Trading Strategies:

Case 1: View: INR will depreciate against USD, caused by India's sharply rising import bill and poor FII equity inflows.

Trade:

USDINR 31 Jul 08 contract	:	43.5000
Current spot rate (9 July 08)	:	43.0000
Buy 1 Jul contract	:	Value Rupees 43,500 (USD 1000 * 43.5000)
Hold contract to expiry	:	RBI fixing rate on 29 July 08 - 44.0000
Economic return	:	Profit - Rupees 500 (44,000 - 43,500)

Case 2: Expecting a remittance for USD 1000 on 29 August 08. Want to lock in the FX rate today.

Trade:

USDINR 29 Aug 08 contract	:	44.2500
Current spot rate (9 July 08)	:	43.0000
Sell 1 Aug contract	:	Value Rupees 44,250
Expiry Date	:	RBI fixing rate on 27 Aug 08 - 44.0000 Sell USD 1000 in the Spot OTC market at 44.0000
Economic Return	:	Profit - Rupees 250 (44,250 - 44,000) Effective Rate on Remittance 44.2500, while spot on that date was 44.0000

Case 3: Investment offshore for USD 1000 on 31 Jul 08. Also want to keep FX exposure hedged for a month after that.

Trade:

USDINR 31 Jul 08 contract	:	43.5000
USDINR 29 Aug 08 contract	:	44.2500
Current spot rate (9 July 08)	:	43.0000
Buy 1 Jul contract	:	43.5000
Sell 1 Aug contract	:	44.2500
Expiry of Jul contract	:	RBI fixing rate on 29 July 08 - 44.0000 Buy USD 1000 in the Spot OTC market at 44.0000 Invest offshore
Expiry of Aug contract	:	Sell offshore investment RBI fixing rate on 27 Aug 08 - 44.0000 Sell USD 1000 in Spot OTC market at 44.0000
Economic Return	:	Jul contract: Rupees 500 (44,000 - 43,500)
Aug contract	:	Rupees 250 (44,250 - 44,000)

Note: Return on offshore investment can be hedged in addition to initial investment amount.

Case 4: You are holding Infosys stock. You think it is a good long term buy in current market conditions. But you want to hedge the impact of INR appreciation on the stock price in the medium to long term.

Trade:

USDINR 31 Dec 08 contract	:	45.0000
Current spot rate (9 July 08)	:	43.0000
Sell Dec contract	:	45.0000
Expiry of Dec contract	:	RBI fixing rate on 29 Dec 08 - 43.5000 Roll the contract to a forward date, if you believe INR will appreciate further. Book profit if you think INR has stabilized at these levels
Economic return	:	Rupees 1,500 (45,000 - 43,500)

Note: Hedge ratios will be determined by running correlation to impact of currency appreciation.

NSE

The **National Stock Exchange of India (NSE)** is one of the largest and most advanced stock exchanges in the world. NSE has set up its trading system as a nation-wide, fully automated screen based trading system. It has written for itself the mandate to create new bench marks in world class, infrastructure, technology, risk management, clearing and settlement, investor services and best market practices. It's trading facility can be accessed through a wide network of trading terminals, across the country. The central order book with a tight bid-ask spread provides a highly liquid market for the investors.

NSE has always taken initiatives to facilitate both investors and market participants to avail new opportunities. It has been in the fore front in offering newer products in equities and derivatives segment and also new asset class for the investors to choose from.

Some milestones:

Apr-93	Recognition as a stock exchange
Nov-94	Capital Market (Equities) segment goes live
Oct-95	Became largest stock exchange in the country
Apr-96	Launch of S&P CNX Nifty
Jun-96	Establishment of Settlement Guarantee Fund
Feb-00	Commencement of Internet Trading
Jun-00	Commencement of Derivatives Trading (Index Futures)
Jun-01	Commencement of trading in Index Options
Jun-07	NSE launches new index derivatives
Jan-08	Introduction of Mini Nifty derivative
Mar-08	Introduction of long term option contracts
Apr-08	Launch of Securities Lending & Borrowing Scheme
Apr-08	Launch of India VIX

