

CHAPTER – IV

OVERVIEW OF NATIONAL STOCK EXCHANGE & CURRENCIES

This chapter gives an overview about the variables which are used in the entire study. It gives the brief description about Nifty 50, sectoral indices (Nifty Auto, Nifty Bank, Nifty Financial services, Nifty FMCG, Nifty IT, Nifty Media, Nifty Metal, Nifty Pharma, Nifty Private Bank, Nifty PSU and Nifty Realty Index.) and the currencies (USD, Euro, Pound and Yen).

NATIONAL STOCK EXCHANGE

The National Stock Exchange of India (NSE) is one the foremost and leading stock exchange located in Mumbai. NSE was the first demutualized electronic exchange in India which was incorporated in 1992. NSE is the first exchange to offer electronic trading facility, connecting the investor base of the entire country.

NSE was recognized as a stock exchange in 1993 under Securities Contracts (Regulation) Act 1956, when Shri Dr. Manmohan Singh was the Finance Minister of India and Shri Dr. P. V. Narasimha Rao was the Prime Minister of India. The NSE was established by a group of financial institutions in India at the behest of the government to bring transparency in the Indian capital market. NSE has been recognized with a diversified shareholding which compromises both domestic and global investors, based on the recommendations that are laid out by the government committee. The main domestic investors include State Bank of India, IFCI Ltd IDFC Ltd and Stock Holding Corporation of India Ltd. And the main global investors are Gagil FDI Limited, SAIF II SE Investments Mauritius Ltd and GS Strategic Investments Ltd.

NSE has about 2500 VSATs and nearly 3000 leased lines which are spread across 2000 cities in India. Also, NSE provides trading, clearing services and settlement services in equity, currency derivatives segments, equity derivatives segments and debt derivatives segments. NSE started its operations in the WDM (Wholesale Debt Market) segment in June 1994. The derivatives segment commenced its operation in June 2000 and the equity market segment of the NSE started its operations in November 1994.

NSE's flagship index - the NIFTY 50, is used widely by investors in the country and around the world as a barometer of the Indian capital markets. Countries like the United States derive nearly 70% of the GDP from larger companies and the corporate sector, but in India the corporate sector accounts for only 12-14% of the national GDP. Out of 7,800 companies which are listed in BSE and NSE, only 4000 trade on the stock exchanges at BSE and NSE. Hence both these stock exchanges contribute only 4% of the country's GDP which derives maximum of its income related activity from a so-called unorganized sector.

4.1 NSE'S PARADIGM SHIFT IN FINANCIAL MARKET

The main objective of NSE is to bring transparency in the Indian markets. When the trading membership was limited to a set of brokers, the National Stock Exchange (NSE) assured that anybody who was qualified, experienced and are capable to meet the minimum financial requirements was permitted to participate in the trading activity. In this background, the National Stock Exchange was far ahead of its times when it separated management and ownership in the stock exchange under Securities Exchange Board of India (SEBI) supervision. Any information's like price which was earlier accessed only by a handful of people could now be seen in a remote location with the same ease by any client. The paper-based settlement was thus replaced by an electronic depository-based accounts and the settlement of trades can be always done on time. One of the most serious changes was that a robust risk management system was initiated, so that settlement guarantees could protect investors against broker defaults.

National Stock Exchange was instrumental in creating the National Securities Depository Limited (NSDL) which allows investors to securely transfer or hold their shares and bonds in electronic mode. This not only held financial instruments conveniently but more importantly, it removed the need for paper certificates and significantly reduced the incidents of fake certificates and fraudulent transactions that had plagued the stock market in India. The NSDL's security which is combined with the transparency in the market at lower transaction price increased the attractiveness of the Indian stock market to domestic investors and global investors.

4.2 HISTORY & MILESTONES IN NSE

NSE's continued leadership positions across asset classes in the Indian and international stock exchange sectors prove the liquidity and robustness of the exchange.

