



RESERVE BANK OF INDIA
Financial Markets Regulation Department
Central Office
Mumbai - 400 001

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(Updated as on February 02, 2017)

All Authorised Persons

Madam / Sir,

Master Direction - Risk Management and Inter-Bank Dealings

In exercise of the powers conferred by clause (h) of sub-section (2) of section 47 of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999), the Reserve Bank has framed regulations to promote orderly development and maintenance of foreign exchange market in India through Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 [[Notification No. FEMA 25/RB-2000 dated May 3, 2000](#)] and subsequent amendments thereto. Attention is also drawn to provisions in [Notification No. FEMA 1/2000-RB](#), [Notification No. FEMA.3\(R\)/2018-RB](#) and subsequent amendments thereto. All of the above govern the Foreign Exchange Derivative Contracts, Overseas Commodity & Freight Hedging, Rupee Accounts of Non-Resident Banks and Inter-Bank Foreign Exchange Dealings etc. These

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हिन्दी आसान है, इसका प्रयोग
बढ़ाइए

Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, the Reserve Bank issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers / constituents with a view to implementing the regulations framed. Further, Reserve Bank of India, in public interest and / or to regulate the financial system of the country to its advantage, issues directions to agencies undertaking foreign exchange transactions under Section 45W of the Reserve Bank of India Act, 1934.

3. Instructions issued in respect of Foreign Exchange Derivative Contracts, Overseas Commodity & Freight Hedging, Rupee Accounts of Non-Resident Banks and Inter-Bank Foreign Exchange Dealings etc. have been compiled in this Master Direction. The list of underlying notifications / circulars which form the basis of this Master Direction is furnished in the Appendix I.

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

5. Authorised Persons shall mean Authorised Dealer Category-I banks, Standalone Primary Dealers authorised as Authorised Dealer Category–III and for the purpose of exchange traded currency derivatives, Recognised Stock Exchanges and Recognised Clearing Corporations, authorised under Section 10 (1) of the FEMA, 1999.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

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PART – A

FOREIGN EXCHANGE TRANSACTIONS

SECTION I

¹Facilities for Persons Resident in India (other than Authorised Dealers) and for Persons Resident outside India

1. Definitions

(i) In these Directions, unless the context otherwise requires:

(a) 'Anticipated exposure' means currency risk arising on account of current or capital account transactions permissible under the FEMA, 1999 or any rules or regulations made thereunder, that are proposed to be entered into in future.

(b) 'Contracted exposure' means currency risk arising on account of current or capital account transactions permissible under the FEMA, 1999 or any rules or regulations made thereunder, that have been entered into.

Explanation for the purpose of (a) and (b):

(i) The term 'exposure' shall also include exposures arising out of transactions between residents that are denominated in a foreign currency or are linked to a foreign currency or are linked to a benchmark denominated in foreign currency, but settled in INR; and

(ii) The term 'exposure' shall not include exposures arising from foreign exchange derivative and foreign currency interest rate derivative transactions undertaken for purposes other than hedging.

(c) 'Currency risk' means the potential for loss on account of movement in exchange rates of INR against a foreign currency or on account of movement in exchange rates of one foreign currency against another or on account of movement of interest rate applicable to a foreign currency.

¹ [A.P. \(DIR Series\) Circular No. 13 dated January 05, 2024](#)

(d) 'Deliverable foreign exchange derivative contract' means an OTC foreign exchange derivative contract other than a non-deliverable foreign exchange derivative contract (NDDC).

(e) 'Electronic Trading Platform (ETP)' shall have the same meaning as assigned to it in the Para 2(1)(iii) of [the Electronic Trading Platforms \(Reserve Bank\) Directions, 2018 dated October 05, 2018](#), as amended from time to time.

(f) 'Exchange traded currency derivative' shall have the same meaning as assigned to it in the Regulation 2(xvi) of the Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000 ([Notification no. FEMA.25/2000-RB dated May 03, 2000](#)), as amended from time to time.

(g) 'Foreign currency interest rate derivative contract' means a financial contract which derives its value from the change in the interest rate of a foreign currency and which is for settlement at a future date, i.e. any date later than the spot settlement date, provided that contracts involving currencies of Nepal and Bhutan shall not qualify under this definition.

(h) 'Foreign exchange derivative contract' means a financial contract which derives its value from the change in the exchange rate of two currencies at least one of which is not Indian Rupee and which is for settlement at a future date, i.e. any date later than the spot settlement date, provided that contracts involving currencies of Nepal and Bhutan shall not qualify under this definition.

(i) 'Hedging' means the activity of undertaking a foreign exchange derivative / foreign currency interest rate derivative transaction to offset the impact of an anticipated or a contracted exposure.

(j) 'Leveraged derivative' means an OTC derivative whose potential pay-out during the tenure of the derivative can be more than the notional amount of the contract or whose pay-out calculation involves effective multiplication, by a factor of more than 1.0 of either the notional amount or the underlying rate / price / index.

(k) 'Mid-market mark' means the price of the derivative that is free from profit, credit reserve, hedging, funding, liquidity, or any other costs or adjustments.

(l) 'Net worth' shall have the same meaning as assigned to it in the Section 2(57) of the Companies Act, 2013.

(m) 'Non-deliverable foreign exchange derivative contract (NDDC)' means an OTC foreign exchange derivative contract in which there is no delivery of the notional amount of the underlying currencies of the contract and which is cash-settled.

(n) 'Over-the-counter (OTC) derivative' means a derivative (deliverable or non-deliverable) other than those which are traded on Recognised Stock Exchanges and shall include those traded on electronic trading platforms (ETPs).

(o) 'Recognised clearing corporation' shall have the same meaning as assigned to it in Regulation 2(1)(p) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 dated October 03, 2018, as amended from time to time.

(p) 'Recognised stock exchange' shall have the same meaning as assigned to it in Regulation 2(1)(q) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 dated October 03, 2018, as amended from time to time.

(q) 'Turnover' shall have the same meaning as assigned to it in the Section 2(91) of the Companies Act, 2013.

(r) 'User' shall mean any person as defined in the Section 2(u) of the FEMA, 1999 (42 of 1999), whether resident in India or resident outside India, other than an Authorised Dealer.

(ii) For the purpose of these Directions, Authorised Dealer shall mean Authorised Dealer Category-I banks and Standalone Primary Dealers authorised as Authorised Dealer Category-III, unless stated otherwise. Any specific reference solely to Authorised Dealer Category-I banks shall not be applicable for Standalone Primary Dealers.

(iii) Specific types of foreign exchange derivative contracts and foreign currency interest rate derivative contracts shall have the meaning as provided at Annex XXII of this Master Direction.

(iv) Words and expressions used but not defined in these Directions shall have the meaning as assigned to them in the Foreign Exchange Management Act, 1999, Reserve Bank of India Act, 1934, and Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, as amended from time to time.

2. Directions for OTC foreign exchange transactions

2.1 User Classification Framework

(i) Authorised Dealers shall classify users as retail or non-retail for the purpose of offering foreign exchange derivative contracts and foreign currency interest rate derivative contracts.

(ii) The following users shall be eligible to be classified as non-retail users:

(a) All India Financial Institutions (AIFIs) and Non-Banking Finance Companies (NBFCs) (including Standalone Primary Dealers (SPDs) and Housing Finance Companies (HFCs));

(b) Insurance Companies regulated by the Insurance Regulatory and Development Authority of India (IRDAI);

(c) Pension Funds regulated by the Pension Fund Regulatory and Development Authority (PFRDA);

(d) Mutual Funds and Alternative Investment Funds regulated by the Securities and Exchange Board of India (SEBI);

(e) Resident users with (a) minimum net worth of ₹500 crore; or (b) minimum turnover of ₹1000 crore, as per the latest audited financial statements; and

(f) Persons resident outside India other than individuals.

(iii) Any user who is not eligible to be classified as a non-retail user shall be classified as a retail user.

(iv) Any user who is otherwise eligible to be classified as a non-retail user shall have the option to get classified as a retail user.

(v) Any user who is otherwise eligible to be classified as a retail user shall have the option to get classified as a non-retail user subject to the condition that the user makes a request to an Authorised Dealer in this regard and the Authorised Dealer is satisfied that the user has the risk management capabilities suitable for classification as a non-retail user.

2.2 Products

(i) Authorised Dealers may offer the following foreign exchange contracts, involving INR or otherwise, to users (both retail and non-retail):

- (a) foreign exchange cash;
- (b) foreign exchange tom; and
- (c) foreign exchange spot.

Note: Money changing transactions are not in the scope of these Directions and shall be governed by the [Master Direction – Money Changing Activities dated January 01, 2016](#), as amended from time to time, or any other rule, regulation or Direction issued in this regard.

