

FIMCIR/2023-24/09

June 8, 2023

To,

All Members / Stakeholders,

Sub: Non deliverable derivatives contracts (NDDC).

RBI has notified vide RBI/2023-24/36 A. P. (DIR Series) Circular No. 05 Risk Management and Inter-Bank Dealings - Non-deliverable derivative contracts (NDDCs) dated 6th June 2023, amendments to Master Directions Risk Management and Interbank dealing dated July 05, 2016 as amended from time to time.

As per the extant regulatory framework, AD Cat-I banks operating International Financial Services Centre (IFSC) Banking Units (IBUs) are permitted to offer non-deliverable derivative contracts (NDDCs) to persons resident outside India. Such derivatives are cash-settled in foreign currency.

With a view to developing the onshore INR NDDC market and providing residents the flexibility to efficiently design their hedging programs, the RBI has decided to permit:

- a) AD Cat-I banks operating IBUs to offer NDDCs involving INR to resident non-retail users for the purpose of hedging. Such transactions shall be cash settled in INR; and
- b) The flexibility of cash settlement of NDDCs transactions between two AD Cat-I banks, and between an AD Cat-I bank and a person resident outside India in INR or any foreign currency.

Members and stakeholders are requested to take note of the amended guidelines.

The Link to the RBI Circular is provided below for ready reference:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12509&Mode=0>

Yours truly



G. Ravindranath
Chief Executive Officer