

RBI/2022-23/152

A. P. (DIR Series) Circular No. 20

December 12, 2022

All Authorised Dealer Category – I Banks

Madam / Sir,

**Hedging of Commodity Price Risk and Freight Risk in Overseas Markets**

Attention of Authorised Dealer Category - I (AD Cat-I) banks is invited to Regulation 6 and 6A of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 ([Notification No. FEMA. 25/RB-2000 dated May 3, 2000](#)), as amended from time to time, issued under clause (h) of sub-section (2) of Section 47 of Foreign Exchange Management Act, 1999 (Act 42 of 1999) as amended from time to time.

2. Within the contours of the Regulations, the Reserve Bank issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999). These Directions lay down the modalities for the AD Cat-I banks for facilitating hedging of commodity price risk and freight risk in overseas markets by their customers / constituents.

3. The [Master Direction – Foreign Exchange Management \(Hedging of Commodity Price Risk and Freight Risk in Overseas Markets\) Directions, 2022](#) are enclosed herewith. AD Cat-I banks may bring the contents of these Directions to the notice of their customers / constituents 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,

(Dimple Bhandia)  
Chief General Manager