



भारतीय रज़र्व बैंक  
RESERVE BANK OF INDIA

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February 17, 2026

## RBI releases draft Directions on Foreign Exchange Dealings of Authorised Persons

The Reserve Bank of India has today released the [draft Directions on Foreign Exchange Dealings of Authorised Persons](#). Comments on the draft Directions are invited from market participants, stakeholders and other interested parties by March 10, 2026.

The comments / feedback may be submitted by [email](#) with the subject line “Feedback on Draft Directions on Foreign Exchange Dealings of Authorised Persons” or forwarded to:

The Chief General Manager  
Reserve Bank of India  
Financial Markets Regulation Department  
9<sup>th</sup> Floor, Central Office Building  
Shahid Bhagat Singh Marg, Fort  
Mumbai – 400 001

### Background

The Reserve Bank has been refining the regulations governing the foreign exchange market based on evolving needs and market feedback. As part of this endeavour, the regulations governing the facilities for Authorised Dealers (ADs) in the foreign exchange market have been reviewed to provide the ADs with greater flexibility with respect to foreign exchange products, risk management and platforms. As announced in the [Statement on Developmental and Regulatory Policies dated February 06, 2026](#), the draft directions in this regard are being issued for public consultation.

(Brij Raj) Press  
Release: 2025-2026/2130  
Chief General Manager

**RESERVE BANK OF INDIA  
FINANCIAL MARKETS REGULATION DEPARTMENT  
9<sup>th</sup> FLOOR, CENTRAL OFFICE, FORT,  
MUMBAI 400 001**

To

All Authorised Persons

Madam / Sir,

**Foreign Exchange Dealings of Authorised Persons – Draft**

Please refer to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 03, 2000 ([Notification No. FEMA.25/RB-2000 dated May 03, 2000](#)), as amended from time to time and the instructions contained in Part A (Section III) and Part C of the [Master Direction – Risk Management and Inter-Bank Dealings dated July 05, 2016](#), as amended from time to time (hereinafter referred as the Master Direction).

2. The regulatory framework governing the facilities for Authorised Persons and inter-bank foreign exchange transactions contained in Part A (Section III) and Part C of the Master Direction have been reviewed and refined to provide greater flexibility to Authorised Persons to deal in products and undertake foreign exchange transactions for hedging their exposures, balance sheet management and market-making as well as to ease reporting obligations. The revised instructions are enclosed herewith in [Annex I](#). The format for reporting of net open position limits has also been updated. The revised format is placed at [Annex II](#).

3. For the purpose of this circular, Authorised Persons shall mean Authorised Dealer Category-I banks and Standalone Primary Dealers authorised as Authorised Dealer Category-III under Section 10 (1) of the Foreign Exchange Management Act (FEMA), 1999.

4. The Directions contained in this circular have been issued under Sections 10(4) and 11(1) and 11(2) of the FEMA, 1999 and Section 45W of the Reserve Bank of India Act, 1934 and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Dimple Bhandia)  
Chief General Manager





