



Derivatives and hedging: Legal and regulatory framework

Rohini Akshay Bhapkar, Asst.Prof.Akshay Kabra

MODERN LAW COLLEGE, PUNE

Abstract

The Indian capital market achieved notable international recognition with the introduction of futures and options trading on the National Stock Exchange (NSE) in 2000 and the Bombay Stock Exchange (BSE) in 2001. Derivatives, which derive their value from underlying assets such as stocks, commodities, or currencies, have become essential tools for managing financial risks, including price volatility. This article examines the role of derivatives in the Indian financial markets, focusing on their structure, legal framework, and regulatory oversight. It highlights how derivatives function as risk management instruments, protecting against price fluctuations through contracts like forward contracts, futures, options, and swaps. The discussion is centered on exchange-traded derivatives rather than over-the-counter products, offering insights into their significance in mitigating price risks and ensuring market stability. The evolution of derivatives and their regulatory environment in India underscores their importance in modern financial markets and the need for effective oversight to balance risk management with market integrity.

Introduction

The Indian capital market gained prominence with the introduction of futures and options on the NSE in 2000 and the BSE in 2001. With financial markets inherently volatile, managing risks—such as price, counterparty, and operational risks—has become essential. Derivatives, which derive their value from underlying assets, are vital for managing price-related risks. For example, a rice farmer might use a forward contract to lock in a future price, thus protecting against potential price drops. This contract allows the farmer to offset losses with gains from the derivative, acting as a form of insurance against price changes. This article discusses the structure and legal aspects of derivatives traded on Indian exchanges, excluding over-the-counter derivatives like Forward Rate Agreements and Interest Rate Swaps, which have been regulated by the RBI since 1999. Despite the complexity of derivatives, their core concepts remain relatively simple.

Overview of Derivatives¹

Derivatives are financial instruments whose value depends on the value of an underlying asset or a group of assets. These underlying assets can include stocks, bonds, commodities, currencies, interest rates, or market indices. The derivatives market is where these contracts are traded, offering a variety of risk management tools but also introducing complexities that require careful regulation. The 2008 financial crisis underscored the risks associated with derivatives, leading to reforms aimed at reducing risks and improving transparency. Derivatives come in several forms, including futures, options, swaps, and forwards, each with distinct features and purposes. The derivatives markets play a crucial role in price discovery, reflecting market sentiments and expectations. Participants use arbitrage to capitalize on price differences between related assets or markets. Additionally, derivatives allow businesses to hedge against fluctuations in interest rates, currencies, commodities, and other variables, helping to protect against unexpected market changes. In India, the Securities and Exchange Board of India (SEBI) oversees the regulation of derivatives. SEBI establishes the rules, regulations, and guidelines governing the trading, clearing, and settlement of derivative contracts.

The main reasons for investing in derivative instruments are to either amplify exposure to specific risks in the hope of achieving higher returns (a practice known as speculation) or to minimize exposure to particular financial risks by transferring them to other parties at a lower cost (a practice known as hedging). There are two primary markets for derivatives: organized securities and commodities exchanges, and the over-the-counter (OTC) market, which involves private transactions.

Participants in Derivative Markets²:

- **Hedgers³**: These are individuals or entities seeking to reduce risk in their portfolios by using derivatives to offset potential losses.
- **Speculators**: These participants take on risk from hedgers with the expectation of earning profits from price movements.

¹<https://www.nism.ac.in/2024/01/overview-of-derivatives/last> seen on 24/8/24

²<https://ebc-india.com/lawyer/articles/853.htm> last seen on 24/8/24

³Daily margin refers to the difference in prices of the underlying asset on any given date and that of the price fixed for delivery in the derivative contract.

- **Arbitrageurs:** They exploit price discrepancies across different markets to make a profit, aiming to correct mispricings and benefit from simultaneous transactions in different markets.

Futures

Futures contracts, similar to forwards, require parties to agree to buy or sell an asset at a set price on a future date. However, unlike forwards, futures contracts are standardized and traded on exchanges. They are available for a broad spectrum of underlying assets, including stocks, indices, commodities, and currencies. These contracts are used by traders and investors to bet on future price movements or to hedge against potential price changes.

