

Approval Route

Residents in India, engaged in import and export trade or as otherwise approved by Reserve Bank from time to time, may hedge the price risk of all commodities in the international commodity exchanges/markets. Applications for commodity hedging of companies/ firms which are not covered by the delegated authority of Authorised Dealers Category I may be forwarded to the Reserve Bank for consideration through the International Banking Division of an AD bank along with specific recommendation giving the following details:

1. A brief description of the hedging strategy proposed, namely:
description of business activity and nature of risk,
instruments proposed to be used for hedging,
names of commodity exchanges and brokers through whom risk is proposed to be hedged and credit lines proposed to be availed. The name and address of the regulatory authority in the country concerned may also be given,
size/average tenure of exposure and/or total turnover in a year, together with expected peak positions thereof and the basis of calculation.
2. A copy of the Board Risk Management Policy approved by the Management covering;
risk identification
risk measurements
guidelines and procedures to be followed with respect to revaluation and/or monitoring of positions
names and designations of officials authorised to undertake transactions and limits
3. Any other relevant information.

A one-time approval will be given by Reserve Bank along with the guidelines for undertaking this activity.