



CIRCULAR

CIR/MRD/DP/ 04 /2015

April 08, 2015

To

All Stock Exchanges and Clearing Corporations,
All Depositories,
All Designated Depository Participants (DDPs) through Depositories,
All Custodians of Securities,
All Foreign Portfolio Investors (FPIs) through their DDPs.

Dear Sir / Madam,

**Sub: Revision of limits relating to requirement of underlying exposure for
currency derivatives contracts**

This is further to SEBI circular no. CIR/MRD/DP/20/2014 dated June 20, 2014, wherein, limits were specified for the USD-INR, EUR-INR, GBP-INR and JPY-INR currency derivatives contracts beyond which market participants were required to establish proof of underlying exposure.

2. RBI vide A.P. (DIR Series) Circular no. 90 dated March 31, 2015 and A.P. (DIR Series) Circular no. 91 dated March 31, 2015 has revised the limits beyond which market participants would be required to establish underlying exposure in the currency derivatives segment. Copy of the RBI circulars are enclosed for reference.

3. Accordingly, it has been decided to modify para 5 and para 9 of SEBI circular CIR/MRD/DP/20/2014 dated June 20, 2014 as under:

3.1. Para 5 of aforementioned circular shall read as under:

- (a) Foreign Portfolio Investors (FPIs) may take long as well as short positions per stock exchange upto the following limit without having to establish the existence of any underlying exposure:
 - (i) USD-INR currency pair: USD 15 million;
 - (ii) EUR-INR, GBP-INR and JPY-INR currency pairs (all put together): USD 5 million.
- (b) FPIs shall ensure that their short positions at a stock exchange across all contracts in USD-INR pair do not exceed USD 15 million and do not exceed USD 5 million in EUR-INR, GBP-INR and JPY-INR pairs, all put together.



- (c) In the event a FPI breaches the short position limit, stock exchanges shall restrict the FPI from increasing its existing short positions or creating new short positions in the currency pair till such time FPI complies with the said requirement.
 - (d) To take long positions in excess of USD 15 million in USD-INR pair and in excess of USD 5 million in EUR-INR, GBP-INR and JPY-INR pairs, all put together, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds.
- 3.2. Para 9 of aforementioned circular shall read as under:
- (a) Domestic clients may take long as well as short positions per stock exchange upto the following limit without having to establish the existence of any underlying exposure:
 - (i) USD-INR currency pair: USD 15 million;
 - (ii) EUR-INR, GBP-INR and JPY-INR currency pairs (all put together): USD 5 million.
 - (b) Domestic clients may take positions in excess of USD 15 million in USD-INR pair and in excess of USD 5 million in EUR-INR, GBP-INR and JPY-INR pairs, all put together, subject to the conditions specified in the RBI A.P. (DIR Series) Circular no. 147 dated June 20, 2014 and RBI A.P. (DIR Series) Circular no. 90 dated March 31, 2015.
- 3.3. Stock exchanges, under intimation to SEBI, may prescribe fixed limits for EUR-INR, GBP-INR and JPY-INR currency pairs within the equivalent of USD 5 million.
- 3.4. The limits mentioned above at para 3.1 and para 3.2 shall be monitored by stock exchanges and/or clearing corporations and breaches, if any, shall be reported to the Market Surveillance Team of Financial Markets Regulation Department (FMRD), RBI.
4. All other requirements, terms and conditions shall remain unchanged.
5. Stock Exchanges and Clearing Corporations are directed to:
- (a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;



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Securities and Exchange Board of India

- (b) bring the provisions of this circular to the notice of the stock brokers / clearing members and also disseminate the same on their website;
- (c) communicate to SEBI the status of implementation of the provisions of this circular.

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,

Maninder Cheema
Deputy General Manager
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Enclosures:

- (i) Reserve Bank of India A.P.(DIR Series) Circular No. 90 dated March 31, 2015 on '*Risk Management and Inter-bank Dealings: Revised Guidelines relating to participation of Residents in the Exchange Traded Currency Derivatives (ETCD) market*'.
- (ii) Reserve Bank of India A.P.(DIR Series) Circular No. 91 dated March 31, 2015 on '*Risk Management and Inter-bank Dealings: Revised Position Limits for Foreign Portfolio Investors (FPIs) in the Exchange Traded Currency Derivatives (ETCD) Market*'.