RBI/2006-07/24
Master Circular No. /06/2006-07 **July 1, 2006**

To,

All Authorised Dealers - Category I

Madam / Sir,

Master Circular on Risk Management and Inter-Bank Dealings

Rupee Accounts of Non-Resident Banks, Inter-Bank Dealings, Foreign Exchange Derivative Contracts, etc. are governed by the provisions in Notification No. FEMA 1/2000-RB, Regulation 4(2) of Notification No. FEMA 3/RB-2000 and Notification No. FEMA 25/RB-2000 dated May 3, 2000 and subsequent amendments thereto.

2. This Master Circular consolidates the existing instructions on the subject of **"Risk Management and Inter-Bank Dealings"** at one place. The list of underlying circulars/notifications is set out in Appendix.

3. This Master Circular is issued with a sunset clause of one year. This circular will stand withdrawn on July 1, 2007 and would be replaced by an updated Master Circular on the subject.

Yours faithfully,

M. Sebastian
Chief General Manager

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PART – A

RISK MANAGEMENT

SECTION I

Facilities for Persons Resident in India other than Authorised Dealers Category - I

Forward Contracts

A 1. A person resident in India may enter into a forward contract with an Authorised Dealer Category-I (AD) bank in India to hedge an exposure to exchange risk in respect of a transaction for which sale and/or purchase of foreign exchange is permitted under the Act, or rules or regulations or directions or orders made or issued thereunder, subject to the following terms and conditions:

a) the AD bank through verification of documentary evidence is satisfied about the genuineness of the underlying exposure, irrespective of the transaction being a current or a capital account transaction. Full particulars of contract should be marked on such documents under proper authentication and copies thereof retained for verification. However, AD bank may allow importers and exporters to book forward contracts on the basis of a declaration of exposure subject to the conditions mentioned in paragraph A 2 of this circular;

b) the maturity of the hedge does not exceed the maturity of the underlying transaction;

c) the currency of hedge and tenor are left to the choice of the customer;

d) where the exact amount of the underlying transaction is not ascertainable, the contract is booked on the basis of a reasonable estimate;

e) foreign currency loans/bonds will be eligible for hedge only after final approval is accorded by the Reserve Bank where such approval is necessary or loan identification number is given by the Reserve Bank;

f) Global Depository Receipts (GDRs) will be eligible for hedge after the issue price has been finalized;

g) balances in the Exchange Earner's Foreign Currency (EEFC) accounts sold forward by the account holders shall remain earmarked for delivery and such contracts shall not be cancelled. They may, however, be rolled-over;

h) all forward contracts with rupee as one of the currencies, booked to cover foreign exchange exposures falling due within one year can be freely cancelled and rebooked. All forward contracts, involving the rupee as one of the currencies, booked by residents to hedge current account transactions, regardless of tenor, may be allowed to be cancelled and rebooked freely. This relaxation will not be applicable to forward contracts booked on past performance basis without documents as also forward contracts booked to hedge transactions denominated in foreign currency but settled in INR, where the current restrictions will continue. The **revised** format in which corporate exposures are required to be reported is given in Annex-V. The details of exposures of all corporate clients have to be included in the report. Further, the facility of cancellation and rebooking should not be permitted unless the corporate has submitted the required exposure information as on April 1 of the year. All non- INR forward contracts can be freely re-booked on cancellation.

i) substitution of contracts for hedging trade transactions may be permitted by an authorised dealer on being satisfied with the circumstances under which such substitution has become necessary.

A 2. AD banks may also allow **importers and exporters** to book forward contracts on the basis of a declaration of an exposure and based on past performance upto the average of the previous three financial years' (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher, subject to the following conditions:

a). The forward contracts booked in the aggregate during the year and outstanding at any point of time should not exceed the eligible limit i.e the average of the previous three financial years' (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher. Contracts booked in excess of 25 per cent of the eligible limit will be on deliverable basis and cannot be cancelled. These limits shall be computed separately for import/export transactions.

b) Any forward contract booked without producing documentary evidence will be marked off against this limit.

c) Importers and exporters should furnish a declaration to the AD banks regarding amounts booked with other authorised dealers category-I under this facility.

d) An undertaking may be taken from the customer to produce supporting documentary evidence before the maturity of the forward contract.

e) Outstanding forward contracts higher than 50 per cent of the eligible limit may be permitted by the AD bank 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-VI.

f) 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 the above facility.

g) AD banks 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 given in Annex-IX. The report may be forwarded to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai-400 001.

NOTE: Limits specified in paragraph A.2 pertain to forward contracts booked on the basis of declaration of an exposure. When forward contracts are booked by the AD bank after verification of documentary evidence, these limits are not applicable and such contracts may be booked up to the extent of the underlying.

A 3. A forward contract cancelled with one AD bank can be rebooked with another AD bank subject to the following conditions:

i) the switch is warranted by competitive rates on offer, termination of banking relationship with the AD bank with whom the contract was originally booked, etc;

ii) the cancellation and rebooking are done simultaneously on the maturity date of the contract;

iii) the responsibility of ensuring that the original contract has been cancelled rests with the AD bank who undertakes rebooking of the contract.

A 4. a) Residents having overseas direct investments (in equity and loan) are permitted to hedge the exchange risk arising out of such investments. AD banks may enter into forward contracts with residents for hedging such investments subject to verification of exposure. Contracts covering overseas direct investments have to be completed by delivery or rolled over on the due date and cannot be cancelled.

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

A 5. AD banks may also enter into forward contracts with residents in respect of transactions denominated in foreign currency but settled in Indian Rupees. These contracts shall be held till maturity and cash settlement would be made on the maturity date by cancellation of the contracts. Forward contracts covering such transactions once cancelled, are not eligible to be rebooked.