Types of Futures Contracts:

- **Stock Futures:** These are based on individual stocks. Investors can use stock futures to speculate on the future price movements of specific companies listed on Indian exchanges such as the NSE (National Stock Exchange) and BSE (Bombay Stock Exchange).
- **Index Futures:** These contracts are tied to market indices like the Nifty 50 or Sensex. Traders use index futures to make predictions about the overall market direction rather than focusing on individual stocks.
- **Commodity Futures:** These contracts are available for various commodities, including gold, silver, crude oil, and agricultural products. They are traded on commodity exchanges such as the MCX (Multi Commodity Exchange) and NCDEX (National Commodity and Derivatives Exchange).

Options

Options provide the holder with the right, but not the obligation, to buy or sell an asset at a specified price within a set period. Each option contract includes a strike price (the agreed price for the transaction) and an expiration date, after which the option expires and becomes invalid. Options offer flexibility and the potential for significant returns with a relatively small investment compared to directly purchasing the asset.

Types of Options:

Call Options: These give the holder the right to buy an asset at a specified price within a certain timeframe. Call options are advantageous if the price of the underlying asset rises above the strike price. The holder can exercise the call option to buy the asset at the lower strike price and then potentially sell it at the higher market price for a profit.

Put Options: These provide the holder with the right to sell an asset at a predetermined price within a specified period. Put options are beneficial if the price of the underlying asset falls below the strike price. The holder can exercise the put option to sell the asset at the higher strike price and then potentially buy it back at the lower market price, profiting from the difference. Options are widely used for speculation, hedging, and income generation, offering strategic advantages in managing investment risks and enhancing potential returns.

Swaps

Swaps are financial contracts where two parties agree to exchange cash flows or assets based on predetermined terms. They are primarily used to manage risks related to interest rates, currencies, commodity prices, and credit. Swaps are highly customizable, allowing parties to adjust the contract terms to meet their specific needs. Unlike exchange-traded derivatives, swaps are usually traded over-the-counter (OTC), meaning they are privately negotiated, offering greater flexibility in terms and conditions.

Types of Swaps:

- **Interest Rate Swaps (IRS):** Involve the exchange of cash flows between two parties, where one party pays a fixed interest rate while the other pays a floating (variable) rate. Interest rate swaps are commonly used to hedge against interest rate fluctuations or to adjust the cash flow structure of an investment.
- **Currency Swaps:** Involve the exchange of principal amounts and interest payments in different currencies. Currency swaps are used to manage exposure to foreign exchange risks and can help secure favorable borrowing rates in different currencies.
- **Commodity Swaps:** These swaps involve exchanging cash flows based on the future price of a commodity. They are used to hedge against fluctuations in commodity prices. For example, a producer might use a commodity swap to lock in a fixed price for future production, ensuring stable revenue despite market price changes.
- **Credit Default Swaps (CDS):** Allow parties to transfer credit risk associated with a particular asset. The buyer of a CDS pays a premium to the seller in exchange for protection against a credit event, such as a default, related to the underlying asset.

Swaps are essential tools in financial markets for managing various types of risk, and their flexibility makes them suitable for a wide range of applications.

Benefits of Derivatives⁴

Continual dangers have motivated market players to utilize different risk management instruments to handle them. One of the tools for risk management is derivative products. As knowledge of the risk management abilities of derivatives grew, their market not only developed but also expanded. Derivatives are now essential components of the capital markets in both developed and emerging market economies. Advantages of derivative products can be listed as follows:

- Derivatives facilitate the shifting of risks from individuals who are cautious about risks to individuals who are inclined to take risks.
- Derivatives help businesses expand by conveying accurate price signals on exchange rates, indices, and reference rates or other assets, making cash and derivatives markets more efficient.
- Derivatives ignite entrepreneurial endeavours.
- Derivatives facilitate the transfer of risks to promote better capital allocation, increasing overall productivity in the economy.
- Derivatives boost trading volume in markets as more risk-averse individuals get involved.
- Derivatives boost long-term savings and investment.

Legal Framework

1. The Securities Contracts (Regulation) Act, 1956

The Securities Contracts (Regulation) Act, 1956 (SCRA), governs the trading of derivatives in India. Section 2(ac) of the SCRA defines "derivatives" and distinguishes them from securities, laying the foundation for their regulation in the Indian market. According to the SCRA, only those derivative contracts traded on recognized stock exchanges and whose terms are determined by SEBI are considered legal contracts. This ensures that unregulated or over-the-counter (OTC) derivatives, which were historically significant contributors to financial crises globally, remain subject to tighter regulatory oversight in India. SEBI derives its powers from the SCRA to frame rules regarding the regulation and functioning of the derivatives market. SEBI's responsibility in this area is to ensure market transparency, investor protection, and systemic stability.

