

**Hedging of Overseas Direct Investments**  
**A.P.(DIR Series) Circular No.47 (Dec 12, 2003)**

**Reserve Bank of India**  
**Exchange Control Department**  
**Central Office**  
**Mumbai**

A.P.(DIR Series) Circular No.47

December 12, 2003

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Hedging of Overseas Direct Investments**

It has been decided that henceforth resident entities having overseas direct investments may be permitted to hedge the exchange risk arising out of such investments. Accordingly, Authorised Dealers may enter into forward/option contracts with residents who wish to hedge their overseas direct investments (in equity and loan), subject to verification of such exposure and provided further that the contracts are completed by delivery or rolled over on the due date.

2. If a hedge becomes naked in part or full owing to shrinking of the market value of the overseas direct investment, the hedge may continue to the original maturity. Roll-overs on the due date shall be permitted upto the extent of market value as on that date.

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

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

Yours faithfully,  
**(Grace Koshie)**  
**Chief General Manager**