



TAX FLASH NEWS

1 September 2017

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

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

Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Pralhad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala,
Bengaluru – 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh – 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

KRM Tower, Ground Floor,
No 1, Harrington Road
Chetpet, Chennai – 600 031
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Gurugram

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurugram, Haryana – 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

Salarpuria Knowledge City,
ORWELL, 6th Floor, Unit 3, Phase
III, Sy No. 83/1, Plot No 2,
Serilingampally Mandal, Raidurg
Ranga Reddy District,
Hyderabad, Telangana – 500081
Tel: +91 40 6111 6000
Fax: +91 40 6111 6799

Jaipur

Regus Radiant Centres Pvt Ltd.,
Level 6, Jaipur Centre Mall,
B2 By pass Tonk Road
Jaipur, Rajasthan, 302018.
Tel: +91 141 - 7103224

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata – 700 091
Tel: +91 33 4403 4000
Fax: +91 33 4403 4199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai – 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

Unit No. 501, 5th Floor,
Advant Navis Business Park
Tower-B, Plot# 7, Sector 142,
Expressway Noida, Gautam Budh Nagar,
Noida – 201305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

9th floor, Business Plaza,
Westin Hotel Campus, 36/3-B,
Koregaon Park Annex, Mundhwa Road,
Ghorpadi, Pune – 411001
Tel: +91 20 6747 7000
Fax: +91 20 6747 7100

Vadodara

iPlex India Private Limited,
1st floor office space, No. 1004,
Vadodara Hyper, Dr. V S Marg
Alkapuri, Vadodara – 390 007
Tel: +91 0265 235 1085/232 2607/232 2672