Contracts other than Forward Contracts

A 6. a) AD banks may enter into Foreign Currency-Rupee Option contracts with their customers on back-to-back basis. They are also permitted to run an options book subject to prior approval from the Reserve Bank. All guidelines applicable for forward contracts are applicable on rupee option contracts also. Detailed guidelines and reporting requirements are given in <u>Annex-VII</u>.

b) A person resident in India who has borrowed foreign exchange in accordance with the provisions of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 , may enter into an Interest Rate Swap or Currency Swap or Coupon Swap or Foreign Currency Option or Interest Rate Cap or Collar (purchases) or Forward Rate Agreement (FRA) contract with an AD bank in India or with a branch outside India of a bank authorized to deal in foreign exchange in India or with an Off-shore Banking Unit in India for hedging his loan exposure and unwinding from such hedges, provided that :

i) the contract does not involve the rupee.

ii) final approval has been accorded or loan identification number issued by the Reserve Bank for borrowing in foreign currency.

iii) the notional principal amount of the hedge does not exceed the outstanding amount of the foreign currency loan.

iv) the maturity of the hedge does not exceed the unexpired maturity of the underlying loan.

These contracts may be freely cancelled and rebooked.

c) A person resident in India, who has a foreign exchange or rupee liability, may enter into a contract for Foreign Currency-Rupee Swap with an AD bank in India to hedge long term exposure under the following terms and conditions:

i) No swap transactions involving upfront payment of rupees or its equivalent in any form shall be undertaken.

ii) Swap transactions may be undertaken by AD banks as intermediaries by matching the requirements of corporate counter-parties.

iii) While no limits are placed on the AD banks for undertaking swaps to facilitate customers to hedge their foreign exchange exposures, limits have been put in place for swap transactions facilitating customers to assume a foreign exchange liability, thereby resulting in supply in the market. While matched transactions may be undertaken, a limit of USD 50 million is placed for net supply in the market on account of these swaps. Positions arising out of cancellation of foreign currency to rupee swaps by customers need not be reckoned within the cap.

iv) With reference to the specified limits for swap transactions facilitating customers to assume a foreign exchange liability, the limit will be reinstated on account of cancellation/ maturity of the swap and on amortization, up to the amounts amortized.

v) The above transactions if cancelled, shall not be rebooked or re-entered, by whatever name called.

d) (i) A person resident in India may enter into a cross currency option contract (not involving the rupee) with an AD bank in India to hedge foreign exchange exposure arising out of his trade :

- Provided that in respect of cost-effective risk reduction strategies like range forwards, ratio-range forwards or any other variable by whatever name called, there shall not be any net inflow of premium. These transactions may be freely booked and/or cancelled.

ii) Cross currency options should be written on a fully covered back-to-back basis. The cover transaction may be undertaken with a bank outside India, an off-shore banking unit situated in a Special Economic Zone or an internationally recognized option exchange or another AD bank in India.

iii) All guidelines applicable for cross currency forward contracts are applicable to cross currency option contracts also.

iv) AD banks desirous of writing options, should obtain a one-time approval, before undertaking the business, from the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai, 400 001.

Explanation

The contingent foreign exchange exposure arising out of submission of a tender bid in foreign exchange is also eligible for hedging under this sub-paragraph.

NOTE:

In respect of foreign exchange derivative contracts both involving the rupee and not involving the rupee,

A. AD banks should ensure that in the case of

i. swap structures where premium is inbuilt into the cost

ii. option contracts involving cost reduction structures,

- such structures do not result in increase in risk in any manner and
- do not result in net receipt of premium by the customer

B. AD banks should not offer leveraged swap structures.

C. AD banks should not allow the swap route to become a surrogate for forward contracts for those who do not qualify for forward cover.

Risk Management Policy for Corporates

A 7. AD banks should ensure that the Board of Directors of the corporate has drawn up a risk management policy, laid down clear guidelines for concluding the transactions and institutionalised the arrangements for a periodical review of operations and annual audit of transactions to verify compliance with the regulations. The periodical review reports and annual audit reports should be obtained from the concerned corporate by the authorised dealers.

Hedging of Commodity Price Risk in the International Commodity Exchanges/Markets

A 8. (i) Residents in India, engaged in import and export trade or as otherwise approved by Reserve Bank from time to time, may hedge the price risk of all commodities in the international commodity exchanges/markets. Commercial bank ADs, satisfying certain minimum norms, authorized by the Reserve Bank, may grant permission to companies listed on a recognized stock exchange to hedge the price risk in respect of any commodity (except gold, silver, petroleum and petroleum products) in the international commodity exchanges/ markets. Detailed guidelines and reporting requirements are given in Annex X. Applications for commodity hedging of companies/ firms which are not covered by the delegated authority of Authorised Dealers Category-I may be forwarded to Reserve Bank for consideration through the International Banking Division of an AD bank along with specific recommendation giving the following details:

1. A brief description of the hedging strategy proposed, namely:

a) description of business activity and nature of risk,

b) instruments proposed to be used for hedging,

c) names of commodity exchanges and brokers through whom risk is proposed to be hedged and credit lines proposed to be availed. The name and address of the regulatory authority in the country concerned may also be given,

d) size/average tenure of exposure and/or total turnover in a year, together with expected peak positions thereof and the basis of calculation.

2. A copy of the Risk Management Policy approved by the Management covering;

a) risk identification

b) risk measurements

c) guidelines and procedures to be followed with respect to revaluation and/or monitoring of positions

d) names and designations of officials authorised to undertake transactions and limits

3. Any other relevant information.

A one-time approval will be given by Reserve Bank along with the guidelines for undertaking this activity.

Commodity Hedging by entities in Special Economic Zones

(ii) AD banks may allow entities in the Special Economic Zones (SEZ) to undertake hedging transactions in the overseas commodity exchanges/markets to hedge their commodity prices on export/import, subject to the condition that such contract is entered into on a stand-alone basis.

Note: The term "stand alone" means the unit in SEZ is completely isolated from financial contacts with its parent or subsidiary in the mainland or within the SEZs as far as its import/export transactions are concerned.

Facilities for Persons Resident Outside India

Facilities for Foreign Institutional Investors (FIIs)

A 9. a) Designated branches of AD banks maintaining accounts of FIIs may provide forward cover with rupee as one of the currencies to such customers subject to the following conditions:

i). FIIs are allowed to hedge the market value of their entire investment in equity and/or debt in India as on a particular date. If a hedge becomes naked in part or full owing to shrinking of the portfolio, for reasons other than sale of securities, the hedge may be allowed to continue to the original maturity, if so desired;

ii). these forward contracts, once cancelled cannot be rebooked but may be rolled over on or before maturity;

iii). the cost of hedge is met out of repatriable funds and /or inward remittance through normal banking channel;

iv). all outward remittances incidental to the hedge are net of applicable taxes.

b) The eligibility for cover may be determined on the basis of the declaration of the FII. A review may be undertaken on the basis of market price movements, fresh inflows, amounts repatriated and other relevant parameters to ensure that the forward cover outstanding is supported by an underlying exposure.

