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April 4, 2024

By Email

Haoxiang Zhu
Director
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549
(202) 551-5777

Re: Intent of NSE IFSC Limited to Rely on Class No-Action Relief for Foreign Options Markets and Their Members That Engage in Familiarization Activities

Dear Mr. Zhu:

At the request of our client, NSE IFSC Limited (“NSE IFSC” or the “Exchange”), we are writing to notify you of NSE IFSC’s intent to rely on the class no-action relief issued by the Securities and Exchange Commission’s (“SEC” or “Commission”) Division of Trading and Markets (“Division”) for foreign options markets and their members that engage in familiarization activities with certain U.S.-based persons.¹

I. Background

In the Class Relief, the Division took a no-action position under which a Foreign Options Market, its Representatives and the Foreign Options Market’s members could engage in activities to familiarize Eligible Broker-Dealers/Eligible Institutions regarding the Foreign Options Market and Eligible Options available on that market without the Division recommending enforcement to the Commission under Sections 5, 6, 15, or 17A of the Securities Exchange Act of 1934 (“Exchange Act”). Under the terms of the Class Relief, a Foreign Options Market that does not already have no-action relief from the Division, such as NSE IFSC, may rely on the Class Relief to engage in familiarization activities if it notifies the Director of the Division of its intent to do so.

¹ See LIFFE A&M and Class Relief, SEC No-Action Letter (Jul. 1, 2013) (“Class Relief”). Capitalized terms used herein and not otherwise defined have the meanings given in the Class Relief. Pursuant to the Class Relief, a Foreign Options Market (as defined below) is not required to apply *de novo* for similar no-action or other relief; it may file with the Division a notice of intent to rely on the Class Relief.

The following terms used in this letter and the Class Relief have the meanings set forth below:

- An “Eligible Broker Dealer/Eligible Institution” (and, individually, an “Eligible Broker-Dealer” or “Eligible Institution”) is any entity that meets the following standards: (a) it must be a “qualified institutional buyer” as defined in Rule 144A(a)(1) under the Securities Act of 1933 (“Securities Act”), or an international organization excluded from the definition of “U.S. person” in Rule 902(k)(2)(vi) of Regulation S under the Securities Act; and (b) it must have had prior actual experience with traded options in the U.S. options market (and, therefore, would have received the disclosure document for U.S. standardized options called for by Rule 9b-1 under the Exchange Act).
- “Eligible Option” means an index option or option on an individual security traded on a Foreign Options Market that is not fungible or interchangeable with options traded on any market other than the Foreign Options Market and, accordingly, each position in an Eligible Option issued by a clearing member of the Foreign Options Market can be closed out only on the Foreign Options Market.
- “OTC Options Processing Service” means a mechanism for submitting to a Foreign Options Market an options contract on a foreign security that has been negotiated and completed in an over-the-counter (“OTC”) transaction so that the Foreign Options Market may replace the OTC contract with an equivalent exchange-traded options contract.
- “Foreign Options Market” means a non-U.S. derivatives market: (1) on which Eligible Options trade; and (2) that is an organized exchange operated and regulated outside the United States.²
- “Representative” means an employee of the Foreign Options Market located inside or outside the United States who has been appointed to act as representative of the Foreign Options Market and may undertake the activities described in Section II of the Class Relief with respect to Eligible Broker-Dealers/Eligible Institutions.

In order to make use of the Class Relief, the Foreign Options Market must send a letter, signed either by the Foreign Options Market’s chief legal officer or the Foreign Options Market’s U.S. counsel, to the Director of the Commission’s Division of Trading and Markets that identifies the Foreign Options Market and describes the Eligible Options for which the Foreign Options Market, its Representatives, and its members seek to engage in familiarization activities with

² NSE IFSC qualifies as a Foreign Options Market.



