Abstract

During the 1990’s India embarked on a series of structural reforms in foreign exchange market. India moved away from pegged exchange rate to the Liberalized Exchange Rate Management System (LERMS) in 1992 and the market determined exchange rate regime in 1993 which is considered as an important structural change in the exchange rate market. In order to advance Indian foreign exchange market to international standards, a well developed foreign exchange derivative market was essential which started in 2008. This is the second major structural change is the introduction of currency future market in India in August 2008. After the RBI and SEBI approval currency future market has been launched in India. Now more than 4 years has been passed. We have seen tremendous growth in the volume of currency future. Now there are three exchanges who trading in currency future. Currency future will help in hedging the exposures of exchange rate to unfavorable movements in exchange rate. Currency future trading stated in USDIIR as on 29 August 2008 and it is expanded for EURO, GBP, and YEN in start of 2010. As of now there are four currencies are trading against the INR. The four currencies are USD, EURO, GBP and JPY. The role of derivative for risk taking and risk management has increased significantly in recent times. This thesis focuses on currency derivatives market in India. The main theme of this thesis is to study about the currency derivatives market in India and its strategies procedures and operations. It is also analyzing the growth of currency future market, currency option market in India and how it is helpful to import export business, banks and multinational companies.