Facilities for Non-resident Indians (NRIs)

A 10. AD banks may enter into forward contracts with NRIs as per the following guidelines to hedge:

i). the amount of dividend due to him on shares held in an Indian company.

ii). the balances held in the Foreign Currency Non-Resident (FCNR) account or the Non-Resident External Rupee (NRE) account. Forward contract with the rupee as one of the legs may be booked against balances in both the accounts. With regard to balances in FCNR(B) accounts, cross currency (not involving the rupee) forward contracts may also be booked to convert the balances in one foreign currency to another foreign currency in which FCNR(B) deposits are permitted to be maintained.

iii). the amount of investment made under the portfolio scheme in accordance with the provisions of the Foreign Exchange Regulation Act, 1973 or under notifications issued thereunder or is made in accordance with the provisions of the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 and in both cases subject to the terms and conditions specified in the proviso to paragraph A 9 above.

Facilities for Hedging Foreign Direct Investment in India

A 11. a) AD banks may enter into forward contracts with residents outside India to hedge the investments made in India since January 1,1993, subject to verification of the exposure in India.

b) Residents outside India having foreign direct investment in India are also permitted to enter into forward contracts with AD banks with rupee as one of the currencies to hedge the currency risk on dividend receivable by them on their investments in Indian companies.

c) Residents outside India may also enter into forward sale contracts with AD banks to hedge the currency risk arising out of their proposed foreign direct investment in India. Such contracts may be allowed to be booked only after ensuring that the overseas entities have completed all the necessary formalities and obtained necessary approvals (wherever applicable) for the investment. The tenor of the contracts should not exceed six months beyond which permission of the Reserve Bank would be required to continue with the contract. These contracts, if cancelled, shall not be eligible to be rebooked for the same inflows and exchange gains, if any, on cancellation shall not be passed on to the overseas investor.

NOTE :

All foreign exchange derivative contracts permissible for a person resident outside India once cancelled, are <u>not</u> eligible to be rebooked.

SECTION II

Facilities for Authorised Dealers Category-I

Management of Banks’ Assets-Liabilities

A.12. a) AD banks may use the following instruments to hedge their asset-liability portfolio :

Interest Rate Swaps, Currency Swaps, and Forward Rate Agreements.

AD banks may also purchase call or put options to hedge their cross currency proprietary trading positions.

b) The use of these instruments is subject to the following conditions:

(i) An appropriate policy in this regard is approved by their Top Management.

(ii) The value and maturity of the hedge should not exceed that of the underlying.

(iii) No 'stand alone' transactions can be initiated. If a hedge becomes naked in part or full owing to shrinking of the portfolio, it may be allowed to continue till the original maturity and should be marked to market at regular intervals.

(iv) The net cash flows arising out of these transactions are booked as income and expenditure and reckoned as exchange position wherever applicable.

Hedging of Gold Prices

A 13. a) Banks authorised by Reserve Bank to operate the Gold Deposit Scheme may use exchange-traded and over-the-counter hedging products available overseas to manage the price risk. However, while using products involving options, it may be ensured that there is no net receipt of premium, either direct or implied. Banks, which are allowed to enter into forward gold contracts in India in terms of the guidelines issued by the Department of Banking Operations and Development (including the positions arising out of inter-bank gold deals) are also allowed to cover their price risk by hedging abroad in the manner indicated above.

b) Authorised banks are permitted to enter into forward contracts with their constituents (exporters of gold products, jewellery manufacturers, trading houses, etc.) in respect of the underlying sale, purchase and loan transactions in gold with them, subject to the conditions specified by the Reserve Bank.

Hedging of Capital

A 14. a) Foreign banks may hedge the entire Tier I Capital held by them in Indian books subject to the following conditions:

i) the forward contract should be for tenors of one year or more and may be rolled over on maturity. Rebooking of cancelled hedge will require prior approval of Reserve Bank;

ii) the capital funds should be available in India to meet local regulatory and CRAR requirements .Therefore, foreign currency funds accruing out of hedging should not be parked in nostro accounts but should remain swapped with banks in India at all times.

b) Foreign banks are permitted to hedge their Tier II Capital in the form of Head Office borrowing as subordinated debt , by keeping it swapped into Indian rupees at all times in terms of our Department of Banking Operations and Development (DBOD)'s circular No..IBS.BC.65/23.10.015/2001-02 dated February 14, 2002.

PART B

ACCOUNTS OF NON-RESIDENT BANKS

General

B 1. (i) Credit to the account of a non-resident bank is a permitted method of payment to non-residents and is, therefore, subject to the regulations applicable to transfers in foreign currency.

(ii) Debit to the account of a non-resident bank is in effect an inward remittance in foreign currency.

Rupee Accounts of Non-Resident Banks

B 2. Authorised Dealers may open/close rupee accounts (non-interest bearing) in the names of their overseas branches or correspondents without prior reference to the Reserve Bank. Opening of rupee accounts in the names of branches of Pakistani banks operating outside Pakistan requires specific approval of the Reserve Bank.

Funding of Accounts of Non-resident Banks

B 3. (i) Authorised Dealers Category-I may freely purchase foreign currency from their overseas correspondents/branches at on-going market rates to lay down funds in their accounts for meeting their bonafide needs in India.

(ii) Transactions in the accounts should be closely monitored to ensure that overseas banks do not take a speculative view on the rupee. Any such instances should be notified to the Reserve Bank.

NOTE:

Forward purchase or sale of foreign currencies against rupees for funding is prohibited. Offer of two-way quotes to non-resident banks is also prohibited.

Transfers from other Accounts

B 4. Transfer of funds between the accounts of the same bank or different banks is freely permitted.

Conversion of Rupees into Foreign Currencies

B 5. Balances held in rupee accounts of non-resident banks may be freely converted into foreign currency. All such transactions should be recorded in Form A2 and the corresponding debit to the account should be in form A3 under the relevant Returns.

Responsibilities of Paying and Receiving Banks

B 6. In the case of credit to accounts the paying banker should ensure that all regulatory requirements are met and are correctly furnished in form A1/A2 as the case may be.

