



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DP/CIR/P/2017/98

August 31, 2017

To,
All Stock exchanges (except for Commodity Derivatives Stock Exchanges)
All Clearing corporations,

Dear Sir / Madam,

Subject: Clarification on Exchange Traded Option contracts on EUR-INR, GBP-INR and JPY-INR currency pairs

1. SEBI vide circular SEBI/HO/MRD/CP/CIR/P/2016/38 dated March 9, 2016 laid down the detailed framework for introduction of cross-currency futures and option contracts in the EUR-USD, GBP-USD and USD-JPY currency pairs and introduction of currency option contracts in EUR-INR, GBP-INR and JPY-INR currency pairs. The said framework inter-alia specified product design, risk management & dynamic price bands etc for cross currency options and currency options.
2. In this regard in order to bring uniformity in the computation and relaxation of dynamic price bands, it has been decided to modify para 9 (ii) of SEBI circular dated March 9, 2016 as under:

Dynamic Price Bands for currency options contracts (including cross-currency options contracts)

- (a) Stock exchanges shall implement a dynamic price band mechanism based on theoretical price of contracts to determine price bands for currency options.
 - (b) Stock exchanges shall implement uniform mechanism for computation and relaxation of dynamic price bands for currency options contracts.
 - (c) Stock exchanges shall take into consideration factors such as movement in the underlying price, volatility in the price of the underlying, any news on concerned foreign currency and its likely impact, movement of the price of the underlying at other stock exchanges, etc while relaxing such price bands.
 - (d) Stock exchanges shall ensure that the mechanism for relaxation of dynamic price bands are not misused by market participants for manipulation in options contracts.
3. Stock exchange / clearing corporation shall submit proposal to SEBI for approval for the launch of the currency options on EUR-INR, GBP-INR and JPY-INR currency pairs. Such



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proposal shall inter-alia includes the details of contract specifications, risk management framework, surveillance systems, and other requirements specified in this circular and earlier SEBI circular dated March 09, 2016.

4. Accordingly, para 9 (ii) of SEBI circular SEBI/HO/MRD/CP/CIR/P/2016/38 dated March 9, 2016 shall stand modified and all other conditions specified in the said circular shall remain unchanged.
5. Stock exchanges and Clearing corporations are directed to:
 - (i) take necessary steps to put in place necessary systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations,
 - (ii) bring the provisions of this circular to the notice of the stock brokers and also disseminate the same on their website, and
 - (iii) 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.

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