Between 1994 and 2017, the National Stock Exchange has extended their lines of business and also the product offerings which are shown in the following table:

Table 4.1 History & Milestones in NSE

Year	Milestones
1993	Recognized as a stock exchange
1994	Started the equity market segments and debt market segments by using electronic or screen-based trading.
1995	Investor Protection Fund Trust was initiated
1996	Introduced NIFTY 50 Index, which remains flagship index today. Commenced trading and settlement in dematerialised securities
1998	NSE certification for "Financial Markets certification program" (NCFM) was provided in India
2000	Introduced index futures based on the NIFTY 50 index (then called as S&P CNX NIFTY) for trading; Investors started using internet trading.
2001	Introduced index options based on the NIFTY 50 index (then called as S&P CNX NIFTY) for trading; Established single stock options and futures on listed securities
2002	Introduced ETFs listings
2005	Introduced NIFTY Bank index derivatives
2008	Currency Futures was commenced for trading in India. Launched NOW platform for web-based trading. Establishment of SLBS (Securities Lending and Borrowing Scheme).

Table 4.1 (Continued)

Year	Milestones
2009	Commenced Mutual Fund Service System (MFSS).
2010	Launched currency options for trading and NOW platform for mobile devices
2012	Started trading in index options and futures contracts on the FTSE 100 index. Established Small Medium Enterprise(SME) -specific EMERGE platform for the listing and trading of securities of SMEs
2013	Introduced the New Debt Segment(NDS).
2014	Introduction of NBF II segment for interest rate futures, NMF-II platform for mutual funds and India VIX index futures on trading. NIFTY 50 started trading on Osaka Exchange.
2015	Entered into a memorandum of understanding to improve the level of cooperation with the London Stock Exchange Group. The NSE has renamed CNX NIFTY to NIFTY 50.
2016	NIFTY 50 index futures started to trade on TAIFEX NSE has developed a platform for sovereign gold bond issuances And an electronic book-building platform was introduced for private placement of debt securities
2017	Introduction of Online Payment Gateway for NCFM Modules

Source: NSE

4.3 INDICES

An Index is used to provide information about the price movements of products in the commodities, financial or any other markets. Financial indexes are formulated to measure price movements of T-bills, bonds, stocks and other forms of investments. Stock market indexes are usually meant to capture the overall behaviour of equity

markets. A stock market index is created by choosing a group of stocks that are representative of a segment of the market or a specified sector or the whole market.

There are many indices listed in NSE but the present study considered NIFTY 50 to find any impact of exchange rate fluctuations in the Indian Capital Market.

4.3.1 NIFTY 50

The NIFTY 50 index is NSE's benchmark broad based stock market index for the Indian equity market. Nifty 50 denotes the weighted average of 50 Indian company stocks listed in 12 sectors and considered to be one of the two main stock indices used in India, the other being the BSE Sensex.

Nifty is owned and administered by IISL, (India Index Services and Products) which is a wholly owned subsidiary of the NSE,(National Stock Exchange) Strategic Investment Corporation Limited. India Index Services and Products had licensing and marketing agreement with Standard & Poor's for co-branding equity indices until 2013. On 21st April 1996, Nifty 50 was launched, and it is considered to be one of the main stock indices of Nifty.