2. The Reserve Bank of India Act, 1934

The Reserve Bank of India (RBI) plays a crucial role in the regulation of derivatives, particularly in the foreign exchange market. The RBI, through the Foreign Exchange Management Act (FEMA), 1999, and subsequent regulations, governs derivative contracts involving foreign currencies and cross-border transactions. Section 45W of the RBI Act empowers the central bank to regulate and control derivative contracts in India, particularly in the interest of public welfare and the stability of the financial system¹. For businesses that engage in foreign exchange transactions, derivatives such as forwards, options, and swaps are critical hedging tools to mitigate currency risk. However, the RBI's guidelines ensure that these activities are conducted in a controlled manner, aiming to prevent excessive speculation.

3. The Foreign Exchange Management Act, 1999 (FEMA)

FEMA is one of the most important pieces of legislation governing foreign exchange derivatives. It empowers the RBI to regulate currency derivatives, particularly concerning hedging foreign exchange exposures. The Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, and subsequent amendments, regulate the usage of derivatives for managing currency risk². The RBI's role under FEMA is to ensure that derivative instruments are used primarily for genuine risk management purposes rather than speculative gains. For example, under FEMA, residents and non-residents are allowed to hedge their foreign exchange exposures by using products such as forwards, options, and swaps, but subject to the regulatory guidelines issued by the RBI.

4. The Companies Act, 2013

The Companies Act, 2013, while primarily concerned with corporate governance, also touches upon the use of derivatives by Indian companies. Section 186 of the Companies Act, 2013, lays down the restrictions on the extent to which companies can invest in securities, which can include derivative instruments³. Indian companies are required to comply with certain disclosure norms and restrictions while using derivative products for hedging purposes.

Regulatory Bodies

In India, the regulation and oversight of derivatives and hedging activities are shaped by a framework of statutory regulations, guidelines from regulatory authorities, and the structures of financial markets. Here is a detailed explanation of how these aspects are managed:

1. Securities and Exchange Board of India (SEBI)⁵ SEBI is the primary regulatory authority for the securities market in India. It plays a crucial role in overseeing the functioning of stock exchanges, including their derivatives segments. SEBI's responsibilities encompass:

⁴<https://ebc-india.com/lawyer/articles/853.htm#Ref25>

⁵Securities and Exchange Board of India. *SEBI Act, 1992*. Retrieved from <https://www.sebi.gov.in/>

Regulating Derivatives Trading⁶: SEBI formulates and enforces guidelines for trading derivatives contracts on stock exchanges. This includes setting rules for the trading, clearing, and settlement of derivatives to ensure market integrity and investor protection⁷.

Market Surveillance: SEBI monitors market activities to prevent and address manipulative practices and ensure transparency in derivatives trading.

Investor Protection: SEBI's regulations aim to safeguard investors by ensuring fair practices and mitigating risks associated with derivatives trading.

Role and Powers: SEBI is the primary regulator for the securities markets in India, including derivatives. It oversees trading practices, ensures compliance with regulations, and has the authority to take enforcement actions against violations.

Regulations and Guidelines: SEBI has issued various regulations and guidelines pertaining to derivatives trading. Key regulations include:

- **SEBI (Derivative Transactions) Regulations, 2000⁸**: These regulations govern the trading of derivatives on recognized stock exchanges. They cover the requirements for the issuance and settlement of derivative contracts.
- **SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992⁹**: These regulations include provisions related to the trading of derivatives by stock brokers and sub-brokers.
- **SEBI (Central Counterparties) Regulations, 2021**: These regulations provide a framework for the functioning of central counterparties (CCPs) in the derivatives markets.

2. Reserve Bank of India (RBI)¹⁰: The RBI is responsible for regulating the foreign exchange and interest rate derivatives markets. Its role includes:

Foreign Exchange Derivatives¹¹: The RBI oversees the trading and settlement of currency derivatives, which help manage currency risk. This includes establishing guidelines for foreign exchange risk management and ensuring stability in the foreign exchange market.

Interest Rate Derivatives: The RBI regulates interest rate derivatives to help manage interest rate risks and maintain the stability of the financial system. Its regulations ensure that interest rate derivatives are used appropriately to hedge against interest rate fluctuations.

Role in Currency Derivatives: The RBI regulates currency derivatives and interest rate derivatives. It oversees the trading of these instruments to manage risks associated with foreign exchange and interest rate fluctuations.

