REPORT OF

THE RBI-SEBI STANDING TECHNICAL COMMITTEE

ON

EXCHANGE TRADED CURRENCY FUTURES

RESERVE BANK OF INDIA

AND

SECURITIES AND EXCHANGE BOARD OF INDIA

2008

Contents

Chapter 1

Background

1.1 Brief overview of the foreign exchange market in India

During the early 1990s, India embarked on a series of structural reforms in the foreign exchange market. The exchange rate regime that was pegged earlier was floated partially in March 1992 and fully in March 1993. The unification of the exchange rate was instrumental in developing a market-determined exchange rate of the rupee and an important step in the progress towards current account convertibility, which was achieved in August 1994. Banks are now permitted to approve proposals for commodity hedging in international exchanges from their corporate customers. Cancellation and rebooking of all eligible forward contracts booked by residents, irrespective of tenor, has been allowed. The closing time for inter-bank foreign exchange market in India has been extended by one hour up to 5.00 p.m. The ceiling for remittances for resident individual under the Liberalised Remittance Scheme for Resident Individuals has been enhanced in an phased manner and currently it stands at US $ 2,00,000 (per financial year). The limit on remittances for overseas investments to facilitate overseas acquisitions by corporates has been enhanced and the guidelines for external commercial borrowings have also been liberalized by raising the prepayment limits.

The foreign exchange market has acquired a distinct vibrancy as evident from the range of products, participation, liquidity and turnover. The average daily turnover in the foreign exchange market increased from US $ 23.7 billion in March 2006 to US $ 33.0 billion in March 2007 in consonance with the increase in foreign exchange transactions.

Although liberalization helped Indian forex market in various ways, extensive fluctuations of exchange rate also took place in Indian forex market. These issues have attracted a great deal of interest from policy-makers and investors. While some flexibility in foreign exchange markets and exchange rate determination is desirable, excessive volatility can have adverse impact on price discovery, export performance, sustainability of current account balance, and balance sheets. In the context of upgrading Indian foreign exchange market to international standards, a well- developed foreign exchange derivative market (both OTC as well as Exchange traded) is required.

1.2 Need for Exchange Traded Currency Futures

With a view to enable entities to manage volatility in the currency market, RBI on April 20, 2007 issued comprehensive guidelines on the usage of foreign currency forwards, swaps and options in the OTC market. At the same time, RBI also set up an Internal Working Group to explore the advantages of introducing currency futures. The Report of the Internal Working Group of RBI submitted in April 2008, recommended the introduction of exchange traded currency futures.

Exchange traded futures as compared to OTC forwards serve the same economic purpose, yet differ in fundamental ways. An individual entering into a forward contract agrees to transact at a forward price on a future date. On the maturity date, the obligation of the individual equals the forward price at which the contract was executed. Except on the maturity date, no money changes hands. On the other hand, in the case of an exchange traded futures contract, mark to market obligations are settled on a daily basis. Since the profits or losses in the futures market are collected / paid on a daily basis, the scope for building up of mark to market losses in the books of various participants gets limited.

The counterparty risk in a futures contract is further eliminated by the presence of a clearing corporation, which by assuming counterparty guarantee eliminates credit risk.

Further, in an Exchange traded scenario where the market lot is fixed at a much lesser size than the OTC market, equitable opportunity is provided to all classes of investors whether large or small to participate in the futures market. The transactions on an Exchange are executed on a price time priority ensuring that the best price is available to all categories of market participants irrespective of their size. Other advantages of an Exchange traded market would be greater transparency, efficiency and accessibility.

1.3 Constitution of the Group

With the expected benefits of exchange traded currency futures, it was decided in a joint meeting of RBI and SEBI on February 28, 2008, that an RBI-SEBI Standing Technical Committee on Exchange Traded Currency and Interest Rate Derivatives would be constituted. To begin with, the Committee would evolve norms and oversee the implementation of Exchange traded currency futures.

