



प्रेस प्रकाशनी PRESS RELEASE



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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November 12, 2009

**RBI places the draft guidelines on Over the Counter (OTC)  
Foreign Exchange Derivatives and Hedging Commodity Price Risk  
and Freight Risk overseas for comments**

The Reserve Bank of India has, today, placed on its website the [draft guidelines on OTC Foreign Exchange Derivatives and Hedging Commodity Price Risk and Freight Risk overseas \(Annex\)](#) for public comments.

It may be noted that presently, Foreign Exchange Derivative Contracts are governed by Regulations notified vide Notification No. FEMA 25/2000-RB dated May 3, 2000 [viz. Foreign Exchange Management (Derivative Contracts) Regulations, 2000], directions issued by the Reserve Bank from time to time and the comprehensive guidelines on derivatives issued by the Department of Banking Operations and Development vide their circular DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007.

In light of the developments in the domestic and international financial markets and based on the feedback received from banks, market participants, industry associations and others, the existing guidelines on foreign exchange and commodity and freight derivatives overseas were reviewed by an Internal Group. Reserve Bank has since announced in Paragraph 119 of Second Quarter Review of Monetary Policy for the Year 2009-10, to place the draft guidelines on the website for wider comments / views from the market participants / users of foreign exchange derivatives.

The important changes proposed in the draft guidelines are as follows:

- Importers and exporters having foreign currency exposures in trade transactions, are being permitted to write covered call and put options both in foreign currency-rupee and cross currency and also receive premia.
- AD Category I banks are being permitted to offer plain vanilla cross currency options to persons residents in India (other than AD Category- I banks), who transform their rupee liability to a foreign currency liability.
- Since importers and exporters are being permitted to write covered call and put options both in foreign currency- rupee and cross currency and also receive premia, the facility of zero cost structures/cost reduction structures is being withdrawn.

Comments on the draft guidelines may be forwarded to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Markets Division, Reserve Bank of India, Amar Building, 5<sup>th</sup> floor, P.M. Road, Fort, Mumbai - 400001 or [emailed](#) by December 15, 2009.