## Annex I

### **FOREIGN EXCHANGE DEALINGS OF AUTHORISED DEALERS 1. Permitted Products / Transactions / Venues**

#### **1.1 OTC transactions**

- (i) An Authorised Dealer may undertake the following foreign exchange transactions with other Authorised Dealers and with its overseas branches / overseas entities / IFSC Banking Units (IBUs) / Offshore Banking Units (OBUs) in Special Economic Zones, for the purpose of hedging its exposures, balance sheet management, market-making and proprietary positions.
- (a) Foreign exchange transactions permitted to be undertaken between an Authorised Dealer and an user.
  - (b) Placing and accepting deposits in foreign currency as per Foreign Exchange Management (Deposit) Regulations, 2016 ([Notification No. FEMA 5\(R\)/2016-RB dated April 01, 2016](#)), as amended from time to time.
  - (c) Borrowing and lending in foreign currency as per Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ([Notification No. FEMA 3\(R\)/2018-RB dated December 17, 2018](#)), as amended from time to time.
- (ii) An Authorised Dealer may undertake non-deliverable derivative contracts (NDDCs) involving INR with other Authorised Dealers and with overseas entities / IBUs / OBUs in Special Economic Zones either directly or on a back-to-back basis through their overseas branches (in case of foreign banks operating in India, through any branch of the parent bank), IBUs, overseas wholly owned subsidiaries and overseas joint ventures, subject to the following conditions:
- (a) NDDCs involving INR can be undertaken by an Authorised Dealer Category-I bank, subject to the condition that the Authorised Dealer Category-I bank (or its nonresident parent bank) has an operating IBU;
  - (b) Such transactions may be undertaken by the wholly owned subsidiary / joint venture of Authorised Dealers incorporated in India provided the wholly owned subsidiary / joint venture is a banking entity; and
  - (c) Such transactions may be cash-settled in INR or any foreign currency.
- (iii) An Authorised Dealer may undertake foreign exchange derivative contracts and foreign currency interest rate derivative contracts on electronic trading platforms (ETPs)



authorised by the Reserve Bank in terms of the [Master Direction - Reserve Bank of India \(Electronic Trading Platforms\) Directions, 2025, dated June 16, 2025](#), as amended from time to time.

(iv) An Authorised Dealer may undertake transactions on ETPs outside India provided the ETP operator is incorporated/set up in a country which is a member of the Financial Action Task Force (FATF) and the ETP or the transaction is regulated by a financial market regulator that is a member of the Committee on Payments and Market Infrastructures (CPMI) or the International Organization of Securities Commissions (IOSCO).

Provided that in respect of transactions involving INR :

- (a) Authorised Dealers transact only with non-residents on such ETPs; and
- (b) The operator of the offshore ETP disseminates information relating to transactions involving INR undertaken on the ETP on its website.

## **1.2 Exchange traded transactions**

(i) An Authorised Dealer may undertake permitted exchange traded currency derivative (ETCD) contracts on the Recognised Stock Exchanges in India; and on regulated exchanges in the IFSC, in terms of [A.P. \(DIR Series\) Circular No.17 on "Introduction of Rupee derivatives at International Financial Services Centres \(IFSC\)" dated January 20, 2020](#), as amended from time to time, as may be applicable.

(ii) An Authorised Dealer may undertake transactions not involving INR on overseas exchanges provided that the overseas exchange is located in a country which is a member of the FATF and is regulated by a financial market regulator that is a member of the CPMI or the IOSCO.

## **2. Hedging of Gold Prices**

A designated bank under the Gold Monetization Scheme, 2015 ([Notification No. Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015](#)), as amended time to time, and a bank which is allowed to enter into forward gold contracts with its constituents in India in terms of the directions issued by the Department of Regulation, Reserve Bank of India, may hedge its price risk of gold (including the positions arising out of inter-bank gold deals) using exchange-traded and OTC hedging products in overseas markets. While using products involving options, the bank may ensure that there is no net receipt of premium, either direct or implied.



### **3. Foreign currency accounts and investments in overseas markets**

An Authorised Dealer may, subject to policy approved by its Board of Directors (or equivalent forum), utilize the surplus funds in its foreign currency accounts for the following purposes:

- (i) Overnight placements;
- (ii) Reverse repo with maturity of up to one year. Overseas debt instruments issued by a foreign state shall be the eligible securities for such transactions;
- (iii) Investment in overseas money market instruments and / or debt instruments issued by a foreign state with original or residual maturity of up to one year;
- (iv) Lending in INR and foreign currency in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ([Notification No. FEMA 3\(R\)/2018-RB dated December 17, 2018](#)), as amended from time to time, and directions issued by the Department of Regulation, Reserve Bank of India; and
- (v) Un-deployed FCNR (B) funds may also be invested in long term overseas debt instruments issued by a foreign state, subject to the condition that the residual maturity of such instruments shall not exceed the maturity of the underlying FCNR (B) deposits.

### **4. Overseas foreign currency borrowing by Authorised Dealers**

#### **4.1 Overseas foreign currency borrowing by Authorised Dealer Category-I banks**

- (i) An Authorised Dealer Category-I bank may borrow in foreign currency from its Head Office, overseas branches, overseas banks, International / Multilateral Financial Institutions or any other entity permitted for this purpose by the Reserve Bank.

