



RESERVE BANK OF INDIA
Financial Markets Regulation Department
Central Office
Mumbai - 400 001

RBI/2014-15/469

February 13, 2015

A.P. (DIR Series) Circular No. 78

To
All Category - I Authorised Dealer Banks

Madam / Sir,

Risk Management and Inter Bank Dealings: Foreign Currency (FCY) – INR Swaps

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](#)) as amended from time to time and [A.P. \(DIR Series\) circular no. 32 dated December 28, 2010](#), as amended from time to time.

2. In terms of paragraph (1) (iv) of section B contained in the annex to the above circular, eligible residents can enter into FCY-INR swaps to hedge exchange rate and/or interest rate risk exposure arising out of long-term foreign currency borrowing or to transform long-term INR borrowing into foreign currency liability, subject to operational guidelines, terms and conditions listed thereunder. As per condition listed at (e), swap transactions, once cancelled, shall not be rebooked or reentered, by whichever mechanism or by whatever name called.

3. To permit greater flexibility to the residents borrowing in foreign currency, it has been decided that in cases where the underlying is still surviving, the client, on cancellation of the swap contract, may be permitted to re-enter into a fresh FCY-INR swap to hedge the underlying but only after the expiry of the tenor of the original swap contract that had been cancelled. All other operational guidelines, terms and conditions governing FCY-INR swaps remain unchanged.

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

(Dimple Bhandia)
General Manager