



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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RBI/2019-20/145

A.P. (DIR Series) Circular No.17

January 20, 2020

All Authorised Dealers

Madam / Sir,

**Introduction of Rupee derivatives at International Financial Services Centres (IFSC)**

Attention of Authorised Dealers is invited to the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 ([Notification No. FEMA. 339/2015-RB dated 2nd March, 2015](#)).

2. As announced in the [statement on Developmental and Regulatory Policies dated October 4, 2019](#), it has now been decided to allow Rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres (IFSCs), starting with Exchange Traded Currency Derivatives(ETCD).

3. Currency futures contracts may be listed on recognised stock exchanges at IFSCs subject to the Currency Futures in International Financial Services Centre (Reserve Bank) Directions, 2020 (Notification No.FMRD.FMD.01/ED(TRS)-2020 dated January 20, 2020), issued by the Reserve Bank of India, a copy of which is annexed ([Annex I](#)).

4. Currency options contracts may be listed on recognised stock exchanges at IFSCs subject to the Currency Options in International Financial Services Centre (Reserve Bank) Directions, 2020 (Notification No.FMRD.FMD.02 /ED(TRS)-2020 dated January 20, 2020), issued by the Reserve Bank of India, a copy of which is annexed ([Annex II](#)).

वित्तीय बाज़ार विनियमन विभाग, केंद्रीय कार्यालय, 9वीं मंजिल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई 400 001, भारत  
Financial Markets Regulation Department, Central Office, 9th Floor, CO Building, Shahid Bhagat Singh Road,  
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हिन्दी आसान है, इसका प्रयोग बढ़ाइए



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5. Necessary amendments to the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 ([Notification No. FEMA. 339/2015-RB dated 2nd March, 2015](#)) have been notified in the Official Gazette vide Gazette Id no.CG-DL-E-17012020-215530 dated January 16, 2020 a copy of which is annexed ([Annex-III](#)).

6. Amendments to Currency Futures (Reserve Bank) Directions, 2008 ([Notification No.FED.1/DG\(SG\) - 2008 dated August 6, 2008](#)), as amended from time to time, and Exchange Traded Currency Options (Reserve Bank) Directions, 2010 (Notification No. FED.01/ED(HRK) - 2010 dated July 30, 2010), as amended from time to time, is annexed as [Annex IV](#) & [V](#) respectively.

7. The above Directions have been issued under Section 45W of the Reserve Bank of India Act, 1934 and the above Regulation have been issued under Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999).

8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions /approvals, if any, required under any other law.

Yours faithfully,

(Saswat Mahapatra)  
Deputy General Manager (O-i-C)



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Annex I

**Notification No. FMRD.FMD.01 /ED(TRS)-2020 dated January 20, 2020**  
**Currency Futures in International Financial Services Centre (Reserve Bank)**  
**Directions, 2020**

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in currency futures listed on recognised stock exchanges in the International Financial Services Centres (IFSCs).

**1. Short title and commencement of the directions -**

These directions may be called the Currency Futures in International Financial Services Centre (Reserve Bank) Directions, 2020 and they shall come into force with effect from the date of its publication.

**2. Definitions -**

- i. 'Act' means the Reserve Bank of India Act, 1934.
- ii. 'Currency Futures contract' means a standardised foreign exchange derivative contract traded on a recognised stock exchange in IFSCs to buy or sell one currency against another on a specified future date, at a price specified on the date of contract, but does not include a forward contract.
- iii. 'Currency Futures market' means the market in which currency futures are traded.
- iv. 'Financial institution' shall have the same meaning assigned to it in section 2(b) of the Foreign Exchange Management (International Financial Services Centre)



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Regulations, 2015 (as amended from time to time) issued vide notification no. FEMA. 339/2015-RB dated March 02, 2015

- v. 'International Financial Services Centre' shall have the same meaning assigned to it in clause (q) of section 2 of The Special Economic Zones Act, 2005 (Act 28 of 2005).
- vi. 'Recognised stock exchange' means a stock exchange recognised under section 4 of Securities Contracts (Regulations) Act, 1956 (Act 42 of 1956).
- vii. 'SEBI' means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- viii. 'FBIL Reference rate' means the rates of currency pairs computed and published on a daily basis, on all Mumbai business days, by Financial Benchmarks India Private Limited.
- ix. The words and expressions used but not specified in these directions shall have the same meanings respectively assigned to them in the Act.

### 3. Permission -

- i. Currency futures contracts are permitted in any currency pair involving the Rupee or otherwise.
- ii. Persons resident in India, as defined in clause (v) of section 2 of Foreign Exchange Management Act, 1999 (Act 42 of 1999), unless specifically permitted by the Reserve Bank, shall not be eligible to undertake currency futures contracts.
- iii. Persons resident outside India, as defined in section 2(w) of Foreign Exchange Management Act, 1999 (Act 42 of 1999), shall be eligible to undertake currency futures contracts.



