

Where does the Rupee stand as a global currency?

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India a large player in the global economy

- ▶ Seventh largest economy in the world. Trade forms a large part of its GDP.

Rank	Country	GDP (\$ trillion)	Share (%)	Export (% of GDP)	Import (% of GDP)
1	USA	17.9	23.5	13.5	16.5
2	China	11.4	14.5	22.6	18.9
3	Japan	4.2	5.5	16.2	18.9
5	UK	2.9	3.7	28.3	30.2
7	India	2.2	3.0	23.6	25.9
8	Brazil	1.8	2.5	11.5	14.3
11	Korea	1.4	1.8	50.6	45.3

Source: IMF Economic Outlook April, 2015; World Bank Financial Development Indicators, 2014

Rupee as a global currency

Rank Rank	Country Country	Turnover in 2013 (Daily in \$ bn)			Share of total (%)	Turnover change over 2010 (%)
		Total	Spot	Derivatives		
1	USD	4,652	1,691	2,961	87.0	38.0
2	EUR	1,786	754	1,031	33.4	15.1
3	JPY	1,231	612	619	23.0	63.3
4	GBP	631	227	404	11.8	23.4
8	MXN	135	57	79	2.5	170.9
9	CNY	120	34	86	2.2	249.0
12	RUB	85	37	48	1.6	138.2
13	HKD	77	21	56	1.4	(17.6)
15	SGD	75	20	55	1.4	32.5
17	KRW	64	19	45	1.2	6.5
18	BRL	59	11	48	1.1	117.4
19	INR	53	15	38	1.0	39.8
Total		5,345	2,046	3,298	200.0	34.6

Source: BIS Triennial Survey, 2013: OTC foreign exchange turnover (net-net basis)

Trading in the Rupee: markets and products

Market	Location	Products
<u>Onshore</u>		
Exchange	NSE, BSE, MCX	Futures, Options
OTC	India	Spot, Outright Forwards, Swaps
<u>Offshore</u>		
Exchange	DGCX, SGX	Futures
OTC	Singapore, Hong Kong, London, New York	Non Deliverable Forwards, Non Deliverable Options, Swaps

Trading in the Rupee: market size

Market	Q2-13	Q1-15
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<u>Onshore</u>		
Spot	15.22	23.14
OTC derivatives	17.73	17.82
Exchange F&O	5.77	2.87
Total	38.72	43.83
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<u>Offshore</u>		
OTC derivatives	17.2	1.95 to 4.41
Exchange Futures	2.48	1.51
Total	19.68	3.46 to 5.92
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Grand total	58.40	47.29 to 49.75
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Source: BIS Triennial Survey, 2013; NSE, BSE, MCX, SGX, DGXC Bhavcopy; RBI WSS; FX surveys; SEF platforms; DTCC		
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The onshore Rupee market

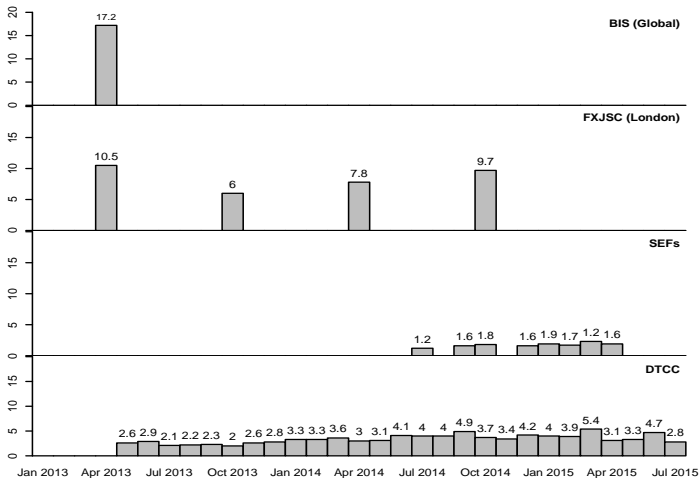
- ▶ Onshore, OTC is the dominant market.
- ▶ Both OTC and exchange segments highly regulated.
Constraints on:
 - ▶ participation
 - ▶ products
 - ▶ position limits
 - ▶ intermediary choice
- ▶ Frictions: explicit exposure and documentation requirements.
- ▶ Regulatory uncertainty.
- ▶ Shortest trading time across markets trading the Rupee.
- ▶ Regulatory concerns on unhedged corporate exposures versus ease of doing business.

The offshore Rupee market

- ▶ Offshore, the Rupee trades through USD/INR futures on SGX and DGCX.
- ▶ It also trades in the OTC market through non deliverable forwards and options.
- ▶ Estimates of the size of the NDF market come from several sources:
 - ▶ BIS Triennial Survey on OTC foreign exchange market.
 - ▶ Semi-annual surveys conducted by foreign exchange committees in markets such as UK (FXJSC), Singapore (SFEMC), and US (FRBNY).
 - ▶ Data reported to Swap Execution Facility (SEFs) platforms under the Dodd Frank Act mandate.
 - ▶ Data reported to Depository Trust and Clearing Corporation (DTCC).
- ▶ These estimates vary widely but indicate that there is sizeable trading in this market.

Trading the Rupee: the NDF market

Average daily volume in the USD-INR NDF market (in USD bn) from 2013 to 2015



Looking ahead

- ▶ USD, EUR, JPY and GBP are the 4 global currencies.
- ▶ China has launched a vigorous program for RMB internationalisation.
- ▶ Is this something we should even consider?
- ▶ If yes, what needs to be done to achieve this?

Thank you.