



Foreign Exchange Dealers' Association of India

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SPL-07.BC/Hedge /2018 (Revised)
07th June 2018

All Members of FEDAI

Dear Sir/Madam,

Sub.: Booking of Fx Contract against balance in Export Earner's Foreign Currency (EEFC) Account

On a reference by one of our members, we requested Reserve Bank of India to clarify whether AD Banks are allowed to book Fx Contract against balance in EEFC Account, maturing beyond end of following month.

The RBI, vide their eMail dated 28 May 2018 requested us to advise member banks to be guided as per clarification offered in AD Banks' Conference held on February 12, 2016 at Bhubaneswar, copy placed here for ready reference:

Hedging of balances in EEFC account MC on Risk Mgt & AP DIR 12 dated 31.07.12	<p><i>The RBI master circular states the following 'Balances in the Exchange Earner's Foreign Currency (EEFC) accounts sold forward by the account holders shall remain earmarked for delivery and such contracts shall not be cancelled. They are, however, eligible for rollover, on maturity.'</i></p> <p><i>Further, the RBI circular dated July 31, 2012 states that 'sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments'.</i></p>	<p><i>1) Based on the above regulations, the Bank seeks clarity whether sold forward contracts can be booked for a period of more than one month earmarking the balances in the EEFC account.</i></p> <p><i>2) If the answer to the above query is yes, than on roll-over of forward contracts, whether banks can share the profits with the customers or it should be retained and passed only upon utilization.</i></p>	<p><i>The question raised has since been re-examined and we do not agree with the suggestion.</i></p>
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The managing committee in its meeting on 05th June 2018 deliberated on the issue and advised FEDAI to issue following clarification;

1. Booking of FCY/INR Fx. Contract maturing beyond end of following month is not consistent with extant directions of RBI
2. Booking of cross currency Fx. Hedge Contract maturing beyond end of following month may be taken up based on underlying.

Members are advised to ensure strict compliance of the above.

Chief Executive