



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

RBI/2014-15/250

Sep 30, 2014

A.P. (DIR Series) Circular No. 34

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Risk Management and Inter Bank Dealings
: Hedging under Past Performance Route**

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. 58 dated December 15, 2011](#), as amended from time to time, and [A.P. \(DIR Series\) circular no. 135 dated May 27, 2014](#).

2. Under the extant guidelines relating to hedging of currency risk of probable exposures based on past performance, resident importers are allowed to book contracts up to 50 per cent of the eligible limit. The eligible limit is computed as the average of the previous three financial years' import turnover or the previous year's actual import turnover, whichever is higher.

3. On a review of the evolving market conditions and with a view to bringing at par both exporters and importers for hedging of currency risk of probable exposures based on past performance, it has been decided to allow importers to book forward contracts, under the past performance route, up to 100 per cent of the eligible limit. Importers who have already booked contracts up to previous limit of 50 per cent in the current financial year, shall be eligible for difference arising out of the enhanced

limits. All other operational guidelines, terms and conditions shall apply mutatis mutandis.

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

(C D Srinivasan)
Chief General Manager