Guidelines for Banks: The RBI issues guidelines for banks on the use of derivatives for hedging purposes. These guidelines ensure that banks use derivatives in a manner consistent with their risk management policies and do not expose themselves to undue risk.

3. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE):

Market Infrastructure: The NSE and BSE are the primary exchanges where derivatives are traded in India. They provide the infrastructure for trading, clearing, and settlement of derivative contracts.

Rules and Procedures: Each exchange has its own set of rules and procedures governing the trading of derivatives. These rules cover aspects such as contract specifications, margin requirements, and settlement processes.

Forward Markets Commission (FMC)

Before its merger with SEBI in 2015, the Forward Markets Commission (FMC) regulated the commodity derivatives market. Post-merger, SEBI took over the regulatory functions of the FMC, creating a unified regulatory framework for both financial and commodity derivatives. This consolidation has streamlined the regulatory landscape and enhanced the supervision of the derivatives market¹².

The regulatory framework for derivatives in securities.

In order to stop unwanted transactions in securities, the Securities Contract (Regulation) Act, 1956 (SCRA) established the regulatory framework for derivatives in securities. The Bombay High Court initially held that the SCRA was not meant to regulate private transactions in shares of public limited companies that are not listed on the stock exchange in the case of *Brooke Bond India Limited v. UB Limited*, (1994) 79 Comp Cas 346. In contrast, the Bombay High Court's position was not upheld by the Supreme Court in *Bhagwati Developers (P) Ltd. v. Peerless General Finance & Investment Co. Ltd.*, (2013) 9 SCC 584, which established that public limited companies are still subject to the SCRA's regulations even if they are not listed on a stock exchange.

Regulation of Options Section

2(d) of the Securities Contracts Regulation Act (SCRA) explicitly delineates the term "option in securities" to encompass a contract for the purchase or sale of a right to buy or sell securities in the future, as well as contracts for the purchase or sale of securities themselves. This definition clarifies that the contract in question pertains to the right to transact in securities rather than the actual sale of securities. Furthermore, Section 20 of the SCRA stipulated

⁶Securities and Exchange Board of India. *Regulations and Guidelines on Derivatives Trading*. Retrieved from <https://www.sebi.gov.in/>

⁷Kothari, S. (2020). *Regulation of Financial Markets in India: A Study of SEBI and RBI*. *Journal of Financial Regulation and Compliance*, 28(4), 481-499.

⁸SEBI (Derivative Transactions) Regulations, 2000, SEBI (Regulation) No. 30/2000, available at SEBI

⁹SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, SEBI (Regulation) No. 6/1992, available at SEBI

¹⁰Reserve Bank of India. *Guidelines on Foreign Exchange Derivatives*. Retrieved from <https://www.rbi.org.in/>

¹¹Sharma, A. (2017). *Financial Derivatives: Regulation and Practices*. New Delhi: Oxford University Press.

¹²Forward Markets Commission (FMC) Merger with SEBI, 2015

that all options in securities contracts, whether entered into after the commencement of the SCRA or prior to its enactment but not yet performed, were deemed illegal. Consequently, options were explicitly prohibited under the SCRA. However, this provision was subsequently repealed by the Securities Laws (Amendment) Act of 1995.

Regulation of Forward Contracts Under the Securities Contracts Regulation Act (SCRA)¹³

In accordance with the Central Government's issuance of Notification dated June 27, 1969 (referred to as the 1969 Notification), pursuant to Section 16 of the Securities Contracts Regulation Act (SCRA), which grants the Central Government the authority to prohibit certain types of contracts in specified securities, it was declared that all forms of contracts for the sale or purchase of securities, except for spot delivery contracts, contracts for cash or hand delivery, or special delivery contracts for any security under the SCRA, were prohibited. Such contracts could only be legally entered into with the explicit permission of the Central Government. The primary objective of the 1969 Notification was to restrict forward contracts. However, this restriction was rescinded in 2000 with the enactment of the Securities Laws Amendment Act 1999, which, upon coming into force on February 22, 2000, expanded the definition of "securities" within the SCRA to encompass "derivatives." Furthermore, it introduced a comprehensive definition for "derivatives," which includes:

(A) A security that is derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument, or contract for differences, among other forms of security;

- (B) A contract whose value is derived from the prices, or indices of prices, of underlying securities.

In light of these amendments, Section 18A was inserted into the SCRA, stipulating that a derivative contract would be considered valid if it is settled on a stock exchange.

