



## **SEBI clarification on exchange traded option contracts on EUR-INR, GBP-INR AND JPY-INR currency pairs**

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In early 2016, the Securities and Exchange Board of India (SEBI) had permitted recognized stock exchanges to offer cross currency futures and options in EUR-USD, GBP-USD and USD-JPY currency pairs and currency option contracts in EUR-INR, GBP-INR and USD-INR currency pairs. The detailed framework was provided in its circular no 38 dated 9 March 2016 (earlier circular).

Amongst other aspects, the stock exchanges were required to implement a mechanism of Dynamic Price Band in the currency derivatives segment to ensure orderly trading, market integrity and to prevent acceptance of orders placed beyond the price limits set by stock exchanges.

In order to bring uniformity in the computation and relaxation of dynamic price bands, SEBI has modified para 9(ii) of SEBI circular dated 9 March 2016, by issuing a circular no. 98 dated 31 August 2017. In nutshell,

- Stock exchanges shall implement a uniform dynamic price band mechanism for computation and relaxation of dynamic price bands in respect of currency options contracts.
- The dynamic price bands would apply to currency option contracts in EUR-INR, GBP-INR and USD-INR pairs and cross-currency option contracts in EUR-USD, GBP-USD and USD-JPY currency pairs
- Stock exchanges shall take into consideration various factors such as movement in underlying price, volatility, any news on concerned currency and its likely impact, movement of price of underlying at other stock exchanges, etc. while relaxing the price bands. Earlier, market wide trend in case of high volatility was the sole parameter for deciding the relaxation.
- The stock exchanges shall ensure that the mechanism for relaxation of dynamic price bands is not misused by market participants for manipulation in options contracts.

The stock exchange/ clearing corporation to include the requirements in this circular and earlier circular while submitting its proposal to SEBI for launch of currency options on EUR-INR, GBP-INR and JPY-INR currency pairs.

Source: [www.sebi.gov.in](http://www.sebi.gov.in)

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