(ii) Authorised Dealers may offer the following foreign exchange derivative contracts, involving INR or otherwise, to retail users:

- (a) foreign exchange forward;
- (b) foreign exchange swap;
- (c) currency swap;
- (d) purchase of foreign exchange call option (European);
- (e) purchase of foreign exchange put option (European);
- (f) purchase of foreign exchange call spread; and
- (g) purchase of foreign exchange put spread.

(iii) Authorised Dealers may offer the following foreign exchange derivative contracts, involving INR or otherwise, to non-retail users:

- (a) all foreign exchange products permitted to be offered to the retail users;
- (b) covered foreign exchange call option;
- (c) covered foreign exchange put option;
- (d) option to undertake / cancel a foreign exchange forward / foreign exchange swap / currency swap / foreign exchange option; and
- (e) any other foreign exchange derivative contract including derivatives having cash instrument(s) and/or permitted derivative(s) as components, but excluding leveraged derivatives and derivatives containing a derivative instrument as underlying other than those specifically permitted.

(iv) Authorised Dealers may offer the following foreign currency interest rate derivative contracts to retail users:

- (a) forward rate agreement;
- (b) interest rate swap;
- (c) purchase of interest rate call option (European);
- (d) purchase of interest rate put option (European);
- (e) purchase of interest rate cap;
- (f) purchase of interest rate floor;
- (g) purchase of interest rate collar; and
- (h) purchase of interest rate reverse collar.

(v) Authorised Dealers may offer the following foreign currency interest rate derivative contracts to non-retail users:

- (a) all foreign currency interest rate products permitted to be offered to the retail users;
- (b) option to undertake / cancel a forward rate agreement / interest rate swap / interest rate option; and
- (c) any other foreign currency interest rate derivative contract including derivatives having cash instrument(s) and/or permitted derivative(s) as components, but excluding leveraged derivatives and derivatives containing a derivative instrument as underlying other than those specifically permitted.

(vi) NDDCs involving INR can be offered to residents and non-residents by an Authorised Dealer Category-I bank, provided the Authorised Dealer Category-I bank (or its non-resident parent bank) has an operating International Financial Services Centre (IFSC) Banking Unit (IBU) as specified in [circular no. RBI/2014-15/533.DBR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015](#), as amended from time to time.

(vii) NDDCs involving INR offered to resident users shall be cash-settled in INR. Such derivatives offered to non-resident users shall be cash-settled in INR or any foreign currency.

(viii) Foreign exchange derivative contracts not involving INR and foreign currency interest rate derivative contracts offered to resident users for purposes other than hedging shall be cash-settled in INR. Such derivatives offered to non-resident users for purposes other than hedging shall be cash-settled in INR or any foreign currency.

2.3 Purpose

(i) Authorised Dealers may offer foreign exchange cash, tom and spot contracts, involving INR or otherwise, to users for permissible current or capital account transactions.

(ii) Authorised Dealers may offer deliverable foreign exchange derivative contracts involving INR to users for the purpose of hedging.

(iii) Authorised Dealer Category-I banks with an operating IFSC Banking Unit may offer NDDCs involving INR to resident users for the purpose of hedging and to non-resident users without any restriction in terms of purpose.

(iv) Authorised Dealers may offer deliverable and non-deliverable foreign exchange derivative contracts not involving INR to users without any restriction in terms of purpose.

(v) Authorised Dealers may offer foreign currency interest rate derivatives to users without any restriction in terms of purpose.

(vi) Authorised Dealers may offer currency swaps to resident users, other than individuals, for the purpose of converting their INR liability into a foreign currency liability. In case of resident retail users, such conversion shall be subject to the existence of a natural hedge.

2.4 Other Directions

(i) While offering a foreign exchange derivative contract involving INR to a user, other than NDDCs involving INR offered to non-resident users, and during the life of such contracts, Authorised Dealers shall ensure that:

(a) The same exposure has not been hedged using any another derivative contract;

(b) The notional amount and tenor of the derivative contract does not exceed the value and tenor of the exposure;

(c) In case the exposure ceases to exist, in full or in part, the user has appropriately adjusted the hedge to ensure adherence to (b) above, unless the original derivative contract is assigned against any other unhedged exposure. No adjustment to the hedge is required to be made if, in the considered opinion of the Authorised Dealer, the change in exposure is not material;

(d) In cases where the value of the exposure falls below the notional of the derivative, the notional should be suitably adjusted unless such divergence has occurred on account of changes in the market value of the exposure, in which case the user may, at his discretion, continue with the derivative contract till its original maturity. No adjustment to the hedge is required to be made if, in the considered opinion of the Authorised Dealer, the change in exposure is not material;

(e) Where the value of the exposure is not ascertainable with certainty, derivative contracts may be booked on the basis of reasonable estimates. Such estimates should be reviewed periodically to ensure compliance with (c) and (d) above.

Provided that Authorised Dealers shall permit users to take position up to USD 100 million equivalent of notional value (outstanding at any point of time), across all Authorised Dealers, for hedging contracted exposure without the requirement to establish the existence of underlying exposure. Authorised Dealers shall inform users that while they are not required to establish the existence of underlying exposure, they must ensure the existence of a valid underlying contracted exposure which has not been hedged using any other derivative contract and should be in a position to establish the same, if required.

(ii) Authorised Dealers shall allow users to freely cancel and rebook derivative contracts. However, net gains (gains over and above losses, if any) on derivative contracts booked to hedge an anticipated exposure shall be passed on to the eligible user only at the time of the cash flow of the anticipated transaction. In case of part delivery, net gains shall be transferred on a pro-rata basis.

(iii) Authorised Dealers may, in exceptional cases, pass on the net gains, if any, on derivative contracts booked to hedge an anticipated exposure whose underlying cash flow has not materialised, provided the Authorised Dealer is satisfied that the absence of cash flow is on account of factors which are beyond the control of the user. Such instances along with specific justification, shall be kept on record by the Authorised Dealer.

(iv) Authorised Dealers may call for such documents from users as they deem necessary for complying with the requirements of these Directions.

(v) While offering foreign exchange derivative / foreign currency interest rate derivative to the retail user, Authorised Dealers shall provide the mid-market mark / bid and ask price of the derivative before entering into the contract and the same must also be included in the deal confirmation / term sheet.

(vi) While offering a foreign exchange derivative contract involving INR to a non-resident (or its central treasury / group entity, where applicable), Authorised Dealers may deal with a non-resident user either directly or on a back-to-back basis through overseas entities (including overseas branches, IFSC Banking Units, wholly owned

subsidiaries and joint ventures of Authorised Dealers) subject to the following conditions:

(a) The overseas entity is eligible to deal with the product concerned in the capacity of a dealer / market-maker as per the host jurisdiction's laws and regulations;

(b) The wholly owned subsidiary / joint venture of Authorised Dealers incorporated in India can undertake such transactions provided the wholly owned subsidiary / joint venture is a banking entity;

(c) In case of a central treasury / group entity of the non-resident user, the Authorised Dealer shall ensure that the central treasury / group entity is appropriately authorised by the user to deal for and on its behalf; and

(d) Authorised Dealers shall provide information, data or any other particular required by the Reserve Bank of India in respect of the aforesaid transactions in the manner and time prescribed.

(vii) Authorised Dealer shall ensure that in the case of non-resident users, all payables incidental to the foreign exchange transactions are met by the user out of repatriable funds and / or inward remittance through normal banking channels.

(viii) Market-makers in OTC markets shall comply with the Master Direction – Reserve Bank of India (Market-makers in OTC Derivatives) Directions, 2021 issued vide [RBI Circular No. FMRD.FMD.07/02.03.247/2021-22 dated September 16, 2021](#), as amended from time to time.

(ix) Existing contracts booked under the provisions of the earlier Directions may be continued till the date of their expiry.

3. Directions for exchange traded currency derivatives

3.1 Recognised Stock Exchanges and Recognised Clearing Corporations shall not deal in or otherwise undertake the business relating to foreign exchange derivatives

unless they hold an authorization issued by the Reserve Bank of India under Section 10(1) of the Foreign Exchange Management Act, 1999.

3.2 Products

(i) Recognized Stock Exchanges may offer the following foreign exchange derivative contracts, involving INR or otherwise, to persons resident in India and persons resident outside India:

- (a) Foreign exchange future;
- (b) Foreign exchange call option (European); and
- (c) Foreign exchange put option (European).

(ii) Permitted currency pairs: USD-INR, EUR-INR, GBP-INR, JPY-INR, EUR-USD, GBP-USD and USD-JPY.

(iii) The underlying for the foreign exchange option shall be the spot rate of the corresponding currency pair.

(iv) Tenor: Up to 12 months.

3.3 Purpose

(i) Recognized Stock Exchanges may offer foreign exchange derivative contracts involving INR to users for the purpose of hedging contracted exposure.

(ii) Recognized Stock Exchanges may offer foreign exchange derivative contracts not involving INR without any restriction in terms of purpose.