Refund of Rupee Remittances

B 7. Requests for cancellation or refund of inward remittances may be complied with without reference to Reserve Bank after satisfying themselves that the refunds are not being made in cover of transactions of compensatory nature.

Overdrafts / Loans to Overseas Branches/Correspondents

B 8. (i) Authorised Dealers Category-I may permit their overseas branches/ correspondents temporary overdrawals not exceeding Rs.500 lakhs in aggregate, for meeting normal business requirements. This limit applies to the amount outstanding against all overseas branches and correspondents in the books of all the branches of the authorised dealer category-I in India. This facility should not be used to postpone funding of accounts. If overdrafts in excess of the above limit are not adjusted within five days a report should be submitted to the Central Office of the Reserve Bank, Foreign Exchange Department, Forex Markets Division, within 15 days from the close of the month, stating the reasons therefor. Such a report is not necessary if arrangements exist for value dating.

(ii) Authorised Dealers wishing to extend any other credit facility in excess of (i) above to overseas banks should seek prior approval from the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai.

Rupee Accounts of Exchange Houses

B 9. Opening of rupee accounts in the names of exchange houses for facilitating private remittances into India requires approval of the Reserve Bank. Remittances through exchange houses for financing trade transactions are permitted upto Rs.2,00,000 per transaction.

PART C

INTER-BANK FOREIGN EXCHANGE DEALINGS

General

C 1. The Board of Directors of authorised dealers category-I should frame an appropriate policy and fix suitable limits for various Treasury functions.

Position and Gaps

C 2. The net overnight open exchange position (Annex-I) and the aggregate gap limits are required to be approved by the Reserve Bank.

Inter-bank Transactions

C 3. Subject to compliance with the provisions of paragraphs C.1 and C.2, authorised dealers category-I may freely undertake foreign exchange transactions as under:

a) With authorised dealers category-I in India:

(i) Buying/Selling/Swapping foreign currency against rupees or another foreign currency.

(ii) Placing/Accepting deposits and Borrowing/Lending in foreign currency.

b). With banks overseas and Off-shore Banking Units in Special Economic Zones

(i) Buying/Selling/Swapping foreign currency against another foreign currency to cover client transactions or for adjustment of own position,

(ii) Initiating trading positions in the overseas markets .

NOTE :

A. Funding of accounts of Non-resident banks - please refer to paragraph B.3.

B. Form A2 need not be completed for sales in the inter-bank market, but all such transactions shall be reported to Reserve Bank in R Returns.

Foreign Currency Accounts/Investments in Overseas Markets

C 4. (i) Inflows into foreign currency accounts arise primarily from client-related transactions, swap deals, deposits, borrowings, etc. Authorised Dealers Category-I may maintain balances in foreign currencies up to the levels approved by the Top Management. They are free to manage the surplus in these accounts through overnight placement and investments with their overseas branches/correspondents subject to adherence to the gap limits approved by the Reserve Bank.

(ii) Authorised Dealers Category-I are free to undertake investments in overseas markets up to the limits approved by their Board of Directors. Such investments may be made in overseas money market instruments and/or debt instruments issued by a foreign state with a residual maturity of less than one year and rated at least as AA (-) by Standard & Poor / FITCH IBCA or Aa3 by Moody's. For the purpose of investments in debt instruments other than the money market instruments of any foreign state, bank's Board may lay down country ratings and country - wise limits separately wherever necessary.

NOTE: For the purpose of this clause, 'money market instrument' would include any debt instrument whose life to maturity does not exceed one year as on the date of purchase.

(iii) Authorised Dealers Category-I may also invest the undeployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to the condition that the maturity of the securities invested in do not exceed the maturity of the underlying FCNR (B) deposits.

(iv) Foreign currency funds representing surpluses in the nostro accounts may be utilised for:

a) making loans to resident constituents for meeting their foreign exchange requirements or for the rupee working capital/capital expenditure needs subject to the prudential/interest-rate norms, credit discipline and credit monitoring guidelines in force.

b) extending credit facilities to Indian wholly owned subsidiaries/ joint ventures abroad in which at least 51 per cent equity is held by a resident company, subject to the guidelines issued by Reserve Bank (Department of Banking Operations & Development).

(v) Authorised Dealers may write-off/transfer to unclaimed balances account, unreconciled debit/credit entries as per instructions issued by Department of Banking Operations and Development, from time to time.

Loans/Overdrafts

C 5. a) All categories of overseas foreign currency borrowings of authorised dealers category-I, (except for borrowings at (c) below), including existing External Commercial Borrowings and loans/overdrafts from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts (not adjusted within five days), shall not exceed 25 per cent of their unimpaired Tier I capital or USD 10 million (or its equivalent), whichever is higher. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches/correspondents abroad and also includes overseas borrowings in gold for funding domestic gold loans (cf. DBOD circular No. IBD.BC. 33/23.67.001/2005-06 dated September 5, 2005). If drawals in excess of the above limit are not adjusted within five days, a report, as per the format in Annex-VIII, should be submitted to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai 400001, within 15 days from the close of the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.

b) The funds so raised may be used for purposes other than lending in foreign currency to constituents in India and repaid without reference to the Reserve Bank. As an exception to this rule, AD banks are permitted to use borrowed funds as also foreign currency funds received through swaps for granting foreign currency loans for export credit in terms of IECD Circular No 12/04.02.02/2002-03 dated January 31,2003. Any fresh borrowing above this limit shall be made only with the prior approval of the Reserve Bank. Applications for fresh ECBs should be made as per the current ECB Policy.

c) The following borrowings would continue to be outside the limit of 25 per cent of unimpaired Tier I capital or USD 10 million (or its equivalent), whichever is higher:

i). Overseas borrowings by authorised dealers category-I for the purpose of financing export credit subject to the conditions prescribed in IECD Master Circular dated July 1, 2003 on Export Credit in foreign currency.

ii). Subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital.

iii) any other overseas borrowing with the specific approval of the Reserve Bank.

d) Interest on loans/overdrafts may be remitted (net of taxes) without the prior approval of Reserve Bank.