Disclaimer

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CURRENCY DERIVATIVES

by

NSE

CURR€NCY DERIVATIVE$

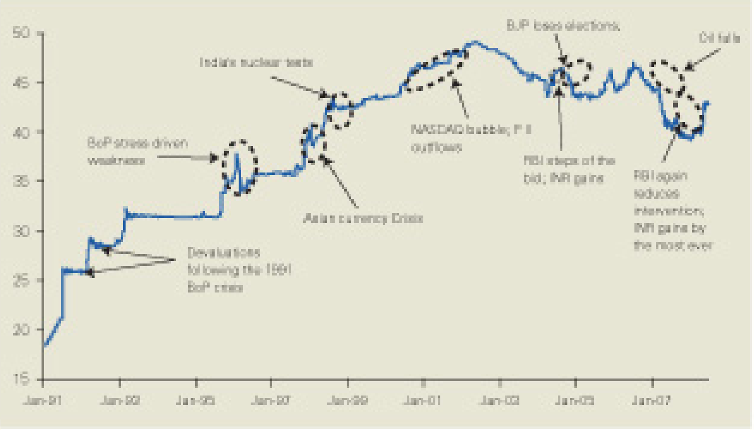
Foreign exchange rates, like any other asset class move depending on various factors, like demand supply, interest rate parity, trade and capital flows, speculators taking positions, clients hedging risk arising from their trade and capital flows etc. Introduction of currency futures will complete the suite of instruments available for trading and hedging to the Indian resident. The strong correlation that foreign exchange has to interest rates, equity flows and commodities will translate to opportunities to trade currency futures independently or in conjunction with equities, commodities like gold or oil etc

Based on the evolving needs of the market place, NSE now introduces trading in Currency Derivatives.

Currency futures trading will be of interest to those who wish to:

- **Invest:** Take a view on USDINR appreciating or depreciating over a specified time frame. For e.g. if you expect oil prices to rise and impact India's import bill, you would buy USDINR with a view to INR depreciating. Alternately if you believed that strong exports from the IT sector, combined with strong FII flows will translate to INR appreciation you would sell USDINR.
- **Hedge:** If you are an importer, and have USD payments to make at a future date. You can hedge / crystallize your foreign exchange exposure by buying USDINR and fixing your pay out rate today. You would hedge if you were of the view that USDINR was going to depreciate.
- **Arbitrage:** Trading in futures allows you to trade in interest rates implied by the foreign exchange market.

Tracking USD INR value since January 1991:



Foreign Exchange which to date has been an asset class only banks and corporates with currency exposure were allowed to trade has finally been made available and easily accessible to all Resident Indians. In the context of growing integration of the Indian economy with the rest of the world and a continuous move towards capital account liberalization, Securities Exchange Board of India and Reserve Bank of India have permitted trading in Currency Futures based on the USDINR exchange rate.

The National Stock Exchange (NSE) group which has brought you trading in equities, interest rates and commodities brings you trading in Currency Futures. The screen based trading system with more than 1,30,000 trading terminals across the country shall now provide you a new segment on Currency Derivatives.

Product Specifications:

Underlying	USD - INR
Trading Hours (Monday to Friday)	09:00 a.m. to 05:00 p.m.
Contract Size	USD 1000
Tick Size	0.25 paise or INR 0.0025
Trading Period	Maximum expiration period of 12 months
Contract Months	12 near calendar months
Contract Expiration Date	Last working day of the month (subject to holiday calendars)
Last Trading Day	Two working days prior to Contract Expiration Date

FAQ:

What is a currency futures contract?

A futures contract is a standardized exchange traded contract, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price. In the case of a currency futures contract, the underlying instrument is a foreign exchange rate.

What are Spot and Forward FX rates?

The Spot exchange rate refers to the current exchange rate. The Forward exchange rate refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date. The main difference between FX spot and forwards price is that a forward price reflects the interest rate differential of the respective currencies for the specified future date.

Forward Price = Spot Price +/- Forward Points

Forward points combine the benefit or disadvantage of holding the specific currency for the specified time.

Forwards v/s Futures?

Futures are standardized forward contracts traded on an exchange. Forwards trade in the OTC market and are customized. Further, forwards are bilateral agreements between two counterparties whereas futures settlements are guaranteed by the exchange clearing house. In addition futures provide transparency in pricing, liquidity and anonymity while trading.

How do I start trading Currency Futures?

Currency Futures can be bought and sold through the trading members of National Stock Exchange. To open an account with a NSE trading member you will be required to complete the formalities which include signing of member constituent agreement, constituent registration form and a risk disclosure document. The trading member will allot you a unique client identification number.

To begin trading, you will be required to deposit cash or collateral with your trading member as may be stipulated by them.

How will a Currency Futures contract finally settle?

Contract Expiration Date for each contract shall be the last working day of the month (excluding Saturdays). The Last Trading Day for each contract shall be two working days prior to the Contract Expiration Date. The settlement will be fixed based on the Reserve Bank of India Reference Rate at 12.00 noon on the Last Trading Day. All contracts will net settle in INR.