

### GOVERNMENT OF INDIA MINISTRY OF FINANCE DEPARTMENT OF ECONOMIC AFFAIRS

### RAJYA SABHA

**UNSTARRED QUESTION NO. 4083** 

TO BE ANSWERED ON APRIL 3, 2018/ CHAITRA 13, 1940 (SAKA)

## "RISE IN EXPOSURE LIMIT UNDER EXCHANGE TRADED CURRENCY DERIVATIVES TRADING"

#### **OUESTION**

#### 4083. SHRI. K.R.ARJUNAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has raised exposure limit under exchange traded currency derivatives trading for residents and foreign portfolio investors to US \$ 100 million across all currency pairs involving the Indian rupee;
- (b) if so, the details thereof;
- (c) whether it is a fact that the RBI's decision to raise the limit will help entities engaged in forex transactions to maintain their currency risks in a better manner; and
- (d) whether it is also a fact that the onus of complying with the provisions of this decision rests with the participants in the Exchange-Traded Currency Derivatives (ETCD) market?

#### **ANSWER**

# MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P.RADHAKRISHNAN)

- (a) and (b): The Reserve Bank of India, vide A.P. (DIR Series) Circular No. 18 dated February 26, 2018 has permitted persons resident in India and Foreign Portfolio Investors (FPIs) to take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving Indian Rupee (INR), put together, and combined across all exchanges.
- (c): Earlier, persons resident in India and FPIs were allowed to take a long (bought) or short (sold) position in USD-INR upto USD 15 million per exchange without having to establish existence of underlying exposure. In addition, residents & FPIs were allowed to take long or short positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange without having to establish existence of any underlying exposure. Now, the increased position limits are intended to make it easier for persons resident in India and FPIs to manage their currency risks.
- (d): The onus of complying with the provisions of the circular rests with the participant in the Exchange Traded Currency Derivatives (ETCD) market and in case of any contravention the participant shall be liable to any action that may be warranted as per the provisions of Foreign Exchange Management Act, 1999 and the regulations, directions, etc. issued thereunder. These limits are also required to be monitored by the exchanges, and breaches, if any, are required to be reported to the Reserve Bank of India.

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