



RBI/2010-11/384

January 25, 2011

A.P. (DIR Series) Circular No. 40

A.P. (FL Series) Circular No. 10

All Authorized Persons, who are Full Fledged Money Changers
and Authorised Dealers Category-II

Madam/ Sir,

**Participation by Full Fledged Money Changers (FFMCs) and Authorised
Dealers Category-II (ADs Category-II) in the Currency Futures and the
Exchange traded Currency Options markets**

Attention of all the Authorized Persons, who are Full Fledged Money Changers (FFMCs) and Authorised Dealers Category-II (ADs Category-II) is invited to the [A.P.\(DIR Series\) Circular No. 5 dated August 6, 2008](#) and [A.P.\(DIR Series\) Circular No. 5 dated July 30, 2010](#) enumerating the guidelines on trading of currency options contracts on recognized stock / new Exchanges.

2. It has now been decided that the FFMCs and the ADs Category-II [which are not Regional Rural Banks (RRBs), Local Area Banks (LABs), Urban Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs)], having a minimum net worth of Rs. 5 crore, may participate in the designated currency futures and currency options on exchanges recognized by the Securities and Exchange Board of India (SEBI) as clients only for the purpose of hedging their underlying foreign exchange exposures.

3. FFMCs and the ADs Category-II which are RRBs, LABs, UCBs and NBFCs, may be guided by the instructions issued by the respective regulatory Departments of the Reserve Bank in this regard.

4. Authorised Persons may bring the contents of this circular to the notice of their constituents concerned.

5. 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), and non-compliance with the guidelines would attract penal provisions of Section 11(3) of the Act *ibid*.

Yours faithfully,

(G. Jaganmohan Rao)
Chief General Manager