

Booking of Forward Contracts Based on Past Performance
A.P.(DIR Series) Circular No. 46 (Dec 9, 2003)

Reserve Bank of India
Exchange Control Department
Central Office

A.P.(DIR Series) Circular No. 46

December 9, 2003

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Booking of Forward Contracts Based on Past Performance

Attention of Authorised Dealers is invited to paragraph A.2 of our Master Circular No1 dated July 1, 2003 on Risk Management and Inter-bank Dealings, in terms of which importers/exporters are permitted to book forward contracts on the basis of declaration of an exposure based on past performance, subject to the condition that at any point of time the forward contracts so booked and outstanding shall not exceed 25% of the limit worked out on the basis of last three years' average import/ export performance, within a cap of USD 100 million.

2. It has now been decided that the eligible limit for this facility would be the average of the past three years' export/import turnover or the previous year's turnover, whichever is higher. The forward contracts so booked and outstanding at any point of time shall not exceed 50% (raised from 25%) of the eligible limit **without any cap**, provided that any amount in excess of 25% of the eligible limit shall be only on a deliverable basis. These limits shall be computed separately for export/import transactions. All other conditions prescribed for this facility remain the same.

3. Importers/exporters desirous of availing limits higher than the overall cap of 50% may forward their applications through their Authorised Dealer to the Chief General Manager, Exchange Control Department (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai-400001 as per paragraph A.2 (e) of the Master Circular.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager