भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

HO/(561)2026-MRD-POD2/ I/25177/2026 **November 05, 2026**

To,

All Stock Exchanges;

All Clearing Corporations;

All Depositories;

All Designated Depository Participants (DDPs) through Depositories;

All Custodians of Securities;

All Foreign Portfolio Investors (FPIs) through their DDPs.

Sir / Madam,

Subject: Revision of limits relating to requirement of underlying exposure for currency derivatives contracts

1. This is further to Clause 5.3.2.3 and Clause 5.3.3 of Master circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, regarding the limits for currency derivatives contracts beyond which market participants are required to establish the existence of underlying exposure.

2. The Reserve Bank of India (RBI), vide A.P. (DIR Series) Circular No. 25 dated October 10, 2026, on Risk Management and Inter-Bank Dealings, has revised the threshold limits for taking positions in foreign exchange derivatives involving the Indian Rupee (INR) without establishing the existence of underlying exposure. RBI has also prescribed additional requirements relating to cancellation and rebooking of foreign exchange derivative contracts and documentation for hedging contracted exposures. A copy of RBI's circular is enclosed for reference and necessary compliance.

3. Accordingly, the provisions of Clause 5.3.3 of SEBI Master Circular for Stock Exchanges and Clearing Corporations, related to threshold limits for taking unhedged positions in foreign exchange, dated December 30, 2024 are modified as under:

   "5.3.3.1 Domestic clients and Foreign Portfolio Investors (FPIs) may take long or short positions in currency derivatives contracts involving INR, without having to establish the existence of underlying exposure, up to a

single limit of USD 5 million equivalent of notional value (outstanding at any point), across all currency pairs involving INR, put together, and combined across all recognised stock exchanges.

5.3.3.2 FPIs shall ensure that their short positions at all stock exchanges across all contracts in FCY-INR pairs do not exceed USD 5 million.

5.3.3.3 ….

5.3.3.4 To take long positions in excess of USD 5 million in all contracts in FCY-INR pairs, FPIs shall be required to have an underlying exposure in Indian debt or equity securities, including units of equity/debt mutual funds.

5.3.3.5 Domestic clients may take positions in excess of USD 5 million in all contracts in FCY-INR pairs, subject to the conditions specified in the RBI's Master Direction - Risk Management and Inter-Bank Dealings dated July 05, 2016, as amended from time to time, and RBI A.P. (DIR Series) Circular No. 25 dated October 10, 2026.

5.3.3.6 ….

5.3.3.7 ….”

4. All other requirements, terms and conditions specified in SEBI Master Circular dated December 30, 2024, shall remain unchanged, except to the extent modified by this circular or otherwise directed by SEBI.

5. Stock exchanges and clearing corporations are directed to:

   a. Take necessary steps to put in place systems for implementation of this circular, including consequential amendments to the relevant bye-laws, rules and regulations;

   b. Bring the provisions of this circular to the notice of stock brokers and clearing members and disseminate the same on their websites; and

   c. Communicate to SEBI the status of implementation of the provisions of this circular.

6. This circular is being issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the

interests of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

Meetu Aggarwal
Deputy General Manager
Tel. No. 022-20752249
Email: meetua@sebi.gov.in

Enclosure:
(i) Reserve Bank of India A.P. (DIR Series) Circular no. 25 dated October 10, 2026 on 'Risk Management and Inter-bank Dealings'