



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

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RBI/FMRD/2016-17/31

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(Updated as on February 02, 2017)

All Authorised Dealers - Category I Banks

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](#), Regulation 4(2) of [Notification No. FEMA 3/RB-2000](#) 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 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.

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.

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.

Yours faithfully,

**(Dimple Bhandia)**  
**General Manager (Incharge)**

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## **PART – A**

### **RISK MANAGEMENT**

#### **SECTION I**

#### **Facilities for Persons Resident in India other than Authorised Dealers Category-I and for Persons Resident outside India**

##### **1. Definitions**

- i. Anticipated exposure – An exposure to the exchange rate of INR against a foreign currency on account of current and capital account transactions permissible under FEMA, 1999 or any rules or regulations made thereunder, which are expected to be entered into in future.
- ii. Contracted exposure – An exposure to the exchange rate of INR against a foreign currency on account of current and capital account transactions permissible under FEMA, 1999 or any rules or regulations made thereunder, which have already been entered into.
- iii. For the purpose of (i) and (ii), the term exposure would also include those arising out of transactions between residents that are denominated in a foreign currency but settled in INR or are linked to a foreign currency or are linked to a benchmark denominated in foreign currency.
- iv. Hedging – The activity of undertaking a derivative contract to offset the impact of an anticipated or a contracted exposure.
- v. User – Any person as defined under para 2 (u) of FEMA, 1999 whether resident in India or resident outside India.
- vi. Financial Sector Regulator means the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) or any other statutory authority empowered to regulate a financial institution under the Indian laws.
- vii. A Covered call (put) option means a written option where the writer has a long (short) position in the asset underlying the option.
- viii. 'SEBI' shall mean the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- ix. 'IRDAI' shall mean the Insurance Regulatory and Development Authority of India established under the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).

- x. 'PFRDA' shall mean the Pension Fund Regulatory and Development Authority established under the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013).
- xi. Net worth shall have the same meaning as defined in Section 2(57) of the Companies Act, 2013 (as amended).
- xii. Non-deliverable derivative contract (NDDC) means a foreign exchange derivative contract involving the Rupee, entered into with a person resident outside India and which is settled without involving delivery of the Rupee.
- xiii. Exchanges shall mean 'recognised stock exchange' (excluding stock exchanges set up in International Financial Services Centres (IFSCs)) and shall have the meaning assigned in section 2(f) of the Securities Contracts (Regulations) Act, 1956.

## **2. Directions for Authorised Dealers**

### **A. General Directions**

- i. Authorised Dealers shall classify a user as per the User Classification Framework provided at Annex XXI to this direction and shall comply with the guidelines applicable in each case.
- ii. Authorised Dealers shall offer derivative contracts to a user as per the user's classification in para (i) above. While offering a derivative contract involving INR, other than NDDCs, to a user, and during the life of such contracts, Authorised Dealers shall ensure that:
  - a. The contract is for the purpose of hedging as defined in these directions.
  - b. The notional and tenor of the contract does not exceed the value and tenor of the exposure.
  - c. The same exposure has not been hedged using any another derivative contract.
  - d. 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.
  - e. 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 change in market value of the exposure, in which case the user may, at his discretion, continue with the derivative contract till its original maturity.

- f. 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 (d) and (e) above.
- iii. Authorised Dealers shall allow users to freely cancel and rebook derivative contracts. However, net gains (gains over and above losses if any) on 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 will be transferred on a pro-rata basis.
- iv. Authorised Dealers may, in exceptional cases, pass on the net gains on contracts booked to hedge an anticipated exposure whose underlying cash flow has not materialised, provided it 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.
- v. All derivative contracts shall be subject to the Suitability and Appropriateness policy prescribed vide [circular no.DBOD.No.BP.BC.86/21.04.157/2006-07 dated April 20, 2007](#) on Comprehensive Guidelines on Derivatives (as amended from time to time).
- vi. Authorised Dealers specifically designated by a user for the purpose of monitoring of transaction on exchanges shall ensure that all positions of the user in all contracts involving INR on all the exchanges put together, is backed by a contracted exposure to INR.
- vii. Authorised Dealers may call for such documents from the eligible users as they deem necessary for complying with the requirements of these directions.
- viii. Authorised Dealers, unless permitted by Reserve Bank to run books in contracts not involving INR, shall offer such contracts on a fully covered back-to-back basis.
- ix. Existing contracts booked under the provisions of the earlier direction may be continued till the date of their expiry.