3.4 Other Directions

(i) For exchange traded foreign exchange derivative contracts involving INR, Recognized Stock Exchange shall ensure that:

- (a) The user is allowed to take positions (long or short), without having to establish existence of underlying exposure, up to a single limit of USD 100

million equivalent across all currency pairs involving INR, put together, and combined across all Recognized Stock Exchanges;

Note: Recognized Stock Exchanges shall inform users that while they are not required to establish the existence of underlying exposure, they must ensure the existence of a valid underlying contracted exposure which has been not hedged using any other derivative contract and should be in a position to establish the same, if required.

(b) Recognized Stock Exchanges shall provide a facility to users intending to take position beyond USD 100 million (or equivalent) in contracts involving INR, in all exchanges put together, to designate an Authorised Dealer / Custodian for the purpose of monitoring transactions of the user to ensure that:

(i) All positions of the user in all contracts involving INR, across all the Recognized Stock Exchanges put together, are backed by contracted exposure;

(ii) The same exposure has not been hedged using any another derivative contract;

(iii) The notional amount and tenor of the derivative contract does not exceed the value and tenor of the exposure;

(iv) In case the exposure ceases to exist, in full or in part, the user has appropriately adjusted the hedge to ensure adherence to (iii) above, unless the original derivative contract is assigned against any other unhedged exposure. No adjustment to the hedge is required to be made if, in the considered opinion of the Authorised Dealer, the change in exposure is not material;

(v) In cases where the value of the exposure falls below the notional of the derivative, the notional should be suitably adjusted unless such divergence has occurred on account of changes in the market value of the exposure, in which case the user may, at his discretion, continue with the derivative contract till its original maturity. No adjustment to the hedge is required to be

made if, in the considered opinion of the Authorised Dealer, the change in exposure is not material;

(vi) Where the value of the exposure is not ascertainable with certainty, derivative contracts may be booked on the basis of reasonable estimates. Such estimates should be reviewed periodically to ensure compliance with (iv) and (v) above.

(c) For users taking positions beyond the aforesaid limit of USD 100 million, Recognized Stock Exchanges shall provide information on day-end open positions as well as intra-day highest position of the users to the designated Authorised Dealer / Custodian.

(d) Recognized Stock Exchanges shall ensure that the participants on exchanges are made adequately aware of the risks associated with exchange traded currency derivatives.

(ii) Price / premium of exchange traded foreign exchange derivative contracts involving INR shall be quoted in INR. Price / premium of EUR-USD and GBP-USD cross currency contracts shall be quoted in USD and USD-JPY contract shall be quoted in JPY.

(iii) Exchange traded foreign exchange derivative contracts, involving INR or otherwise, shall be cash settled in INR. The settlement price for exchange traded foreign exchange derivative contracts involving INR shall be the corresponding Financial Benchmarks India Pvt. Ltd. (FBIL) Reference Rate on the last trading day of the contract. For permitted exchange traded foreign exchange derivative contracts involving INR where FBIL Reference Rates are not available and for other currency pairs, the mechanism for arriving at the settlement price shall be decided by the Recognised Stock Exchange with the approval of SEBI.

(iv) Premium for foreign exchange option shall be payable in INR based on the FBIL Reference Rates. If the corresponding FBIL Reference Rate is not available, the mechanism for arriving at the payable amount shall be decided by the Recognized Stock Exchange with the approval of SEBI.

(v) The trading and clearing membership of the foreign exchange derivative segment of the Recognized Stock Exchange / Recognised Clearing Corporation shall be separate from the membership of other segments and shall be subject to the regulations / directions issued by the SEBI.

(vi) Recognized Stock Exchanges and Authorised Dealers may call for such documents from users as they deem necessary for complying with the requirements of these Directions.

(vii) Recognised Stock Exchanges and recognised Clearing Corporations authorised under Section 10(1) of the Foreign Exchange Management Act, 1999 shall submit to the Reserve Bank of India such returns, documents and other information as may be required, in the format and time frame specified, if any. Also, they shall report any major development relating to its functioning of the permitted products such as market abuse, market disruption, adverse finding relating its functioning or regulatory action, etc., at the earliest to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India (via [email](#)).

(viii) The Reserve Bank may from time to time modify the eligibility criteria for the participants, modify participant-wise position limits, prescribe margins and / or impose specific margins for identified participants, fix or modify any other prudential limits, or take such other actions as deemed necessary in public interest, in the interest of financial stability and orderly development and maintenance of foreign exchange market in India.

SECTION II

[Removed]²

² [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

SECTION III

Facilities for Authorised Dealers

1. Management of Assets-Liabilities

Users – Authorised Dealers

Purpose - Hedging of interest rate and currency risks of foreign exchange asset-liability portfolio

Products - Interest Rate Swap, Interest Rate Cap/Collar, Currency Swap, Forward Rate Agreement. Authorised Dealers may also purchase call or put options to hedge their cross currency proprietary trading positions.

Operational Guidelines, Terms and Conditions

The use of these instruments is subject to the following conditions:

- a) An appropriate policy in this regard is approved by the Top Management.
- b) The value and maturity of the hedge should not exceed those of the underlying.
- c) No 'stand alone' transactions can be initiated. If a hedge becomes naked, in part or full, owing to the contraction of the value of portfolio, it may be allowed to continue till the original maturity and should be marked to market at regular intervals.
- d) The net cash flows arising out of these transactions are booked as income/ expenditure and reckoned toward foreign exchange position, wherever applicable.

2. Hedging of Gold Prices

Users –

- i. Banks authorised by the Reserve Bank to operate the Gold Deposit Scheme.
- ii. Banks, which are allowed to enter into forward gold contracts in India in terms of the guidelines issued by the Department of Regulation (including the positions arising out of inter-bank gold deals).

Purpose – To hedge price risk of gold

Products - Exchange-traded and over-the-counter hedging products available overseas.

Operational Guidelines, Terms and Conditions

- a) While using products involving options, it may be ensured that there is no net receipt of premium, either direct or implied.
- b) Authorised banks are permitted to enter into forward contracts with their constituents (exporters of gold products, jewellery manufacturers, trading houses, etc.) in respect of the underlying sale, purchase and loan transactions in gold with them, subject to the conditions specified by the Reserve Bank in this regard. The tenor of such contracts should not exceed six months.

3. Hedging of Capital

Users – Foreign banks operating in India

Product – Forward foreign exchange contracts

Operational Guidelines, Terms and Conditions

a) Tier I capital -

- i) The capital funds should be available in India to meet local regulatory and CRAR requirements and, hence, these should not be parked in nostro accounts. Foreign currency funds accruing out of hedging should not be parked in Nostro accounts but should remain swapped with banks in India at all times.
- ii) The forward contracts should be for tenors of one or more years and may be rolled over on maturity. Rebooking of cancelled hedges will require prior approval of the Reserve Bank.

b) Tier II capital -

- i) Foreign banks are permitted to hedge their Tier II capital in the form of Head Office borrowing as subordinated debt, by keeping it swapped into rupees at all times in terms of [DBOD circular No.IBS.BC.65 /23.10.015/2001-02 dated February 14, 2002.](#)
- ii) Banks are not permitted to enter into foreign currency-INR swap transactions involving conversion of fixed rate rupee liabilities in respect of Innovative Tier I/Tier II bonds into floating rate foreign currency liabilities.

4. [Removed]³

5. [Removed]⁴

6. Participation of Authorised Dealers in the exchange traded currency derivative (ETCD) market

(a) Authorised Dealers may undertake trading in all permitted exchange traded currency derivatives within their Net Open Position Limit (NOPL) subject to limits stipulated by the exchanges (for the purpose of risk management and preserving market integrity) provided that any synthetic USD-INR position created using a combination of exchange traded FCY- INR and cross-currency contracts shall have to be within the position limit prescribed by the exchange for the USD-INR contract.

(b) Authorised Dealers may net / offset their positions in the ETCD market against the positions in the OTC derivatives markets. Keeping in view the volatility in the foreign exchange market, Reserve Bank may however stipulate a separate sub-limit of the NOPL (as a percentage thereof) exclusively for the OTC market as and when required.

⁵(c) While participating in the ETCD market, AD Category-I banks shall comply with the [Master Direction – Reserve Bank of India \(Financial Services provided by Banks\) Directions, 2016 dated May 26, 2016](#), as amended from time to time and Standalone Primary Dealers authorised as Authorised Dealer Category-III shall comply with the [Master Direction – Standalone Primary Dealers \(Reserve Bank\) Directions, 2016 dated August 23, 2016](#), as amended from time to time.

³ [A.P. \(DIR Series\) Circular No. 04 dated May 03, 2024](#)

⁴ [A.P. \(DIR Series\) Circular No. 04 dated May 03, 2024](#)

⁵ [A.P. \(DIR Series\) Circular No. 04 dated May 03, 2024](#)

PART B

[Removed]⁶

⁶ Related instructions consolidated in the [Master Direction – Deposits and Accounts dated January 01, 2016](#), as amended from time to time.

