

# SECURITIES BROKING INDUSTRY

**Regulatory tightening reduces  
hyperactivity in index options;  
stabilisation on the horizon**

**MAY 2025**





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*Daily F&O income of select brokers fell by 20-35% from pre-regulation levels, marking a sharp retreat from recent highs*

*Profitability of ICRA's sample set of securities brokers dipped to a 12-quarter low in Q4 FY2025; performance of other market intermediaries was also affected*



In an effort to fortify the equity index derivatives framework to safeguard market stability and enhance investor protection, the Securities and Exchange Board of India (SEBI) had introduced six measures between November 2024 and April 2025. These reforms led to a notable decline in trading activity in index options, which had previously grown continuously. The revisions, particularly those affecting lot sizes and weekly expiries, significantly reduced participation from investors with smaller capital bases. Consequently, the premium average daily turnover (ADTO) fell by 18% between December 2024 and March 2025 compared to the period from April 2024 to November 2024, while options contracts traded plummeted by 60%. The impact on order volumes, which are crucial for futures & options (F&O) brokerage, was relatively moderate, estimated at 25–35%. Notably, March 2025 saw a 23% rebound in daily contracts from the February lows, possibly indicating early signs of stabilisation and recalibration of trading strategies by market participants.

In tandem with the downturn in derivatives trading, the cash and margin trading facility (MTF) segments also slowed down significantly in Q4 FY2025, reflecting a broader dampening of investor sentiment. The ADTO in the cash segment dropped by 8% quarter-on-quarter (QoQ) to Rs. 1 lakh crore. Meanwhile, MTF exposures, which had seen sustained growth in previous years, declined by 18% QoQ. This downturn had a pronounced impact on the performance of securities broking companies. According to ICRA's sample set of nine securities broking firms, net revenue fell by 19% year-on-year (YoY) and profitability (operating profit after tax (PAT) as a percentage of net revenue) slipped to 26%, marking the lowest level in the past 12 quarters.

Exchanges and depositories also felt the impact of the broader market downturn with operating revenues falling to a 5-quarter low. This underscores the widespread impact of the regulatory changes and market adjustments. Despite the decline from a high base, market intermediaries outperformed the long-term averages, reflecting sector resilience. ICRA notes that the regulator continues to monitor trading activity closely. Further actions to strengthen the market while increasing vibrancy cannot be ruled out. Although early signs of stabilisation are emerging, the same will remain subject to any incremental regulatory measures.



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