- x. Banks in India having an Authorised Dealer Category-1 license under FEMA, 1999, and operating International Financial Services Centre (IFSC) Banking Units (IBUs) (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)), shall be eligible to offer non-deliverable derivative contracts involving the Rupee, or otherwise, to persons not resident in India. 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).

#### B. Specific Directions

- i. Domestic non-retail corporates having an INR liability may, at their discretion, convert it into a foreign currency liability through a currency swap.
- ii. For derivative contracts involving INR, Authorised Dealers shall allow a user to book derivative contracts up to USD 10 million equivalent of notional value (outstanding at any point in time) without the need to establish the existence of underlying exposure.
- iii. Authorised Dealers may deal with a non-resident user (or its central treasury or its group entity, where applicable) either directly or through the overseas bank of such user (including overseas branches of Authorised Dealer) or through other overseas entities eligible to deal in derivatives as per local regulations.
- iv. In case of a central treasury of a non-resident user, the Authorised Dealer shall ensure that the central treasury is appropriately authorised by the user to deal for and on its behalf.
- v. Authorised Dealer shall ensure that in the case of a non-resident user all payables incidental to the hedge are met by the user out of repatriable funds and / or inward remittance through normal banking channels.

### 3. Directions for Exchanges

- i. Users may take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.

- ii. Exchanges authorised by RBI to offer currency derivatives shall provide 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.
- iii. For users referred to in the previous para, the exchanges shall provide information on day-end open positions as well as intra-day highest position of the user to the designated Authorised Dealer/Custodian.
- iv. The onus of complying with the directions shall rest with the user. In case of any contravention, the user shall render itself liable to any action under the Foreign Exchange Management Act (FEMA), 1999.

## **SECTION II**

**[Removed]<sup>1</sup>**

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<sup>1</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

## **SECTION III**

### **Facilities for Authorised Dealers Category-I**

#### **1. Management of Banks' Assets-Liabilities**

**Users** – AD Category I banks

**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. AD banks 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 Banking 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. Participation in the currency futures market in India**

- a) AD Category I Banks may be guided by the DBOD instructions vide [DBOD.No.FSD.BC. 29/24.01.001/2008-09 dated August 6, 2008.](#)
- b) AD Category I Banks are permitted to become trading and clearing members of the currency futures market of recognised stock exchanges, on their own account and on behalf of their clients, subject to fulfilling the following minimum prudential requirements:
  - i) Minimum net worth of Rs. 500 crores.
  - ii) Minimum CRAR of 10 per cent.
  - iii) Net NPA should not exceed 3 per cent.
  - iv) Net profit for last 3 years.

The AD Category - I banks which fulfill the prudential requirements should lay down detailed guidelines with the approval of their Boards for trading and clearing of currency futures contracts and management of risks.

c) AD Category - I banks which do not meet the above minimum prudential requirements and AD Category - I banks which are Urban Co-operative banks or State Co-operative banks can participate in the currency futures market only as clients, subject to approval and directions from the respective regulatory Departments of the Reserve Bank.

d) The AD Category - I banks, shall operate within prudential limits, such as Net Open Position (NOP) and Aggregate Gap (AG) limits. The exposure of the banks, on their own account, in the currency futures market shall form part of their NOP and AG limits.