The Committee is constituted with the following officials from RBI and SEBI:

i.	Shri Manas S. Ray	-	ED, SEBI
ii.	Shri Nagendra Parakh	-	CGM, SEBI
iii.	Dr. Sanjeevan Kapshe	-	OSD, SEBI
iv.	Dr. K.V.Rajan	-	CGM, RBI
v.	Shri Salim Gangadharan	-	CGM, RBI
vi.	Shri Chandan Sinha	-	CGM, RBI
vii.	Shri H.S. Mohanty	-	DGM, RBI
viii.	Shri Sujit Prasad	-	GM, SEBI (Member Secretary)

1.4 Terms of Reference

The Committee was given the following terms of reference:

i. To coordinate the regulatory roles of RBI and SEBI in regard to trading of Currency and Interest Rate Futures on the Exchanges.

ii. To suggest the eligibility norms for existing and new Exchanges for Currency and Interest Rate Futures trading.

iii. To suggest eligibility criteria for the members of such exchanges.

iv. To review product design, margin requirements and other risk mitigation measures on an ongoing basis

v. To suggest surveillance mechanism and dissemination of market information

vi. To consider microstructure issues, in the overall interest of financial stability.

1.5 Acknowledgement

The Committee is grateful for the guidance provided by the senior management of both RBI and SEBI.

The Committee places on record its appreciation of the contribution by Ms. V. Divya Veda, Shri Navpreet Singh, Ms. Rajeswari Rath, Shri Ashish Kumar Singh, Shri Shailesh Pingale, Shri Ayush and Shri Piyush Chourasia.

The Committee also places on record its appreciation of the contribution by Dr. Abhiman Das, in data and statistical analysis.

Chapter 2

Product Design

2.1 Underlying

Initially, currency futures contracts on US Dollar – Indian Rupee (US$-INR) would be permitted.

2.2 Trading Hours

The trading on currency futures would be available from 9 a.m. to 5 p.m.

2.3 Size of the contract

The minimum contract size of the currency futures contract at the time of introduction would be US$ 1000. The contract size would be periodically aligned to ensure that the size of the contract remains close to the minimum size.

2.4 Quotation

The currency futures contract would be quoted in rupee terms. However, the outstanding positions would be in dollar terms.

2.5 Tenor of the contract

The currency futures contract shall have a maximum maturity of 12 months.

2.6 Available contracts

All monthly maturities from 1 to 12 months would be made available.

2.7 Settlement mechanism

The currency futures contract shall be settled in cash in Indian Rupee.

2.8 Settlement price

The settlement price would be the Reserve Bank Reference Rate on the date of expiry. The methodology of computation and dissemination of the Reference Rate may be publicly disclosed by RBI.

2.9 Final settlement day

The currency futures contract would expire on the last working day (excluding Saturdays) of the month. The last working day would be taken to be the same as that for Interbank Settlements in Mumbai. The rules for Interbank Settlements, including those for ‘known holidays’ and ‘subsequently declared holiday’ would be those as laid down by FEDAI.

Chapter 3

Risk Management Measures

3.1. In exchange traded derivative contracts, the Clearing Corporation acts as a central counterparty to all trades and performs full novation. The risk to the clearing corporation can only be taken care of through a stringent margining framework. Also, since derivatives are leveraged instruments, margins also act as a cost and discourage excessive speculation. A robust risk management system should therefore, not only impose margins on the members of the clearing corporation but also enforce collection of margins from the clients.

3.2. Initial Margin

The Initial Margin requirement shall be based on a worst case loss of a portfolio of an individual client across various scenarios of price changes. The various scenarios of price changes would be so computed so as to cover a 99% VaR over a one day horizon. In order to achieve this, the price scan range may initially be fixed at 3.5 standard deviation. The initial margin so computed would be subject to a minimum of 1.75% on the first day of currency futures trading and 1 % thereafter. The initial margin shall be deducted from the liquid networth of the clearing member on an online, real time basis.

Formula for determining standard deviation

The committee examined the empirical tests of different risk management models in the Value at Risk (VaR) framework in the Re/$ exchange rate. Data for the period January 2,1998 to April 7,2008 was analysed. GARCH-GED (Generalized Auto-Regressive Conditional Heteroskedasticity with Generalized Error Distribution residuals), GARCH-normal and GARCH-t at 3 and 3.5 sigma levels were found to perform well even at 1% risk level, while the EWMA(Exponentially Weighted Moving Average) model used in J.P. Morgan's Risk Metrics® methodology was found to work well at 1 % risk level only at 3.5 sigma levels.