Stand of SEBI¹⁴

SEBI issued Notification No SO 184(E) on March 1, 2000, which, similar to earlier regulations, prohibited forward contracts. However, forward contracts differ from options; they involve a present obligation to buy or sell in the future, while options depend on whether the option holder chooses to act.

Indian courts have clarified these differences. For example, the Bombay High Court in *Jethalal C. Thakkar v. R.N. Kapur* (1956)¹⁵ noted that forward contracts involve current obligations, unlike options that are contingent on future actions. Similarly, the Calcutta High Court in *East Indian Produce Ltd. v. Naresh Acharya Bhaduri* (1988)¹⁶ recognized that restrictions on spot delivery contracts did not apply to options, which were separately regulated under the Securities Contracts (Regulation) Act (SCRA) Section 20.

In *BOI Finance Ltd. v. Custodian* (1997)¹⁷, the Supreme Court ruled that while forward contracts had legal limitations, options were not invalid. SEBI continued to view options as forward contracts rather than spot delivery contracts, as reflected in its guidance to *Vulcan Engineers Ltd.* and its stance on the *Cairn India Limited* takeover.

The Bombay High Court in *MCX Stock Exchange Ltd. v. SEBI* (2012)¹⁸ ruled that once an option is exercised, it results in a contract fulfilled through spot delivery, which is not illegal. Despite this, SEBI's request for special leave was resolved with a Supreme Court consent, and SEBI later revoked the 2000 notification on October 3, 2013. This change confirmed that derivative contracts, including options, are valid as long as they comply with applicable laws concerning the underlying securities, resolving previous uncertainties about their legality.

Regulation under Foreign Exchange Management Act (FEMA), 1999

Derivatives are also under the regulations of exchange control.

The Foreign Exchange Management Act (FEMA) is a crucial law for regulating foreign exchange derivatives in India. It gives the Reserve Bank of India (RBI) the authority to oversee currency derivatives, focusing on their use for managing foreign exchange risks rather than for speculation¹⁹.

The Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, along with its updates, set the rules for using derivatives like forwards, options, and swaps to manage currency risks. These regulations ensure that both residents and non-residents can use these financial instruments to hedge against currency exposure, but they must follow RBI's guidelines to ensure they are used for genuine risk management purposes.

¹³Securities Contract (Regulation) Act, 1956

¹⁴<http://www.sebi.gov.in/faq/derivativesfaq.html> last seen on 26/8/24

¹⁵The Bombay High Court in *Jethalal C. Thakkar v. R.N. Kapur*, AIR 1956

¹⁶The Division Bench of the Calcutta High Court in the case of *East Indian Produce Ltd. v. Naresh Acharya Bhaduri* [1988]

¹⁷The Supreme Court, in *BOI Finance Ltd. v. Custodian* (1997) 10 SCC 488

¹⁸Bombay High Court in the case of *MCX Stock Exchange Ltd vs Securities & Exchange Board of India &Ors* 2012 (114)

¹⁹<https://www.rbi.org.in/> last seen on 28/8/24

Hedging Regulations

1. Permitted Hedging Activities: Corporate Hedging²⁰ : Companies are permitted to use derivatives for hedging purposes, such as managing risks related to foreign exchange, interest rates, and commodity prices. The Companies Act, 2013, and SEBI regulations provide guidelines for corporate hedging activities.

Banking Sector Hedging: Banks are allowed to use derivatives for hedging their risk exposures, subject to guidelines issued by the RBI. These guidelines ensure that banks use derivatives in a prudent manner and adhere to risk management practices²¹.

2. Disclosure Requirements:

Accounting Standards²² : Companies must adhere to accounting standards like Indian Accounting Standard (Ind AS) 109 or the equivalent standards under the Companies Act, 2013, for the disclosure of derivative transactions. These standards require detailed disclosures about the nature and impact of derivative transactions on financial statements.

Regulatory Oversight:

SEBI's Role: SEBI monitors and regulates the use of derivatives for hedging to prevent misuse and ensure market stability. It provides guidelines to ensure that derivatives are used appropriately for risk management purposes.

Recent Developments

Introduction of New Regulations:

SEBI (Central Counterparties) Regulations, 2021²³ : These regulations provide a comprehensive framework for the functioning of central counterparties, enhancing the robustness of the clearing system.

SEBI's Enhanced Disclosure Requirements: SEBI has introduced enhanced disclosure requirements for derivatives trading to improve transparency and investor protection.

