

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : SURVEILLANCE	
Download Ref. No.: NSE/SURV/37410	Date: April 03, 2018
Circular Ref. No.:- 66/2018	

To All NSE Members

Sub: Mechanism to monitor revised limits relating to requirement of underlying exposure for Currency Derivatives contracts

This is further to Exchange Circular no. NSE/SURV/37208 dated March 15, 2018 on 'Revision of limits relating to requirement of underlying exposure for Currency Derivatives contracts', which was issued with reference to SEBI circular SEBI/HO/MRD/DP/CIR/P/2018/50 dated March 15, 2018.

1. As per clause 4 of above SEBI Circular, "the onus of complying with the provisions of the RBI A.P. (DIR Series) Circular no. 18 dated February 26, 2018 shall rest with the client / FPI and in case of any contravention, the client shall render itself liable to any action that may be warranted by RBI as per the provisions of Foreign Exchange Management Act, 1999 and Regulations, Directions, etc. framed thereunder. These limits 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. In this regard, stock exchanges / clearing corporations shall devise a suitable mechanism to monitor the aforesaid limits, subject to appropriate regulatory concurrence".
2. Accordingly, Exchanges have jointly devised mechanism to monitor revised limits relating to requirement of underlying exposure and have received appropriate regulatory concurrence for the same.

The revised monitoring mechanism shall be as given below,

- Entities shall ensure that the position across exchanges is within the prescribed limit of USD 100 million equivalent.
- If position is in excess of USD 100 million equivalent, clients shall provide disclosure of underlying exposure to Trading Member as per existing practice.

- In addition to the above, Exchanges shall monitor limits as per existing mechanism. When the client position reaches USD 75 million equivalent at a particular exchange, that exchange will intimate/caution the Trading Member(s) of that particular client regarding the combined single limit of USD 100 million equivalent. On basis of reply received by the Trading member, the exchange will take on record whether client has committed to remain within the limit or has confirmed about existence of underlying exposure.
- Further, the member will be alerted if the client position reaches USD 85 million equivalents and USD 95 million equivalents respectively.

In case of FPI, existing mechanism for monitoring by the custodians shall remain unchanged.

3. For conversion to USD 100 million equivalents, members shall use the conversion ratio provided by Exchange's on quarterly basis.
4. Clients / FPI have to ensure that their positions remain within the limit prescribed in para 5 of NSE circular no NSE/SURV/29575 dated April 29, 2015.

The aforesaid circular will be applicable w.e.f April 04, 2018

In case of any further queries, members are requested to contact the following officials:

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For National Stock Exchange of India Limited

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