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## Hedging of Foreign Exchange Risk – Final Directions

Draft regulations reviewing facilities for “[Hedging of Foreign Exchange Risk by Residents and Non-Residents](#)” were released for public comments in February 2019. As stated in the [Statement on Developmental and Regulatory Policies dated December 5, 2019](#), based on the public comments received and the recommendations of the Task Force on Offshore Rupee Markets, the directions have now been finalised. Pursuant to the notification of the proposed changes to the Foreign Exchange Management Act (FEMA) Regulations in the Gazette of India, [final directions](#) are being issued today, which shall come into effect from June 1, 2020.

The directions aim to ease access to the domestic foreign exchange derivative markets, *inter alia*, through:

- (i) merging facilities for residents and non-residents into a single unified facility for all users;
- (ii) allowing users having valid exposures to hedge the same by using any available instrument;
- (iii) introducing facility to hedge anticipated exposures; and
- (iv) simplifying procedures for authorised dealers to offer foreign exchange derivatives.

The directions shall replace the existing directions in Part A - Section I and II of the [Master Direction on Risk Management and Interbank Dealings](#).

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