PART D

REPORTS TO THE RESERVE BANK

D i) The Head/Principal Office of each authorised dealer category-I should submit to the Chief General Manager, Reserve Bank of India, Foreign Exchange

Department, Forex Markets Division, Central Office, Mumbai 400 001 daily statements of Foreign Exchange Turnover in Form FTD and Gaps, Position and Cash Balances in Form GPB as per format given in Annex-II.

ii) The Head/Principal Office of each authorised dealer category-I should forward a statement of Nostro / Vostro Account balances on a monthly basis in the format given in Annex-III to the Director, Division of International Finance, Department of Economic Analysis and Policy, Reserve Bank of India, Central Office Building, 8th Floor, Fort, Mumbai-400 001. The data may also be transmitted by fax or e-mail at the numbers/addresses given in the format.

iii) Authorised Dealers Category-I should consolidate the data on cross currency derivative transactions undertaken by residents in terms of Paragraph A 6 (b) and (d) and submit half-yearly reports (June and December) to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai-400 001 as per the format indicated in the Annex-IV.

iv) Authorised Dealers Category-I should forward details of exposures in foreign exchange as on 1st April every year as per the format indicated in Annex-V to the Chief General Manger, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai, 400 001. Please note that details of exposures of all corporate clients have to be included in the report.

v) Authorised Dealers Category-I have to report their total outstanding foreign currency borrowings under all categories as on the last Friday of every month to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai-400 001, as per the format in Annex-VIII. The report should be received by the 10th of the following month.

vi) Authorised Dealers Category-I 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 the facility of booking forward contracts on past performance basis, as per the format in Annex-IX. The report may be forwarded to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, 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.

vii) The Head/Principal Office of each authorised dealer category-I should submit a statement in duplicate in form BAL giving details of their holdings of all foreign currencies on fortnightly basis so as to reach the Regional Office of Reserve Bank under whose jurisdiction the Head/Principal Office is situated within seven calendar days from the close of the reporting period to which it relates.

viii) A monthly statement should be furnished to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai-400 001, before the 10th of the succeeding month, in respect of cover taken by FIIs, indicating the name of the FII / fund, the eligible amount of cover and the actual cover taken.

ix) The Head/Principal Office of each authorised dealer category-I should furnish an up-to-date list (in triplicate) of all its offices/branches, which are maintaining rupee accounts of non-resident banks as at the end of December every year giving their code numbers allotted by Reserve Bank. The list should be submitted before 15th January of the following year to the Central Office of the Reserve Bank, Foreign Exchange Department, Central Statistical Division, Mumbai 400 001. The offices/branches should be classified according to area of jurisdiction of Reserve Bank Offices within which they are situated

Annex I

(See paragraph C.2)

Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers Category-I

1. Coverage

For banks incorporated in India, the exposure limits fixed by the Management should be the aggregate for all branches including their overseas branches and Off-shore Banking Units. For foreign banks, the limits will cover only their branches in India.

2. Capital

Capital refers to Tier I capital as per instructions issued by Reserve Bank of India (Department of Banking Operations and Development).

3. Calculation of the Net Open Position in a Single Currency

The open position must first be measured separately for each foreign currency. The open position in a currency is the sum of (a) the net spot position, (b) the net forward position and (c) the net options position.

a) Net Spot Position

The net spot position is the difference between foreign currency assets and the liabilities in the balance sheet. This should include all accrued income/expenses.

b) Net Forward Position

This represents the net of all amounts to be received less all amounts to be paid in the future as a result of foreign exchange transactions which have been concluded. These transactions, which are recorded as off-balance sheet items in the bank's books, would include:

(i) spot transactions which are not yet settled;

(ii) forward transactions;

(iii) guarantees and similar commitments denominated in foreign currencies which are certain to be called;

(iv) net of amounts to be received/paid in respect of currency futures, and the principal on currency futures/swaps.

c) Options Position

The options position is the "delta-equivalent" spot currency position as reflected in the authorised dealer's options risk management system, and includes any delta hedges in place which have not already been included under 3(a) or 3(b) (i) and (ii).

4. Calculation of the Overall Net Open Position

This involves measurement of risks inherent in a bank's mix of long and short position in different currencies. It has been decided to adopt the "shorthand method" which is accepted internationally for arriving at the overall net open position. Banks may, therefore, calculate the overall net open position as follows:

(i) Calculate the net open position in each currency (paragraph 3 above).

(ii) Calculate the net open position in gold.

(iii) Convert the net position in various currencies and gold into rupees in terms of existing RBI / FEDAI Guidelines. All derivative transactions including forward exchange contracts should be reported on the basis of Present Value (PV) adjustment.

(iv) Arrive at the sum of all the net short positions.

(v) Arrive at the sum of all the net long positions.

Overall net foreign exchange position is the higher of (iv) or (v). The overall net foreign exchange position arrived at as above must be kept within the limit approved by Reserve Bank.

Note : Authorised Dealer banks should report all derivative transactions including forward exchange contracts on the basis of PV adjustment for the purpose of calculation of the net open position. The following yield curves may be used to arrive at the discount factors:

i) In respect of Forward Exchange Contracts with tenor upto 12 months:
Applicable LIBOR rate.

ii) In respect of Forward Exchange Contracts with
tenor beyond 12 months and upto 13 months:

LIBOR rates for 11 months & 12 months may be considered; the difference between these 2 months can be added to the LIBOR rate for 12 months to arrive at the 13 months LIBOR rate.

iii) In respect of Forward Exchange Contracts with tenor beyond 13 months and all other derivative contracts:

The discount factors for arriving at the net present value may be computed on the basis of the current swap curve as appearing on page ICAP 1 and SWAQ of the REUTERS screen on a consistent basis(i.e. adopting a specified time at which the same is to be determined). The methodology to be adopted/ selection of the rate/cut-off time etc. are to be a part of respective bank's laid down policy guidelines by the Management.

5. **Capital Requirement**

As prescribed by Reserve Bank from time to time

Annex II

(see paragraph D(i))

Reporting of Forex Turnover Data - FTD and GPB

The guidelines and formats for preparation of the FTD and GPB reports are given below. Authorised dealers Category-I may ensure that the reports are properly compiled on the basis of these guidelines: The data for a particular date has to reach us by the close of business of the following working day.

