

Simplified Hedging for Derivatives

Background

Simplified hedging was earlier allowed for simple forwards.

Development

[RBI by its circular dated 9.11.2017](#) has allowed from 1.1.2018, a simplified procedure for resident and non- resident corporates (i.e. non-individuals) hedging exchange rate risk by reducing paperwork and removing prescriptive stipulations.

This is allowed for any permitted OTC derivative or ETCD.

This allowance is not absolute but subject to certain conditions.

Observations & Comments

This will facilitate corporates to hedge quickly and efficiently hedging saving considerable cos and also thereby further the ease of doing business.

It would add up to banks' forex business.

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Note dated- 10.11.2017