PART C

INTER-BANK FOREIGN EXCHANGE DEALINGS

1. General

The Board of Directors of Authorised Dealers should frame an appropriate policy and fix suitable limits for various Treasury functions.

2. Position and Gaps

The net overnight open exchange position (Annex-I) and the aggregate gap limits should be communicated to the Reserve Bank soon after the approval of the Board / Management Committee.

3. Inter-bank Transactions

Subject to compliance with the provisions of paragraphs 1 and 2, Authorised Dealers may freely undertake foreign exchange transactions as under:

a) With Authorised Dealers in India:

- (i) Buying/Selling/Swapping foreign currency against Rupees or another foreign currency.
- (ii) Placing/Accepting deposits and Borrowing/Lending in foreign currency.

b) With banks overseas and Off-shore Banking Units in Special Economic Zones

- (i) Buying/Selling/Swapping foreign currency against another foreign currency to cover client transactions or for adjustment of own position,
- (ii) Initiating trading positions in the overseas markets.

NOTE :

A. Funding of accounts of Non-resident banks - please refer to paragraph 3 of Part B.

B. Form A2 need not be completed for sales in the inter-bank market, but all such transactions shall be reported to Reserve Bank in R Returns.

⁷3A. Transaction in Non-deliverable derivative contracts (NDDC)

Authorised Dealer Category-I banks having an IFSC Banking Unit (IBU) (as specified in [circular no.RBI/2014-15/533.DBR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015](#) (as amended from time to time)) may transact in Non-deliverable derivative contracts (NDDCs) with other AD Category-I banks having IBUs and banks overseas. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank). Such transactions can be cash-settled in INR or any foreign currency.

4. Foreign Currency Accounts/ Investments in Overseas Markets

(i) Inflows into foreign currency accounts arise primarily from client-related transactions, swap deals, deposits, borrowings, etc. Authorised Dealers may maintain balances in foreign currencies up to the levels approved by the Board. They are free to manage the surplus in these accounts through overnight placement and investments with their overseas branches/correspondents subject to adherence to the gap limits approved by the Reserve Bank.

(ii) Authorised Dealers are free to undertake investments in overseas markets up to the limits approved by their Board. Such investments may be made in overseas money market instruments and/or debt instruments issued by a foreign state with a residual maturity of less than one year and rated at least as AA (-) by Standard & Poor / FITCH IBCA or Aa3 by Moody's. For the purpose of investments in debt instruments other than the money market instruments of any foreign state, Authorised Dealers' Board may lay down country ratings and country - wise limits separately wherever necessary.

NOTE: For the purpose of this clause, 'money market instrument' would include any debt instrument whose life to maturity does not exceed one year as on the date of purchase.

(iii) AD Category-I banks may also invest the un-deployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to the condition that the maturity

⁷ [A. P. \(DIR Series\) Circular No. 23 dated March 27, 2020](#)

of the securities invested in do not exceed the maturity of the underlying FCNR (B) deposits.

(iv) Foreign currency funds representing surpluses in the nostro accounts may be utilised by Authorised Dealer Category-I banks for:

a) making loans to resident constituents for meeting their foreign exchange requirements or for the Rupee working capital/capital expenditure needs of exporters/corporates who have a natural hedge or a risk management policy for managing the exchange risk subject to the prudential/interest-rate norms, credit discipline and credit monitoring guidelines in force.

b) extending credit facilities to Indian wholly owned subsidiaries/ joint ventures abroad in which at least 51 per cent equity is held by a resident company, subject to the guidelines issued by Reserve Bank (Department of Regulation).

(v) Authorised Dealers may write-off/transfer to unclaimed balances account, unreconciled debit/credit entries as per instructions issued by Department of Regulation, from time to time.

5. Loans/Overdrafts by Authorised Dealer Category-I banks

a) All categories of overseas foreign currency borrowings of AD Category-I banks, (except for borrowings at (c) below), including existing External Commercial Borrowings and loans/overdrafts from their Head Office, overseas branches and correspondents outside India, International / Multilateral Financial Institutions [see (e) below] or any other entity as permitted by Reserve Bank of India and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 100 per cent of their unimpaired Tier I capital or USD 10 million (or its equivalent), whichever is higher subject to conditions laid down in (f) below. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches/correspondents abroad and also includes overseas borrowings in gold for funding domestic gold loans (cf. [DBOD circular No. IBD.BC. 33/23.67.001/2005-06 dated September 5, 2005](#)). If draws in excess of the above limit are not adjusted within five days, a report, should be submitted to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, 9th Floor,

Central Office Building, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001, within 15 days from the close of the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.

b) The funds so raised may be used for purposes other than lending in foreign currency to constituents in India and repaid without reference to the Reserve Bank. As an exception to this rule, AD Category-I banks are permitted to use borrowed funds as also foreign currency funds received through swaps for granting foreign currency loans for export credit in terms of IECD [Circular No 12/04.02.02/2002-03 dated January 31, 2003](#). Any fresh borrowing above this limit shall be made only with the prior approval of the Reserve Bank. Applications for fresh ECBs should be made as per the current ECB Policy.

c) The following borrowings would continue to be outside the limit of 100 per cent of unimpaired Tier I capital or USD 10 million (or its equivalent), whichever is higher:

i) Overseas borrowings by AD Category-I banks for the purpose of financing export credit subject to the conditions prescribed in DBOD Master Circular dated July 2, 2015 on Rupee / Foreign Currency Export Credit & Customer Service To Exporters.

ii) Subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital.

iii) Capital funds raised/augmented by the issue of Innovative Perpetual Debt Instruments and Debt Capital Instruments, in foreign currency, in terms of [Circulars DBOD. No. BP.BC.57/21.01.002/2005-06 dated January 25, 2006](#), [DBOD. No. BP.BC.23/21.01.002/2006-07 dated July 21, 2006](#) and Perpetual Debt Instruments and Debt Capital Instruments in foreign currency issued in terms of [circular DBOD.No.BP.BC.98/21.06.201/2011-12 dated May 2, 2012](#).

iv) Any other overseas borrowing with the specific approval of the Reserve Bank.

d) Interest on loans/overdrafts may be remitted (net of taxes) without the prior approval of Reserve Bank.

e) ⁸AD Category-I banks may borrow only from International / Multilateral Financial Institutions in which Government of India is a shareholding member or which have been established by more than one government or have shareholding by more than one government and other international organizations.

f) The borrowings beyond 50 per cent of unimpaired Tier I capital of AD Category-I banks will be subject to the following conditions:

(i) The bank should have a Board approved policy on overseas borrowings which shall contain the risk management practices that the bank would adhere to while borrowing abroad in foreign currency.

(ii) The bank should maintain a CRAR of 12.0 per cent.

(iii) The borrowings beyond the existing ceiling shall be with a minimum maturity of three years.

(iv) All other existing norms (FEMA regulations, NOPL norms, etc) shall continue to be applicable.

⁹5A. Overseas foreign currency borrowing by Standalone Primary Dealers authorised as Authorised Dealer Category-III

a) Standalone Primary Dealers may borrow in foreign currency from their parent or correspondent outside India or any other entity as permitted by Reserve Bank of India and avail overdraft in nostro accounts (not adjusted within five days), only for operational reasons. Such borrowings shall be within the limit for foreign currency borrowings prescribed in the [Master Direction – Standalone Primary Dealers \(Reserve Bank\) Directions, 2016 dated August 23, 2016](#), as amended from time to time.

b) If draws in excess of the above limit are not adjusted within five days, a report, should be submitted to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, 9th Floor, Central Office Building, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001, within 15 days from the close of

⁸ [A.P. \(DIR Series\) Circular No. 112 dated June 25, 2015](#)

⁹ [A.P. \(DIR Series\) Circular No. 04 dated May 03, 2024](#)

the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.

¹⁰6. Customer and inter-bank transactions beyond onshore market hours

Authorised dealers may undertake customer (persons resident in India and persons resident outside India) and inter-bank transactions beyond onshore market hours. Transactions with persons resident outside India, through their foreign branches and subsidiaries may also be undertaken beyond onshore market hours.