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**4. Features of currency futures -**

Currency futures shall have the following features:

- i. All currency futures contracts shall be settled in a currency other than the Indian Rupee.
- ii. The settlement price for currency futures contracts involving Rupee shall be the FBIL Reference rate, where available, on the last trading day of the contract. For currency futures contracts involving Rupee where FBIL reference rates are not available and for other currency pairs, the mechanism for arriving at the settlement price shall be decided by the recognized stock exchange in consultation with SEBI.
- iii. The size, maturity and other specifications of the currency futures contracts shall be decided by the recognised stock exchange in consultation with SEBI.

**5. Position limits -**

- i. The position limits for various classes of participants in the currency futures market shall be subject to the guidelines issued by SEBI.
- ii. IFSC Banking Units (as specified in circular no. RBI/2014-15/533.DBR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015 (as amended from time to time)) shall operate within prudential limits, as laid down in the instructions issued by the Reserve Bank of India.

**6. Risk management measures -**

The trading of currency futures shall be subject to maintaining initial, extreme loss and calendar spread margins and the Clearing Corporation / Clearing House of the recognized stock exchange shall ensure maintenance of such margins by the participants on the basis of the guidelines issued by SEBI from time to time.



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**7. Surveillance and disclosures**

The surveillance and disclosures of transactions in the currency futures market shall be carried out in accordance with the guidelines issued by SEBI.

**8. Authorisation to Currency Futures Exchanges / Clearing Corporations -**

Recognised stock exchanges and their respective Clearing Corporations / Clearing Houses shall not deal in or otherwise undertake the business relating to currency futures unless they hold an authorization issued by the Reserve Bank under section 10 (1) of the Foreign Exchange Management Act, 1999.

**9. Powers of Reserve Bank -**

The Reserve Bank may from time to time modify the eligibility criteria for the participants, modify participant-wise position limits, prescribe margins and / or impose specific margins for identified participants, fix or modify any other prudential limits, or take such other actions as deemed necessary in public interest, in the interest of financial stability and orderly development and maintenance of foreign exchange market in India.

(T. Rabi Sankar)  
Executive Director



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**ANNEX II**

**Notification No. FMRD.FMD.02 /ED(TRS)-2020 dated January 20, 2020**  
**Currency Options in International Financial Services Centre (Reserve Bank)**  
**Directions, 2020**

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in currency options listed on recognised stock exchange in the International Financial Services Centres (IFSCs).

**1. Short title and commencement**

These directions may be called the Currency Options in International Financial Services Centres (Reserve Bank) Directions, 2020 and they shall come into force with effect from the date of its publication.

**2. Definitions**

- i. 'Act' means the Reserve Bank of India Act, 1934.
- ii. 'Currency Option' means a standardised foreign exchange derivative contract traded on recognised stock exchanges in IFSCs where the purchaser of the option has the right but not the obligation to purchase (call option) / sell (put option) and the seller (or writer) of the option agrees to sell (call option) / purchase (put option) an agreed amount of a specified currency at a price agreed in advance and denominated in another currency (known as the strike price) on a specified date in the future.



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- iii. 'Currency Option market' means the market in which currency options are traded.
- iv. 'Financial institution' shall have the same meaning assigned to it in section 2(b) of the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 (as amended from time to time) issued vide notification no. FEMA. 339/2015-RB dated March 02, 2015.
- v. 'International Financial Services Centre' shall have the same meaning assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005 (Act 28 of 2005).
- vi. 'Recognised stock exchange' means a stock exchange recognised under section 4 of Securities Contracts (Regulations) Act, 1956 (Act 42 of 1956).
- vii. 'SEBI' means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (Act 15 of 1992).
- viii. 'FBIL Reference rate' means the rates of currency pairs computed and published on a daily basis, on all Mumbai business days, by Financial Benchmarks India Private Limited.
- ix. The words and expressions used but not specified in these directions shall have the same meanings respectively assigned to them in the Act.

### 3. Permission

- i. Currency option contracts are permitted in any currency pair involving the Rupee or otherwise.
- ii. Persons resident in India, as defined in clause (v) of section 2 of Foreign Exchange Management Act, 1999 (Act 42 of 1999), unless specifically permitted by the Reserve Bank, shall not be eligible to undertake currency option contracts.





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- iii. Persons resident outside India, as defined in section 2(w) of Foreign Exchange Management Act, 1999 (Act 42 of 1999), shall be eligible to undertake currency option contracts.

#### 4. Features of currency option contracts

Currency option contracts shall have the following features:

- i. The premium for all currency option contracts shall be quoted in a currency other than the Indian Rupee.
- ii. The size, maturity and other specifications of the currency option contracts shall be decided by the recognised stock exchange in consultation with SEBI.
- iii. All currency option contracts shall be settled in a currency other than the Indian Rupee.
- iv. The settlement price for currency option contracts involving Rupee shall be the FBIL Reference rate, where available, on the expiry date of the contract. For currency option contracts involving Rupee where FBIL reference rates are not available and for other currency pairs, the mechanism for arriving at the settlement price shall be decided by the recognized stock exchange in consultation with SEBI.