FTD

1. SPOT- Cash and tom transactions are to be included under ‘Spot’ transactions.

2. SWAP- Only foreign exchange swaps between authorised dealers category-I should be reported under swap transactions. Long term swaps (both cross currency and foreign currency-rupee swaps) should not be included in this report. Swap transactions should be reported only once and should not be included under either the ‘spot’ or ‘forward’ transactions. Buy/Sell swaps should be included in the ‘Purchase’ side under ‘Swaps’ while Sell/buy swaps should figure on the ‘Sale’ side.

3. Cancellation of forwards- The amount required to be reported under cancellation of forward contracts against purchases from merchants should be the aggregate of cancelled forward merchant sale contracts by authorised dealers category-I (adding to the supply in the market). On the sale side of cancelled forward contracts, aggregate of the cancelled forward purchase contracts should be indicated (adding to the demand in the market).

4 ‘FCY/FCY’ transactions- Both the legs of the transactions should be reported in the respective columns. For example in a EUR/USD purchase contract, the EUR amount should be included in the purchase side while the USD amount should be included in the sale side.

5. Transactions with RBI should be included in inter-bank transactions. Transactions with financial institutions other than banks authorised to deal in foreign exchange should be included under merchant transactions.

GPB

1. Foreign Currency Balances - Cash balances and investments in all foreign currencies should be converted into US dollars and reported under this head.

2. Net open exchange position- This should indicate the overall overnight net open exchange position of the authorised dealer category-I in Rs Crore. The net overnight open position should be calculated on the basis of the instructions given in Annex I.

3. Of the above FCY/INR- The amount to be reported is the position against the rupee- i.e. the net overnight open exchange position less cross currency position, if any.

Formats of FTD and GPB Statements

FTD

Statement showing daily turnover of foreign exchange dated………

		Merchant			Inter bank		
		Spot, Cash, Ready, T.T. etc.	Forwards	Cancellation of Forwards	Spot	Swap	Forwards
FCY/INR	Purchase from						
	Sales to						
FCY/FCY	Purchase from						
	Sales to						

GPB

Statement showing gaps, position and cash balances as on………..

Foreign Currency Balances	:	IN USD MILLION
(Cash Balance + All Investments)		
Net Open Exchange Position (Rs.)	:	O/B (+)/O/S (-) IN INR CRORE
Of the above FCY/INR	:	IN INR CRORE

AGL maintained (In USD mio)	:	VaR maintained(In INR):

FOREIGN CURRENCY MATURITY MISMATCH (IN USD MILLION)

I month	II months	III months	IV months	V months	VI months	> VI months

Annex III

(see paragraph D (ii))

Statement of Nostro/Vostro Balances for the month of

Name & address of the Authorised Dealer Category-I ……..

Sr. No.	Currency	Net balance in Nostro Account	Net balance in Vostro Account.
1	USD		
2	EUR		
3	JPY		
4	GBP		
5	Rupee		
6	Other currencies (in US $ million)		

Note: In case the variation in each item above (given at 1 to 5) exceeds 10% in a month, the reason may be given briefly, as a footnote.

This statement should be addressed to The Director, Division of international Finance, Department of Economic Analysis and Policy, Reserve Bank of India, 8th Floor, Mumbai- 400 001. Phone: 022- 2266 3791. Fax- 022 2262 2993, 2266 0792. *e.mail: deapdif@rbi.org.in/ rajmal@rbi.org.in*

Annex IV

([see paragraph D (iii))

Cross- currency derivative transactions - statement for the half-year ended….

Product	No. of transactions	Notional principal amount in USD
Interest rate swaps		
Currency swaps		
Coupon swaps		
Foreign currency option		
Interest rate caps or collars (Purchases)		
Forward rate agreement		
Any other product as permitted by Reserve Bank from time to time		

Annex V

(See paragraph A 1 (h))

Information relating to exposures in foreign currency as on April 1

Name of the bank:____________

Sr. No.	Name of the corporate	Import transactions		Non-trade payments	
		Amount in USD mio equivalent	Amounts already hedged(USD mio)	Amount in USD mio equivalent	Amounts already hedged (USD mio)
		@	#	#	#

Note :

Authorised dealers Category-I should consolidate the above data for the bank as a whole and forward a report in EXCEL format giving corporate-wise balances to the Chief General Manager, Foreign Exchange Department, Reserve Bank of India, Central Office, Forex Markets Division, Mumbai- 400 001 before June 30, every year.

@ Calculated on the basis of the last three years' average, duly factoring in subsequent major changes, if any.

Based on actuals.

Annex VI

(See paragraph A 2 (e))

Statement giving details of import / export turnover, overdues, etc.

Name of the constituent: ______________________________________

(Amount in USD million)

Financial Year (April-March)	Turnover		Percentage of overdue bills to turnover		Existing limit for booking of forward cover based on past performance	
	Export	Import	Export	Import	Export	Import
2003-04						
2004-05						
2005-06						

Annex VII

(See paragraph A 6 (a))

Foreign currency- Rupee Options

AD banks are permitted to offer foreign currency – rupee options under the following terms and conditions:

a) This product may be offered by AD banks having a minimum CRAR of 9 per cent, on a back-to-back basis.

b) AD banks having adequate internal control, risk monitoring/ management systems, mark to market mechanism and fulfilling the following criteria will be allowed to run an option book after obtaining a one time approval from the Reserve Bank:

i. Continuous profitability for at least three years

ii. Minimum CRAR of 9 per cent

iii. Net NPAs at reasonable levels (not more than 5 per cent of net advances)

iv. Minimum Net worth not less than Rs. 200 crore

c) For the present, AD banks can offer only plain vanilla European options.

d) i. Customers can purchase call or put options.

ii. Customers can also enter into packaged products involving cost reduction structures provided the structure does not increase the underlying risk and does not involve customers receiving premium.

iii. Writing of options by customers is not permitted. However, zero cost option structures can be allowed.

e) AD banks shall obtain an undertaking from customers interested in using the product that they have clearly understood the nature of the product and its inherent risks.

f) AD banks may quote the option premium in Rupees or as a percentage of the Rupee/foreign currency notional.

g) Option contracts may be settled on maturity either by delivery on spot basis or by net cash settlement in Rupees on spot basis as specified in the contract. In case of unwinding of a transaction prior to maturity, the contract may be cash settled based on the market value of an identical offsetting option.

h) All the conditions applicable for booking, rolling over and cancellation of forward contracts would be applicable to option contracts also. The limit available for booking of forward contracts on past performance basis would be inclusive of option transactions. Higher limits will be permitted on a case-by-case basis on application to the Reserve Bank as in the case of forward contracts.

i) Only one hedge transaction can be booked against a particular exposure/ part thereof for a given time period.

j) Option contracts cannot be used to hedge contingent or derived exposures (except exposures arising out of submission of tender bids in foreign exchange).