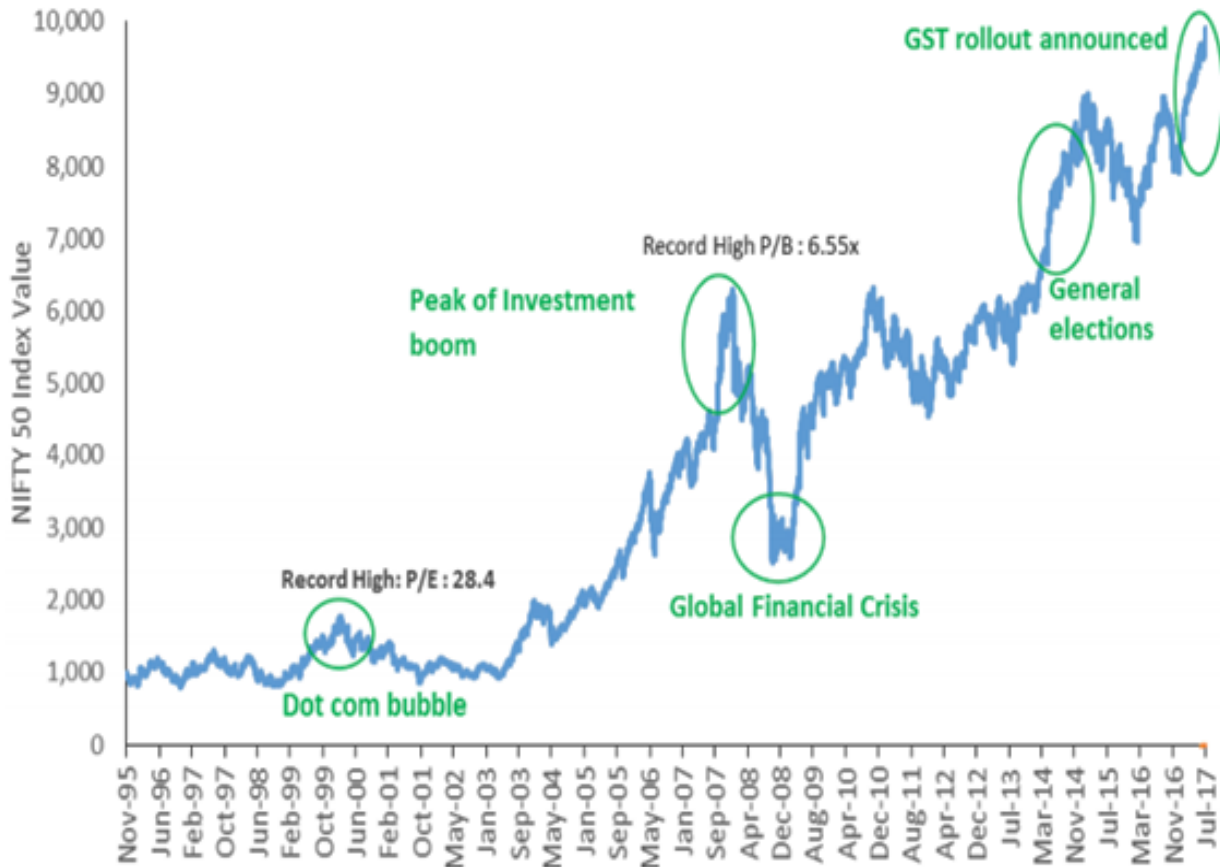
In India, NIFTY 50 Index was established as a single largest financial product, which includes exchange traded funds i.e., onshore and offshore, exchange traded futures and options, index funds and other OTC derivatives i.e., mostly offshore. NIFTY 50 is one of the world's most actively traded contract. IOMA, FIA, and WFE surveys endorse NSE's leadership position.

NIFTY 50 index is meant to be free float market capitalisation weighted index. Initially the index was calculated on full market capitalisation methodology. The computation was changed to free float methodology from June 26, 2009.

November 3, 1995 is the base period for the CNX Nifty index (called as Nifty 50), which marked the one year completion of its operations in National Stock Exchange Equity Market Segment. The base capital of RS.2.06 trillion has been set up and the base value of the index is 1000.As on March 31, 2017 the nifty 50 index signifies about 62.9% of the free float market capitalisation of the stocks which is listed on NSE .The total

traded VALUE of Nifty 50 index represents for the last 6 months ending March 2017 is nearly 43.8% of the traded value of all stocks on the National Stock Exchange.

