ABSTRACT

Managing exchange rate risk is essential for reducing a firm’s vulnerabilities from exchange rate movements which could negatively affect profit margins and value of assets. Currency derivative market helps in eliminating the ambiguity of the futures exchange rates by buying and selling them in present. One of the instrument of currency derivative market i.e. Forward contracts have been in existence for long for this purpose but currency futures are a relatively new development in this segment. Internationally, futures contracts on foreign currencies were developed by the international monetary market at Chicago mercantile exchange (CME) in the early 1972. In India futures contract on currencies were introduced on 29 August 2008. The main objective of this paper is to analyze the trend and growth pattern of currency futures in India. This paper has used data compiled from the SEBI annual reports. From the finding, it is evidenced that the turnover of exchange traded currency derivatives has increased day by day since its introduction. In 2010-2011, it has becomes more than OTC currency derivatives market turnover. Amongst exchange traded currency derivatives instruments, USDINR futures contracts are the most traded one.

KEYWORDS: Currency Futures, Derivatives, Exchange Rate, Exchange Rate Risk.