Given the computational ease of the EWMA model and given the familiarity of the Exchanges with this particular model (it is currently being used in the equity derivatives market), the Committee, after considering the various aspects of the different models, recommends the following:-

The exponential moving average method would be used to obtain the volatility estimate every day. The estimate at the end of time period t (σ_t) is estimated using the volatility estimate at the end of the previous time period. i.e. as at the end of t-1 time period (σ_{t-1}), and the return (r_t) observed in the futures market during the time period t. The formula would be as under:

$(\sigma_t)^2 = \lambda\,(\sigma_{t-1})^2 + (1 - \lambda\,)\,(r_t)^2$

where

λ is a parameter which determines how rapidly volatility estimates changes. The value of λ is fixed at 0.94.

i. σ (sigma) means the standard deviation of daily returns in the currency futures market.

ii. The "return" is defined as the logarithmic return: $r_t = \ln(C_t/C_{t-1})$ where C_t is the Currency futures price at time t. The plus/minus 3.5 sigma limits for a 99% VAR based on logarithmic returns would have to be converted into percentage price changes by reversing the logarithmic transformation. The percentage margin on short positions would be equal to $100(\exp(3.5\ \sigma_t)-1)$ and the percentage margin on long positions would be equal to $100(1-\exp(-3.5\sigma_t))$. This implies slightly larger margins on short positions than on long positions. The derivatives exchange / clearing corporation may apply the higher margin on both the buy and sell side.

iii. During the first time period on the first day of Currency futures trading, the sigma would be equal to 0.5%.

iv. The volatility estimation and margin fixation methodology should be clearly made known to all market participants so that they can compute what the margin would be for any given closing level of the currency futures price. Further, the trading software itself should provide this information on a real time basis on the trading workstation screen.

Portfolio based margining

The Standard Portfolio Analysis of Risk (SPAN) methodology shall be adopted to take an integrated view of the risk involved in the portfolio of each individual client comprising his positions in futures contracts across different maturities. The client-wise margins would be grossed across various clients at the Trading / Clearing Member level. The proprietary positions of the Trading / Clearing Member would be treated as that of a client.

Real time computation

The computation of worst scenario loss would have two components. The first is the valuation of the portfolio under the various scenarios of price changes. At the second stage, these scenario contract values would be applied to the actual portfolio positions to compute the portfolio values and the initial margin. The exchanges shall update the scenario contract values at least 5 times in the day, which may be carried out by taking the closing price of the previous day at the start of trading and the prices at 11:00 a.m., 12:30 p.m., 2:00 p.m. and at the end of the trading session. The latest available scenario contract values would be applied to member/client portfolios on a real time basis.

Calendar spread margins

A currency futures position at one maturity which is hedged by an offsetting position at a different maturity would be treated as a calendar spread. The calendar spread margin shall be at a value of Rs. 250/- for all months of spread. The benefit for a calendar spread would continue till expiry of the near month contract. For a calendar spread position, the extreme loss margin shall be charged on one third of the mark to market value of the far month contract.

3.3. Extreme Loss margin

Extreme loss margin of 1% on the mark to market value of the gross open positions shall be deducted from the liquid assets of the clearing member on an on line, real time basis.

3.4. Liquid networth

The initial margin and the extreme loss margin shall be deducted from the liquid assets of the clearing member. The clearing member's liquid net worth after adjusting for the initial margin and extreme loss margin requirements must be at least Rs. 50 Lakhs at all points in time. The minimum liquid networth shall be treated as a capital cushion for days of unforeseen market volatility.

3.5. Liquid assets

The liquid assets for trading in currency futures would be maintained separately in the currency futures segment of the clearing corporation. However, the permissible liquid assets, the applicable haircuts and minimum cash equivalent norms would be mutatis mutandis applicable from the equity derivatives segment.

3.6. Mark to market settlement

The mark to market gains and losses shall be settled in cash before the start of trading on T+1 day. If mark to market obligations are not collected before start of the next day's trading, the clearing corporation shall collect correspondingly higher initial margin to cover the potential for losses over the time elapsed in the collection of margins.

The daily closing price of currency futures contract for mark to market settlement would be calculated on the basis of the last half an hour weighted average price of the futures contract. In the absence of trading in the last half an hour the theoretical price would be taken. The eligible exchanges shall define the methodology for calculating the 'theoretical price' at the time of making an application for approval of the currency futures contract to SEBI. The methodology for calculating the 'theoretical price' would also be disclosed to the market.

3.7. Margin collection and enforcement

The client margins (initial margin, extreme loss margin, calendar spread margin and mark to market settlements) have to be compulsorily collected and reported to the Exchange by the members. The Exchange shall impose stringent penalty on members who do not collect margins from their clients. The Exchange shall also conduct regular inspections to ensure margin collection from clients.

