

5 MUST-KNOW FACTS ON FTSE100

8.21%

world's equity
Market-cap

85.6%

UK's equity Market
capitalization

100

largest UK listed
blue-chip companies

70%

of FTSE100
represented by MNC's

17.8%

3 years return on
investment

 **NSE**

RUPEE DENOMINATED
FUTURES & OPTIONS

FTSE100

Presenting derivatives contracts on FTSE 100® index

Introduction:

Indian Investors are currently permitted to invest in foreign assets subject to the limits stipulated by the Reserve Bank of India. The transaction costs in respect of direct investment transactions could be higher and are subjected to foreign currency risks apart from the equity market risks. To facilitate Indian investors desirous of taking exposures to US market without taking any foreign currency risk, NSE introduced rupee denominated derivatives contracts on global indices i.e. S&P 500® and DJIA on August 29, 2011. Indian investors have welcomed these contracts and shown continuous interest since inception with an average daily volume of Rs.200 crs and daily participation from 100 plus Trading Members. These contracts covers the exposures to the US market and can also be used as a hedging tool by investors having a high exposure to stocks in sectors whose financial performance depends significantly on the prospect of the US economy.

Further, to provide an opportunity to Indian investors to take exposure on the Eurozone economies, NSE is introducing rupee denominated Futures & Options contracts on FTSE 100 in equity derivatives segment. These contracts traded together shall provide opportunities for Indian investors to directional trading, global event risk management and various options strategies.

About FTSE 100 index

The FTSE 100 Index is one of the world's most recognised indices and represents approximately 7.8% of the world's equity market capitalisation. The index is part of the FTSE UK Series and is designed to measure the performance of the 100 largest companies traded on the London Stock Exchange that pass screening for size and liquidity.

The FTSE 100 is a market-capitalisation weighted index represents approximately 85.6% of the UK's market and is currently used as the basis for a wealth of financial products available on the London Stock Exchange, National Stock Exchange of India and others institutions globally. The index is calculated in accordance with the Industry Classification Benchmark, the global standard for industry sector analysis and all FTSE 100 constituents are traded on the London Stock Exchange.



Index Characteristics - FTSE 100

Number of Constituents	102
Net Mcap (GBPm)	1494016
Constituent Sizes (Net MCap GBPm)	
Average	14647
Largest	98850
Smallest	699
Median	5625
Weight of largest constituent (%)	6.62
Top 10 holdings (% Index Mcap)	46.61
Volatility (% pa)	20.90

Source: <http://www.ftse.com>, Data as at 30th March 2012

Contract Specifications

	FTSE 100 Index futures	FTSE 100 Index Options
Ticker Symbol	FTSE 100	
Contract Size	50 and multiples thereof	
Contract value	Contract size multiplied by the index level (For example: if the current index value is 6000 then the notional value would be 6000 x 50= Rs. 3,00,000)	
Tick Size	1.00	0.05
Strike Price Intervals	N.A.	8-1-8 (100 point interval)
Exercise Procedure	N.A.	European
Trading Hours	9.15 AM – 3.30 PM	
Expiry Day and Time	<p>Third Friday of the expiry month.</p> <p>In case the third Friday of the expiry month is a holiday in UK or India, the contract shall expire on the preceding business day in both UK and India in the expiry month.</p> <p>The contract shall expire at 2:45 PM (IST) on expiry day during Daylight Saving period in UK (Generally between March and October) and for remaining period the contract shall expire at 3:30 PM (IST) on the expiry day.</p>	
Contract months	Three serial monthly contracts and following three quarterly expiry contracts in the Mar-Jun-Sep-Dec cycle	
Daily Settlement Price	Last half hour's weighted average price	
Final Settlement Price	All open positions at close of last day of trading shall be settled on Exchange delivery settlement price - EDSP. (for understanding EDSP, visit http://www.euronext.com/fic/000/010/741/107415.pdf)	
Final Settlement Procedure	Final settlement will be Cash settled in INR based on final settlement price	
Final Settlement day	All open positions on expiry date shall be settled on the next working day of the expiry date (T+1)	
Position Limits	<p>The Trading Member/Mutual Funds position limits shall be higher of Rs.500 crore or 15% of open interest (OI)</p> <p>Disclosure requirement for clients is same as applicable in case of domestic stock index derivatives</p>	

