

**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

**Notification No.FEMA 148 /RB-2006**

**dated March 16, 2006**

**Foreign Exchange Management (Foreign Exchange Derivative Contracts)  
(Second Amendment) Regulations, 2006.**

In exercise of the powers conferred by clause (h) of sub-section 2 of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification No.FEMA 25/RB-2000 dated May 3, 2000), namely:-

**1. Short Title and Commencement:**

(i) These Regulations may be called the Foreign Exchange Management (Foreign Exchange Derivative Contracts) (Second Amendment) Regulations, 2006.

(ii) They shall come in to force from July 23, 2005 \*

**2. Substitution of new regulation for regulation 6 -**

In the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification No.FEMA 25/RB-2000 dated May 3, 2000) (hereinafter referred to as the "principal regulations") regulation 6, shall be substituted, by the following new regulation namely:-

" 6. **Commodity Hedge:-** (i) Reserve Bank may, on an application made in accordance with the procedure specified in Schedule III permit, subject to such terms and conditions as it may consider necessary, a person resident in India to enter into a contract in a commodity exchange or market outside India to hedge the price risk in a commodity.

(ii) Notwithstanding anything contained in sub-regulation (i), an authorized dealer bank specially authorized in that behalf by the Reserve Bank may permit a company, resident in India and listed on a recognized stock exchange, to enter into contracts in a commodity exchange or market outside India, to hedge the price risk in a commodity imported/exported by it subject to such terms and conditions as may be stipulated by the Reserve Bank from time to time.

Provided that the such authorized dealer bank shall exercise such authority subject to the directions and guidelines issued to them by the Reserve Bank in that behalf.

(iii) An authorized dealer bank may apply to the Reserve Bank of India, Foreign Exchange Department for grant of authority to grant permission under sub.regulation (ii) to its customers.

3. **Amendment of Schedule III**

In Schedule III of the principal regulations, Paragraph 2 shall be substituted by the following new paragraph, namely:-

" 2. Authorized dealer, after ensuring that the application is supported by documents indicated in paragraph 1, as may be relevant, may forward the application with its recommendations to the Reserve Bank of India, where applicable. In all other cases, the application may be forwarded by the company concerned to an authorized dealer bank authorized to grant permission under sub-regulation (ii) of regulation 6, for consideration."

(Vinay Baijal)  
Chief General Manager

**Footnote:**

1.\* It is clarified that no person will be adversely affected as a result of retrospective effect being given to these regulations.

2. The principal regulations were published in the official gazette vide No.G.S.R. 411(E) dated 8th May, 2000 in Part II, Section 3, Sub-section (i) and subsequently were amended vide -

G.S.R. No. 756(E) dt. 28.9.2000,  
G.S.R. No. 264(E) dt.9.4.2002,  
G.S.R. No. 579(E) dt.19.8.2002,  
G.S.R. No. 222(E) dt.18.3.2003,  
G.S.R. No. 532(E) dt. 9.7.2003,  
G.S.R. No. 880(E) dt.11.11.2003,  
G.S.R. No. 881(E) dt.11.11.2003,

G.S.R. No. 750(E) dt.28.12.2005 and  
GSR (E) dt. 03.2006.

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Sub-Section (i) dated 19.04.2006 - G.S.R.No.223(E)**