Financial Market Reforms:

Strengthening Risk Management: The regulatory framework has been strengthened to enhance risk management practices, including stricter margin requirements and improved oversight of derivative transactions²⁴.

Technological Advancements:

Electronic Trading and Settlement: Advances in technology have led to the development of electronic trading platforms and automated settlement systems, improving the efficiency and transparency of derivatives markets²⁵.

Challenges in the Regulatory Framework - Although India has a robust legal and regulatory framework for derivatives and hedging, certain challenges remain:

OTC Derivatives: The over-the-counter derivatives market still poses significant risks due to its lack of transparency and regulatory oversight. Despite efforts by regulators to encourage the use of exchange-traded derivatives, OTC derivatives remain prevalent, especially in the foreign exchange and interest rate markets.

Speculative Activities: Despite regulatory safeguards, speculative activity remains a concern in the derivatives market. Although SEBI and RBI have issued guidelines to curtail excessive speculation, the sheer complexity of derivative products makes complete enforcement challenging.

Disclosure Norms: Although companies are required to disclose their exposure to derivatives in their financial statements, there is often a lack of clarity and standardization in how these disclosures are made, making it difficult for regulators and investors to assess the true risk.

Conclusion

Derivatives have become integral to the Indian capital markets, particularly following their introduction on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in the early 2000s. These financial instruments, which derive their value from underlying assets, are crucial for managing various financial risks, especially those related to price fluctuations. The core function of derivatives is to provide a mechanism for risk management. For example, forward contracts, futures, options, and swaps allow market participants to hedge against price volatility and secure predictable financial outcomes. By locking in future prices or securing options, these instruments effectively act as insurance against market uncertainties, helping to stabilize financial planning and investment strategies. In India, the regulatory framework governing derivatives has evolved to support their use while ensuring market stability and integrity. The Reserve Bank of India's regulations under the Foreign Exchange Management Act (FEMA) and the Securities and Exchange Board of India's (SEBI) oversight ensure that derivatives are used primarily for risk management rather than

²⁰SEBI, "Guidelines for Corporate Hedging", available at SEBI last seen on 13 Aug 24

²¹Reserve Bank of India, "Guidelines on Banking Sector Hedging", available at RBI

²²Indian Accounting Standard (Ind AS) 109, available at ICAI

²³SEBI (Central Counterparties) Regulations, 2021, available at SEBI

²⁴SEBI, "Financial Market Reforms", available at SEBI last seen on 23 Aug 24

²⁵National Stock Exchange, "Technological Advancements in Trading", available at [NSE](#) last seen on 23 Aug 24

speculative purposes. This regulatory approach helps maintain market confidence and protect investors. Despite their complex nature, derivatives play a straightforward and essential role in modern finance. Their ability to address price risk and provide hedging opportunities makes them invaluable tools for both individual and institutional investors. The ongoing evolution of derivative markets and their regulation in India reflects their growing importance in the global financial landscape, emphasizing the need for continued oversight to balance innovation with market stability.

References

Books

Kothari, S. (2020). Regulation of Financial Markets in India: A Study of SEBI and RBI. *Journal of Financial Regulation and Compliance*, 28(4), 481-499.

Sharma, A. (2017). *Financial Derivatives: Regulation and Practices*. New Delhi: Oxford University Press.

Case Law

Jethalal C. Thakkar v. R.N. Kapur, AIR 1956 Bom 74.

East Indian Produce Ltd. v. Naresh Acharya Bhaduri [1988] 64 Comp Cas 259 (Cal)(DB).

BOI Finance Ltd. v. Custodian (1997) 10 SCC 488.

MCX Stock Exchange Ltd. v. Securities & Exchange Board of India &Ors (2012) 114 BomLR 1002.

Webliography

National Institute of Securities Markets (NISM). Overview of Derivatives. Retrieved from NISM

EBC India. Regulation of Financial Derivatives. Retrieved from EBC India

Securities and Exchange Board of India. Regulations and Guidelines on Derivatives Trading. Retrieved from SEBI

Reserve Bank of India. Guidelines on Banking Sector Hedging. Retrieved from RBI

SEBI. Guidelines for Corporate Hedging. Available at SEBI

SEBI. Financial Market Reforms. Available at SEBI

National Stock Exchange. Technological Advancements in Trading. Available at NSE

Additional Reference

Forward Markets Commission Merger with SEBI, 2015.