¹⁰ [A.P. \(DIR Series\) Circular No. 15 dated January 06, 2020](#)

PART-D

[Removed]¹¹

¹¹ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

PART E

A. REPORTS TO THE RESERVE BANK

i) The Head/Principal Office of each Authorised Dealer should submit daily statements of Foreign Exchange Turnover in Form FTD and Gaps, Position and Cash Balances in Form GPB through the Centralised Information Management System (CIMS) as per the format given in Annex-II by the following working day.

ii) [Removed]¹²

iii) [Removed]¹³

iv) Authorised Dealers should forward details of exposures in foreign exchange as at the end of every quarter as per the format given in Annex-V through CIMS by the 30th of the month following the end of the quarter. Please note that details of exposures of all corporate clients who meet the prescribed criteria have to be included in the report. Authorised Dealers should submit this report based on their own books and not based on corporate returns.

v) Authorised Dealers should forward details of option transactions (FCY-INR) undertaken on a weekly basis as per the format given in Annex VIII through CIMS / [email](#) by the first working day of the following week.

vi) Authorised Dealers have to report their total outstanding foreign currency borrowings under all categories as on the last working day of every month as per the format given in Annex-IX through CIMS by 10th of the following month.

vii) [Removed]¹⁴

viii) The Head/Principal Office of each Authorised Dealer should submit a statement in form BAL giving details of their holdings of all foreign currencies on fortnightly basis

¹² [A. P. \(DIR Series\) Circular No. 3 dated August 10, 2017](#)

¹³ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

¹⁴ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

through the web portal at <https://bop.rbi.org.in> as per the format given in Annex III¹⁵ within seven calendar days from the close of the reporting period to which it relates.

ix) [Removed]¹⁶

x) [Removed]¹⁷

xi) [Removed]¹⁸

xii) [Removed]¹⁹

xiii) Authorised Dealers should report on a quarterly basis, doubtful transactions involving frequent cancellation of hedge transactions and / or the underlying trade transactions by non-residents under the scheme as per the format indicated in the Annex XX through CIMS by the 10th of the month following the end of the quarter.

²⁰B. REPORTING TO THE TRADE REPOSITORY

(i) Authorised Dealers should report all OTC foreign exchange derivative contracts and foreign currency interest rate derivative contracts, undertaken by them directly or through their overseas entities²¹ (including overseas branches, IFSC Banking Units, wholly owned subsidiaries and joint ventures of Authorised Dealers), to the Trade Repository (TR) of Clearing Corporation of India Ltd. (CCIL) as per the following timelines:

(a) Inter-bank foreign exchange derivative contracts involving INR (except currency swaps and structured derivatives) should be reported in hourly batches within 30 minutes from completion of the hour. Such contracts

¹⁵ [A. P. \(DIR Series\) Circular No. 3 dated August 10, 2017](#)

¹⁶ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

¹⁷ Related instructions consolidated in the [Master Direction – Deposits and Accounts dated January 01, 2016](#), as amended from time to time.

¹⁸ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

¹⁹ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

²⁰ [A.P. \(DIR Series\) Circular No. 04 dated May 03, 2024](#)

²¹ In case of foreign banks operating in India, through any branch of the parent bank.

executed 30 minutes prior to closure of CCIL's reporting platform for the day and subsequent to closure of CCIL's reporting platform for the day should be reported by 10 a.m of the following business day;

(b) Inter-bank foreign exchange derivative contracts not involving INR (except currency swaps and structured derivatives) executed up to 5 p.m.on any given day should be reported by 05:30 p.m of that day. Such contracts executed after 5 p.m should be reported by 10 a.m of the following business day;

(c) Inter-bank currency swaps, structured derivatives and foreign currency interest rate derivative contracts executed upto 5 p.m.on any given day should be reported before closure of CCIL's reporting platform for the day. Such contracts executed after 5 p.m should be reported by 10 a.m of the following business day; and

(d) Foreign exchange derivative contracts and foreign currency interest rate derivative contracts executed with clients should be reported before 12 noon of the following business day.

Note: For the purpose of (a) (b) and (c), structured derivative shall have the meaning as assigned in the [Master Direction – Reserve Bank of India \(Market-makers in OTC Derivatives\) Directions, 2021 dated September 16, 2021](#), as amended from time to time.

(ii) Under the 'back-to-back' arrangement, trade details, including particulars of the non-resident client should be reported to the TR.

(iii) There shall be no requirement of matching transactions with overseas counterparties and client transactions in the TR as the overseas counterparties and clients are not required to report/confirm the transaction details. Authorised Dealers shall be responsible for ensuring the accuracy in respect of transactions reported.

(iv) Authorised Dealers should ensure that outstanding balances between their books and the TR are reconciled on an ongoing basis.

(v) The reporting formats shall be as indicated by CCIL with the prior approval of the Reserve Bank.

[See Part C, Paragraph 2]

A. Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers

The Foreign Exchange Exposure Limits of Authorised Dealers would be dual in nature.

- i. **Net Overnight Open Position Limit (NOOPL) for calculation of capital charge on forex risk.**
- ii. **Limit for positions involving Rupee as one of the currencies (NOP-INR) for exchange rate management.**

For banks incorporated in India, the exposure limits fixed by the Board should be the aggregate for all branches including their overseas branches and Off-shore Banking Units. For foreign banks, the limits will cover only their branches in India.

i. Net Overnight Open Position Limit (NOOPL) for calculation of capital charge on forex risk

NOOPL may be fixed by the boards of the respective Authorised Dealers and communicated to the Reserve Bank immediately through CIMS / [email](#). However, such limits should not exceed 25 percent of the total capital (Tier I and Tier II capital) of the Authorised Dealer.

The Net Open position may be calculated as per the method given below:

1. Calculation of the Net Open Position in a Single Currency

The open position must first be measured separately for each foreign currency. The open position in a currency is the sum of (a) the net spot position, (b) the net forward position and (c) the net options position.

a) Net Spot Position

The net spot position is the difference between foreign currency assets and the liabilities in the balance sheet. This should include all accrued income/expenses.

b) Net Forward Position

This represents the net of all amounts to be received less all amounts to be paid in the future as a result of foreign exchange transactions which have been concluded.

These transactions, which are recorded as off-balance sheet items in the Authorised Dealers' books, would include:

- i) spot transactions which are not yet settled;
- ii) forward transactions;
- iii) Guarantees and similar commitments denominated in foreign currencies which are certain to be called;
- iv) Net future income/expenses not yet accrued but already fully hedged (at the discretion of the reporting Authorised Dealer);
- v) Net of amounts to be received/paid in respect of currency futures, and the principal on currency futures/swaps.

c) Net Options Position

The options position is the "delta-equivalent" spot currency position as reflected in the authorised dealer's options risk management system, and includes any delta hedges in place which have not already been included under 1(a) or 1(b) (i) and (ii) above.

2. Calculation of the Overall Net Open Position

This involves measurement of risks inherent in Authorised Dealers' mix of long and short position in different currencies. It has been decided to adopt the "shorthand method" which is accepted internationally for arriving at the overall net open position. Authorised Dealers may, therefore, calculate the overall net open position as follows:

- i. Calculate the net open position in each currency (paragraph 1 above).
- ii. Calculate the net open position in gold.
- iii. Convert the net position in various currencies and gold into Rupees in terms of existing RBI / FEDAI Guidelines. All derivative transactions including forward exchange contracts should be reported on the basis of Present Value (PV) adjustment.
- iv. Arrive at the sum of all the net short positions.
- v. Arrive at the sum of all the net long positions.

Overall net foreign exchange position is the higher of (iv) or (v). The overall net foreign exchange position arrived at as above must be kept within the limit approved by the Authorised Dealers' Board.

Note: Authorised Dealers should report all derivative transactions including forward exchange contracts on the basis of PV adjustment for the purpose of calculation of the net open position. Authorised Dealers may select their own yield curve for the purpose of PV adjustments. Authorised Dealers however should have an internal policy approved by their ALCO regarding the yield curve/(s) to be used and apply it on a consistent basis.

3. Offshore exposures

For banks with overseas presence, the offshore exposures should be calculated on a standalone basis as per the above method and should not be netted with onshore exposures. The aggregate limit (on-shore + off-shore) may be termed Net Overnight open Position (NOOP) and will be subjected to capital charge. Accumulated surplus of foreign branches need not be reckoned for calculation of open position. An illustrative example is as follows:

If a bank has, let us say three foreign branches and the three branches have open position as below-

Branch A: + Rs 15 crores

Branch B: + Rs 5 crores

Branch C: - Rs 12 crores

The open position for the overseas branches taken together would be Rs 20 crores.

4. Capital Requirement

As prescribed by the Reserve Bank from time to time.

5. Other Guidelines

- i. ALCO / Internal Audit Committee of the Authorised Dealers should monitor the utilization of and adherence to the limits.
- ii. Authorised Dealers should also have a system in place to demonstrate, whenever required, the various components of the NOOP as prescribed in the guidelines for verification by Reserve Bank.
- iii. Transactions undertaken by Authorised Dealers till the end of business day may be computed for calculation of Foreign Exchange Exposure Limits. The transactions undertaken after the end of business day may be taken into the positions for the next day. The end of day time may be approved by the Authorised Dealers' Board.

ii. Limit for positions involving Rupee as one of the currencies (NOP-INR) for exchange rate management

- a. NOP-INR may be prescribed to Authorised Dealers at the discretion of the Reserve Bank of India depending on the market conditions.
- b. The NOP-INR positions may be calculated by netting off the long & short onshore positions (as arrived at by the short hand method) plus the net INR positions of offshore branches.
- c. Positions undertaken by Authorised Dealers in currency futures / options traded in exchanges will form part of the NOP-INR.
- d. As regards option position, any excesses on account of large option Greeks during volatile market closing / revaluations may be treated as technical breaches. However, such breaches are to be monitored by the Authorised Dealers with proper audit trail. Such breaches should also be regularized and ratified by appropriate authorities (ALCO / Internal Audit Committee).

