



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

RBI/2012-13/204

A.P. (DIR Series) Circular No. 30

September 12, 2012

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Comprehensive Guidelines on Over the Counter (OTC) Foreign Exchange Derivatives – Cost Reduction Structures

Attention of Authorized 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](#)] and [A.P. \(DIR Series\) Circular No.32 dated December 28, 2010](#), as amended from time to time.

2. Under the extant instructions, use of cost reduction structures, i.e., cross currency option cost reduction structures and foreign currency –INR option cost reduction structures have been permitted to hedge exchange rate risk arising out of trade transactions and the External Commercial Borrowings (ECBs).

3. On a review, it has been decided to permit the use of cost reduction structures for hedging the exchange rate risk arising out of foreign currency loans availed of domestically against FCNR (B) deposits.

4. Necessary amendments to the Notification No. FEMA.25/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being notified separately.

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

6. 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