Chart 4.1 Performance of NIFTY 50



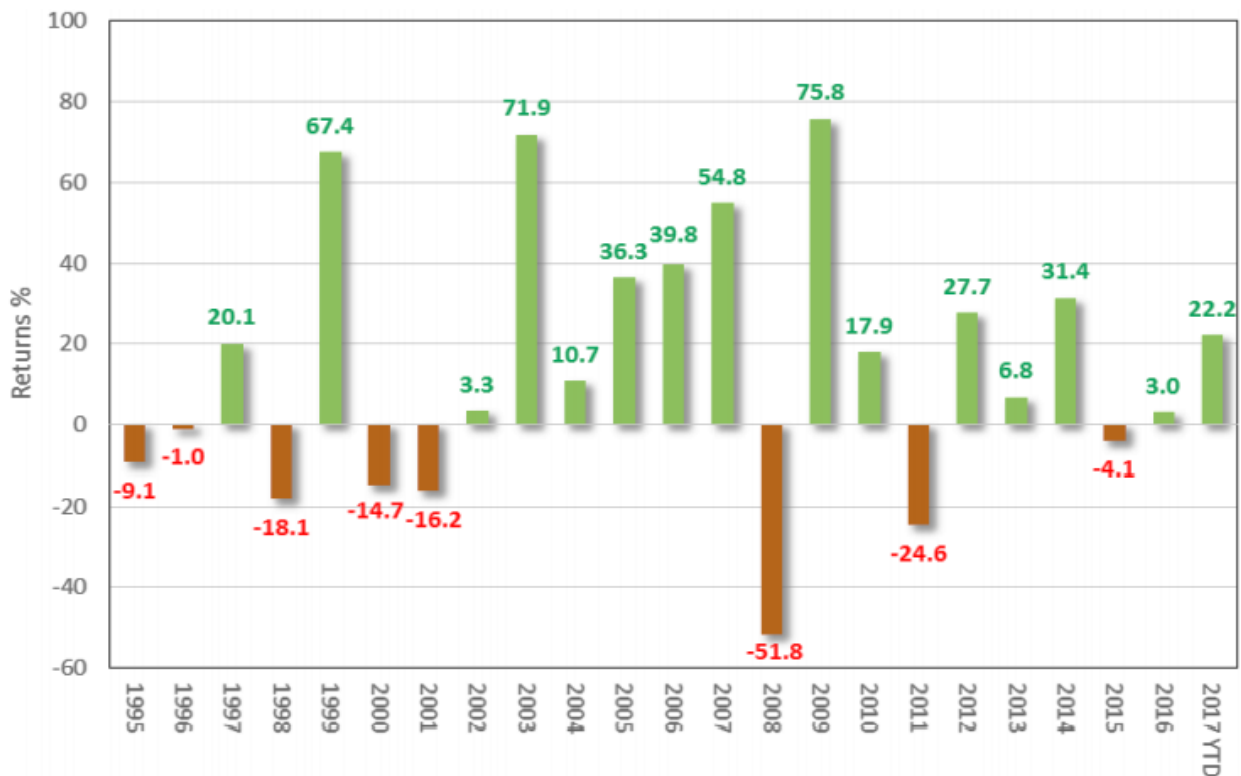
Source: NSE

Over the years, India has been one of the fastest developing economies in the world which is also replicated in the growth of NIFTY 50 Index. During FY 2003-04, Indian economy was in a boom stage which driven mostly by investments until it was disrupted by the global financial crisis of 2008. Large fiscal stimulus supported the growth process and so India started to recover before most economies of the world. The recovery had been hampered by temporary shock during 2016-2017, while since beginning of FY 2017- 18, because of the introduction of GST & several other reforms introduced by the Indian Government, market has again picked up its momentum. Since commencement, NIFTY 50 has given annualized returns of 11.2% and annualized

volatility of 24.5%. In recent years, volatility has decreased from 24% since inception to close to 8-11% in more recent times (6 month to 1 year period).

In Nifty 50, the return to risk ratio has also improved substantially over the years from 0.46 since commencement to 1.98 in the last 6 month period. As on July 24, 2017 NIFTY 50 was trading at P/E of 25.45x and P/B of 3.55x which are lesser than the earlier highs of 28.5x on Feb 11, 2000 and 6.6x on Jan 08, 2008 respectively.

Chart 4.2 Year wise Return of NIFTY 50



Source: NSE

During the Calendar year returns i.e., since 1996, NIFTY 50 has set more than 50% of return in 4 calendar years and more than 30% return in 7 calendar years. NIFTY 50 has decreased over 20% only in 2 calendar years and giving positive returns in 15 out of 23 years. NIFTY50 aggregate earnings totalled USD 50.3 billion growing 14.2% in FY17 year-on-year compared to USD 44.0 billion in FY16; earnings are expected to grow at 17.7% CAGR through 2019 (as per consensus estimates from Thomson Reuters). However, over last 5 years, earnings for constituent companies have fallen at a CAGR of 0.3%, despite a 7.0% CAGR in revenue.

