High/low to T-1 day close price maximum variation <=10%	T day High/low to T-1 day close price maximum variation >10% and maximum variation <=15%	T day High/low to T-1 day close price maximum variation >15% and maximum variation <=20%
Index (Equity)	NSE	99.82/99.88	0.10/0.06	0.01/0.05
	BSE	99.94/99.93	0.04/0.05	0.02/0.02
Index (Debt)	NSE	99.90/99.95	0.05/0.05	0.05/0.00
	BSE	99.90/99.90	0.10/0.10	0.00/0.00
Underlying	Exchanges	T day High/low to T-1 day close price maximum variation <=6%	T day High/low to T-1 day close price maximum variation > 6% and maximum variation <=9%	T day High/low to T-1 day close price maximum variation >9% and maximum variation <=20%
Commodity (Gold/ Silver)	NSE	96.98/97.90	1.42/1.02	1.56/1.01
Commodity (Gold/ Silver)	BSE	98.37/98.34	0.89/0.93	0.74/0.74

12.4. SMAC after detailed deliberations recommended the following:

Underlying	Existing Price Bands	Proposed Price Band	
		Initial Price Band	Flexing Mechanism
Equity/Debt Index	<u>±20%</u> (Fixed)	<u>±10%</u>	<ol style="list-style-type: none"> 1. <i>There will be an initial price band of ±10%, which may be flexed upto ±20% during the trading day subject to a cooling off period.</i> 2. <i>After exhausting the initial price band there will be a cooling-off period of 15 min if the condition of flexing is satisfied before the last half an hour (or 5 min if the conditions for flexing are met within the last 30 min of trading),</i> 3. <i>Thereafter the price band will be relaxed by 5%. There can be maximum of two instances of flexing in a day.</i> 4. <i>The single day maximum variation of ±20% would be applicable.</i> 5. <i>One of the conditions for relaxing the price band is that a minimum of 50 trades should be executed with 10 unique UCCs and 3 Trading Members on each side of the trade at or above 9.90% and so on.</i>
Commodity (Gold/Silver)	<u>±20%</u> (Fixed)	<u>±6%#</u>	<ol style="list-style-type: none"> 1. <i>There will be an initial price band of ±6%, which may be flexed upto ±20% during the trading day subject to a cooling off period.</i> 2. <i>After exhausting the initial price band there will be a cooling-off period of 15 min, thereafter the price band will be flexed by 3%.</i> 3. <i>In case the price movement in the international markets is more than the aggregate Daily Price Limit (DPL) of 9%, the same may be further relaxed in stages of 3% by the Exchange with cooling-off period of 15 minutes.</i> 4. <i>The single day maximum variation of ±20% would be applicable.</i> <p>#. <i>In line with Aggregate DPL of 9% as per SEBI circular, SEBI/HO/CDMRD/DNPMP/CIR/P/2021/9 dated January 11, 2021.</i></p>

<i>Overnight (TREPs)</i>	<i>±5% (Fixed)</i>	<i>The existing price band of ±5% may be continued.</i>
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13. Proposals:

- 13.1. The base price for ETFs may be revised as per the proposal at paragraph 11.4 above and.
- 13.2. The price bands for ETFs may be revised as per the proposals at paragraph 12.4 above.

14. Questions for Public Comments:

14.1. With reference to the proposal at paragraph 13.1 above, the base/reference price for determination of price bands of ETFs on T Day should be based on which of the following:

- 14.1.1. Closing price of ETFs on T-1 Day (i.e. weighted average traded price of last 30 minutes).
- 14.1.2. Closing NAV of ETFs on T-1 Day (if available).
- 14.1.3. Average iNAV of last 30 minutes on T-1 Day.
- 14.1.4. Latest available indicative NAV (iNAV) on T-1 Day

14.2. Do you agree with the proposal at paragraph 13.2 above regarding price bands applicable for ETFs?

14.3. Regarding the proposal on price bands on Commodity (Gold and Silver) ETFs, should the current upper limit of ±20% be removed to be in line with the DPL for Commodity Derivative Contracts based on Gold and Silver?

14.4. As the underlying commodity (gold or silver) trades throughout the day in various international jurisdictions and the corresponding ETF trades during normal market hours, i.e., 09:15 A.M. to 03:30 P.M., should there be a separate pre-open session for commodity based ETFs to determine an equilibrium price for trading in units of commodity ETFs?

14.5. Any other comments on the consultation paper.

Public Comments on this Consultation Paper:

Public comments are invited on the proposal for sharing and usage of price data for educational purposes. The comments/ suggestions should be submitted latest by **March 06, 2026** through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may send your comments through e-mail to pankajc@sebi.gov.in & mrd_pod3@sebi.gov.in with the subject: "**Review of provisions related to Base Price and Price Bands for Exchange Traded Funds (ETFs)**" on the proposals at paragraph 13 above.

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