2. Users

a) Customers who have genuine foreign currency exposures in accordance with Schedules I and II of Notification No. FEMA 25/2000-RB dated May 3, 2000 as amended from time to time are eligible to enter into option contracts.

b) AD banks can use the product for the purpose of hedging trading books and balance sheet exposures.

3. Risk Management and Regulatory Issues

a) AD banks wishing to run an option book and act as market makers may apply to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Fort, Mumbai-400001 with a copy of the approval of the Competent Authority (Board/Risk Committee/ALCO) and a copy of the detailed memorandum put up in this regard. AD banks who wish to use the product on a back-to-back basis may keep the above Division informed in this regard.

b) Market makers would be allowed to hedge the ‘Delta’ of their option portfolio by accessing the spot markets. Other ‘Greeks’ may be hedged by entering into option transactions in the inter-bank market. The ‘Delta’ of the option contract would form part of the overnight open position. As regards inclusion of option contracts for the purpose of 'AGL', the "delta equivalent" as at the end of each maturity shall be taken into account. The residual maturity (life) of each outstanding option contracts can be taken as the basis for the purpose of grouping under various maturity buckets. (For definition of the various ‘Greeks’ relating to option contracts, please refer the report of the RBI Technical Committee on foreign currency-rupee options).

c) For the present, AD banks are expected to manage the option portfolio within the risk management limits already approved by the Reserve Bank.

d) AD banks running an option book are permitted to initiate plain vanilla cross currency option positions to cover risks arising out of market making in foreign currency-rupee options.

e) Banks should put in place necessary systems for marking to market the portfolio on a daily basis. FEDAI will publish daily a matrix of polled implied volatility estimates, which market participants can use for marking to market their portfolio.

4. <u>Reporting</u>

AD banks are required to report to the Reserve Bank on a weekly basis the transactions undertaken as per the formats appended.

5. <u>Accounting</u>

The accounting framework for option contracts will be as per FEDAI Circular No.SPL-24/FC-Rupee Options /2003 dated May 29,2003.

6. <u>Documentation</u>

Market participants may follow only ISDA documentation.

7. <u>Capital Requirements</u>

Capital requirements will be as per guidelines issued by our Department of Banking Operations and Development (DBOD) from time to time.

8. Banks should train their staff adequately and put in place necessary risk management systems before they undertake option transactions. They should also take steps to familiarise their constituents with the product.

Reports to be submitted to RBI:
[For the week ended___________________]

I. Option Transaction Report

Sr. no	Trade date	Client/ C-party Name	Notional	Option Call/ Put	Strike	Maturity	Premium	Purpose*

*Mention balance sheet, trading or client related.

II. Option Positions Report

Currency Pair	Notional Outstanding		Net Portfolio Delta	Net Portfolio Gamma	Net Portfolio Vega
	calls	puts			
USD-INR	USD	USD	USD		
EUR-INR	EUR	EUR	EUR		
JPY-INR	JPY	JPY	JPY		

(Similarly for other currency pairs)

Total Net Open Options Position (INR):

The total net open options position can be arrived using the methodology prescribed in A. P. (DIR Series) Circular No. 92 dated April 4, 2003.

III. Change in Portfolio Delta Report

Change in USD-INR delta for a 0.25% change in spot ($-appreciation) in INR terms =

Change in USD-INR delta for a 0.25% change in spot ($-depreciation) in INR terms =

Similarly, Change in delta for a 0.25% change in spot (FCY appreciation & depreciation separately) in INR terms for other currency pairs, such as EUR-INR, JPY-INR etc.

IV. Strike Concentration Report

	Maturity Buckets					
Strike Price	***1 week***	***2 weeks***	***1 month***	***2 months***	***3 months***	***> 3 months***
<45.00						
45.00-45.25						
45.26-45.50						
45.51-45.75						
45.76-46.00						
46.01-46.25						
46.26-46.50						
46.51-46.75						
46.76-47.00						
47.01-47.25						
47.26-47.50						
47.51-47.75						
47.76-48.00						
>48.00						

This report should be prepared for a range of 150 paise around current spot level. Cumulative positions to be given.

All amounts in USD million. When the bank owns an option, the amount should be shown as positive. When the bank has sold an option, the amount should be shown as negative. **All reports may be sent via e-mail by market-makers to <u>fedcofmd@rbi.org.in</u>. Reports may be prepared as of every Friday and sent by the following Monday.**

Annex VIII

(See paragraph C 5)

Overseas foreign currency borrowings –Report as on ………..

Amount (in equivalent USD* Million)

Bank (SWIFT code)	Unimpaired Tier-I capital as at the close of previous quarter.	Borrowings in terms of Para C.5 (a) of Master Circular on Risk Mgmt. and Inter-Bank Dealings dated July 1, *2006*	Borrowings in excess of the above limit for replenishment. of rupee resources @	External Commercial Borrowings	Borrowings under following scheme as per IECD Master Circular on Export Credit in Foreign Currency dated July 1, 2003 & Regulation 4.2(iv) of Notification No. FEMA 3/2000-RB dated May 3, 2000	
					(a) Lines of Credit for extending Pre-Shipment Credit in Foreign Currency (PCFC)	(b) Bankers Acceptance Facility (BAF) / Loan from overseas for extending Redisctg. of Export Bills Abroad Scheme (EBR)
	A	1	2	3	4a	4b

Subord. debt in foreign currency for inclusion in Tier-II capital	Any other category (please specify here in this cell)	Total of (1+2+3+6)	Total of (1+2+3+4+6)	Borrowings under categories (1+2+3+6) expressed as a percentage of Tier-I capital at A	Borrowings under categories (1+2+3+4+6) expressed as a percentage of Tier-I capital at A
5	6	7	8	9	10

Note:

*1. RBI reference rate and New York closing rates on the date of report may be used for conversion purpose.

