

Cancellation and Rebooking of Forward Contracts

EC .CO.FMD/790/02.03.75/2001-02

26th March 2002

To,
All Authorised Dealers in Foreign Exchange

Dear Sir,/Madam,

Cancellation and Rebooking of Forward Contracts

Attention of Authorised Dealers is invited to paragraph A.1 (h) of Schedule I of Notification No.FEMA 25/RB-2000 dated May 3, 2000.

2. At present the facility to cancel and rebook forward contracts freely is available to contracts covering export transactions. While this facility will continue, it has now been decided to extend similar facility to **all** forward contracts to resident corporates subject to the following conditions:-

- a) Total forward contracts covering import/non-trade transactions **rebooked** shall not exceed the total of the unhedged exposures falling due within one year (Please see Annexure I) or USD 100 million **whichever is less** during a particular year (April - March).
- b) For monitoring the limit Authorised Dealers may obtain suitable declaration from the customer about the contracts rebooked with other banks.
- c) For further review and refinement of this facility on an on-going basis, Authorised Dealers may call for information regarding unhedged exposures (please see Annexure II) from the resident corporates every year.

3. This facility is being extended to the resident corporate entities with effect from 1st April 2002, with a view to enable them to manage their exposures efficiently.

4. This facility is available until further notice.

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

6. Non-compliance of the directions contained in this circular shall attract penalties prescribed under Section 11(3) of the Foreign Exchange Management Act, 1999.

Yours faithfully,
(G. Padmanabhan)
General Manager

ANNEXURE-I

Example I Corporate XYZ

Unhedged exposures

(USD Million)

(i)	Import transactions due within one year	25
(ii)	Non-trade payments due within one year	20
		45
(iii)	Non-trade receipts	15

Eligible limit

a)	For transactions covering (i) and (ii) above	45
b)	For (iii) above	15
		60

Example 2

Corporate XYZ

Unhedged exposures (USD Million)

(i)	Import transactions due within one year	60
(ii)	Non-trade payments due within one year	100
		160
(iii)	Non-trade receipts	15

Eligible limit

a)	For transactions covering (i) & (ii) above	100*
b)	For (iii) above	15*

*Subject to the condition that (a) + (b) above shall not exceed 100 million during a financial year.

Note: Each time a contract is rebooked the limit will get proportionately reduced. If in respect of Example 2 the corporate rebooks a cancelled forward contract of value USD 10

million on 30th April 2002, the limit available to the corporate for the remaining part of the financial year would stand reduced to USD 90 million

ANNEXURE II

Information relating to unhedged exposures

Name of the corporate:

Amount in USD million

- i) Import transactions due within the year
- ii) Non-trade payments falling due within one year.
- iii) Non-trade payments falling due beyond one year.

Total

Non-trade receipts (e.g.ADR/GDR/ECB funds pending conversion to rupees if eligible)

Note

Authorised dealers may consolidate the above data for the bank as a whole and forward a report to Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office,Forex Markets Division, Mumbai-400001 (copy to Chief General Manager, Department of External Investments and Operations ,Reserve Bank of India,Central Office, Data Cell, Mumbai -400 001) before the 31st May every year.