For further details visit : <http://www.nseindia.com>

Trading in derivatives contracts on FTSE 100 at NSE

The derivatives contracts on FTSE 100 provide multiple advantages as outlined below:

- **Simplicity:** The contracts shall be traded during Indian time and under the same regulatory set up
- **No currency risk:** The contracts are rupee denominated. Hence there shall be no currency risk associated with trading them
- **Ease of Access:** The instruments would be introduced in the existing equity derivatives segment. The existing trading, clearing and risk management infrastructure could be used without any additional cost
- **Opportunities:** Derivative contracts on the index will enable Indian investors to invest in top 100 blue chip companies listed on London Stock Exchange

Use of derivatives contracts on FTSE 100 at NSE

Depending upon the risk profile and the trading strategies employed, these products can be useful for a diverse set of investors. Some of the participants who may benefit from these contracts include investors with directional views, High Net-worth Individuals (HNIs) and persons/institutions with businesses having a high overseas exposure.

Directional views

Market participants can use their understanding of the dynamics of the European market to take directional views on the movement of the Indices. Indian investors may take long FTSE 100 index derivative exposure on expectation of good economic news/ good corporate results in UK. Similarly, to execute bearish views on UK's economy, short derivative exposure can be taken.

Managing European exposures

Derivatives on FTSE 100 can help the market participants to manage the international exposure of their portfolio. Movement in global indices tends to impact the returns of various portfolios which can now be hedged using derivatives on FTSE 100. Also investors can diversify their portfolios efficiently at a lower cost using these contracts.

Global Event Risk Management

Major global events like debt crisis in a European country have ripple effect on equity markets across the globe, even if they are not significantly correlated. An investor holding, say an Indian portfolio and desirous of liquidating it, during such period may end up with inferior valuations due to these global events. Derivatives on FTSE 100 could help such investors manage this risk.

About the National Stock Exchange

The National Stock Exchange (NSE) operates a nation-wide, electronic market and offers access to equities – domestic and international, fixed income, gold, currencies and mutual funds through four market segments. NSE's network stretches to more than 1,500 locations, supported by more than 2,30,000 terminals.

With more than 13 asset classes in offering, NSE has taken many initiatives to strengthen the securities industry in India by offering products and services to cater to the evolving need of the market participants.

NSE is committed to operate a market ecosystem which is transparent, offering high levels of safety, integrity and corporate governance and providing ever growing investment opportunities for all market participants. NSE ranks third globally by number of trades in the equities market, second in exchange traded index options and third in Index futures and in single stock futures*.

(* Source: WFE)

In case of queries, please contact:

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Milestone

April 93	Recognition as a stock exchange
November 94	Capital Market (Equities) segment goes live
October 95	Became largest stock exchange in the country
April 96	Launch of S&P CNX Nifty
February 00	Commencement of Internet Trading
June 00	Commencement of Derivatives Trading (Index Futures)
June 01	Commencement of trading in Index Options
June 07	NSE launches new index derivatives
January 08	Introduction of Mini Nifty derivative
March 08	Introduction of long term option contracts
April 08	Launch of Securities Lending & Borrowing Scheme, Launch of Vix
August 08	Commencement of Currency Futures Trading
August 09	Launch of Interest Rate Futures
November 09	Launch of Mutual Fund Service System
December 09	Commencement of settlement of corporate bonds
February 10	Launch of Currency Futures on additional currency pairs
March 10	Launch of Hang Sang ETF
July 10	Commencement of trading of S&P CNX Nifty Futures on CME
July 10	Real Time dissemination of India Vix LOI signed with London Stock Exchange
July 11	Launch of interest rate futures on T 91 day bills
August 11	launch of Global Indices
September 11	Trading on BSE through "NoW"
December 11	NSCCL Rated "CCR AAA" for fourth consecutive year
March 12	NSE launches "EMERGE" – SME Platform

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