



RESERVE BANK OF INDIA
Financial Markets Regulation Department
Central Office
Mumbai

RBI/2016-17/221

A.P. (DIR Series) Circular No. 30

February 2, 2017

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Risk Management and Inter-bank Dealings: Permitting Non Resident Indians (NRIs) access to Exchange Traded Currency Derivatives (ETCD) market

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 dated May 3, 2000](#)) issued under clause (h) of sub-section (2) of Section 47 of FEMA, 1999 (Act 42 of 1999), as amended from time to time and [Master Direction on Risk Management and Inter-Bank Dealings dated July 5, 2016](#), as amended from time to time.

2. Currently NRIs are permitted to hedge their Rupee currency risk through OTC transactions with AD banks. With a view to enable additional hedging products for NRIs to hedge their investments in India, it has been decided to allow them access to the exchange traded currency derivatives market to hedge the currency risk arising out of their investments in India under FEMA, 1999. An announcement to this effect was made in the [Monetary Policy Statement on April 5, 2016](#).

3. NRIs may access the ETCD market as per the following terms and conditions:

- i. NRIs shall designate an AD Cat-I bank for the purpose of monitoring and reporting their combined positions in the OTC and ETCD segments.

- ii. NRIs may take positions in the currency futures / exchange traded options market to hedge the currency risk on the market value of their permissible (under FEMA, 1999) Rupee investments in debt and equity and dividend due and balances held in NRE accounts.
- iii. The exchange/ clearing corporation will provide details of all transactions of the NRI to the designated bank.
- iv. The designated bank will consolidate the positions of the NRI on the exchanges as well as the OTC derivative contracts booked with them and with other AD banks. The designated bank shall monitor the aggregate positions and ensure the existence of underlying Rupee currency risk and bring transgressions, if any, to the notice of RBI / SEBI.
- v. The onus of ensuring the existence of the underlying exposure shall rest with the NRI concerned. If the magnitude of exposure through the hedge transactions exceeds the magnitude of underlying exposure, the concerned NRI shall be liable to such penal action as may be taken by Reserve Bank of India under the Foreign Exchange Management Act (FEMA), 1999.

4. Necessary amendments (Notification No.FEMA 378/2016-RB dated October 25, 2016) to Foreign Exchange Management (Foreign Exchange Derivatives Contracts) Regulations, 2000 ([Notification No. FEMA.25/RB-2000 dated May 3, 2000](#)) (Regulations) have been notified in the Official Gazette vide G.S.R.No. 1005 (E) dated October 25, 2016 a copy of which is given in the Annex I to this circular. These regulations have been issued under clause (h) of sub-section (2) of Section 47 of FEMA, 1999 (42 of 1999).

5. The Notifications No. FMRD.13 / CGM (TRS) dated February 2, 2017 and No. FMRD. 14/CGM (TRS) – 2017 dated February 2, 2017 viz., Currency Futures (Reserve Bank) (Amendment) Directions, 2017 and Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2017 amending the Directions notified vide Notifications No. FED.1 / DG (SG) – 2008 dated August 6, 2008 and Notifications No. FED. 1/ ED (HRK) – 2010 dated July 30, 2010 respectively have been issued. Copies of the Directions are enclosed (Annexes II & III). These Directions have been issued under Section 45W of the Reserve Bank of India Act, 1934.

6. 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 permission / approvals, if any, required under any other law.

Yours faithfully,

(T Rabi Sankar)
Chief General Manager

Notification No. FEMA.378/RB-2016

October 25, 2016

**Foreign Exchange Management (Foreign Exchange Derivative Contracts)
(Amendment) Regulations, 2016**

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 hereby 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) (Amendment) Regulations, 2016.
- (ii) They shall be deemed to have come in to force with effect from the date of their publication in the Official Gazette.

2. Amendment of Regulation 5B: In the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 ([Notification No. FEMA 25/RB-2000 dated May 3, 2000](#)), under the principal regulations, for the existing Regulation 5B, the following shall be substituted namely:

“5B Permission to a person resident outside India to enter into exchange traded currency derivatives”

A person resident outside India who is exposed to Rupee currency risk arising out of:

- (i) a permitted current account transaction or
- (ii) a Rupee denominated asset held by him or a Rupee denominated liability incurred by him, as permitted under FEMA, 1999,

may transact currency derivatives contracts on a stock exchange recognised under section 4 of Securities Contracts (Regulations) Act, 1956 to hedge such exposure, subject to such terms and conditions as may be set forth in the directions issued by the Reserve Bank of India from time to time.

