NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : SURVEILLANCE	
Download Ref.No.: NSE/SURV/29575	Date : April 29, 2015
Circular Ref.No.: 25/2015	

All NSE Members

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

This has reference to SEBI circular no. CIR/MRD/DP/04/2015 dated April 08, 2015 referring RBI circular number A.P. (DIR Series) no. 90 dated March 31, 2015 & A.P. (DIR Series) no. 91 dated March 31, 2015 and NSE circular no NSE/SURV/29439 dated April 13,2015 on revision of limits relating to requirement of underlying exposure for currency derivatives contracts.

According to the circular

1. Foreign Portfolio Investors (FPIs) may take long as well as short positions per stock exchange up to 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.

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 equivalent in EUR-INR, GBP-INR and JPY-INR pairs, all put together at any point of time.

To take long positions in excess of USD 15 million in USD-INR pair and in excess of USD 5 million equivalent 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.

2. Domestic clients may take long as well as short positions per stock exchange up to 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.

Domestic clients may take positions in excess of USD 15 million in USD-INR pair and in excess of USD 5 million equivalent 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. Domestic Clients/FPI shall ensure that their position do not exceed USD 15 million in USD-INR pair and USD 5 million equivalent in EUR-INR, GBP-INR and JPY-INR pairs, all put together without the existence of any underlying exposure at any point of time.

4. The underlying exposure limit is over and above the respective free limit subject to overall limits described in Para 5.

5. Post implementation of the aforesaid circulars the earlier circulars stands overwritten as follows

a) Position limits of Stock Brokers (bank and non-bank), Category I and II FPIs and Domestic Institutional Investors (DII)

Currency Pair	Position Limits
USD-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 100 million, whichever is higher.
EUR-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 50 million, whichever is higher.
GBP-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 50 million, whichever is higher.
JPY-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 2000 million, whichever is higher.

b) Proprietary position limits of Non-Bank Stock Brokers

Currency Pair	Position Limits
USD-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or USD 50 million, whichever is higher.
EUR-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or EUR 25 million, whichever is higher.
GBP-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or GBP 25 million, whichever is higher.
JPY-INR	Gross open position across all contracts shall not exceed 15% of the total open interest or JPY 1000 million, whichever is higher.

c) Positions limits of Domestic Clients and category III FPIs

Currency Pair	Position Limits
USD-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or USD 10 million, whichever is higher.
EUR-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 5 million, whichever is higher.
GBP-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 5 million, whichever is higher.
JPY-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or JPY 200 million, whichever is higher.

6. Methodology for calculating USD 5 million equivalents in EUR-INR, GBP-INR and JPY-INR pairs, all put together.

-The Exchange will provide a fixed ratio for conversion from USD 1 million, into the respective currency pairs as below. Proposed ratios to begin with is:

USD 1 million	0.91 EUR million
USD 1 million	0.66 GBP million
USD 1 million	119.10 JPY million

-Accordingly, for eg : Client/FPI can take positions up to Euro 4.55 million in EUR-INR OR GBP 3.30 million in GBP-INR OR JPY 595.5 million in JPY-INR.

-Client/FPI may take the entire USD 5 million equivalent positions in 1 currency pair or combination of currency pairs and has to ensure that their position in EUR-INR, GBP-INR and JPY-INR, all put together does not exceed USD 5 million equivalent using the ratios provided above.

-The Exchange will modify ratios on a quarterly basis after giving sufficient notice to market participants.

-The limits shall be monitored on end of day positions basis. The USD 5 million limits is being considered as separate for short positions across the 3 currency pairs and for long position across 3 currency pairs.

-Exchange will intimate custodians of the intraday highest position taken during the day by FPI through an EOD report.

-Client/FPI have to ensure that the above limit is subject to overall limits described in Para 5.

7. Alerts for client level position:

The Exchange would disseminate alerts through UCI-Online application under CDS Alerts if the gross open position of the client across all members (on the basis of PAN) across all contracts exceeds the aforesaid position limits at the end of the day, under the head “client level position violation”. Gross open position is computed as higher of long position (long futures, long call options, short put options) or short position (short futures, short call options, long put options) based on the total OI of the previous day’s trades in that symbol.

In case of clarifications regarding the above, please contact the following officials at 26598100-14 Mr. Piyush Tanna (Extn 22390), Mr. Sareesh Koroth (Extn 23053).

For and on behalf of
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