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Eligible Broker-Dealers/Eligible Institutions. In the letter, the parties must represent that they will provide Commission staff promptly upon request with a list of the specific equity and index options covered by their request for relief, and will identify a primary listing market for each underlying equity security and index component. Further, the letter must represent that the requesting entities have taken steps to comply with, and assure continued compliance with, each of the representations and conditions contained in the Class Relief, and must acknowledge that the Class Relief is only available to the requesting entities to the extent they are in compliance with each of the representations and conditions contained in the Class Relief. In addition, the letter must affirmatively represent that all subject entities covered by the Class Relief will comply with each of the representations and conditions contained in the Class Relief, including the restriction on securities of U.S. issuers.

II. Description of NSE and NSE IFSC

The National Stock Exchange of India Limited (“NSE”), headquartered in Mumbai, India, is the largest securities and derivatives exchange by trading volume operating in India and is regulated by the Securities and Exchange Board of India (“SEBI”). NSE offers trading in equities, index and equity derivatives, currency derivatives, commodity derivatives and debt products in India, and all trades are settled by the NSE Clearing Corporation in Indian rupees. NSE caters to Indian retail investors, domestic institutional investors and foreign portfolio investors registered with SEBI.

NSE IFSC is a wholly owned subsidiary of NSE, but operates independently from NSE. NSE IFSC was incorporated as a public company on November 29, 2016 and commenced operations as a stock exchange on June 5, 2017 after receiving a grant of recognition from SEBI. NSE IFSC is located in the International Financial Service Centre (“IFSC”) in Gujarat International Financial Tech (GIFT) city (“GIFT City”), which is a special economic zone similar to other international financial centers. GIFT City hosts the first-ever international financial services center in India, as well as NSE IFSC and other exchanges, and has its own regulations and a unified regulator that is independent from SEBI. NSE IFSC is regulated by the International Financial Services Centres Authority (“IFSCA”), which was established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019.³

NSE IFSC allows derivatives trading on the NIFTY 50, NIFTY Bank, NIFTY Financial Services and NIFTY IT, as well as single stock equity derivatives, currency derivatives and depository receipts. The only products within the scope of the relief claimed by NSE IFSC pursuant to this letter are the Eligible Options that are described below. For avoidance of doubt,

³ International Financial Services Centres Authority (2020); available at: <https://ifsca.gov.in/Pages/Contents/AboutIFSCA#:~:text=Establishment%20of%20IFSCA,GIFT%20City%2C%20Gandhinagar%20in%20Gujarat.>



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currency derivatives and depository receipts traded on NSE IFSC are outside the scope of this letter. This letter does not apply to any products traded on NSE.⁴

Stock exchanges operating in GIFT City are permitted to offer trading in securities in any currency other than the Indian rupee. One of the fundamental differences between NSE and NSE IFSC is that all trades on NSE are denominated in Indian rupees and all trades on NSE IFSC are denominated in U.S. dollars. This allows international investors to trade on NSE IFSC without incurring currency exchange rate risk. NSE IFSC Clearing Corporation Limited (“NICCL”) is the clearing and settlement agency for all transactions executed on NSE IFSC. NICCL acts as the legal counterparty to all transactions on NSE IFSC and guarantees settlement.

III. Description of Eligible Options

The Eligible Options that are the subject of this notification are options contracts that NSE IFSC offers or may in the future offer on (1) individual stocks that are listed and traded on NSE and/or NSE IFSC; and (2) various equity indices, such as NIFTY 50, NIFTY Bank, NIFTY Financial Services and NIFTY IT.⁵ The Eligible Options are not fungible or interchangeable with options traded on any market other than NSE IFSC, including NSE. In addition, each position in an Eligible Options on NSE IFSC may be closed out only on NSE IFSC and is cleared through NICCL. As noted above, currency derivatives and depository receipts are outside the scope of this letter.

IV. Class Relief and Representations

In order to rely on the Class Relief, NSE IFSC makes the following representations:

1. NSE IFSC will provide Commission staff promptly upon request with a list of the specific equity and equity index options covered by their request for relief, and will identify a primary listing market for each underlying equity security and index component. NSE IFSC has taken steps to comply with, and assure continued compliance by NSE IFSC, its Representatives, and its members with, each of the representations and conditions contained in the Class Relief, and acknowledges that the Class Relief is only available to the extent that the requesting entities (NSE IFSC, its Representatives and its members) are in compliance with each of the representations and conditions contained in the Class Relief. In addition, NSE IFSC affirmatively represents that all subject entities covered by the Class Relief

⁴ NSE currently relies on the Class Relief with respect to equity index options pursuant to a claim submitted on NSE’s behalf to the Division on December 21, 2020.