NIFTY 50 based index derivatives are listed on 5 exchanges globally i.e., Singapore Exchange Ltd. (SGX), National Stock Exchange of India Limited (NSE), Chicago Mercantile Exchange Inc. (CME), Taiwan Futures Exchange (TAIFEX) and Osaka Exchange Inc. (OSE). According to World Federation of Exchanges, NIFTY 50 based options contract is World's largest traded index option contract in terms of number of contracts traded. First, Exchange Traded Fund (ETF) launched in India in December 2001 was considered benchmark to NIFTY 50 index. Currently 20 ETFs are benchmarked to NIFTY 50 index out of which 14 ETFs are listed in India and 6 ETFs are listed in international markets. Asset Under Management (AUM) of more than USD 6 billion is linked to NIFTY 50 index globally. One of the India's largest equity mutual fund scheme i.e., SBI - ETF NIFTY 50 is also benchmarked to NIFTY 50 Index. Also there are 13 various index funds in India which also track the NIFTY 50 index. Insurance companies, Investment banks and NBFCs in domestic and international markets also offer financial products such as structured products, Market Linked Debentures, Swaps and Warrants that are connected to the NIFTY 50 index.

Table 4.2 Top constituents by weightage – NIFTY 50

Company's Name	Weight (%)
HDFC Bank Ltd.	9.60
Reliance Industries Ltd.	7.77
Housing Development Finance Corporation	6.79
ITC Ltd.	5.55
ICICI Bank Ltd.	5.01
Infosys Ltd.	4.96
Larsen & Turbro Ltd.	3.81
Kotak Mahindra Bank Ltd.	3.39
Tata Consultancy Services Ltd.	3.33
State Bank of India	3.02

Source: NSE Indexogram

4.4 SECTORAL INDICES IN NSE

Sector-based index provide a single value for the aggregate performance of a no of companies which represent a group of related industries or within a sector of an economy. Presently there are 11 sectors listed in NSE namely Nifty Auto, Nifty Bank, Nifty Financial services, Nifty FMCG, Nifty IT, Nifty Media, Nifty Metal, Nifty Pharma, Nifty Private Bank, Nifty PSU and Nifty Realty Index.

Investors generally tend to underestimate the importance of sectors before investing in a stock. They usually concentrate on stocks but forget about the importance of sectors. Studying about sectoral indices is helpful as sorting and comparison tools. This can help the investors to forecast and to invest their money in a wise manner.

For the present study, all the sectoral indices were used to analyses the relationship between Indian stock market and Foreign exchange market.

4.4.1 Nifty Auto

The Nifty Auto Index is launched in July 12, 2011 and is computed using free float market capitalization method with a base date of January 1, 2004 indexed to a base value of 1000.

The Nifty Auto Index is aimed to reflect the performance and behaviour of the Automobiles sector which contains manufacturers of cars & motorcycles, auto ancillaries, heavy vehicles, tyres and so on. The Nifty Auto Index includes 15 stocks that are listed on the NSE (National Stock Exchange). Nifty Auto is calculated using free float market capitalization method and base date is January 1, 2004 indexed to a base value of 1000.

The Nifty Auto Index represents nearly 8.6% of the free float market capitalization of the stocks which is listed on National Stock Exchange (NSE) and about 91.1% of the free float market capitalization of the stocks which forms a part of the Automobiles sector universe as on March 31, 2017.

Table 4.3 Top constituents by weightage – Nifty Auto

Company's Name	Weight (%)
Maruti Suzuki India Ltd.	21.25
Tata Motors Ltd.	14.12
Mahindra & Mahindra Ltd.	12.20
Hero MotoCorp Ltd.	8.78
Bajaj Auto Ltd.	8.37

Source: NSE Indexogram- Nifty Auto, 2017

4.4.2 Nifty Bank

The Nifty Bank Index is launched in September 13, 2003 and is computed using free float market capitalization method with a base date of January 1, 2000 indexed to a base value of 1000.