## **5. Participation in the exchange traded currency options market in India**

a) AD Category - I banks are permitted to become trading and clearing members of the exchange traded currency options market of the recognized stock exchanges, on their own account and on behalf of their clients, subject to fulfilling the following minimum prudential requirements:

- i. Minimum net worth of Rs. 500 crores.
- ii. Minimum CRAR of 10 per cent.
- iii. Net NPA should not exceed 3 per cent.
- iv. Made net profit for last 3 years.

The AD Category - I banks, which fulfil the prudential requirements, should lay down detailed guidelines with the approval of their Boards for trading and clearing of the exchange traded currency options contracts and management of risks.

b) AD Category - I banks, which do not meet the above minimum prudential requirements and AD Category - I banks, which are Urban Co-operative banks or State Co-operative banks, can participate in the exchange traded currency options market only as clients, subject to approval therefor from the respective regulatory Departments of the Reserve Bank.

c) The AD Category - I banks shall operate within prudential limits, such as Net Open Position (NOP) and Aggregate Gap (AG) limits. The option position of the banks, on their own account, in the exchange traded currency options shall form part of their NOP and AG limits.

## **6. Operational Guidelines, terms and conditions for AD Category-I banks participation in the ETCD market**

(a) AD Category-I banks 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) AD Category-I banks 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.

## **PART B**

### **ACCOUNTS OF NON-RESIDENT BANKS**

#### **1. General**

(i) Credit to the account of a non-resident bank is a permitted method of payment to non-residents and is, therefore, subject to the regulations applicable to transfers in foreign currency.

(ii) Debit to the account of a non-resident bank is in effect an inward remittance in foreign currency.

#### **2. Rupee Accounts of Non-Resident Banks**

AD Category I banks may open/close Rupee accounts (non-interest bearing) in the names of their overseas branches or correspondents without prior reference to the Reserve Bank. Opening of Rupee accounts in the names of branches of Pakistani banks operating outside Pakistan requires specific approval of the Reserve Bank.

#### **3. Funding of Accounts of Non-resident Banks**

(i) AD Category I banks may freely purchase foreign currency from their overseas correspondents/branches at on-going market rates to lay down funds in their accounts for meeting their bonafide needs in India.

(ii) Transactions in the accounts should be closely monitored to ensure that overseas banks do not take a speculative view on the Rupee. Any such instances should be notified to the Reserve Bank.

**NOTE: Forward purchase or sale of foreign currencies against Rupees for funding is prohibited. Offer of two-way quotes in Rupees to non-resident banks is also prohibited.**

#### **4. Transfers from other Accounts**

Transfer of funds between the accounts of the same bank or different banks is freely permitted.

## **5. Conversion of Rupees into Foreign Currencies**

Balances held in Rupee accounts of non-resident banks may be freely converted into foreign currency. All such transactions should be recorded in Form A2 and the corresponding debit to the account should be in form A3 under the relevant Returns.

## **6. Responsibilities of Paying and Receiving Banks**

In the case of credit to accounts the paying banker should ensure that all regulatory requirements are met and are correctly furnished in form A1/A2 as the case may be.

## **7. Refund of Rupee Remittances**

Requests for cancellation or refund of inward remittances may be complied with without reference to Reserve Bank after satisfying themselves that the refunds are not being made in cover of transactions of compensatory nature.

## **8. Overdrafts / Loans to Overseas Branches/ Correspondents**

(i) AD Category I banks may permit their overseas branches/ correspondents temporary overdrafts not exceeding Rs.500 lakhs in aggregate, for meeting normal business requirements. This limit applies to the amount outstanding against all overseas branches and correspondents in the books of all the branches of the authorised AD Category I bank in India. This facility should not be used to postpone funding of accounts. If overdrafts 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, stating the reasons thereof. Such a report is not necessary if arrangements exist for value dating.

(ii) AD Category I bank wishing to extend any other credit facility in excess of (i) above to overseas banks should seek prior approval from the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office.

## **9. Rupee Accounts of Exchange Houses**

Opening of Rupee accounts in the names of Exchange Houses for facilitating private remittances into India requires approval of the Reserve Bank. Remittances through Exchange Houses for financing trade transactions are permitted upto Rs.15,00,000 per transaction<sup>2</sup>.

