NSE

Derivatives on

GLOBAL INDICES

Trade in global markets through NSE

AN OVERVIEW

www.nseindia.com

NSE

GLOBAL INDICES

Presenting future contracts on S&P 500® and DJIA indices

S&P 500 and DJIA indices are two of the world's most followed indices and are considered as the barometers of U.S. market. These indices have displayed historic resilience in holistically capturing the movements of the U.S. market. NSE which has been a pioneer in the introduction of innovative and investor friendly products is introducing rupee denominated future contracts on S&P 500 and DJIA indices. This is the first time in the world that futures contracts on S&P 500 index are being introduced and listed on an exchange outside of their home country, USA.

Indices

S&P 500®

S&P 500 is a free-float capitalization-weighted index of 500 leading companies of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. Although the S&P 500 focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is still widely considered as an ideal proxy for the total market. S&P 500 is maintained by Standard & Poor's and was introduced in 1957.

DJIA

Dow Jones Industrial Average (DJIA) is a price weighted index first published in the 1896. DJIA Index includes 30 large and liquid blue chips stocks traded on U.S. exchanges. The Dow® represents roughly 28% of the float-adjusted market capitalization of the U.S. stock market. Being composed mainly of blue-chip stocks having a leadership position in the U.S. market the Dow® doesn't literally "represents" the entire U.S. market rather, it is a blue-chip index representing the leading companies in the industries driving the U.S. stock market. As a result, its performance is highly correlated with broad-based U.S. indices like S&P 500.

NSE

GLOBAL INDICES

Background

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. Futures on S&P 500 and DJIA currently being introduced by NSE shall enable investors desirous of taking exposures to U.S. market to do so, without taking any foreign currency risk as they are rupee denominated contracts. Besides, these contracts enable those invested in the U.S. markets to hedge their equity exposure. They also provide a mechanism to those investors who want to hedge their Indian portfolios from foreign event risk. They 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 U.S. economy. Further, these contracts traded together provide new opportunities of using trading strategies like Gap trading and Simultaneous trading by taking advantage of good positive correlation between the indices.

About this Booklet

This booklet provides the contract specification and brief over-view of the utility of these contracts.

NSE

GLOBAL INDICES

Contract Specifications

	S&P 500 Index futures	DJIA Index futures
Ticker Symbol	S&P500	DJIA
Contract Size	250 units	25 units
Notional value	Contract size multiplied by the index level (For example : if the current index value is 1000 then the notional value would be 1000 x 250 = Rs. 2,50,000)	Contract size multiplied by the index level (For example: if the current index value is 10000 then the notional value would be 10000 x 25= Rs. 2,50,000)
Tick Size	0.25	2.50
Trading Hours	As in equity derivative segment	
Expiry Date	3rd Friday of the respective contract month. In case third Friday is a holiday in USA or in India the contract shall expire on the preceding business day	
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 to the Special Opening Quotation (SOQ) of the S&P 500 and DJIA Index on the date of expiry. (http://www.cmegroup.com/trading/equity-index/files/SOQ.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 day (T+1)	
Position Limits	The Trading Member/Mutual Funds position limits as well as the disclosure requirement for clients is same as applicable in case of domestic stock index derivatives	

Trading S&P 500 and DJIA futures at NSE

Members shall not need any change to their existing hardware, software or network and Investors may use their existing relationship with their trading members to trade these products. The derivative contracts on these two indices provide multiple advantages as out lined below:

- **Simplicity:** The contracts shall be traded during Indian time and under the domestic regulatory set up
- **No currency risk:** The contracts are rupee denominated. Hence there shall be no currency risk associated in 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:** Futures contracts on these indices will enable Indian investors to participate in international financial markets and bringing diversification in their investment portfolios
- **Security:** Settlement Guarantee currently available in F&O segment shall be automatically extended to these products as well

Use of S&P 500 and DJIA futures 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, spread traders, 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 U.S. market to take directional views on the movement of the Indices. Detailed booklet in this regard can be downloaded from our website.

- **Managing U.S. exposures**

Futures on S&P 500 and DJIA 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 futures on S&P 500 and DJIA. Also investors can diversify their portfolios efficiently at a lower cost using these contracts. Detailed booklet in this regard can be downloaded from our website

- **Simultaneous Trading**

Trading highly correlated indices like S&P 500 and DJIA may be used to the advantage in case of temporary divergence in their prices. Further, cross-margin benefit shall reduce the cost for the market participant. Beside, data available on the NSE website can be used to effectively trade these contracts. Detailed booklet in this regard can be downloaded from our website.