⁵ A more detailed description of Options Contracts offered by NSE IFSC is available at: <https://www.nseix.com/>.



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will comply with each of the representations and conditions contained in the Class Relief, including the restriction on securities of U.S. issuers.

2. NSE IFSC is, and shall remain, an organized exchange operated and regulated outside the United States;
3. NSE IFSC does not engage in any general solicitation or general advertisement concerning Eligible Options in the United States;
4. NSE IFSC does not provide direct electronic access for Eligible Options trading to persons located in the United States (including through any OTC Options Processing Service offered by NSE IFSC);
5. NSE IFSC maintains on its website current information, in English, concerning its trading rules, clearance and settlement procedures, hours of operation, holidays, and any other material information that would be relevant to an Eligible Broker-Dealer/Eligible Institution trading on NSE IFSC;
6. With respect to the Eligible Options that NSE IFSC intends to offer and sell in the United States through its members, the International Organization of Securities Commission's (the "IOSCO") Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (the "MMOU"), to which IFSCA (NSE IFSC's regulatory authority) and SEBI (NSE's regulatory authority) are signatories, allows NSE IFSC to obtain information concerning trading in the underlying securities from NSE, which is the primary market for the underlying securities;
7. NSE IFSC is supervised by IFSCA, a foreign securities authority that is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding for Consultation Cooperation and the Exchange of Information or has entered into a bilateral memorandum of understanding with the Commission for purposes of enforcement cooperation;⁶
8. Members or participants of NSE IFSC are obligated to provide information to or otherwise assist NSE IFSC in relation to activities carried out on the Exchange, and

⁶ IOSCO, Signatories to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of information, available at: <https://www.iosco.org/about/?subSection=mmou&subSection1>. IFSCA became a signatory on August 3, 2022.

NSE IFSC is able to provide, and would provide, information obtained from a member or participant to the Commission upon request;⁷

9. NSE IFSC advises its members that, under U.S. law, members of the Exchange that are not registered broker-dealers may deal with Eligible Institutions only in accordance with Rule 15a-6 under the Exchange Act, principally through U.S. registered broker-dealers, as provided in Rule 15a-6;
10. NSE IFSC institutes rules requiring its members, before effecting a transaction in Eligible Options with an Eligible Broker-Dealer/Eligible Institution, to obtain, and maintain from such Eligible Broker-Dealer/Eligible Institution, signed by an appropriate officer, a record of the representations set forth in Section B of the Class Relief;
11. NSE IFSC advises its members that any options on securities of U.S. issuers, or on an index that includes any securities of U.S. issuers, that are traded on NSE IFSC are not available for sale to U.S. persons; and
12. NSE IFSC adopts written policies and procedures to monitor for and assure compliance with the terms of the Class Relief, and will make such policies and procedures available in English promptly to the Commission staff upon request.

We look forward to answering any questions that you or the Division may have with regards to this notification of NSE IFSC's intent to rely on the Class Relief. Please feel free to contact me at +1 (312) 853-2655 or nhowell@sidley.com.

Sincerely,



Nathan A. Howell

CC: Bhawika Wanchoo, NSE IFSC Limited
Marie Fang, Sidley Austin LLP
Andrew Blake, Sidley Austin LLP

⁷ Foreign broker-dealers electing to deal with U.S. institutional investors pursuant to Rule 15a-6(a)(3) under the Exchange Act are required to provide directly to the Commission upon request or pursuant to agreements reached between any foreign securities authority and the Commission, information, documents, testimony, and assistance in taking the evidence of persons that relate to transactions pursuant to Rule 15a-6(a)(3) under the Exchange Act.