

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:6916
ANSWERED ON:09.05.2003
BOOKING FORWARD CONTRACTS
A.P. JITHENDER REDDY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) Whether the Reserve Bank of India has relaxed the U.S. dollars 100 million to the companies for booking forward contracts based on past performance;
- (b) if so, the details on the new guidelines issued in this regard;
- (c) how many corporations will benefit from such a relaxation;
- (d) whether any ceiling has been made to such contracts;
- (e) if so, the details thereof;
- (f) whether any similar relaxation will be extended to smaller firms; and (g) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a)&(b) Yes, Sir. In order to facilitate large corporates with proven track record and large import/export turnover to effectively and actively manage currency risks arising out of genuine exposures, Reserve Bank on application would consider permitting higher limits for booking forward contracts on the basis of past performance without submission of documentary evidence. Such forward contracts, booked under the enhanced limit, will be on a deliverable basis.

(c) It is difficult to assess how many corporations will benefit from such a relaxation.

(d) & (e) Authorised dealers have been permitted by RBI to offer forward contracts to their exporter/importer customers for booking on past performance basis upto the limit/s worked out on the basis of last 3 years' average import/export performance. This is subject to the condition that forward contracts so booked and outstanding shall not exceed 25 per cent of the eligible limit at any given point of time. It is only the cap of USD 100 million that has been relaxed. This facility is mainly to help corporates with a proven track record to hedge their currency risk.

(f)& (g) The norms for booking of forward contracts on past performance basis are uniform. By removing the cap of USD 100 million, it has been sought to relax the restrictions placed on the large corporates only.