B. Aggregate Gap Limits (AGL)

- i. AGL may be fixed by the boards of the respective Authorised Dealers and communicated to the Reserve Bank immediately through CIMS / [email](#). However, such limits should not exceed 6 times the total capital (Tier I and Tier II capital) of the Authorised Dealer.
- ii. However, Authorised Dealers which have instituted superior measures such as tenor wise PV01 limits and VaR to aggregate foreign exchange gap risks are allowed to fix their own PV01 and VaR limits based on their capital, risk bearing capacity etc. in place of AGL and communicate the same to the Reserve Bank. The procedure and calculation of the limit should be clearly documented as an internal policy and strictly adhered to.

[see Part E, paragraph (i)]

Reporting of Forex Turnover Data - FTD and GPB

The guidelines and formats for preparation of the FTD and GPB reports are given below. Authorised Dealers may ensure that the reports are properly compiled on the basis of these guidelines: The data for a particular date has to reach us by the close of business of the following working day.

FTD

1. SPOT - Cash and tom transactions are to be included under 'Spot' transactions.
2. SWAP - Only foreign exchange swaps between Authorised Dealers should be reported under swap transactions. Long term swaps (both cross currency and foreign currency-Rupee swaps) should not be included in this report. Swap transactions should be reported only once and should not be included under either the 'spot' or 'forward' transactions. Buy/Sell swaps should be included in the 'Purchase' side under 'Swaps' while Sell/buy swaps should figure on the 'Sale' side.
3. Cancellation of forwards - The amount required to be reported under cancellation of forward contracts against purchases from merchants should be the aggregate of cancelled forward merchant sale contracts by Authorised Dealers (adding to the supply in the market). On the sale side of cancelled forward contracts, aggregate of the cancelled forward purchase contracts should be indicated (adding to the demand in the market).
- 4 'FCY/FCY' transactions - Both the legs of the transactions should be reported in the respective columns. For example in a EUR/USD purchase contract, the EUR amount should be included in the purchase side while the USD amount should be included in the sale side.
5. Transactions with RBI should be included in inter-bank transactions. Transactions with financial institutions other than entities authorised to deal in foreign exchange should be included under merchant transactions.

GPB

1. Foreign Currency Balances - Cash balances and investments in all foreign currencies should be converted into US dollars and reported under this head.
2. Net open exchange position- This should indicate the overall overnight net open exchange position of the Authorised Dealer in Rs. Crore. The net overnight open position should be calculated on the basis of the instructions given in Annex I.
3. Of the above FCY/INR- The amount to be reported is the position against the Rupee- i.e. the net overnight open exchange position less cross currency position, if any.

Formats of FTD and GPB Statements

FTD

Statement showing daily turnover of foreign exchange dated.....

		Merchant			Inter bank		
		Spot, Cash, Ready, T.T. etc.	Forwards	Cancellation of Forwards	Spot	Swap	Forwards
FCY/ INR	Purchase from						
	Sales to						
FCY/ FCY	Purchase from						
	Sales to						

GPB

Statement showing gaps, position and cash balances as on.....

Foreign Currency Balances	:	IN USD MILLION
(Cash Balance + All Investments)		
Net Open Exchange Position (Rs.)	:	O/B (+)/O/S (-) IN INR CRORE
Of the above FCY/INR	:	IN INR CRORE
AGL maintained (In USD mio)	:	VaR maintained (In INR):

FOREIGN CURRENCY MATURITY MISMATCH (IN USD MILLION)

I month	II months	III months	IV months	V months	VI months	>VI months

[see Part E ,paragraph (viii)]

Annex III

Banking Asset Liability (BAL) Statement

Banking Asset Liability (BAL) Statement									
Foreign currency held abroad by Authorised Dealers and balances held in Non-Resident Rupee/ACU Dollar accounts of overseas branches and correspondents as at end of _____									
AD Code		AD Name							
Report Date		Org/Rev							
Foreign Currency Balances Held abroad									
Country	Currency	Current Account*		Fixed Deposits	Treasury Bills	Securities	Loans	Total	
		Ct (1)	Dt (2)	3	4	5	6	(1-6)	
Balances held by overseas branches and correspondents in non-resident accounts**									
Country	Currency	Ct (8)	Dt (9)						
*Net balance should be reported in column 1 or 2 as appropriate									
**Net balance should be reported in column 8 or 9 as appropriate									
BAL Statement Memorandum									
Bank Code		Bank Name							
Report Date		Org/Rev							
Sr. No	Name of Currency	EEFC		RFC		ESCROW		Others	
		Amount	No of a/c	Amount	No of a/c	Amount	No of a/c	Amount	No of a/c

[Removed]²²

²² [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[see Part E , paragraph (iv)]

Annex V

23Information relating to Exposures in Foreign Currency as on _____														
Sr. No.	Name of User	LEI code	A. Exposures and Hedges based on Contracted Exposure (in USD million)								B. Hedges based on Anticipated Exposure (in USD million)			C. INR/FCY currency swaps based on Rupee Liability (in USD million)
			Trade related						Non - Trade		Trade related		Non-Trade	
			Exports		Imports		Short Term Finance Outstanding		Exposure	Amount hedged	Exports	Imports		
			Exposure	Amount hedged	Exposure	Amount hedged	Exposure	Amount hedged			Amount hedged	Amount hedged	Amount hedged	

Notes for Authorised Dealers:

- Data to be submitted based on AD's books and not based on user's return.
- L/Cs established/bills under LCs to be retired/ outstanding import collection bills to be included.
- Export Bills purchased /discounted/negotiated not to be included.
- Short term Finance to include Trade Credit (Buyers credit/ supplier's credit) approved by the AD /PCFC.
- Non-Trade exposures to include ECBs, FCCB cases handled by the AD/ FCNR (B) loans etc.
- All hedges with rupee as one of the legs shall be reported.
- In the case of option structures, the trade with highest notional amount shall be reported.
- User wise data where the exposures or the hedges (based on contracted or anticipated exposure) undertaken are above USD 25 million or equivalent shall be reported.
- In Part C, INR/FCY currency swaps based on Rupee Liability above USD 25 million equivalent shall be reported.

²³ [A.P. \(DIR Series\) Circular No.04 dated May 03, 2024](#)

[Removed]²⁴

²⁴ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[Removed]²⁵

²⁵ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[see Part E , paragraph (v)]

FCY/Rupee Option transactions

For the week ended _____

A. Option Transaction Report

Sr. no.	Trade date	Client/ C-party Name	Notional	Option Call/Put	Strike	Maturity	Premium	Purpose*

*Mention balance sheet, trading or client related.

II. Option Positions Report

Currency Pair	Notional Outstanding		Net Portfolio Delta	Net Portfolio Gamma	Net Portfolio Vega
	calls	puts			
USD-INR	USD	USD	USD		
EUR-INR	EUR	EUR	EUR		
JPY-INR	JPY	JPY	JPY		

(Similarly for other currency pairs)

Total Net Open Options Position (INR):

The total net open options position can be arrived using the methodology prescribed in [A. P. \(DIR Series\) Circular No. 92 dated April 4, 2003](#).

III. Change in Portfolio Delta Report

Change in USD-INR delta for a 0.25% change in spot (\$-appreciation) in INR terms =

Change in USD-INR delta for a 0.25% change in spot (\$-depreciation) in INR terms =

Similarly, Change in delta for a 0.25% change in spot (FCY appreciation & depreciation separately) in INR terms for other currency pairs, such as EUR-INR, JPY-INR etc.

IV. Strike Concentration Report

	Maturity Buckets					
Strike Price	1 week	2 weeks	1 month	2 months	3 months	> 3 months

This report should be prepared for a range of 150 paise around current spot level. Cumulative positions to be given.

