



# Foreign Exchange Dealers' Association of India

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**SPL -56/Risk Mgmt./2011  
16<sup>th</sup> December 2011**

**All members of FEDAI**

Dear Sir,

## **Risk Management and Interbank Dealings**

We request reference to the AP DIR Circular No. 58 dated 15<sup>th</sup> December 2011 in respect of the above matter.

Some of our member banks raised certain queries. We had referred these matters to the Reserve Bank of India. Reserve Bank of India, Foreign Exchange Department has now given clarifications in this regard as under:

### **1. In case of contracted exposures:**

- a. The restriction on cancellation and rebooking is only applicable to forward contracts involving Rupee as one of the currencies.
- b. Rollover is allowed for all the contracts subject to the condition that maturity of the hedge should not exceed the maturity of the underlying transaction (Roll-over should be understood as simultaneous cancellation and rebooking).
- c. Any un-hedged position as on the date of the circular is allowed to be hedged but once cancelled, it cannot be rebooked.

### **2. In case of past performance facility:**

- a. As the contract has to be on deliverable basis, short-term rollovers are permitted to align the maturity of the contract to that of the underlying exposure based on which delivery is going to be made.
- b. Restriction on cancellation of contracts is applicable to contracts booked "hence forth" i.e. from December 16, 2011 onwards and not applicable to contracts booked earlier for which the earlier regulations are applicable.
- c. Cross-currency deals done under past performance route continue to be subject to the overall limit but can be cancelled and exchange gains, if any, passed on to the customer.

**3. In case of intraday open position / daylight limits:**

- a. The limits are to be used only for facilitating customer deals and not for position taking. The intraday positions / daylight limits can be expanded by the banks temporarily to adjust for genuine customer transactions. Banks should keep proper audit trail for inspection by the regulators and in case of breach, penalty may be imposed based on 'profit plus' basis.

We trust that the above clarification will address all the issues that were raised in this regard.

Yours faithfully,

Chief Executive