

Centralized Hedging Facility for Indian subsidiaries of Non-resident Companies

1. Purpose

To provide greater flexibility for hedging the currency risk arising out of current account transactions of Indian subsidiaries of Multi-National Companies (MNCs) by the parent or any non-resident group entity.

2. Users

Non-resident parent or its centralised treasury or any other related entity hedging on behalf of the Indian subsidiary.

3. Products

All FCY-INR derivatives, OTC as well exchange traded that the Indian subsidiary is eligible to undertake.

4. Operational Guidelines, Terms and Conditions for hedging

- (i) The non-resident entity should be incorporated in a country that is member of the Financial Action Task Force (FATF) or member of a FATF-Style Regional body.
- (ii) The non-resident entity may approach an AD Cat-I bank which handles the foreign exchange transactions of its subsidiary for hedging the currency risk of and on the latter's behalf.
- (iii) The non-resident may approach the AD Cat-I bank either directly or through its banker overseas.
- (iv) The Indian subsidiary shall be responsible for compliance with the rules, regulations and directions issued under FEMA 1999 and any other laws/rules/regulations applicable to these transactions in India.
- (v) The transactions under this facility will be covered under a multiple party agreement involving the Indian subsidiary, the non-resident entity and the Indian AD Cat – I bank.

- (vi) The profit/ loss of the hedge transactions shall be reflected in the books of accounts of the Indian subsidiary. This requirement shall be included in the multiple party agreement.
- (vii) Any rupee account if required for undertaking the hedging transactions be permitted to be opened by the AD Bank in the name of the related non-resident entity.
- (viii) The concerned AD Bank shall be responsible for monitoring all hedge transactions (OTC as well as exchange traded) booked by the non-resident entity and ensuring that the Indian subsidiary has the necessary underlying exposure for the hedge transactions.
- (ix) Transactions booked on the exchanges may be reported to the concerned AD Bank for monitoring underlying exposure.
- (x) AD banks shall report hedge contracts booked under this facility by the non-resident related entity to CCIL's trade repository with a special identification tag.
