



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

RBI/2012-13/124

July 11, 2012

A.P. (DIR Series) Circular No. 3

To,

All Authorised Dealer Category - I Banks

Madam / Sir,

Risk Management and Inter Bank Dealings

Attention of Authorized 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](#)] as amended from time to time and [A.P. \(DIR Series\) Circular No.58 dated December 15, 2011](#).

2. Under the extant regulations, the facility of cancellation and rebooking is not permitted for forward contracts, involving Rupee as one of the currencies, booked by residents to hedge current and capital account transactions.

However, forward contract(s), booked by residents to hedge capital account transactions for tenor greater than one year, if cancelled with one AD Category I bank can be rebooked with another AD Category I bank, subject to the following conditions:

- i. the switch is warranted by competitive rates on offer, termination of banking relationship with the AD Category I bank with whom the contract was originally booked;
- ii. the cancellation and rebooking are done simultaneously on the maturity date of the contract; and
- iii. the responsibility of ensuring that the original contract has been cancelled rests with the AD Category I bank who undertakes rebooking of the contract.

3. On a review, it has been decided to extend the above flexibility in regard to rollover of contracts by switching AD Category banks on the maturity date of the contract, to all hedge transactions undertaken by residents.

4. AD Category - I banks 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