



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

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**RBI/2012-13/258**  
**A.P. (DIR Series) Circular No.45**

October 22, 2012

To,

All Authorised Dealer Category – I Banks

Madam / Sir,

**Facilities for Persons Resident outside India – FIIs**

Attention of Authorised Dealers Category – I (AD Category – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated [May 3, 2000 \[Notification No. FEMA/25/RB-2000\]](#) and [A.P. \(DIR Series\) Circular No.32 dated December 28, 2010](#), as amended from time to time.

2. As per the extant guidelines, only designated branches of AD Category I banks maintaining accounts of FIIs are allowed to act as market makers to FIIs for hedging their currency risk on the market value of entire investment in equity and/or debt in India as on a particular date.

3. It has now been decided to allow FIIs to approach any AD Category I bank for hedging their currency risk on the market value of entire investment in equity and/or debt in India as on a particular date subject to the following conditions:

- i. The eligibility for cover may be determined on the basis of a valuation certificate provided by the designated AD category bank along with a declaration by the FII to the effect that its global outstanding hedges plus the derivatives contracts cancelled across all AD category banks is within the market value of its investments.

- ii. The FII should also provide a quarterly declaration to the custodian bank that the total amount of derivatives contract booked across AD Category banks are within the market value of its investments.
- iii. The hedges taken with AD banks other than designated AD banks, have to be settled through the Special Non-Resident Rupee A/c maintained with the designated bank through RTGS/NEFT.

4. AD Category – I bank may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(Rudra Narayan Kar)**  
Chief General Manager