

CIRCULAR

SEBI/HO/MRD2/DCAP/CIR/P/2020/17

February 03, 2020

All recognized Stock Exchanges and Clearing Corporations in International Financial Services Centres

Dear Sir/Madam,

Sub: Currency Future and Options Contracts (involving Indian Rupee) on Exchanges in International Financial Services Centres (IFSC)

1. Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 were notified on March 27, 2015, which came into force on April 01, 2015 wherein currency derivatives were specified as permissible securities in which dealing may be permitted by stock exchanges in IFSC.
2. RBI, vide Statement on Developmental and Regulatory Policies dated October 04, 2019, inter-alia, announced its decision to allow Rupee derivatives (with settlement in foreign currency) to be traded in IFSC.
3. Accordingly, RBI, vide circular dated January 20, 2020 (ref.no.RBI/2019-20/145, A.P. (DIR Series) Circular No.17) issued directions under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) for introduction of Rupee derivatives at IFSC.
4. Pursuant to the above, it has been decided that for currency futures and options contracts involving Indian Rupee (with settlement in foreign currency), the position limits for eligible market participants, per currency pair per stock exchange, shall be as follows:
 - a) Trading Members (positions on proprietary basis as well as clients' position) - Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher
 - b) Institutional Investors - Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher

- c) Eligible Foreign Investors (as referred to in SEBI Circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017) – Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher
- d) Other Clients – Gross open position across all contracts not to exceed 6% of the total open interest or USD 100 million equivalent, whichever is higher.

Explanation :

For the purpose of extending aforementioned positions limits, Institutional Investors includes the following:

- International Banking Units (IBU) set up in IFSC
- Foreign Portfolio Investors (FPI)
- AMCs and other Funds set up in IFSC
- Insurance Companies set up in IFSC
- Foreign Banks setup in other offshore jurisdictions
- Supranational, Multilateral or Statutory Organization / Institution/Agency

The aforementioned explanation shall also be applicable for SEBI circular (SEBI/HO/MRD/DRMNP/CIR/P/2017/43) dated May 17, 2017 in connection with Position limits for cross-currency futures and options contracts (not involving Indian Rupee) on exchanges in International Financial Services Centres.

5. Stock exchanges shall impose appropriate penalties for violation of position limits by eligible market participants.
6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

Amit Tandon
General Manager
Tel: +91 22 26449373
Email: amitt@sebi.gov.in