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<sup>2</sup> [A. P. \(DIR Series\) Circular No. 102 May 21, 2015](#)

## **PART C**

### **INTER-BANK FOREIGN EXCHANGE DEALINGS**

#### **1. General**

The Board of Directors of AD Category I banks 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, AD Category I banks may freely undertake foreign exchange transactions as under:

##### **a) With AD Category I banks 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.

### **<sup>3</sup>3A. Transaction in Non-deliverable derivative contracts (NDDC)**

Authorised dealers 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 1 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).

#### **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. AD Category I banks 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) AD Category I banks 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, bank's 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

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<sup>3</sup> [A. P. \(DIR Series\) Circular No. 23 dated March 27, 2020](#)

the maturity 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 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 Banking Regulation).

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

## **5. Loans/Overdrafts**

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, as per the format in Annex-VIII, 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) <sup>4</sup>AD 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.

#### **<sup>5</sup> 6. 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.

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<sup>4</sup> [A.P. \(DIR Series\) Circular No. 112 dated June 25, 2015](#)

<sup>5</sup> [A.P. \(DIR Series\) Circular No. 15 dated January 06, 2020](#)

**PART-D**

**[Removed]<sup>6</sup>**

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<sup>6</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

## **PART E**

### **REPORTS TO THE RESERVE BANK**

i) The Head/Principal Office of each AD Category-I banks should submit daily statements of Foreign Exchange Turnover in Form FTD and Gaps, Position and Cash Balances in Form GPB through the Online Returns Filing System (ORFS) as per the format given in Annex-II.

ii) [Removed]<sup>7</sup>

iii) [Removed]<sup>8</sup>

iv) AD Category-I banks should forward details of exposures in foreign exchange as at the end of every quarter as per the format given in Annex-V. ADs should submit this report as per the revised format online only from quarter ended September 2013 through the Extensible Business Reporting Language (XBRL) system which may be accessed at <https://secweb.rbi.org.in/orfsxbrl/>. AD Category – I banks which require login ID / passwords for accessing XBRL system may submit their e-mail addresses and contact numbers to [e-mail](#). Please note that details of exposures of all corporate clients who meet the prescribed criteria have to be included in the report. The AD banks should submit this report based on bank's books and not based on corporate returns.

v) Authorised Dealers Category I should forward details of option transactions (FCY-INR) undertaken on a weekly basis as per the format given in Annex VIII. The report may also be forwarded by [e-mail](#) so as to reach the Department by the 10<sup>th</sup> of the following month.

vi) AD Category-I banks have to report their total outstanding foreign currency borrowings under all categories as on the last Friday of every month as per the format given in Annex-IX. The report should be received by the 10<sup>th</sup> of the following month. The report may also be forwarded by [e-mail](#) so as to reach the Department by the 10<sup>th</sup> of the following month.

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<sup>7</sup> [A. P. \(DIR Series\) Circular No. 3 dated August 10, 2017](#)

<sup>8</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

vii) [Removed]<sup>9</sup>

viii) The Head/Principal Office of each AD Category-I banks should submit a statement in form BAL giving details of their holdings of all foreign currencies on fortnightly basis through the web portal at <https://bop.rbi.org.in> as per the format given in Annex III<sup>10</sup> within seven calendar days from the close of the reporting period to which it relates.

ix) [Removed]<sup>11</sup>

x) The Head/Principal Office of each AD Category-I banks should furnish an up-to-date list (in triplicate) of all its offices/branches, which are maintaining Rupee accounts of non-resident banks as at the end of December every year giving their code numbers allotted by Reserve Bank. The list should be submitted before 15<sup>th</sup> January of the following year. The offices/branches should be classified according to area of jurisdiction of Reserve Bank Offices within which they are situated. The report may also be forwarded by [e-mail](#) so as to reach the Department by the 10<sup>th</sup> of the following month.

xi) [Removed]<sup>12</sup>

xii) [Removed]<sup>13</sup>

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. The report may also be forwarded by [e-mail](#) so as to reach the Department by the 10<sup>th</sup> of the following month.