All amounts in USD million. When the Authorised Dealer owns an option, the amount should be shown as positive. When the bank has sold an option, the amount should be shown as negative. **Reports may be prepared as of every Friday and sent by the following Monday.**

Annex IX

[See Part C, paragraph 5 (a) and paragraph 5A]

Overseas foreign currency borrowings –Report as on

Amount (in equivalent USD* Million)

AD (SWIFT code)	Unimpaired Tier-I capital (in case of banks) as at the close of previous quarter / Applicable limit ²⁶ (in case of SPDs)	Borrowings in terms of Part C Para 5 (a) by banks and Part C Para 5A (a) by SPDs	Borrowings in excess of the above limit for replenishment. Of Rupee resources @	External Commercial Borrowings	Borrowings under following scheme as per IECD Master Circular on Export Credit in Foreign Currency dated July 1, 2003 & Regulation 4.2(iv) of Notification No. FEMA 3/2000-RB dated May 3, 2000	
					(a) Lines of Credit for extending Pre- Shipment Credit in Foreign Currency (PCFC)	(b) Bankers Acceptance Facility (BAF) / Loan from overseas for extending Redisctg. Of Export Bills Abroad Scheme (EBR)
	A	1	2	3	4a	4b

Subord. Debt in foreign currency for inclusion in Tier-II capital	Any other category (please specify here in this cell)	Total (1+2+3+6)	Total of (1+2+3+4 +6)	Borrowings under categories (1+2+3+6) expressed as a percentage of Tier-I capital / Applicable limit at A	Borrowings under categories (1+2+3+4+6) expressed as a percentage of Tier-I capital / Applicable limit at A
5	6	7	8	9	10

Note:*1. RBI reference rate and New York closing rates on the date of report may be used for conversion purpose.

@ 2. Facility since withdrawn vide para 4 of [AP\(DIR Series\) Circular No. 81 dated March 24, 2004](#).

²⁶ Limit for foreign currency borrowings as set out in Part C Para 5A (a).

[Removed]²⁷

²⁷ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[Removed]²⁸

²⁸ [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

[Removed]²⁹

²⁹ [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

[Removed]³⁰

³⁰ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

Annex XIV

[Removed]³¹

Annex XV

[Removed]³²

³¹ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

³² [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

Annex XVI

[Removed]³³

Annex XVII

[Removed]³⁴

Annex XVIII

[Removed]³⁵

Annex XIX

[Removed]³⁶

³³ [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

³⁴ [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

³⁵ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

³⁶ [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

Annex XX**Reporting of suspicious transactions undertaken by non-resident importer / exporter –
for the quarter ended _____****Name of the Authorised Dealer–**

Sr No	Name of the non- resident exporter / importer	Name of the overseas bank (in case of Model I)	No. of derivative transactions cancelled along with cancellation of the underlying trade transaction	Amount involved	Action taken by the AD

[Removed]³⁷

³⁷ [A.P. \(DIR Series\) Circular No. 13 dated January 05, 2024](#)

Foreign Exchange Derivative Contracts and Foreign Currency Interest Rate Derivative Contracts: Definitions

In these Directions, unless the context otherwise requires:

- (a) 'Currency swap' means an OTC foreign exchange derivative contract which commits two counterparties to exchange streams of interest payments and/or principal amounts in different currencies on specified dates over the duration of the swap at a pre-agreed exchange rate.
- (b) 'Foreign exchange call option (European)' means an OTC / exchange traded foreign exchange derivative contract that gives the buyer the right, but not the obligation, to buy an agreed amount of a certain currency with another currency at a specified exchange rate on a specified date in the future.
- (c) 'Foreign exchange call spread' means an OTC foreign exchange derivative contract involving simultaneous purchase and sale of equal number of OTC foreign exchange call options (European) of same expiry and different strike price.
- (d) 'Covered foreign exchange call option' means a written OTC foreign exchange call option where the writer of the option has a long position in the asset underlying the option.
- (e) 'Covered foreign exchange put option' means a written OTC foreign exchange put option where the writer of the option has a short position in the asset underlying the option.
- (f) 'Foreign exchange forward' means an OTC foreign exchange derivative contract involving the exchange of two currencies on a specified date in the future (more than two business days later) at a rate agreed on the date of the contract.
- (g) 'Foreign exchange future' means an exchange traded foreign exchange derivative contract involving the exchange of two currencies on a specified date in the future (more than two business days later) at a rate agreed on the date of the contract, but does not include foreign exchange forward.

(h) 'Foreign exchange put option (European)' means an OTC / exchange traded foreign exchange derivative contract that gives the buyer the right, but not the obligation, to sell an agreed amount of a certain currency for another currency at a specified exchange rate on a specified date in the future.

(i) 'Foreign exchange put spread' means an OTC foreign exchange derivative contract involving simultaneous purchase and sale of equal number of OTC foreign exchange put options (European) of same expiry and different strike price.

(j) 'Foreign exchange swap' means an OTC foreign exchange derivative contract involving the actual exchange of two currencies (principal amount only) on a specified date (the near leg) and a reverse exchange of the same two currencies at a date further in the future (the far leg), at rates agreed at the time of the contract.

(k) 'Forward rate agreement' means a cash-settled OTC foreign currency interest rate derivative contract between two counterparties, in which a buyer will pay or receive, on the settlement date, the difference between a pre-determined fixed rate (FRA rate) and a reference interest rate, applied on a notional principal amount, for a specified forward period.

(l) 'Interest rate call option (European)' means an OTC foreign currency interest rate derivative contract that gives the buyer the right, but not the obligation, to buy an interest rate instrument or receive an interest rate on a notional principal at a pre-determined price / rate on a specified date in the future.

(m) 'Interest rate cap' means a series of interest rate call options (European) (called caplets) in which the buyer of the option receives a payment at the end of each period when the underlying interest rate is above a rate agreed in advance.

(n) 'Interest rate collar' means an OTC foreign currency interest derivative contract where a market participant simultaneously purchases an interest rate cap and sells an interest rate floor on the same interest rate for the same maturity and notional principal amount.

(o) 'Interest rate floor' means a series of interest rate put options (European) in which the buyer of the option receives a payment at the end of each period when the underlying interest rate is below a rate agreed in advance.

(p) 'Interest rate put option (European)' means an OTC foreign currency interest rate derivative contract that gives the buyer the right, but not the obligation, to sell an interest rate instrument or pay an interest rate on a notional principal at a pre-determined price/rate on a specified date in the future.

(q) 'Interest rate swap' means an OTC foreign currency interest derivative contract in which two counterparties agree to exchange one stream of future interest payments for another, applied on a notional principal amount, over a specified period.

(r) 'Reverse interest rate collar' means an OTC foreign currency interest rate derivative contract which involves simultaneous purchase of an interest rate floor and sale of an interest rate cap on the same interest rate for the same maturity and notional principal amount.

Appendix I

List of Notifications which have been consolidated in the Master Direction - Risk Management and Inter-Bank Dealings

Sr. No.	Notification / Circular	Date
1.	Notification No. FEMA 25/2000-RB	May 3, 2000
2.	Notification No. FEMA 28/2000-RB	September 5, 2000
3.	Notification No. FEMA 54/2002-RB	March 5, 2002
4.	Notification No. FEMA 66/2002-RB	July 27, 2002
5.	Notification No. FEMA 70/2002-RB	August 26, 2002
6.	Notification No. FEMA 81/2003-RB	January 8, 2003
7.	Notification No. FEMA 101/2003-RB	October 3, 2003
8.	Notification No. FEMA 104/2003-RB	October 21, 2003
9.	Notification No. FEMA 105/2003-RB	October 21, 2003
10.	Notification No. FEMA 127/2005-RB	January 5, 2005
11.	Notification No. FEMA 143/2005-RB	December 19, 2005
12.	Notification No. FEMA 147/2006-RB	March 16, 2006
13.	Notification No. FEMA 148/2006-RB	March 16, 2006
14.	Notification No. FEMA 159/2007-RB	September 17, 2007
15.	Notification No. FEMA 177/2008-RB	August 1, 2008
16.	Notification No. FEMA 191/2009-RB	May 20, 2009
17.	Notification No. FEMA 201/2009-RB	November 5, 2009
18.	Notification No. FEMA 210/2010-RB	July 19, 2010
19.	Notification No. FEMA 226/2010-RB	March 16, 2012
20.	Notification No. FEMA 240/2010-RB	September 25, 2012
21.	Notification No. FEMA 286/2013-RB	September 5, 2013
22.	Notification No. FEMA 288/2013-RB	September 26, 2013
23.	Notification No. FEMA 303/2014-RB	May 21, 2014
24.	Notifications No.FMRD.1/ED (CS) - 2015	December 10, 2015
25.	Notifications No.FMRD.2/ED (CS) - 2015	December 10, 2015
26.	Notification No. FEMA 365/2016-RB	June 1, 2016
27.	Notification No. FEMA 378/2016-RB	October 25, 2016
28.	Notification No. FEMA 384/2017-RB	March 17, 2017
29.	Notification No. FEMA 388/2017-RB	October 24, 2017
30.	Notification No. FEMA 398/RB-2020	February 18, 2020

List of circulars which have been consolidated in the Master Direction - Risk Management and Inter-Bank Dealings

