



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2004-05/265
A.P. (DIR Series) Circular No. 26

November 1, 2004

To

All Banks Authorised to Deal in Foreign Exchange

Madam / Sirs,

Booking of Forward Contracts Based on Past Performance

Attention of Authorised Dealer (AD) banks is invited to A.P.(DIR) Series Circular No. 46 dated December 9, 2003 and paragraph A.2 of our Master Circular No. 2 dated July 1,2004 on Risk Management and Inter-Bank Dealings, in terms of which importers/exporters are permitted to book forward contracts on the basis of past performance (without production of any underlying documents) up to the average of the past three years' or the previous year's turnover, whichever is higher. Outstanding contracts under this facility at any point of time should not exceed 50 per cent of the eligible limit. Importers/exporters desirous of higher limits are required to approach the Reserve Bank for necessary approval.

2. Reserve Bank has been receiving representations from importers/exporters for greater flexibility in view of the increasing turnover. It has, therefore, been decided that AD banks may, henceforth, grant permission to their importer/exporter constituents for enhancement of the outstanding limit of forward contracts under this facility from 50 per cent to 100 per cent of the eligible limit.

3. The enhanced limits may be permitted by AD banks on being satisfied about the genuine requirements of their constituents after examination of the following documents:

- i) A certificate from the Chartered Accountant of the customer that all guidelines have been adhered to while utilizing this facility.

- ii) A certificate of import/export turnover of the customer during the past three years duly certified by their Chartered Accountant/bank in the format given in Annex- VII of our Master Circular mentioned above.
4. In the case of an exporter, the amount of overdue bills should not be in excess of 10 per cent of the turnover to avail this facility. All other conditions prescribed for this facility remain unchanged. As hitherto, contracts booked in excess of 25 per cent of the eligible limit will have to be necessarily delivered.
5. Authorised Dealers are required to submit a monthly report (as on the last Friday of every month) on the limits granted and utilized by their constituents under this facility in the format annexed to this circular. The report may be forwarded to The Chief General Manager, Foreign Exchange Department, Forex Markets Division, Central Office, RBI, Mumbai-400 001 and by e-mail to fedcofmd@rbi.org.in so as to reach the department by the 10th of the following month.
6. Authorised Dealer banks may bring the contents of this circular to the notice of their constituents and customers.
7. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

F. R. Joseph
Chief General Manager

Annex

Booking of forward contracts on past performance basis-
Report as on

Name of the bank-

(in USD)

Total Limits sanctioned during the month	Cumulative sanctioned limits	Amt of contracts booked during the month	Amount utilized (by delivery of documents)	Amount of forward contracts cancelled
1	2	3	4	5

Notes:

1. The position of the bank as a whole shall be indicated.
2. Amounts in columns 2, 3, 4 and 5 should be cumulative positions over the year. Outstanding amounts at the end of each financial year shall be carried over and taken into account in the next year's limit.