About the National Stock Exchange

National Stock Exchange of India Ltd. (NSE), India's largest exchange in Equity and Equity Derivatives segments was established in the mid 1990s as a demutualised electronic exchange by leading Indian Financial Institutions. NSE offers trading, clearing and settlement services in a range of products covering various asset classes namely; equity, debt, derivatives on equity, currencies and interest rates. 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 :

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400051, India

Tel: + 91 22 26598165 / 26598168 • Fax: + 91 22 26598242

email : gifaq@nse.co.in • Web Site: www.nseindia.com

Resources:

www.indices.standardandpoors.com

www.sp-indexdata.com

www.djaverages.com

Dow Jones will not have any liability in connection with the [Products]. Specifically, Dow Jones does not make any warranty, express or implied, and Dow Jones disclaims any warranty about:

- the results to be obtained by the [products], the owner of the [Products] or any other person in connection with the use of the [relevant Index] and the data included in the [relevant index];
- the accuracy or completeness of the [relevant Index] and its data; and/or
- the merchantability and the fitness for a particular purpose or use of the [relevant index] and its data;

- Dow Jones will have no liability for any errors, omissions or interruptions in the [relevant index] or its data; and
- Under no circumstances will Dow Jones be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if Dow Jones knows that they might occur.

The sublicense agreement among National Stock Exchange of India Ltd., The Board of Trade of the City of Chicago, Inc., and Dow Jones is solely for their benefit and not for the benefit of the owners of the [Products] or any other third parties.

Standard & Poor's:

Standard & Poor's Financial Services LLC ("S&P") and Chicago Mercantile Exchange Inc. ("CME" and together with S&P, the "Index Licensors") license the Exchange to use various S&P stock indices (the "S&P Stock Indices") in connection with the trading of futures contracts and options on futures contracts based upon such indices. Neither of the Index Licensors shall have any liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the S&P Stock Indices.

This document does not constitute an offer of services in jurisdictions where Standard & Poor's Financial Services LLC ("S&P") or its affiliates do not have the necessary licenses. All information provided by S&P is impersonal and not tailored to the needs of any person, entity or group of persons. S&P receives compensation in connection with licensing its indices to third parties. Any returns or performance provided within are for illustrative purposes only and do not demonstrate actual performance. Past performance is not a guarantee of future investment results.

S&P and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any S&P index. There is no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P is not an investment advisor, and S&P and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by S&P to buy, sell, or hold such security, nor is it considered to be investment advice.

S&P does not guarantee the accuracy and/or completeness of any S&P index, any data included therein, or any data from which it is based, and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. S&P makes no warranties, express or implied, as to results to be obtained from use of information provided by S&P, and S&P expressly disclaims all warranties of suitability with respect thereto. While S&P has obtained information believed to be reliable, S&P shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages, even if it is advised of the possibility of same.

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

NSE - Corporate Office

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051, India
Tel: +91 22 26598100 / 66418100 Fax: +91 22 26598120
E-mail: cc_nse@nse.co.in Web site: www.nseindia.com

NSE - Branch Offices

Ahmedabad
National Stock Exchange of India Limited
406, Sakar II, Near Ellisbridge, Ahmedabad - 380 006
Tel: 079-26580212 / 13

Chennai
National Stock Exchange of India Limited
2nd Floor, Ispahani Centre, 123-124,
Nungambakkam High Road, Nungambakkam,
Next to Indian Oil Bhawan, Chennai - 600 034
Tel: 044-28332500 / 01

Delhi
National Stock Exchange of India Limited
4th Floor, Jeevan Vihar Building, Parliament Street
New Delhi - 110 001
Tel: 011-23344313 to 327

Hyderabad
National Stock Exchange of India Limited
H. No: 3-6-322, Mahavir House, 2nd Floor, Chamber
No. 203 & 204, Basheerbagh, Hyderabad - 500 029
Tel: 040-23227084 / 85

Kolkata
National Stock Exchange of India Limited
1st Floor, Park View Apartments,
99 Rash Behari Avenue, Kolkata - 700 029
Tel: 033-40400400