Sr. No.	Circular	Date
1	A. P. (DIR Series) Circular No. 92	April 4, 2003
2	A. P. (DIR Series) Circular No. 93	April 5, 2003
3	A. P. (DIR Series) Circular No. 98	April 29, 2003
4	A. P. (DIR Series) Circular No.108	June 21, 2003
5	A. P. (DIR Series) Circular No. 28	October 17, 2003
6	A. P. (DIR Series) Circular No. 46	December 9, 2003
7	A. P. (DIR Series) Circular No. 47	December 12, 2003
8	A. P. (DIR Series) Circular No. 81	March 24, 2004.
9	A. P. (DIR Series) Circular No 26	November 1, 2004
10	A. P. (DIR Series) Circular No 47	June 23, 2005
11	A. P. (DIR Series) Circular No 03	July 23, 2005
12	A. P. (DIR Series) Circular No 25	March 6, 2006
13	EC.CO.FMD.No.8 /02.03.75/2002-03	February 4, 2003
14	EC.CO.FMD.No.14 /02.03.75/2002-03	May 9, 2003
15	EC.CO.FMD.No.345/02.03.129(Policy)/2003-04	November 5, 2003
16	FE.CO.FMD.1072/02.03.89/2004-05	February 8, 2005
17	FE.CO.FMD.2/02.03.129(Policy)/2005-06	November 7, 2005
18	FE.CO.FMD.21921/02.03.75/2005-06	April 17, 2006
19	A. P. (DIR Series) Circular No.21	December 13, 2006
20	A. P. (DIR Series) Circular No.22	December 13, 2006
21	A. P. (DIR Series) Circular No.32	February 8, 2007
22	A. P. (DIR Series) Circular No.52	May 08, 2007
23	A. P. (DIR Series) Circular No.66	May 31, 2007
24	A. P. (DIR Series) Circular No.76	June 19,2007
25	A. P. (DIR Series) Circular No.15	October 29 ,2007
26	A. P. (DIR Series) Circular No.17	November 6, 2007
27	A. P. (DIR Series) Circular No.47	June 3, 2008
28	A. P. (DIR Series) Circular No. 05	August 6, 2008
29	A. P. (DIR Series) Circular No.23	October 15, 2008
30	A. P. (DIR Series) Circular No.35	November 10, 2008
31	A. P. (DIR Series) Circular No.50	February 4, 2009
32	A. P. (DIR Series) Circular No.27	January 19, 2010
33	A. P. (DIR Series) Circular No.05	July 30, 2010
34	A. P. (DIR Series) Circular No.32	December 28, 2010
35	A. P. (DIR Series) Circular No.60	May 16, 2011
36	A. P. (DIR Series) Circular No.67	May 20, 2011
37	A. P. (DIR Series) Circular No.68	May 20, 2011
38	A. P. (DIR Series) Circular No.3	July 21, 2011
39	A. P. (DIR Series) Circular No.50	November 23, 2011
40	A. P. (DIR Series) Circular No.58	December 15, 2011
41	A. P. (DIR Series) Circular No.63	December 29, 2011
42	A. P. (DIR Series) Circular No.68	January 17, 2012

43	A. P. (DIR Series) Circular No.122	May 09, 2012
44	A. P. (DIR Series) Circular No.3	July 11, 2012
45	A. P. (DIR Series) Circular No.13	July 31, 2012
46	A. P. (DIR Series) Circular No.21	August 31, 2012
47	A. P. (DIR Series) Circular No.30	September 12, 2012
48	A. P. (DIR Series) Circular No.45	October 22, 2012
49	A. P. (DIR Series) Circular No.86	March 1, 2013
50	A. P. (DIR Series) Circular No.121	June 26, 2013
51	A. P. (DIR Series) Circular No.2	July 4, 2013
52	A. P. (DIR Series) Circular No.7	July 8, 2013
53	A. P. (DIR Series) Circular No.17	July 23, 2013
54	A. P. (DIR Series) Circular No.18	August 1, 2013
55	A. P. (DIR Series) Circular No. 36	September 4, 2013
56	A. P. (DIR Series) Circular No. 40	September 10, 2013
57	A. P. (DIR Series) Circular No. 61	October 10, 2013
58	A. P. (DIR Series) Circular No. 92	January 13, 2014
59	A. P. (DIR Series) Circular No. 96	January 20, 2014
60	A. P. (DIR Series) Circular No. 114	March 27, 2014
61	A. P. (DIR Series) Circular No. 119	April 7, 2014
62	A. P. (DIR Series) Circular No. 135	May 27, 2014
63	A. P. (DIR Series) Circular No. 147	June 20, 2014
64	A. P. (DIR Series) Circular No. 148	June 20, 2014
65	A. P. (DIR Series) Circular No. 28	September 8, 2014
66	A. P. (DIR Series) Circular No. 34	September 30, 2014
67	A. P. (DIR Series) Circular No.58	January 14, 2015
68	A. P. (DIR Series) Circular No.78	February 13, 2015
69	A. P. (DIR Series) Circular No. 90	March 31, 2015
70	A. P. (DIR Series) Circular No. 91	March 31, 2015
71	A. P. (DIR Series) Circular No. 103	May 21, 2015
72	A. P. (DIR Series) Circular No. 112	June 25, 2015
73	A. P. (DIR Series) Circular No. 20	October 8, 2015
74	A. P. (DIR Series) Circular No. 28	November 5, 2015
75	A. P. (DIR Series) Circular No. 35	December 10, 2015
76	A. P. (DIR Series) Circular No. 78	June 23, 2016
77	A. P. (DIR Series) Circular No. 30	February 2, 2017
78	A. P. (DIR Series) Circular No. 41	March 21, 2017
79	A. P. (DIR Series) Circular No. 3	August 10, 2017
80	A. P. (DIR Series) Circular No. 8	October 12, 2017
81	A. P. (DIR Series) Circular No. 11	November 9, 2017
82	A. P. (DIR Series) Circular No. 18	February 26, 2018
83	A. P. (DIR Series) Circular No. 15	January 6, 2020
84	A. P. (DIR Series) Circular No. 23	March 27, 2020
85	A. P. (DIR Series) Circular No. 29	April 07, 2020
86	A. P. (DIR Series) Circular No. 31	May 18, 2020
87	A. P. (DIR Series) Circular No. 05	June 06, 2023
88	A. P. (DIR Series) Circular No. 13	January 05, 2024

89	A. P. (DIR Series) Circular No. 04	May 03, 2024
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These circulars should be read in conjunction with FEMA, 1999 and the Rules/Regulations/ Directions/Orders/Notifications issued thereunder.

Appendix II

List of notifications superseded.

- (i) Currency Futures (Reserve Bank) Directions, 2008 ([Notification No. FED.1/DG\(SG\)-2008 dated August 06, 2008](#)) issued under RBIA, 1934;
- (ii) Currency Futures (Reserve Bank) (Amendment) Directions, 2010 ([Notification No. FED.2/ED\(HRK\)-2010 dated January 19, 2010](#)) issued under RBIA, 1934;
- (iii) Exchange Traded Currency Options (Reserve Bank) Directions, 2010 [Notification No. FED.01 / ED \(HRK\) - 2010 dated July 30, 2010](#) issued under RBIA, 1934;
- (iv) Currency Futures (Reserve Bank) (Amendment) Directions, 2014 (Notification No. FED.1/ED(GP)-2014 dated June 20, 2014);
- (v) Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2014 (Notification No. FED.2/ED(GP)-2014 dated June 20, 2014);
- (vi) Currency Futures (Reserve Bank) (Amendment) Directions, 2015 ([Notification No. FMRD.1/ED\(CS\)-2015 dated December 10, 2015](#));
- (vii) Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2015 ([Notification No. FMRD.2/ ED \(CS\)-2015 dated December 10, 2015](#));
- (viii) Currency Futures (Reserve Bank) (Amendment) Directions, 2017 ([Notification No. FMRD.13/CGM\(TRS\)-2017 dated February 2, 2017](#));
- (ix) Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2017 ([Notification No. FMRD.14/CGM\(TRS\)-2017 dated February 2, 2017](#));
- (x) Currency Futures (Reserve Bank) (Amendment) Directions, 2020 ([Notification No. FMRD.FMD.03/ED\(TRS\)-2020 dated January 20, 2020](#)); and
- (xi) Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2020 ([Notification No FMRD.FMD.04/ED\(TRS\)-2020 dated January 20, 2020](#)).

Appendix III

List of circulars superseded.

Sr. No.	Circular	Date
1	FMD.MSRG.No.67/02.05.002/2011-12	March 09, 2012
2	FMD.MSRG.No.69/02.05.002/2011-12	June 22, 2012
3	FMD.MSRG.No.72/02.05.002/2012-13	October 12, 2012
4	FMD.MSRG.No.75/02.05.002/2012-13	March 13, 2013
5	FMD.MSRG.No.94/02.05.002/2013-14	December 04, 2013
6	FMRD.FMID No.3/02.05.002/2017-18	September 21, 2017
7	FMRD.FMID No.23/02.05.002/2019-20	January 01, 2020