



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

July 23 , 2010

RBI places the revised draft guidelines on Over the Counter (OTC) Foreign Exchange Derivatives and Overseas Hedging of Commodity Price Risk and Freight Risk for comments

The Reserve Bank of India has, today, placed on its website the revised draft guidelines on OTC Foreign Exchange Derivatives and Hedging Commodity Price Risk and Freight Risk overseas ([Annex I](#)) for public comments.

In the light of developments in the domestic and international financial markets, the extant guidelines on OTC foreign exchange derivatives were reviewed and the draft guidelines were placed on the Reserve Bank's website on November 12, 2009 for feedback from the market participants. The draft guidelines, inter alia, proposed to withdraw the facility of zero cost /cost reduction structures, permit importers and exporters having foreign currency exposures in trade transactions to write covered call and put options both in foreign currency-rupee and cross currency and also receive premia, etc. Some of the stake holders, particularly the corporates having global business, have represented to the Reserve Bank that prohibiting zero cost structures would seriously impede their forex risk management operations and global competitiveness. Further, if such structures were banned, some corporates may not hedge their currency exposures due to cost consideration and this may lead to aggregation of unhedged position, which is riskier than hedging within a range. Hence, they represented that cost reduction structures may be permitted, with suitable safeguards, such as higher net worth, compliance with the Accounting Standards (AS) 30/32, suitable risk management policy, etc.

The feedback received from the banks, corporates and other stake holders were examined and discussed in the meeting of the Technical Advisory Committee on Money, Foreign Exchange and Government Securities Markets and FIMMDA and FEDAI. Considering the suggestions made by the market participants, it is proposed, among others, to allow the use of cost reduction structures, subject to the safeguards including suitability and appropriateness of the products.

Comments on the draft guidelines may be forwarded to the Chief General Manager-in-Charge, Foreign Exchange Department, Forex Markets Division, Reserve Bank of India, Amar Building, 5th floor, P.M. Road, Fort, Mumbai - 400001 or [emailed](#) , latest by August 13, 2010.