

**NATIONAL STOCK EXCHANGE OF INDIA LTD.
CURRENCY DERIVATIVES SEGMENT**

CIRCULAR

Ref No: NSE/CD/036/2009
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August 25, 2009

Dear Members,

Subject: Launch of Interest Rate Futures

Exchange has received approval from SEBI for introducing Exchange traded Interest Rate Futures (IRF) contracts. Interest Rate Futures contracts shall be available to trade in the Currency Derivatives Segment (CDS) of the Exchange. Trading in IRF shall commence w.e.f. Monday, August 31, 2009.

In pursuance of Trading Regulations of the Exchange, the Exchange notifies the following for Interest Rate Futures as per Annexure 1:

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Transaction Charges

In order to encourage active participation in Interest Rate Futures trading, it has been decided that no transaction charges will be levied on trades done in Interest Rate Futures contracts up to December 31, 2009.

However, every Trading Member participating in the trading of Interest Rate Futures contracts at any time during the above mentioned period shall be required to make a lump sum contribution of Rs. 500/- to the Investor Protection Fund.

This circular shall be effective from Monday, August 31, 2009.

For any clarifications, members are advised to contact the following officials:
Mr. Vikramaditya Delima / Mr. Vikas Mishra on 26598131 or Mr. Arvind Goyal on 26598164.

For and on behalf of
National Stock Exchange of India Limited

Suprabhat Lala
Assistant Vice President

Annexure 1

Contract Information

In pursuance of the Trading Regulations of the Exchange, it is hereby notified as under:

10YGS7 Futures contracts

10YGS7 Futures contract shall be futures contracts based on Notional 10 year coupon bearing GOI security.

Underlying security

10 year Notional coupon bearing GOI security (Notional coupon of 7% with semi-annual compounding)

Contract descriptor

The contract descriptor for the 10YGS7 futures contract will be:

Market type : N
Instrument Type : FUTIRD
Underlying : 10YGS7
Expiry date : Date of Contract Expiry
(Seven working days prior to the last business day of the expiry month)

Contract trading cycle

10YGS7 futures contracts will have a maximum of 12 month expiration cycle. Quarterly contracts shall be available for trading. To begin with December 2009 and March 2010 contracts shall be made available for trading. A new quarterly expiry contract shall be introduced on the expiration of a contract.

Expiry day & time

In pursuance of the Trading Regulations of the Exchange, it is hereby notified that 10YGS7 futures contracts shall expire seven working days prior to the last business day of the expiry month. The IRF contracts shall expire at the normal market closing time on the expiry day.

Spread contracts

A facility to enter spread orders through a single order entry window shall be available to members. Such spread orders shall compulsorily be 'Immediate Or Cancel' time attribute orders which shall be matched in the normal order book of respective contracts. Members will be able to place such orders for any spread combination from the available normal contracts.

A facility will also be made available to enter spread orders through a single order entry window with 'DAY' time attribute for a specific exchange provided spread combination. Such spread orders shall be matched in the specific spread order book created for this purpose. The Exchange shall provide a spread order book for the combination of Near-Quarter & Next-Quarter contracts initially.

All spread orders shall be placed in terms of price difference only.

Trading parameters

In pursuance of the Trading Regulations of the Exchange following trading parameters and order attributes are specified for the Interest Rate Futures:

Order type/Order book/Order attribute

- Regular lot order
- Stop loss order
- Immediate or cancel
- Good till day
- Spread order

Permitted lot size

Permitted lot size for 10YGS7 future contracts shall be Rs 2 lacs face value of GOI securities equivalent to 2000 units. Members shall place orders in terms of number of lots.

Example: To place an order for buying futures on GOI security having face value Rs 5 crores, members shall enter $(5,00,00,000/2,00,000) = 250$ in the quantity field on Neat-CDS.

Price quotation

The quotation would be similar to the quoted price of GOI security. The day count convention for interest payments would be on the basis of a 360-day year, consisting of 12 months of 30 days each and half yearly coupon payment.

Price steps for contracts

Price steps (tick size) in respect of all IRF contracts admitted to dealing on the Exchange shall be Rs.0.0025.

Quantity Freeze

Quantity Freeze for IRF contracts shall be 501 lots or greater i.e. orders having quantity up to 500 lots shall be allowed. In respect of orders which have come under quantity freeze, members would be required to confirm to the Exchange that there is no inadvertent error in the order entry and that the order is genuine. On such confirmation, the Exchange may approve such orders. However, in exceptional cases, the Exchange may, at its discretion, not allow the orders that have come under quantity freeze for execution for any reason whatsoever including non-availability of turnover / exposure limits.

Base Price & operating ranges applicable to IRF contracts on the first day.

Base price of 10YGS7 futures contracts on the first day shall be the theoretical futures price. The base price of IRF contracts on subsequent trading days will be the daily settlement price of the futures contracts.

Daily closing price in bhavcopy

The daily closing price of an IRF contract is the volume weighted average price (VWAP) of the trades in the last 30 minute of trading, provided there are at least 5 trades for a minimum aggregate notional value of Rs. 10 crores. Failing which, trades during the last 60 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore. Failing which trades during the last 120 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore.

Price ranges of contracts

There shall be no daily price bands applicable for IRF contracts. However in order to prevent erroneous order entry by members, operating ranges will be kept at +/-2% of the base price. In respect of orders which have come under price freeze, the members would be required to confirm to the Exchange that there is no inadvertent error in the order entry and that the order is genuine. On such confirmation, the Exchange may take appropriate action.

Trade Modification requests

Trading members will be permitted to modify trades with respect to Client Codes only.

Trade Cancellation requests

Requests for trade cancellation, if any, permitted by the Exchange will be allowed on the same trading day during the Normal Market Hours.

Auction Market

Interest Rate Futures contracts shall be physically settled by delivery of deliverable grade securities. In case of delivery failure / shortage, the Exchange shall initiate an auction to purchase the required security from market participants. Details of the modalities of Auction Market for Interest Rate Futures shall be communicated to members through a separate circular.

Market Holidays

In pursuance of Trading Regulations of the Exchange, it is hereby notified that trading holidays for Interest Rate Futures contracts shall be the same as applicable to the Currency Derivatives Segment, unless otherwise specifically notified by the exchange.

Market Timings

In pursuance of the Trading Regulations of the Exchange, trading hours for Interest Rate Futures contracts are given below:

Normal Trading Hours

Monday to Friday 9.00 A.M. to 05.00 P.M.

Trade modification / Trade Cancellation request / Give-up Approval of custodian trades

Monday to Friday 9:00 A.M. to 5:30 P.M.

Extension of Market hours

The Exchange may extend the trading hours on any day for any reason that the Exchange may deem fit.

Market closed for trading

The Exchange may at its discretion, close the market for trading, for such time period as deemed necessary, if for reasons beyond its control, 40% or more of its users are unable to trade, or access the trading system, during the normal or extended course of trading hours.

User Id Management

Password and expiry period for password

In pursuance of the Trading Regulations of the Exchange, it is hereby notified that the password expiry period is **14** calendar days reckoned from the end of the day the password was reset last. All trading members shall have to reset their passwords after the expiry of **14** calendar days from the end of the day the password was last reset.

The default password to log on to NEAT-CDS for the first time and every time the member requests a rest of password shall be NEATCD. Trading members may also note that for any subsequent log on to the NEAT CDS, they shall have to enter their own password.

Locking of User Id's

The User Id's for the trading members shall be locked to a specific IP address & location. In case there is a mismatch between the user id and the corresponding IP address, the message 'You are trying to sign on from a different location. Sign on not allowed' shall be flashed on the logon screen.