Nifty Bank Index is an index consists of liquid and large capitalised Indian Banking stocks. It provides market intermediaries and investors with a benchmark that captures the stock market performance of banks in India. The index consists of twelve stocks from the banking sector which are traded in the NSE also the Nifty Bank Index represent nearly 15.6% of the free float market capitalization of the stocks which are listed on National Stock exchange and about 93.3% of the free float market capitalization of the shares creating a part of the Banking sector universe as on 31.03. 2017.

Table 4.4 Top constituents by weightage- Nifty Bank

Company's Name	Weight (%)
HDFC Bank Ltd.	33.60
ICICI Bank Ltd.	17.54
Kotak Mahindra Bank Ltd	11.85
State Bank of India	10.57
Axis Bank Ltd.	8.10

Source: NSE Indexogram- Nifty Bank, 2017

4.4.3. Nifty Financial services

The Nifty Financial Services Index is launched in September 07, 2004 and is computed using free float market capitalization method with a base date of January 1, 2000 indexed to a base value of 1000. The Nifty Financial Services Index is designed to reflect the behaviour and performance of the Indian financial market which includes banks, financial institutions and housing finance and other financial services companies. The Nifty Finance Index consists of fifteen stocks listed on the National Stock Exchange (NSE). This index represents nearly 19.2% of the free float market capitalization of the stocks which are listed on National Stock Exchange (NSE) and about 75.8% of the free float market capitalization of the shares creating a part of the Finance sector universe as on 31.03.2017.

Table 4.5 Top constituents by weightage- Nifty Financial services

Company's Name	Weight (%)
HDFC Bank Ltd.	27.81
Housing Development Finance Corporation	19.65
ICICI Bank Ltd.	14.52
Kotak Mahindra Bank Ltd	9.81
State Bank of India	8.75

Source: NSE Indexogram- Nifty Financial Services, 2017

4.4.4 Nifty FMCG

The Nifty FMCG Index is launched in September 22, 1999 and is calculated using free float market capitalization method with a base date of January 01, 1996 indexed to a base value of 1000.

Fast Moving Consumer Goods (FMCG) are those goods and products, which are mass consumption products, non-durable and available off the shelf. The Nifty FMCG Index consists of fifteen companies who manufacture products which are listed on the National Stock Exchange (NSE). The Nifty FMCG Index represents nearly 8.6% of the

free float market capitalization of the stocks which are listed on National Stock Exchange (NSE) and about 80.4% of the free float market capitalization of the shares creating a part of the FMCG universe as on March 31, 2017.

Table 4.6 Top constituents by weightage- Nifty FMCG

Company's Name	Weight (%)
I T C Ltd.	45.26
Hindustan Unilever Ltd.	18.84
Britannia Industries Ltd.	5.87
Godrej Consumer Products Ltd.	5.03
Dabur India Ltd.	4.02

Source: NSE Indexogram- Nifty FMCG, 2017

4.4.5 Nifty IT

The NIFTY IT index is calculated using free float market capitalization method and the base date is 1- January- 1996 indexed to a base value of 1000.

The base value of the Nifty IT index was revised from 1000 to 100 with effect from 28-May-2004. The index is calculated with 10 companies and weights of each company in the index are capped at 25%.(effective from 28-May-2004).

Information Technology (IT) sector has played a significant role in the Indian economy. In order to have a good standard of the Indian IT sector, India Index Service and Products (IISL) has introduced the Nifty IT sector index. This index also provides market intermediaries and investors with an appropriate benchmark that captures the performance of the IT segment in India.

Companies that are listed in this index are those that have more than 50% of their turnover from IT related activities such as IT Education and Software Training , IT Infrastructure , Telecommunication Services and Networking Infrastructure, Vending, Hardware Manufacturers, Software Development, Support and Maintenance.

The Nifty IT Index represents nearly 12.15% of the free float market capitalization of the stocks which are listed on National Stock Exchange (NSE) and about 91.9% of the free float market capitalization of the shares creating a part of the IT sector as on March 31, 2017.

