



RBI/2018-19/27

DNBR (PD) CC.No.094/03.10.001/2018-19

July 27, 2018

All Standalone Primary Dealers

Madam/ Sir,

Diversification of activities of Standalone Primary Dealers-Foreign Exchange Business

Please refer to Para 11 of the Statement on Developmental and Regulatory Policies issued as part of the [Second Bi-monthly Monetary Policy Statement for 2018-19, dated June 06, 2018](#), on expanding activities of Standalone Primary Dealers (SPDs).

2. In order to facilitate SPDs to provide comprehensive services to their FPI clients, it has been decided to permit them to offer foreign exchange products to their FPI clients, as permitted by the Bank from time to time. Such activities shall be part of their non-core activities. The SPDs shall adhere to the following prudential regulations:

- i. SPDs, while calculating the total risk weighted assets, shall include the forex exposures for maintenance of minimum Capital to Risk-Weighted Assets Ratio (CRAR) of 15 per cent on an ongoing basis. Details of capital charge calculation shall be as per the Master Directions on Standalone Primary Dealers (Reserve Bank) Direction, 2016, as updated from time to time.
- ii. SPDs shall adhere to the guidelines for foreign exchange exposure limits as prescribed by the Bank from time to time.
- iii. SPDs shall frame a Board approved policy to undertake and monitor the foreign exchange business.

3. SPDs desirous of offering forex products to their FPI clients may approach the Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai for the necessary AD licence.

4. While offering foreign exchange derivative contracts to their FPI clients, SPDs shall comply with the provisions of the Foreign Exchange Management Act 1999, and all rules, regulations and directions issued thereunder. In particular, they shall adhere to the provisions of the following instructions to the extent of foreign exchange products allowed to the SPDs:

- i. Comprehensive Guidelines on Derivatives ([DBOD No.BP.BC.86/21.04.157/2006-07 dated April 20, 2007](#)), as amended from time to time;
- ii. Master Direction on Risk Management and Inter-Bank Dealings ([RBI/FMRD/2016-17/31 dated July 5, 2016](#)), as updated from time to time; and



- iii. Guidelines for Internal Control over Foreign Exchange Business (FE.CO.FMD.No.18380/02.03.137/2010-11 dated February 3, 2011), as amended from time to time.

5. The Standalone Primary Dealers (Reserve Bank) Directions, 2016, shall accordingly be updated.

Yours faithfully

(Manoranjan Mishra)
Chief General Manager