



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

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To

Chief Executive Officers of Equity Derivatives Segment
National Stock Exchange of India Limited (NSEIL)
Bombay Stock Exchange Limited (BSE)

Dear Sir,

Sub: Introduction of Derivative Contracts on Foreign Stock Indices

1. It has been decided to permit Stock Exchanges to introduce derivative contracts (Futures and Options) on foreign stock indices in the equity derivatives segment in accordance with the Guidelines mentioned in Annexure-1.
2. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
3. The circular shall come into force from the date of the circular.
4. This circular is available on SEBI website at www.sebi.gov.in., under the category "Derivatives- Circulars".

Yours faithfully,

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Encl: as above



ANNEXURE-1

INTRODUCTION OF DERIVATIVE CONTRACTS ON FOREIGN STOCK INDICES

1. Eligibility Criteria

A stock exchange may introduce derivatives on a foreign stock index if:

- i. Derivatives on that Index is available on any of the stock exchanges listed at Annexure-A
- ii. In terms of trading volumes (number of contracts), derivatives on that Index figure among the top 15 Index derivatives globally.

OR

- iii. That Index has a market capitalization of at least USD 100 billion.
That index is "broad based". An Index is broad based if :
 - a. The Index consists of a minimum of 10 constituent stocks and
 - b. No single constituent stock has more than 25% of the weight, computed in terms of free float market capitalization, in the Index.

2. Failure to meet Eligibility Criteria

After introduction of derivatives on a particular stock index, if that stock index fails to meet any of the eligibility criteria for three months consecutively, no fresh contract shall be introduced on that Index. However, the existing unexpired contracts would be traded till expiry and new strikes may be introduced on those contracts.

3. Currency Denomination

The absolute numerical value of the underlying foreign stock index shall be denominated in Indian Rupees (INR). The derivatives contracts on that foreign stock index would be denominated traded and settled in Indian rupees.

4. Risk Management Framework

The stock exchange shall submit the risk management framework along with its application for introduction of derivatives on foreign stock indices.

5. Position Limits

The Trading Member/Mutual Funds position limits (higher of Rs. 500 crore or 15% of the total open interest in Index derivatives) as well as the disclosure requirement for clients whose position exceeds 15% of the open interest of the market, as applicable to domestic stock index derivatives, shall be applicable to derivatives on foreign stock indices.

6. Information Sharing

The stock exchange shall ensure that material price sensitive information and information relating to regulatory actions and corporate actions relating to constituent stocks of the foreign stock index, as available in public domain, are available to Indian investors.



7. Legal Compliance

The stock exchange shall ensure compliance with any other legal provisions relating to introduction of derivatives on foreign stock indices and obtain requisite approvals from the concerned regulatory bodies.

8. Enforcement

Any kind of market demeanor in the market for the derivatives on foreign stock indices shall be subject to the appropriate enforcement actions, as applicable to the market for any securities.

9. Trading

Trading in derivatives on Foreign Stock Indices shall be restricted to residents in India.



ANNEXURE A

S No.	Exchange
Americas	
1.	BM&FBOVESPA
2.	Chicago Board Options Exchange (CBOE)
3.	CME Group
4.	ICE Futures U.S.
5.	International Securities Exchange (ISE)
6.	MexDer
7.	Montréal Exchange
8.	NASDAQ OMX PHLX
Asia Pacific	
1.	Australian Securities Exchange
2.	Bursa Malaysia
3.	Hong Kong Exchanges
4.	Korea Exchange
5.	Osaka Securities Exchange
6.	Singapore Exchange
7.	TAIFEX
8.	Tokyo Stock Exchange Group
Europe, Africa, Middle East	
1.	Borsa Italiana
2.	Eurex
3.	Johannesburg SE
4.	MEFF
5.	NASDAQ OMX Nordic Exchange
6.	NYSE Liffe (European markets)
7.	Oslo Børs
8.	Tel Aviv SE