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<sup>9</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

<sup>10</sup> [A. P. \(DIR Series\) Circular No. 3 dated August 10, 2017](#)

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

<sup>12</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

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

**Reports are to be sent 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 unless otherwise specified. Reports may be sent preferably through [e-mail](#).**

[See Part C, Paragraph 2]

**A. Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers  
Category – I**

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 banks and communicated to the Reserve Bank immediately. However, such limits should not exceed 25 percent of the total capital (Tier I and Tier II capital) of the bank.

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 bank's 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 bank);
- 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 authorized 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 a bank's 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. Banks 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 bank's Board.

**Note:** Authorised Dealer banks 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 Dealer banks may select their own yield curve for the purpose of PV adjustments. The banks however should have an internal policy approved by its 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<sup>14</sup> Requirement**

As prescribed by the Reserve Bank from time to time

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<sup>14</sup> Capital refers to Tier I capital as per instructions issued by Reserve Bank of India (Department of Banking Operations and Development).

## **5. Other Guidelines**

- i. ALCO / Internal Audit Committee of the Authorized Dealers should monitor the utilization of and adherence to the limits.
- ii. Authorized 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 Authorized 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 bank's 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 banks 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 banks 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 banks and communicated to the Reserve Bank immediately. However, such limits should not exceed 6 times the total capital (Tier I and Tier II capital) of the bank.

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. AD Category-I banks 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 category-I 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 category-I (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 banks 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 category-I 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 (Cash Balance + All Investments)	:	IN USD MILLION
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)]

**Banking Asset Liability (BAL) Statement**

<b>Banking Asset Liability (BAL) Statement</b>									
<b>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 _____</b>									
Bank Code		Bank Name							
Report Date		Org/Rev							
<b>Foreign Currency Balances Held abroad</b>									
Country	Currency	Current Account*		Fixed Deposits	Treasury Bills	Securities	Loans	Total	
		Ct (1)	Dt (2)	3	4	5	6	(1-6)	
<b>Balances held by overseas branches and correspondents in non-resident accounts**</b>									
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									
<b>BAL Statement Memorandum</b>									
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]<sup>15</sup>

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<sup>15</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[see Part E , paragraph (iv)]

Information relating to exposures in foreign currency as on \_\_\_\_\_

Information relating to exposures in Foreign Currency as on.....								Name of the bank.....		Information relating to exposures in Foreign Currency as on.....Name of the bank.....						C. INR/FCY currency swaps based on Rupee Liability (above USD 25 million equivalent be reported)
<b>A. Exposures and Hedges based on Underlying Transactions (USD Million)</b>								<b>B. Exposures and Hedges based on Past Performance (USD Million)</b>								
Sr. No.	Name of Corporate	Trade Related			Non - Trade			Exports			Imports					
		Exposures	Amount hedged	Exposures	Amount hedged	Short Term Finance Outstanding	Exposures	Amount hedged	Exposures	Amount hedged	Amount O/S	Eligible limits	Cum. Amount hedged	Amount O/S		
1																
2																
3																
4																
5																
<b>Notes</b>																
a. Export Bills purchased /discounted/negotiated not to be included																
b. L/Cs established/bills under LCs to be retired/ outstanding import collection bills to be included																
c. Data to be submitted based on banks' books and not based on corporate's return																
d. Short term Finance to include Trade Credit (Buyers credit/ supplier's credit) approved by the Bank /PCFC																
e. Non trade exposures to include ECBs, FCCB cases handled by the bank/ FCNR (B) loans etc.																
f. Corporate wise data where the exposures or the hedges undertaken are above USD 25 million or equivalent shall be reported.																
g. All hedges with rupee as one of the legs shall be reported																
h. In the case of option structures, the trade with highest notional amount shall be reported.																
i. Corporate wise data where the eligible limits computed as per RBI guidelines are above USD 25 Million or equivalent shall be reported, in Part B																
j. Under amounts hedged in Part B report the cumulative total of the hedges booked during the financial year																
k. The amount of contracts booked during the previous year and outstanding shall not be included under the amount hedged and amount O/S in Part B.																
l. Only the cases where the bank has sanctioned some PP limits for the corporate shall be reported in Part B																