#### 5. Position limits

- i. The position limits for various classes of participants in the currency option market shall be subject to the guidelines issued by SEBI.
- ii. IFSC Banking Units (as specified in circular no. RBI/2014-15/533.DBR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015 (as amended from time to time)) shall operate within prudential limits, as laid down in the instructions issued by the Reserve Bank of India.



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## 6. Risk Management measures

The trading of currency options shall be subject to maintaining initial, extreme loss and calendar spread margins and the Clearing Corporation / Clearing House of the recognized stock exchange shall ensure maintenance of such margins by the participants on the basis of the guidelines issued by SEBI from time to time.

## 7. Surveillance and disclosures

The surveillance and disclosures of transactions in the currency option market shall be carried out in accordance with the guidelines issued by SEBI.

## 8. Authorisation to Currency Futures Exchanges / Clearing Corporations

Recognised stock exchanges and their respective Clearing Corporations / Clearing Houses shall not deal in or otherwise undertake the business relating to currency options unless they hold an authorization issued by the Reserve Bank under section 10 (1) of the Foreign Exchange Management Act, 1999.

## 9. Powers of Reserve Bank

The Reserve Bank may from time to time modify the eligibility criteria for the participants, modify participant-wise position limits, prescribe margins and / or impose specific margins for identified participants, fix or modify any other prudential limits, or take such other actions as deemed necessary in public interest, in the interest of financial stability and orderly development and maintenance of foreign exchange market in India.

(T. Rabi Sankar)  
Executive Director



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ANNEX III

No. FEMA.397/RB-2020

**Foreign Exchange Management (International Financial Services Centre)  
(Amendment) Regulations, 2020**

In exercise of the powers conferred by section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank hereby makes the following amendments in the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 (Notification No. FEMA.339/2015-RB dated March 2, 2015), namely:-

**1. Short title and commencement-**

- i. These regulations may be called the Foreign Exchange Management (International Financial Services Centre) (Amendment) Regulations, 2020.
- ii. These regulations shall come into force with effect from the date of their publication in the Official Gazette.

**2. Amendment-**

The following proviso be added to principal regulation 4:

“Provided that, Reserve Bank may, through a general or specific permission, allow a financial institution or a branch of a financial institution to conduct such business in Indian Rupee with such persons, whether resident or otherwise as it may determine.”

(T Rabi Sankar)  
Executive Director

**Footnote-** The principal regulations were published in the Gazette of India – Extraordinary – Part-II, Section 3, Sub-Section (i) on March 03, 2015 vide G.S.R.No.218(E).

**(Published in the Official Gazette of the Government of India-Extraordinary-Part III-Section 4 dated 16.01.2020 vide Gazette Id no.CG-DL-E-17012020-215530)**



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**ANNEX IV**

**Notification No. FMRD.FMD.03/ED(TRS)-2020 dated January 20, 2020  
Currency Futures (Reserve Bank) (Amendment) Directions, 2020**

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in currency futures.

**1. Short title and commencement of the directions**

These directions may be called the Currency Futures (Reserve Bank) (Amendment) Directions, 2020 and they shall come into force with effect from January 20, 2020.

**2. Amendment to the Currency Futures (Reserve Bank) Directions, 2008**

i. Paragraph 4(e) shall be substituted by the following:

“e. The settlement price for currency futures contracts involving Rupee shall be the FBIL Reference rate, where available, on the last trading day of the contract. For currency futures contracts involving Rupee where FBIL reference rates are not available and for other currency pairs, the mechanism for arriving at the settlement price shall be decided by the recognized stock exchange in consultation with SEBI.”

ii. After paragraph 11, the following new paragraph shall be added:

“12. Exclusion –

Nothing contained in these directions shall apply to currency futures listed on recognised stock exchanges in the International Financial Services Centres, where ‘International Financial Services Centre’ shall have the same meaning assigned to it in clause (q) of section 2 of The Special Economic Zones Act, 2005 (Act 28 of 2005).”

(T. Rabi Sankar)  
Executive Director



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ANNEX V

**Notification No FMRD.FMD.04/ED(TRS)-2020 dated January 20, 2020  
Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions,  
2020**

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in exchange traded currency options.

**1. Short title and commencement of the directions**

These directions may be called the Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2020 and they shall come into force with effect from January 20, 2020.

**2. Amendment to the Exchange Traded Currency Options (Reserve Bank) Directions, 2010**

- i. Paragraph 4(g) shall be substituted by the following:

“g. The settlement price for currency option contracts involving Rupee shall be the FBIL Reference rate, where available, on the expiry date of the contract. For currency option contracts involving Rupee where FBIL reference rates are not available and for other currency pairs, the mechanism for arriving at the settlement price shall be decided by the recognized stock exchange in consultation with SEBI.”

- ii. After paragraph 11, the following new paragraph shall be added:

“12. Exclusion –



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Nothing contained in these directions shall apply to currency options listed on recognised stock exchanges in the International Financial Services Centres, where 'International Financial Services Centre' shall have the same meaning assigned to it in clause (q) of section 2 of The Special Economic Zones Act, 2005 (Act 28 of 2005)."

(T. Rabi Sankar)  
Executive Director