3.8. Safeguarding client's money

The Clearing Corporation should segregate the margins deposited by the Clearing Members for trades on their own account from the margins deposited with it on client account. The margins deposited on client account shall not be utilized for fulfilling the dues which a Clearing Member may owe the Clearing Corporation in respect of trades on the member's own account. The client's money is to be held in trust for client purpose only. The following process is to be adopted for segregating the client's money vis-à-vis the clearing member's money:

- i At the time of opening a position, the member should indicate whether it is a client or proprietary position.
- ii Margins across the various clients of a member should be collected on a gross basis and should not be netted off.
- iii When a position is closed, the member should indicate whether it was a client or his own position which is being closed.
- iv In the case of default, the margins paid on the proprietary position would only be used by the Clearing Corporation for realising its dues from the member.

3.9. Periodic risk evaluation report

The Clearing Corporation of the Exchange shall on an ongoing basis and atleast once in every six months, conduct back testing of the margins collected vis-à-vis the actual price changes. A copy of the study shall be submitted to SEBI along with suggestions on changes to the risk containment measures, if any.

Chapter 4

Surveillance and disclosures

4.1 The exchanges as first level regulators should have an online surveillance capability which monitors positions, prices and volumes in real time so as to deter market manipulation.

4.2 **Unique client code**

The Exchange shall ensure that each client is assigned a client code which is unique across all members. The unique client code shall be assigned with the use of PAN number.

4.3 **Position limits**

Position limits act as an important surveillance measure designed to prevent large concentrated positions which may affect market integrity. However, the regulation of position limits needs to be viewed differently in the currency futures market as compared to the equity derivatives market. In the equity derivatives market, the maximum underlying shares available for trading is restricted to the extent of the free float market capitalization, whereas, there is no such constraint in the foreign exchange market.

The two markets also differ in terms of participation and the extent of positions held by each participant. Large transactions are executed by banks and corporates who wish to hedge their underlying exposure. Therefore, the monitoring of limits has to be with respect to the overall open interest in the market. Open interest is a dynamic measure which changes with every executed trade. Further, the objective of the position limits in the currency futures market would be more to detect market manipulation in the futures market rather than to address the threat of short squeeze in the underlying. Therefore, the following is being proposed with respect to monitoring and enforcement of position limits in the currency futures market:

i. Ideally, position limits have to be monitored on an online, real-time basis. However, the exchanges have represented that open interest of both the participant and the market are dynamic and therefore, monitoring on a real-time basis would be difficult. Therefore, the Committee recommends that to begin with, positions during the day shall be monitored based on the total open interest at the end of the previous day's trade.

ii. The above monitoring should be for both client level positions (based on the unique client code) and for trading member level positions.

iii. The exchange shall treat violation of position limits as an input for further surveillance action. Upon detecting large open positions, the exchange shall conduct detailed analysis based on the overall nature of positions, the trading strategy, positions in the underlying market, the positions of related entities (concept of persons acting in concert would be applied), etc.

iv. The violators of position limits shall be accountable for their large positions and should submit detailed information pertaining to their trading activities whenever the information is sought by the exchange. The clearing member would be accountable for positions of all trading members and clients of trading members clearing through him. Similarly, the trading member would be accountable for the positions of his clients. The exchange may also call for information directly from the client itself.

The following position limits would be applicable in the currency futures market:

i. **Client Level:** The gross open positions of the client across all contracts should not exceed 6% of the total open interest or 5 million USD whichever is higher. The Exchange will disseminate alerts whenever the gross open position of the client exceeds 3% of the total open interest at the end of the previous day's trade.

ii. **Trading Member level:** The gross open positions of the trading member across all contracts should not exceed 15% of the total open interest or 25 million USD whichever is higher.

iii. **Clearing Member Level:** No separate position limit is prescribed at the level of clearing member. However, the clearing member shall ensure that his own trading position and the positions of each trading member clearing through him is within the limits specified above.

