

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

Notification No. FEMA 143 /RB-2005

19th December 2005

**Foreign Exchange Management (Foreign exchange
derivative contracts) (Amendment)
Regulations, 2005.**

In exercise of the powers conferred by clause (h) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification No.FEMA 25/RB – 2000 dated May 3, 2000), namely: -

1. Short Title and Commencement:

(i) These Regulations may be called the Foreign Exchange Management (Foreign Exchange Derivative Contracts) (Amendment) Regulations, 2005.

(ii) They shall come into force from July 7, 2003.*

2. Amendment of the Regulations: -

In the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000

(i) in schedule I under the heading 'B. Contract other than Forward Contract' in paragraph 3:

- (a) sub paragraph (1) after the words "A person resident in India may enter into a foreign currency option contract ", the words " not involving the rupee as one of the currencies" shall be inserted;
- (b) After sub paragraph (2), the following new sub paragraph shall be inserted namely :-
"(3) A person resident in India may enter into a foreign currency –rupee option contract with an authorised dealer to hedge an exposure to exchange risk in respect of a transaction for which sale and/or purchase of foreign currency is permitted under the Act or the rules or regulations or directions or orders made or issued there under on the same terms and conditions applicable to forward contracts ."

(ii) In schedule II after the paragraph 3B the following new paragraph shall be inserted , namely: -

“ 4. A Foreign Institutional Investor , a Non-Resident Indian or a Person Resident outside India having Foreign Direct Investment in India , may enter into a foreign currency-rupee option contract with an authorised dealer in India, under the same terms and conditions applicable to forward contracts .”

Vinay Baijal
Chief General Manager

Footnote:

1. * It is clarified that no person will be adversely affected as a result of retrospective effect being given to such regulation.

2. The principal regulations were published in the Official Gazette *vide* notified vide No.GSR 411(E) dated May 8, 2000 in Part II Section 3 ,Sub section (i) and subsequently amended *vide* GSR

No.756 (E) dt.28.9.2000,

No.G.S.R.264 (E) dt.9.4.2002,

No. G.S.R.579(E) dt.19.8.2002 ,

No. G.S.R.222(E) dt.18.3.2003,

No. G.S.R.532(E) dt. 9.7.2003,

No. G.S.R.880(E) dt.11.11.2003, and

No. G.S.R.881(E) dt.11.11.2003.

**Published in the Official Gazette of Government
of India - Extraordinary - Part-II, Section 3,
Sub-Section (i) dated 28.12.2005 - G.S.R.No.750(E)**