Provided that the Authorised Dealer Category-I bank may borrow only from the International / Multilateral Financial Institutions in which Government of India is a shareholding member or which have been established by more than one government or have shareholding by more than one government and other international organizations.

- (ii) Overseas foreign currency borrowings by an Authorised Dealer Category-I bank, shall not exceed 100 per cent of its Tier I capital or USD 10 million (or its equivalent in any other currency), whichever is higher. Any borrowing above this limit shall be made only with the prior approval of the Reserve Bank.
- (iii) The following borrowings shall be outside the aforesaid limit:



- (a) Overseas borrowings by an Authorised Dealer Category-I bank for the purpose of financing export credit;
  - (b) Borrowings in foreign currency for the purpose of raising capital;
  - (c) Interest free funds received by a foreign bank from its Head Office which are the source for cash / unencumbered approved securities held with Reserve Bank under Section 11(2)(b)(i) of the Banking Regulation Act, 1949, reckoned as credit risk mitigation;
  - (d) Overdraft in nostro accounts up to five days; and
  - (e) Any other overseas foreign currency borrowing specifically excluded for this purpose by the Reserve Bank.
- (iv) An Authorised Dealer Category-I bank may also use funds borrowed or swapped overseas, for lending in foreign currency in India in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ([Notification No. FEMA 3\(R\)/2018-RB dated December 17, 2018](#)), as amended from time to time and the directions issued by the Department of Regulation, Reserve Bank of India.

#### **4.2 Overseas foreign currency borrowing by Standalone Primary Dealers authorised as Authorised Dealer Category-III**

A Standalone Primary Dealer may borrow in foreign currency from its parent or banks outside India or any other entity as permitted by the Reserve Bank and avail overdrafts in nostro accounts (not adjusted within five days). Such borrowings shall be within the limit for foreign currency borrowings prescribed in the [Reserve Bank of India \(Standalone Primary Dealers\) Directions, 2025 dated November 28, 2025](#), as amended from time to time.

### **5. Governance and risk management**

- (i) An Authorised Dealer shall, with the approval of its Board of Directors (or equivalent forum), frame a policy for its foreign exchange dealings which shall include, among others, the net overnight open position (NOOP) limit. The NOOP limit shall be communicated to the Reserve Bank through CIMS/e-mail to [fmrdx@rbi.org.in](mailto:fmrdx@rbi.org.in). Such limit shall not exceed 25 per cent of the total capital (Tier I and Tier II capital) of the Authorised Dealer. This limit shall be the aggregate for all branches including their overseas branches, IBUs and OBUs. For foreign banks, the limit shall cover only their branches in India.





(ii) The Reserve Bank of India may, depending on the market conditions, prescribe a limit for net open position involving Rupee as one of the currencies (NOP-INR) for Authorised Dealers, at its discretion.

(iii) An Authorised Dealer shall compute its net open positions in terms of the instructions issued by the Department of Regulation, Reserve Bank of India. The procedure for calculation of all other risk limits shall be documented as an internal policy and adhered to in a consistent manner.

## **6. Market timings**

(i) The market timings for customer and inter-bank foreign exchange transactions shall be as specified by the Reserve Bank from time to time. An Authorised Dealer may also undertake transactions, beyond onshore market hours with users and with other Authorised Dealers, IBUs, OBUs and overseas entities.

(ii) The market timings for ETCD transactions shall be as prescribed by the Securities and Exchange Board of India, in consultation with the Reserve Bank.



## Annex II

### Format of Gaps, Position and Cash Balances (GPB) Statement

Statement showing gaps, position and cash balances as on.....

1	Foreign Currency Balances (Cash Balance + All Investments)	:	IN USD MILLION
2	Net Open Exchange Position (Rs.)	:	O/B (+)/O/S (-) IN INR CRORE
3	Of the above FCY/INR	:	IN INR CRORE
3a	Onshore Position	:	IN INR CRORE
3b	Offshore Position	:	IN INR CRORE