4.4 Surveillance system

The surveillance systems of the exchanges should be designed keeping in view all the relevant aspects including the following -

i. The alerts in the online surveillance system should automatically generate material aberrations from normal activity.

ii. The surveillance systems and processes should be able to
- monitor open interest, cost of carry and volatility
- monitor closing prices
- capture and process client level details
- develop databases of trading activity by brokers as well as clients.
- generate trading pattern by a broker over a period of time or by a client / group of clients over a period of time

iii. The information and feedback received from member inspections is vital input for effective surveillance. For this it is necessary that member inspections are taken up in a rational manner keeping in view the level of trading activity, client profile, number and nature of complaints received against the member, history of risk management related defaults and regulatory violations etc. Information obtained through member inspections should also be made available to the monitoring/ surveillance departments of stock exchanges.

iv. The information gathered by the risk management departments /clearing corporations while enforcing the risk management measures and settlement processes are critical inputs. Such information could include pattern of defaults related to specified contracts and special risk management measures taken keeping in view the market conditions.

v. The exchanges should call for information from members in a standard form, and preferably in electronic form, to facilitate faster analysis as well as building up of databases. It may also be ensured that duly authenticated information is submitted by the member or his designated agent.

vi. While implementing a stock watch type of system for currency futures, the system should be designed to provide online access to relevant historical data on derivatives trading for at least a year.

vii. In the interest of better surveillance, it is necessary that relevant information obtained through surveillance at one exchange should be shared with other exchanges. Exchanges are, therefore, advised to share information on positions in currency futures and any extraordinary price movement/ volume or concentration periodically or upon specific request by any stock exchange. The Clearing Corporations of the various eligible exchanges must meet periodically, say once a week, to discuss market integrity and other surveillance issues.

viii. Exchanges should study surveillance practices in various Global Forex Derivative Markets. Surveillance practices in commodities and bullion markets could also be studied where appropriate. Case studies on some market manipulations in various derivatives markets could be looked at to see what lessons could be drawn. Periodical benchmarking, atleast once in every six months, against international practices, systems performance etc., must be performed and documented.

4.5 The reporting of currency derivative transactions to the media and the newspapers should be in a uniform format. Accordingly, the Currency Derivative Exchanges/ Segments and their Clearing Corporations may be asked to report the following details for the transactions in derivative contracts, to the media/newspapers, on a daily basis:

a) Contracts Description
b) Number of contracts traded
c) Notional Value

d) Open
e) High
f) Low
g) Close
h) Open Interest (in number of contracts)

Chapter 5

Eligibility criteria for setting up of currency futures segment in a recognized stock exchange

5.1 Eligibility criteria of currency futures segment

A recognized stock exchange having nationwide terminals or a new exchange recognized by SEBI may set up currency futures segment after obtaining SEBI's approval. The currency futures segment should fulfill the following eligibility conditions for approval:

i The trading should take place through an online screen-based trading system, which also has a disaster recovery site.

ii The clearing of the currency derivatives market should be done by an independent Clearing Corporation, which satisfies the conditions listed under 5.3.

iii The exchange must have an online surveillance capability which monitors positions, prices and volumes in real time so as to deter market manipulation.

iv The exchange shall have a balance sheet networth of atleast Rs. 100 crores.

v Information about trades, quantities, and quotes should be disseminated by the exchange in real time to at least two information vending networks which are accessible to investors in the country.

vi The per-half-hour capacity of the computers and the network should be at least 4 to 5 times of the anticipated peak load in any half hour, or of the actual peak load seen in any half-hour during the preceding six months, whichever is higher. This shall be reviewed from time to time on the basis of experience.

vii The segment should have at least 50 members to start currency derivatives trading.

viii The exchange should have arbitration and investor grievances redressal mechanism operative from all the four areas/regions of the country.

ix The exchange should have adequate inspection capability.

x If already existing, the exchange should have a satisfactory record of monitoring its members, handling investor complaints and preventing irregularities in trading.

5.2 Separation from other segments of the exchange

A recognized stock exchange where other securities are also being traded may set up a separate currency futures segment in the following manner:

i. The trading and the order driven platform of currency futures should be separate from the trading platforms of the other segments.

ii. The membership of the currency futures segment should be separate from the membership of the other segments.

iii. The currency futures segment should have a separate Governing Council on which the representation of Trading /Clearing Members of the currency futures segment should not exceed 25%. Further, 50% of the public representatives on the Governing Council of the currency futures segment can be common with the Governing Council of the cash/equity derivatives segments of the Exchange.

iv. The Chairman of the Governing Council of the currency futures segment shall be a member of the Governing Council. If the Chairman is a Trading Member/ Clearing Member, then he shall not carry on any trading/clearing business on any Exchange during his tenure as Chairman.

v. No trading / clearing member should be allowed simultaneously to be on the Governing Council of the currency futures segment and the cash/equity derivatives segment.

