



RBI/2013-14/118
A.P. (DIR Series) Circular No.02

July 04, 2013

To,

All Authorised Dealer Category – I Banks

Madam / Sir,

Risk Management and Inter-Bank Dealings- Liberalization of documentation requirements for the resident entities in the Indian Forex Market

Attention of Authorized Dealers Category – I (AD Category – I) banks is invited to [A.P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#) issued on Comprehensive Guidelines on Over the Counter (OTC) Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks. In the annex to this circular, under paragraph (II) sub-paragraph (b) (ii) it has been stated that in the case of contracted exposure, AD Category I banks must obtain “Quarterly certificates from the statutory auditors of the users, that the contracts outstanding at any point of time with all AD Category I banks during the quarter did not exceed the value of the underlying exposures”

2. In view of the recommendations of the Technical Committee on Services / Facilities for the Exporters (Chairman: Shri G. Padmanabhan, Executive Director, Reserve Bank of India) regarding rationalization of the documentation process, it has now been decided that AD banks, while offering hedging products under the contracted exposure route to their customers may obtain an annual certificate from the statutory auditors to the effect that the contracts outstanding with all AD category I banks at any time during the year did not exceed the value of the underlying exposures at that time. It is reiterated, however, that that the AD bank, while entering into any derivative transaction with a client, shall have to obtain an undertaking from the client to the effect that the contracted exposure against which the derivative transaction is being booked has not been used for any derivative transaction with any other AD bank.

3. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. 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) and are without prejudice to permissions /approvals, if any, required under any other law.

Yours faithfully,

(C D Srinivasan)
Chief General Manager