Note:

AD Category – I banks should submit the above quarterly report as per the revised format **online only** from quarter ended September 2013 through the Extensible Business Reporting Language (XBRL) system which may be accessed at <https://secweb.rbi.org.in/orfsxbrl/>.

[Removed]<sup>16</sup>

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

[Removed]<sup>17</sup>

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<sup>17</sup> [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 bank owns an option, the amount should be shown as positive. When the bank has sold an option, the amount should be shown as negative. **All reports may be sent via [e-mail](#) by market-makers. Reports may be prepared as of every Friday and sent by the following Monday.**

## Annex IX

[See Part C, paragraph 5 (a)]

### Overseas foreign currency borrowings –Report as on .....

**Amount (in equivalent USD\* Million)**

Bank (SWIFT code)	Unimpaired Tier-I capital as at the close of previous quarter.	Borrowings in terms of PartC para 5 (a) of Master Circular on Risk Mgmt. and Inter- Bank Dealings dated July 1, 2009	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 of (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 at A	Borrowings under categories (1+2+3+4+6) expressed as a percentage of Tier-I capital 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](#).

[Removed]<sup>18</sup>

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

[Removed] <sup>19</sup>

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

[Removed] <sup>20</sup>

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<sup>20</sup> [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

[Removed]<sup>21</sup>

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<sup>21</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

**Annex XIV**

[Removed]<sup>22</sup>

**Annex XV**

[Removed]<sup>23</sup>

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

<sup>23</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

[Removed]<sup>24</sup>

**Annex XVI**

[Removed]<sup>25</sup>

**Annex XVII**

[Removed]<sup>26</sup>

**Annex XVIII**

[Removed]<sup>27</sup>

**Annex XIX**

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<sup>24</sup> [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

<sup>25</sup> [RBI/2017-18/138 A.P. \(DIR Series\) Circular No. 19 dated March 12, 2018](#)

<sup>26</sup> [A.P. \(DIR Series\) Circular No. 29 dated April 07, 2020](#)

<sup>27</sup> [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 AD Category I Bank –**

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

[See Part A, Section I, Paragraph 2.A.i]

## **User Classification Framework**

### **1. User Classification**

- i. For the purpose of offering derivative contracts to a user, the Authorised Dealer shall classify the user either as a retail user or as a non-retail user.
- ii. The following users shall be eligible to be classified as non-retail users:
  - a. All entities regulated by a financial sector regulator subject to general or special permission of the concerned regulator
  - b. Exim Bank, National Bank of Agriculture and Rural Development (NABARD), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI)
  - c. Companies with a minimum net worth of ₹500 crores
  - d. 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.

### **2. Directions in case of retail users**

- i. Eligible products – Forwards, purchase of call and put options (Only European options), purchase of call and put spreads, swaps.
- ii. All forward contracts with retail clients shall be executed at the ongoing interbank / market rates and shall be time stamped. For all other derivative contracts, the mid-market mark of the derivative shall be disclosed to the client before entering into the contract and the same must be included in the term sheet. Mid-market mark of a derivative is the price of the derivative that is free from profit, credit reserve, hedging, funding, liquidity, or any other costs or adjustments.
- iii. All applicable fees / commissions / service charges etc. related to the contract shall be charged by the authorised dealer separately and shall not be part of the price of the contract.

### **3. Directions in case of non-retail users**

- i. Eligible products – Any derivative contract, including covered options, which the Authorised Dealer can price and value independently and is approved by the board of the Authorised Dealer, provided that the potential loss from the derivative transaction to the user, in any scenario, does not exceed the loss that the user would face if he had left the position unhedged. The responsibility of adhering to this restriction would lie on the Authorised Dealer offering the product to the user.
- ii. All new products must be cleared by the Board (or its equivalent) of the Authorised Dealer before being offered to its customer

## Appendix

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

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

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

1	<a href="#">A. P. (DIR Series) Circular No. 92</a>	April 4, 2003
2	<a href="#">A. P. (DIR Series) Circular No. 93</a>	April 5, 2003
3	<a href="#">A. P. (DIR Series) Circular No. 98</a>	April 29, 2003
4	<a href="#">A. P. (DIR Series) Circular No.108</a>	June 21, 2003
5	<a href="#">A. P. (DIR Series) Circular No. 28</a>	October 17, 2003
6	<a href="#">A. P. (DIR Series) Circular No. 46</a>	December 9, 2003
7	<a href="#">A. P. (DIR Series) Circular No. 47</a>	December 12, 2003
8	<a href="#">A. P. (DIR Series) Circular No. 81</a>	March 24, 2004.
9	<a href="#">A. P. (DIR Series) Circular No 26</a>	November 1, 2004
10	<a href="#">A. P. (DIR Series) Circular No 47</a>	June 23, 2005
11	<a href="#">A. P. (DIR Series) Circular No 03</a>	July 23, 2005
12	<a href="#">A. P. (DIR Series) Circular No 25</a>	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 href="#">A. P. (DIR Series) Circular No.21</a>	December 13, 2006
20	<a href="#">A. P. (DIR Series) Circular No.22</a>	December 13, 2006
21	<a href="#">A. P. (DIR Series) Circular No.32</a>	February 8, 2007
22	<a href="#">A. P. (DIR Series) Circular No.52</a>	May 08, 2007
23	<a href="#">A. P. (DIR Series) Circular No.66</a>	May 31, 2007
24	<a href="#">A. P. (DIR Series) Circular No.76</a>	June 19,2007
25	<a href="#">A. P. (DIR Series) Circular No.15</a>	October 29 ,2007
26	<a href="#">A. P. (DIR Series) Circular No.17</a>	November 6, 2007
27	<a href="#">A. P. (DIR Series) Circular No.47</a>	June 3, 2008
28	<a href="#">A. P. (DIR Series) Circular No. 05</a>	August 6, 2008
29	<a href="#">A. P. (DIR Series) Circular No.23</a>	October 15, 2008
30	<a href="#">A. P. (DIR Series) Circular No.35</a>	November 10, 2008
31	<a href="#">A. P. (DIR Series) Circular No.50</a>	February 4, 2009
32	<a href="#">A. P. (DIR Series) Circular No.27</a>	January 19, 2010
33	<a href="#">A. P. (DIR Series) Circular No.05</a>	July 30, 2010
34	<a href="#">A. P. (DIR Series) Circular No.32</a>	December 28, 2010
35	<a href="#">A. P. (DIR Series) Circular No.60</a>	May 16, 2011
36	<a href="#">A. P. (DIR Series) Circular No.67</a>	May 20, 2011
37	<a href="#">A. P. (DIR Series) Circular No.68</a>	May 20, 2011
38	<a href="#">A. P. (DIR Series) Circular No.3</a>	July 21, 2011
39	<a href="#">A. P. (DIR Series) Circular No.50</a>	November 23, 2011
40	<a href="#">A. P. (DIR Series) Circular No.58</a>	December 15, 2011
41	<a href="#">A. P. (DIR Series) Circular No.63</a>	December 29, 2011
42	<a href="#">A. P. (DIR Series) Circular No.68</a>	January 17, 2012
43	<a href="#">A. P. (DIR Series) Circular No.122</a>	May 09, 2012

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

These circulars should be read in conjunction with FEMA, 1999 and the Rules/ Regulations / Directions / Orders/ Notifications issued thereunder.