@ 2. Facility since withdrawn vide para 4 of AP(DIR Series) Circular No. 81 dated March 24, 2004.

Annex IX

(See paragraph A 2 (g))

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	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 and therefore shall be included while computing the eligible limits for the next year [paragraph A 2 (a)] .

Annex X

(See paragraph A.8(i))

Hedging of Commodity Price Risk in the International Commodity Exchanges/ Markets

Commercial bank ADs, authorized by Reserve Bank, can grant permission to **companies listed on a recognized stock exchange** to hedge the price risk in respect of any commodity (except gold, silver, petroleum and petroleum products) in the international commodity exchanges/markets. Commercial bank ADs satisfying the minimum norms as given below and interested in extending this facility to their customers may forward the application for approval, to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Amar Building, 5th Floor, Mumbai – 400 001.

Minimum norms which are required to be satisfied by the ADs:

i) Continuous profitability for at least three years

ii) Minimum CRAR of 9%

iii) Net NPAs at reasonable level but not more than 4 per cent of net advances

iv) Minimum net worth of Rs 300 crore.

ADs may grant permission to corporates **only after** obtaining approval from the Reserve Bank. Reserve Bank retains the right to withdraw the permission granted to the bank, if considered necessary.

2. Before permitting corporates to undertake hedge transactions, authorized dealer would require them to submit a Board resolution indicating (i) that the Board understands the risks involved in these transactions, (ii) nature of hedge transactions that the corporate would undertake during the ensuing year, and (iii) the company would undertake hedge transaction only where it is exposed to price risk. Authorised Dealers may refuse to undertake any hedge transaction if it has a doubt about the bonafides of the transaction or the corporate is not exposed to price risk. The conditions subject to which ADs would grant permission to hedge and the guidelines for monitoring of the transactions are given below. It is clarified that hedging the price risk on domestic sale/purchase transactions in the international exchanges/markets, even if the domestic price is linked to the international price of the commodity, is not permitted. Necessary advice may be given to the customers before they start their hedging activity.

3. Banks which have been granted permission to approve commodity hedging may submit an annual report to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Amar Building, 5th Floor, Mumbai – 400 001 as on March 31 every year, within one month, giving the names of the corporates to whom they have granted permission for commodity hedging and the name of the commodity hedged.

4. Applications from customers to undertake hedge transactions not covered under the delegated authority may continue to be forwarded to Reserve Bank by the Authorised Dealers Category-I, for approval.

Conditions/ Guidelines for undertaking hedging transactions in the international commodity exchanges/ markets

1. The focus of hedge transactions shall be on risk containment. Only off-set hedge is permitted.
2. All standard exchange traded futures and options (purchases only) are permitted. If the risk profile warrants, the corporate/firm may also use OTC contracts. It is also open to the Corporate/firm to use combinations of option strategies involving a simultaneous purchase and sale of options as long as there is no net inflow of premium direct or implied. Corporates/firms are allowed to cancel an option position with an opposite transaction with the same broker.
3. The corporate/firm should open a Special Account with the authorised dealer category-I. All payments/receipts incidental to hedging may be effected by the authorised dealer category-I through this account without further reference to the Reserve Bank.
4. A copy of the Broker's Month-end Report(s), duly confirmed/countersigned by the corporate's Financial Controller should be verified by the bank to ensure that all off-shore positions are/were backed by physical exposures.
5. The periodic statements submitted by Brokers, particularly those furnishing details of transactions booked and contracts closed out and the amount due/payable in settlement, should be checked by the corporate/firm. Unreconciled items should be followed up with the Broker and reconciliation completed within three months.
6. The corporate/firm should not undertake any arbitraging/speculative transactions. The responsibility of monitoring transactions in this regard will be that of the authorised dealer category-I.

7. An annual certificate from Statutory Auditors should be submitted by the company/firm to the authorised dealer category-I. The certificate should confirm that the prescribed terms and conditions have been complied with and that the corporate/firm's internal controls are satisfactory. These certificates may be kept on record for internal audit/inspection.

Appendix

List of Circulars/Notifications which have been consolidated in the Master Circular on Risk Management and Inter-Bank Dealings

Sr. No.	Notification / Circular	Date
1.	Notification No. FEMA 25/2000-RB	May 3, 2000
2.	Notification No. FEMA 101/2003-RB	October 3, 2003
3.	Notification No. FEMA 104/2003-RB	October 21, 2003
4.	Notification No. FEMA 105/2003-RB	October 21, 2003
5.	Notification No. FEMA 127/2005-RB	January 5, 2005
6.	Notification No. FEMA 143/ 2005-RB	December 19, 2005
7.	Notification No. FEMA 147/ 2006-RB	March 16, 2006
8.	Notification No. FEMA 148/ 2006-RB	March 16, 2006
1.	A.P (DIR Series) Circular No. 92	April 4, 2003
2.	A.P (DIR Series) Circular No. 93	April 5, 2003
3.	A.P (DIR Series) Circular No. 98	April 29, 2003
4.	A.P (DIR Series) Circular No. 108	June 21, 2003
5.	A.P.(DIR Series) Circular No. 28	October 17, 2003
6.	A.P.(DIR Series) Circular No. 46	December 9, 2003
7.	A.P.(DIR Series) Circular No. 47	December 12, 2003
8.	A.P.(DIR Series) Circular No. 81	March 24, 2004.
9.	A.P.(DIR Series) Circular No 26	November 1, 2004
10.	A.P.(DIR Series) Circular No 47	June 23, 2005
11.	A.P.(DIR Series) Circular No 03	July 23, 2005
12.	A.P.(DIR Series) Circular No 25	March 6, 2006
13.	EC.CO.FMD. No.8 /02.03.75/2002-03	February 4, 2003
14.	EC.CO.FMD. No.14 /02.03.75/2002-03	May 9, 2003
15.	EC.CO.FMD.No. 345/02.03.129(Policy)/2003-04	November 5, 2003
16.	FE.CO.FMD.1072/02.03.89/2004-05	February 8, 2005
17.	FE.CO.FMD. 2/02.03.129(Policy)/2005-06	November 7, 2005
18.	FE.CO.FMD 21921/02.03.75/2005-06	April 17, 2006

This circular should be read in conjunction with FEMA, 1999 and the Rules/ Regulations / Directions / orders/ Notifications issued thereunder