(T Rabi Sankar)
Chief General Manager

Footnote:-

The principal regulations were published in the Official Gazette vide GSR No. 411(E) dated May 8, 2000 in Part II, Section 3, sub-section (i) and subsequently amended vide—

GSR No. 756(E) dt. 28.09.2000,

GSR No. 264(E) dt. 09.04.2002,

GSR No. 579(E) dt. 19.08.2002,

GSR No. 222(E) dt. 18.03.2003,

GSR No. 532(E) dt. 09.07.2003,

GSR No. 880(E) dt. 11.11.2003,

GSR No. 881(E) dt. 11.11.2003,

GSR No. 750(E) dt. 28.12.2005,

GSR No. 222(E) dt. 19.04.2006,

GSR No. 223(E) dt. 19.04.2006,

GSR No. 760(E) dt. 07.12.2007,

GSR No. 577(E) dt. 05.08.2008,

GSR No. 440(E) dt. 23.06.2009,

GSR No. 895(E) dt. 14.12.2009,

GSR No. 635(E) dt. 27.07.2010,

GSR No. 608(E) dt. 03.08.2012,

GSR No. 799(E) dt. 30.10.2012,

G.S.R.No. 330(E) dated 23.05.2013,

G.S.R.No. 374(E) dated 02.06.2014 and

G.S.R.No. 365(E) dated 01.06.2016.

Published in the Official Gazette of Government of India – Extraordinary – Part-II, Section 3, Sub-Section (i) dated October 25, 2016- G.S.R.No. 1005 (E)

Currency Futures (Reserve Bank) (Amendment) Directions, 2017
Notification No. FMRD. 13 / CGM (TRS)-2017 dated February 2, 2017

The Reserve Bank of India having considered necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in currency futures.

1. Short title and commencement of the directions

These directions may be called the Currency Futures (Reserve Bank) Amendment Directions 2017 and they shall come into force with effect from February 2, 2017.

2. Amendment to Currency Futures (Reserve Bank) Directions 2008 (as amended vide Currency Futures (Reserve Bank) (Amendment) Directions, 2014 as per Notification No. FED. 1/ED (GP)-2014 dated June 10, 2014 and Currency Futures (Reserve Bank) (Amendment) directions, 2015 as per Notification No. FMRD. 1/ED(CS)-2015 dated December 10, 2015).

In para. 3, for sub-para. (iii), the following shall be substituted:

“(iii) Persons resident outside India, as defined in section 2(w) of Foreign Exchange Management Act, 1999 (Act 42 of 1999), who are exposed to Rupee currency risk arising out of:

- (I) a permitted current account transaction or
- (II) a Rupee denominated asset held by him or a Rupee denominated liability incurred by him, as permitted under FEMA, 1999,

may transact currency futures on a stock exchange recognised under section 4 of Securities Contracts (Regulations) Act, 1956 to hedge such exposure, subject to such terms and conditions as may be set forth in the directions issued by the Reserve Bank of India from time to time.

(T Rabi Sankar)
Chief General Manager

**Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2017
Notification No. FMRD. 14 / CGM (TRS)-2017 dated February 2, 2017**

The Reserve Bank of India having considered necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in exchange traded currency options.

1. Short title and commencement of the directions

These directions may be called the Exchange Traded Currency Options (Reserve Bank) Amendment Directions, 2017 and they shall come into force with effect from February 2, 2017.

2. Amendment to Exchange Traded Currency Options (Reserve Bank) Directions 2010 (as amended vide Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2014 as per Notification No. FED. 2/ED (GP)-2014 dated June 10, 2014 and Exchange Traded Currency Options (Reserve Bank) (Amendment) Directions, 2015 as per Notification No. FMRD. 2/ED(CS)-2015 dated December 10, 2015).

In para. 3, for sub-para. (iii), the following shall be substituted:

“(iii) Persons resident outside India, as defined in section 2(w) of Foreign Exchange Management Act, 1999 (Act 42 of 1999), who are exposed to Rupee currency risk arising out of:

- (I) a permitted current account transaction or
- (II) a Rupee denominated asset held by him or a Rupee denominated liability incurred by him, as permitted under FEMA, 1999,

may transact exchange traded currency options on a stock exchange recognised under section 4 of Securities Contracts (Regulations) Act, 1956 to hedge such exposure, subject to such terms and conditions as may be set forth in the directions issued by the Reserve Bank of India from time to time.

(T Rabi Sankar)
Chief General Manager