Table 4.7 Top constituents by weightage- Nifty IT

Company's Name	Weight (%)
Infosys Ltd	26.01
Tata Consultancy Services Ltd.	25.21
HCL Technologies Ltd.	16.58
Wipro Ltd.	12.97
Tech Mahindra Ltd.	10.73

Source: NSE Indexogram- Nifty IT, 2017

4.4.6 Nifty Media

The Nifty Media Index is launched in July 19, 2011 and is computed using free float market capitalization method with a base date of December 30, 2005 indexed to a base value of 1000.

The Nifty Media Index reflects the performance of Media & Entertainment sector which also includes printing and publishing and this index consists of stocks that are listed on the National Stock Exchange (NSE). The Nifty Media Index denotes nearly 72.8% of the free float market capitalization of the shares which is creating a part of the Media & Entertainment universe as on March 31, 2017.

Table 4.8 Top constituents by weightage Nifty Media

Company's Name	Weight (%)
Zee Entertainment Enterprises Ltd	48.84
Sun TV Network Ltd.	13.45
PVR Ltd.	6.37

Table 4.8 (Continued)

Company's Name	Weight (%)
TV18 Broadcast Ltd	5.74
Dish TV India Ltd.	4.91

Source: NSE Indexogram- Nifty Media, 2017

4.4.7 Nifty Metal

The Nifty Metal Index is launched in July 19, 2011 and is computed using free float market capitalization method with a base date of January 01, 2004 indexed to a base value of 1000.

The Nifty Metal Index reflects the performance and behavior of the Metals sector including mining. The Nifty Metal Index consists of fifteen stocks that are listed on the National Stock Exchange (NSE). The weights of each company in the index are capped at 20% as on September 28, 2015. The Nifty Metal Index represents nearly 2.6% of the free float market capitalization of the stocks that are listed on National Stock Exchange (NSE) and about 87.9% of the free float market capitalization of the shares creating a part of the Metals universe as on March 31, 2017.

Table 4.9 Top constituents by weightage- Nifty Metal

Company's Name	Weight (%)
Tata Steel Ltd.	19.96
Vedanta Ltd.	18.22
Coal India Ltd.	15.43
Hindalco Industries Ltd	15.05
JSW Steel Ltd.	11.37

Source: NSE Indexogram- Nifty Metal, 2017

4.4.8 Nifty Pharma

The Nifty Pharma Index is launched in July 01, 2005 and is computed using free float market capitalization method with a base date of January 01, 2001 indexed to a base value of 1000.

The Nifty Pharma Index represents nearly 6.1% of the free float market capitalization of the stocks that are listed on National Stock Exchange (NSE) and nearly 79.9% of the free float market capitalization of the shares creating a part of the Pharmaceutical sector universe as on March 31, 2017. India Index Service and Products (IISL) have created this index to capture the performance of the companies in Nifty Pharma Index.

Table 4.10 Top constituents by weightage- Nifty Pharma

Company's Name	Weight (%)
Sun Pharmaceutical Industries Ltd.	27.44
Cipla Ltd.	14.02
Dr. Reddy's Laboratories Ltd.	12.73
Piramal Enterprises Ltd.	10.36
Lupin Ltd.	9.01

Source: NSE Indexogram- Nifty Pharma, 2017

4.4.9 Nifty Private Bank

The Nifty Private Bank Index reflects the performance and behaviour of the banks from private sector. The Nifty Private Bank Index consists of 10 stocks listed on the National Stock Exchange (NSE). The Nifty Private Bank Index represent nearly 13.9% of the free float market capitalization of the stocks that are listed on National Stock Exchange (NSE) and about 97.7% of the free float market capitalization of the shares creating a part of the Private Bank universe as on March 31, 2017.

