

**Consultation paper**  
**on**  
**Draft Circular on Operational Efficiency in Monitoring of Non-Resident Indians (NRIs) Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment**

**1. Objective**

- 1.1. The objective of this paper is to seek public comments on the draft circular on Operational Efficiency in Monitoring of NRI Position Limits in Exchange Traded Derivatives Contracts as a measure of Ease of Doing Investment for NRI clients.

**2. Background**

- 2.1. As per extant procedure, an NRI who wishes to trade on the F&O segment of the exchange, needs to obtain a Custodial Participant (CP) Code from the Clearing Corporation (CC) through a Clearing Member (CM). As no unique identifier in the capital market was available, SEBI had prescribed the conditions including position limits and monitoring of position limits for allowing NRIs to trade in exchange traded derivatives contracts. Thus, CP Code was introduced for monitoring the position limits for NRIs.
- 2.2. While placing the order, Stock Broker needs to ensure that the CP Code of the NRI is entered. The NRI client can have only one CM at any given point of time. In case an NRI wishes to change the CM, no-objection certificate (NOC) needs to be obtained from the existing CM. All of these processes create operational inefficiency for NRI clients to trade in the derivatives segment.
- 2.3. In the meantime, PAN has been introduced as the unique identifier in the securities market and is used for monitoring client level positions. In a similar manner, PAN may also be used as a unique identifier for monitoring position limits of NRIs by CCs. Further, CCs may monitor position limits of NRIs using PAN in the same manner as is already being done for monitoring client level positions. Accordingly, no separate CP Code would be required, if PAN is used for this purpose.



- 2.4. Thus, in view of the above and in order to bring ease of investment for NRIs to trade in derivatives and simplify procedure of monitoring NRI position limits, it is proposed to issue a circular on “Operational Efficiency in Monitoring of NRI Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment” to remove the requirement for NRIs to have a CP Code and deal with only one CM.

### 3. Public Comments

- 3.1. The draft circular on “Operational Efficiency in Monitoring of NRI Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment” is placed at Annexure A. Comments are invited on the proposals mentioned in the draft circular. The comments/ suggestions should be submitted latest by December 31, 2024, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

- 3.2. In case of any technical issue in submitting your comment through web based public comments form, you may write to [consultationMIRSD@sebi.gov.in](mailto:consultationMIRSD@sebi.gov.in) with the subject: "Comments on Draft Circular on Operational Efficiency in Monitoring of NRIs Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment."

General Manager

Division of Policy

Market Intermediaries Regulations and Supervision Department

Securities and Exchange Board of India

SEBI Bhavan II, Plot No. C-7, “G” Block, Bandra Kurla Complex

Bandra (East), Mumbai - 400 051

**Issued on: December 10, 2024**

**Encl: Annexure A**



**DRAFT CIRCULAR**

SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2024/ XX

December XX, 2024

To,

All recognized Stock Exchanges

All Clearing Corporations

Madam / Sir,

**Sub: Operational Efficiency in Monitoring of Non-Resident Indians (NRI) Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment**

1. SEBI, vide Para II of Circular no. [SEBI/DNPD/Cir-17/2003/10/29 dated October 29, 2003](#) (hereinafter mentioned as 'circular'), inter alia, specified the operational modalities of monitoring of NRI position limits which required NRIs to notify the names of the Clearing Member/s for clearing derivative trades to the Exchange and assignment of a unique client code i.e. Custodial Participant (CP) Code to the NRI by the Exchange. The Exchange, in turn, would use this information to monitor the position limits of such NRI clients.
2. As a step towards ease of doing investment and convenience to NRIs for trading in exchange traded derivatives contracts, to bring in operational efficiency and in line with the recommendation received from Brokers' Industry Standards Forum, it has been decided to do away with the requirement of NRIs having to notify the names of the Clearing Member/s and subsequent assignment of CP Code to the NRIs by the Exchange. Accordingly, the said para shall be read as under:

*"The Clearing Corporation shall monitor the NRI position limits in the manner similar to the client level position limits monitored by them. Position limits for NRIs shall be same as the client level position limits specified by SEBI from time to time.*

*With respect to the FPI position limits, the same shall be monitored by the Exchange.”*

3. The Stock Exchanges/Clearing Corporations are directed to:
  - 3.1. bring the provisions of this circular to the notice of their members and also disseminate the same on their websites;
  - 3.2. make necessary amendments to the relevant Bye-laws, Rules, Regulations, Circulars, SOPs and FAQs for the implementation of the above decision;
  - 3.3. make necessary arrangements for changing the current operational processes: (i) to discontinue the requirement of assigning CP Code to new NRI clients within a period of 30 days from the date of issuance of this circular; (ii) for existing CP Codes, within a sunset period of 1 year from the date of issuance of this circular or till squaring up of existing positions, whichever is longer.
  - 3.4. communicate to SEBI, the status of the implementation of the provisions of this circular on a monthly basis.
4. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with Regulation 30 of Chapter VII of SEBI (Stock Brokers) Regulations, 1992 and Regulation 51 of Chapter IX of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, and to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
5. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category: ‘Legal → Circulars’.

\*\*\*\*\*