

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4713  
ANSWERED ON:07.08.2009  
FOREIGN EXCHANGE DERIVATIVES  
Yadav Shri Sharad

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether Reserve Bank of India (RBI) has declared in April 2007 that guidelines in respect of foreign exchange derivatives would be issued separately;
- (b) If so, the date on which such guidelines were issued by RBI;
- (c) Whether the time gap between the declaration and issue of such guidelines has any connection with the foreign exchange scam that took place about the same time;
- (d) if so, the reason for allowing the long gap of time to lapse before issue of guidelines;and
- (e) the reaction of the Government thereto?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The Reserve Bank of India (RBI) has informed that it has issued `Comprehensive Guidelines on Derivatives` vide circular DBOD.No.BP.BC86/21.04.157/2006-07 dated April 20, 2007 where it was indicated that guidelines in respect of foreign exchange derivatives would be issued separately.

(b)to(d): RBI has informed that the guidelines in respect of foreign exchange derivative contracts are in existence since May 2000. The various facilities and instruments available to residents to hedge their foreign currency exposures and the rules and regulations governing foreign exchange derivatives are covered in Notification No. FEMA 25/RB-2000 dated May 3, 2000 viz. Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000. These guidelines are updated yearly and circulated as Master Circular on `Risk Management and Inter Bank Dealings` issued on the first working day of July every year, consolidating all the instructions issued under Notification FEMA 25/RB-2000 dated May 3, 2000 and subsequent amendments thereto. The Master Circular detailing the guidelines were issued in July 2007 and are issued each year. The latest guidelines in respect of derivative products are detailed in the Master Circular on Risk Management and Inter Bank Dealings dated July 1, 2009.

(e): The Government and RBI take measures as and when required for efficient functioning of the foreign exchange derivatives market in India.