



**CIRCULAR**

**SEBI/HO/MRD/DP/CIR/P/2018/50**

March 15, 2018

To

All Stock Exchanges (other than Commodity Exchanges);  
All 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,

**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 and SEBI circular no. CIR/MRD/DP/4/2015 dated April 08, 2015, wherein such limits were reviewed.

2. RBI vide A.P. (DIR Series) Circular no. 18 dated February 26, 2018 has revised the limits beyond which market participants would be required to establish underlying exposure in the currency derivatives segment. Copy of the RBI circular is enclosed for reference.

3. Accordingly, it has been decided to modify the circular no. CIR/MRD/DP/04/2015 dated April 08, 2015 as under:

- (a) Domestic clients / Foreign Portfolio Investors (FPIs) may take long or short positions without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent, across all currency pairs involving INR, put together, and combined across all the stock exchanges.



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- (b) FPIs shall ensure that their short positions at all stock exchanges across all contracts in FCY-INR pairs do not exceed USD 100 million.
  - (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 100 million in all contracts in FCY-INR pairs, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds.
  - (e) Domestic clients may take positions in excess of USD 100 million in all contracts in FCY-INR pairs, 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.
4. 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.
5. This Circular shall supersede SEBI circular no. CIR/MRD/DP/4/2015 dated April 08, 2015.
6. All other requirements, terms and conditions, as specified vide SEBI circular no. CIR/MRD/DP/20/2014 dated June 20, 2014, shall remain unchanged.
7. Stock Exchanges and Clearing Corporations are directed to:



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- (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;
- (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.

8. 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,

**Susanta Kumar Das**  
**Deputy General Manager**  
email: [susantad@sebi.gov.in](mailto:susantad@sebi.gov.in)

Enclosure:

- (i) [Reserve Bank of India A.P. \(DIR Series\) Circular no. 18 dated February 26, 2018 on 'Risk Management and Inter-bank Dealings: Revised Guidelines relating to participation of Residents & Non-Residents in the Exchange Traded Currency Derivatives \(ETCD\) Market'.](#)