

“A STUDY ON THE IMPACT OF SEBI REGULATIONS ON OPTIONS TRADING ACTIVITY AMONG RETAIL TRADERS”

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ABSTRACT:

The Securities and Exchange Board of India (SEBI) has implemented significant regulatory measures to enhance market stability and protect retail investors involved in options trading. These reforms, such as increasing the minimum contract size and limiting the availability of weekly options contracts, aim to curb speculative trading and reduce the risks associated with high-leverage investments. This study examines the impact of SEBI's regulations on retail traders and trading volumes in the Indian options market. By analyzing historical trading data and conducting interviews with retail investors, the research aims to understand the behavioral shifts among traders and the resulting changes in market dynamics.

The study indicates that SEBI's interventions have led to a noticeable decline in speculative trading, with retail traders increasingly opting for risk-defined strategies such as spreads and hedging. Despite the overall market downturn, there has been a shift in investor behavior towards small-cap stocks, which, while offering potential returns, bring with them higher volatility and valuation risks. Furthermore, brokerage firms have reported a reduction in transaction-based revenues due to the decline in derivatives trading volumes, prompting a reevaluation of their business models. This study highlights both the benefits and challenges of SEBI's regulations, particularly in terms of market liquidity, participation, and investor protection.

While SEBI's efforts are designed to reduce risk exposure for retail traders, they also bring about concerns regarding limited access to derivative markets, which could impact portfolio diversification and hedging strategies for smaller investors. As the market adapts to these changes, ongoing monitoring, investor education, and adaptive strategies will be essential to ensure the long-term stability and growth of the retail options trading segment. This research provides valuable insights for policymakers, market participants, and brokers to navigate the evolving regulatory landscape and its impact on retail trading behavior.

KEYWORDS: *SEBI Regulations, Options Trading, Retail Traders, Trading Volumes, Behavioural Shifts.*

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