Table 4.11 Top constituents by weightage- Nifty Private Bank

Company's Name	Weight (%)
HDFC Bank Ltd.	25.01
ICICI Bank Ltd.	24.51
Kotak Mahindra Bank Ltd.	16.56
Axis Bank Ltd.	11.32
IndusInd Bank Ltd.	10.51

Source: NSE Indexogram- Nifty Private Bank, 2017

4.4.10 Nifty PSU

The Nifty PSU Index is launched in August 30, 2007 and is computed using free float market capitalization method with a base date of January 01, 2004 indexed to a base value of 1000.

The Nifty PSU Bank Index represents about 2.3% of the free float market capitalization of the stocks that are listed on National Stock Exchange (NSE) and nearly 91.1% of the free float market capitalization of the shares creating a part of the PSU Bank universe as on March 31, 2017. India Index Service and Products (IISL) have developed Nifty PSU Bank Index to capture the performance of the PSU banks.

Table 4.12 Top constituents by weightage- Nifty PSU

Company's Name	Weight (%)
State Bank of India	66.26
Bank of Baroda	8.90
Punjab National Bank	7.31
Canara Bank	4.22
Bank of India	2.97

Source: NSE Indexogram- Nifty PSU, 2017

4.4.11 Nifty Realty Index

The Nifty Realty Index is launched in August 30, 2007 and is computed using free float market capitalization method with a base date of December 29, 2006 indexed to a base value of 1000.

Nifty Realty Index represent 0.4% of the free float market capitalization of the shares that are listed on National Stock Exchange (NSE) and nearly 71.1% of the free float market capitalization of the shares creating a part of the Realty sector universe as on March 31, 2017.

Table 4.13 Top constituents by weightage- Nifty Realty Index

Company's Name	Weight (%)
DLF Ltd.	26.87
Indiabulls Real Estate Ltd.	13.54
Oberoi Realty Ltd.	11.96
Godrej Properties Ltd	10.18
Prestige Estates Projects Ltd.	9.60

Source: NSE Indexogram- Nifty Realty Index, 2017

CURRENCIES TRADED IN INDIA

In the realm of currency trading in India, investor can trade only those currencies that are benchmarked against INR. RBI allows investors to trade in the following INR currency pairs:

- USDINR
- EURINR
- GBPINR
- JPYINR

It is legal to trade with Indian brokers who trade on exchanges like National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Metropolitan Stock Exchange of India (MSC-SX) because they provide access to currency derivatives.

USD:

The U.S. dollar is the official currency of the United States of America since the passage of the National Currency Act, 1785. Initially, United States used a patchwork system of unreliable continental currency, British pounds and various other foreign currencies. At first, the dollar was denominated only in coins, with paper currency introduced in 1861, and its value was measured to the relative prices of silver, copper and gold.

EURO:

The euro is the official currency for 19 countries out of 28 European Union countries. The euro is abbreviated by the symbol "EUR." The Euro is second-largest currency that is traded worldwide. Euros are managed and printed by the European System of Central Banks. Euro is the national currency of the European Union (EU) member states who have accepted it, including Finland, France, Austria, Belgium, Germany, Greece, Luxembourg, Ireland, Italy, Portugal, the Netherlands and Spain. Thus, these countries create Eurozone, a region where the euro serves as a common national currency for all of the separate nations.

GBP:

The British Pound (GBP) is the official currency of the United Kingdom, which is used in British Overseas Territories, Great Britain, the British Antarctic Territory and the South Sandwich Islands as well as Tristan de Cunha. GBP is divided into 100 pence. Sterling is the another name used for the Pound and the symbol for the Pound is £. The British Pound is one of the most commonly converted currencies and oldest currency still in use today. GBP is the fourth most traded currency in the world and the British Pound is the third most held reserve currency in the world. Pound Sterling, Sterling, Quid, Cable, and Nicker are the common names for the British Pound.

YEN:

JPY is the currency symbol or currency abbreviation of the Japanese yen (JPY), the currency for Japan. The yen is made up of 1000 rin or 100 sen and it is often represented with the symbol ¥. The yen was initially introduced by the Meiji government as a step to update the country economically. In the foreign exchange market, after the U.S. dollar and euro, Japanese Yen is the most traded currency. And, the Japanese yen is also widely used as a reserve currency after the U.S. dollar, euro, and British pound.