



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2012-13/152

A. P. (DIR Series) Circular No. 13

July 31, 2012

To

All Category - I Authorised Dealer Banks

Madam/ Sir,

Risk Management and Inter Bank Dealings

Attention of Authorised Dealers Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 ([Notification No. FEMA/25/RB-2000 dated May 3, 2000](#)) as amended from time to time and [A.P. \(DIR Series\) Circular No. 58 dated December 15, 2011](#).

2. Under extant regulations, the facility of cancellation and rebooking is not permitted for forward contracts, involving Rupee as one of the currencies, booked by residents to hedge current and capital account transactions. In order to provide some operational flexibility to the exporters in their hedging operations, the extant regulations have been reviewed. Accordingly, it has been decided to allow exporters to cancel and rebook forward contracts to the extent of 25 percent of the contracts booked in a financial year for hedging their contracted export exposures.

3. Under extant regulations, Net Overnight Open Position Limit (NOOPL), for positions involving Rupee as one of the currencies, of AD Category-I banks takes into account the open positions of the overseas branches of the banks in India. Further, AD Category-I banks also include the delta of the Options Position under NOOPL. On a review, so as to provide some flexibility to them in managing their NOOPL, it has been decided to permit AD Category I banks to exclude their Net Options Position and the positions taken by the overseas branches from their NOOPL, for positions involving Rupee as one of the currencies. Accordingly, limits for such positions, within the overall NOOPL, may be separately fixed by the respective bank's board and communicated to the Reserve Bank for approval.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Rudra Narayan Kar)

Chief General Manager