



Foreign Exchange Dealers' Association of India

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All Members of FEDAI

Dear Sir/Madam,

Sub - Novel Coronavirus (COVID 19) – Temporary relaxations in Forex regulations

The spread of Novel Coronavirus has brought about an unprecedented global crisis. To combat this unprecedented situation many of the business entities have implemented a number of measures including moving to a remote work environment or where ever possible operating from home and are facing difficulties in fulfilling some of the regulatory requirements while managing the Foreign Exchange Risk. To provide some relief to the corporate in their forex risk management, based on FEDAI's recommendation, RBI has permitted following relaxations.

1) Submission of underlying documents - Current Fx hedging guidelines

Quote 'while details of the underlying have to be recorded at the time of booking the contract, in the view of logistic issues, a maximum period of 15 days may be allowed for production of the documents. If the documents are not submitted by the customer within 15 days, the contract may be cancelled, and the exchange gain, if any, should not be passed on to the customer'. Unquote.

In the present circumstances it may be difficult for corporates to adhere to the requirement of 15-day period and submission of certified true copies (hard copies) of the underlying documents.

Relaxation—Considering the difficulty faced by corporate AD Banks may allow time of upto 60 days or date of maturity of contract whichever is earlier, for production of underlying documents by corporates. This would be applicable for the contracts booked between February 15, 2020 to April 15, 2020. This period may be reviewed/extended based on evolving situation.

Online submission of documents evidencing exposure instead of physical production of documents, subject to due diligence by AD Banks on the authenticity of underlying documents, is permitted. This would be applicable for the contracts booked between February 15, 2020 to April 15, 2020. AD Banks shall ensure that all documents are obtained once normalcy is restored.

2) FEDAI Rules - Presently FEDAI Rule No. 6.4 (iv) requires that if a customer desires to cancel the contract he must advise the bank accordingly before or latest on the date of maturity of the contract. If there are no instructions from the customer, banks shall cancel the overdue contract within 3 working days after the maturity date. However,

when a contract is cancelled after the maturity date, the customer shall not be entitled to the exchange difference, if any, in his favour, since the contract is cancelled on account of his default. He shall, however, be liable to pay the exchange difference, against him.

Relaxation—The FEDAI Rule No. 6.4 (iv) is being put in abeyance, AD Banks may permit the corporate to take delivery of the overdue contract or cancel the contract and pass the gains if any, during the period (upto3 days post maturity). This relaxation would be applicable to all the live contracts (as on date) and the prospective contracts maturing till April 15,2020.

3)Submission of Documents -Submission of all monthly/ quarterly returns related to forex hedging is also being kept in abeyance till April 30, 2020 and the same may be submitted with delay thereafter.

Member banks are requested to take note of the same.

Chief Executive