

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai-400 001**

Notification No. FEMA 104./2003-RB

Dated the October 21, 2003

**Foreign Exchange Management (Foreign exchange  
derivative contracts) ( Third Amendment)  
Regulations, 2003.**

In exercise of the powers conferred by clause (h) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999), and in partial modification of its Notification No. FEMA 25/RB-2000 dated May 3, 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000, as amended from time to time, namely: -

**Short title and Commencement:**

(i) These Regulations may be called the Foreign Exchange Management (Foreign exchange derivative contracts) ( Third Amendment) Regulations, 2003.

(ii) They shall come into force from the date of their publication in the Official Gazette.

**Amendment of the Regulations**

2.. In the Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000

(i) In Schedule I, under the heading 'A. Forward Contract' after paragraph (i) the following paragraph shall be added, namely:

"(j) A person resident in India may subject to the terms and conditions prescribed by Reserve Bank of India. may enter into a forward contract with an authorised dealer in India to hedge an exposure to exchange risk in respect of transactions denominated in foreign currency but settled in Indian rupees"

(ii) In Schedule II,

(a) after paragraph 2 the following shall be added namely:

"2A . A non-resident Indian may, subject to conditions prescribed by the Reserve Bank of India from time to time, enter into cross currency (not involving the rupee) forward contracts to convert the balances held in FCNR (B) accounts in one foreign currency to another foreign currency in which FCNR (B) deposits are permitted to be maintained ."

(b) after paragraph 3, the following paragraphs shall be added namely:

"3A. A person resident outside India may subject to conditions prescribed by the Reserve Bank of India from time to time enter into a forward sale contract with an authorized dealer in India to hedge the currency risk arising out of his proposed foreign direct investment in India."

"3B. A person resident outside India having Foreign Direct Investments in India may, subject to the condition that forward cover shall be taken only after the rate has been approved by the Board, enter into forward contracts with rupee as one of the currencies to hedge the currency risk on dividend receivable by him from the Indian company."

**( Usha Thorat )**  
**Executive Director**

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