



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

**RBI/2014-15/216**  
**A.P. (DIR Series) Circular No.28**

**September 8, 2014**

To  
All Category - I Authorised Dealer Banks

Madam / Sir,

**Risk Management and Inter Bank Dealings: Hedging Facilities for Foreign Portfolio Investors (FPIs)**

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](#).

2. Under the extant regulations, Foreign Portfolio Investors (FPIs) are allowed to approach any AD Category I bank for hedging their currency risk on the market value of entire investment in equity and/or debt in India as on a particular date subject to certain conditions as specified in [A.P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#) as amended from time to time.

3. In order to enhance the hedging facilities for the FPIs holding securities under the Portfolio Investment Scheme (PIS) in terms of schedules 2, 2A, 5, and 8 of the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 ([Notification No. FEMA 20 /2000-RB dated 3rd May 2000](#)) as amended from time to time, as announced in the Monetary Policy Statement of April 1, 2014, it has been decided to permit FPIs to hedge the coupon receipts arising out of their investments in debt securities in India falling due during

the following twelve months subject to the condition that the hedge contracts shall not be eligible for rebooking on cancellation. The contracts can however be rolled over on maturity provided the relative coupon amount is yet to be received.

4. All other regulations and guidelines issued under FEMA, 1999 relating to investment in debt securities and hedging facilities for non resident investors including FPIs shall remain unchanged.

5. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

6. 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**