5.3 Eligibility criteria for the Clearing Corporation of the currency futures segment

A Clearing Corporation in the currency futures segment can function only after obtaining SEBI approval. To be eligible for such approval, it should satisfy the following conditions:

i The Clearing Corporation should be a company incorporated under the Companies Act, 1956 and should be distinct from the exchange. However, in case of an exchange operating through a Clearing House, a maximum time period of 6 months may be granted from the date of approval by SEBI, to the exchange, for fulfilling this condition.

ii The Clearing Corporation must perform full novation, i.e. the clearing corporation should interpose itself between both legs of every trade, becoming the legal counterparty to both or alternatively should provide an unconditional guarantee for settlement of all trades.

iii The clearing corporation should enforce the margin requirements and the mark to market settlement as outlined on Chapter 3 of this report.

iv In the event of unusual positions of a member, the clearing corporation should charge special margin over and above the normal margins.

v The clearing corporation must establish facilities for electronic funds transfer (EFT) for swift movement of margin payments. In situations where EFT is unavailable, the clearing corporation should collect correspondingly larger initial margin to cover the potential for losses over the time elapsed in collection of mark to market margin. For example, if two days lapse in moving funds, then the value at risk should be calculated based on the prospective two-day loss.

vi In the event of a member's default in meeting his liabilities, the Clearing Corporation should have processing capability to require either the prompt transfer of client positions and assets to another member or to close-out all open positions.

5.4 Separation from the other segments of the Clearing Corporation

i The currency futures segment of the Clearing Corporation should be governed by a separate Clearing Council which should not have any member representation.

ii A separate settlement guarantee fund should be created and maintained for meeting the obligations arising out of the currency futures segment.

iii A separate investor protection fund should also be created and maintained for the currency futures market.

Chapter 6

Eligibility criteria for members of the currency futures segment

6.1 The membership of the currency futures segment shall be separate from the membership of the equity derivative segment or the cash segment of a recognized stock exchange.

6.2 The trading member will be subject to a balance sheet networth requirement of Rs. 1 crore while the clearing member would be subject to a balance sheet networth requirement of Rs 10 crores. The definition of balance sheet networth would be the same as that in the equity derivatives market. The clearing member would also be subject to a liquid networth requirement of Rs. 50 lakhs as detailed in Chapter 3 of this report.

6.3 The trading members and sales persons in the currency futures market must have passed a certification programme which is considered adequate by SEBI. The approved users and sales personnel of the trading member should have passed the certification programme.

Chapter 7

Regulatory and legal aspects

7.1 Before the start of the currency futures segment, the exchange shall obtain prior approval of SEBI. In the case of existing exchanges, where equity derivatives are permitted for trading, the rules, regulations and bye-laws of the derivatives segment of the exchange/clearing corporation may be made applicable for the currency futures segment also. The exchange/clearing corporation shall make suitable changes to that effect. Any requirement which is specific to the currency futures segment shall be provided for after seeking SEBI's approval. Further, any amendments to the rules, regulations and byelaws shall be made after seeking SEBI approval.

The currency futures segment shall also prescribe a model risk disclosure document, model member-constituent agreement and know your client agreement. The model documents should be framed in a manner similar to that applicable in the equity derivatives market.

7.2 Before the start of trading, the currency futures segment shall submit the proposal for approval of the contract to SEBI giving:

- i The details of the proposed currency futures contract to be traded in the exchange;
- ii The economic purposes it is intended to serve;
- iii Its likely contribution to market development;
- iv The safeguards and the risk protection mechanisms adopted by the exchange to ensure market integrity, protection of investors and smooth and orderly trading;
- v The infrastructure of the exchange and surveillance system to effectively monitor trading in such contracts.

7.3 The trading members and clearing members of the currency futures segment should be registered as such with SEBI. This would be in addition to their registration as members of a segment of a stock exchange.

7.4 Participation

To begin with, FIIs and NRIs would not be permitted to participate in currency futures market.

7.5 SEBI-RBI coordination mechanism

A SEBI-RBI constituted committee would meet periodically to sort out issues, if any, arising out of overlapping jurisdiction of the currency futures market.

Appendix

The above Report is submitted by;

i. Shri Manas S. Ray -
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vi. Shri Chandan Sinha -
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vii. Shri H.S. Mohanty -
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viii. Shri Sujit Prasad (Member Secretary) -
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