Dear Sir/Madam

Setting up of IFSC Banking Units (IBUs) – Permissible activities

Please refer to RBI circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, as modified from time to time, setting out RBI directions relating to IFSC Banking Units (IBUs).

2. The Task Force (TF) on Offshore Rupee Markets chaired by Smt. Usha Thorat had recommended introduction of non-deliverable Rupee Derivatives in IFSCs in a phased manner, starting with exchange traded currency derivatives (ETCD) to be followed by Over the Counter (OTC) derivatives at a later stage.

3. RBI’s decision to accept the above recommendation and permit Rupee derivatives (with settlement in foreign currency) to be traded in IFSC was announced in para 2 of the Statement on Developmental and Regulatory policies issued on October 04, 2019. Accordingly, a new paragraph No.2.6 (xiv), has been added to Annex I and II of the aforesaid circular dated April 1, 2015, which reads as under:

“IBUs are allowed to participate in exchange traded currency derivatives on Rupee (with settlement in foreign currency) listed on stock exchanges set up at IFSCs. Banks shall ensure that their IBUs have necessary expertise to price, value and compute the capital charge and manage the risks associated with the products / transactions intended to be offered and should also obtain their Board’s approval for undertaking such transactions. IBUs shall follow all other risk mitigation and prudential measures as applicable and detailed in this circular while participating in these products. Further, IBUs may also be guided by A.P (DIR Series) Circular No. 17 on “Introduction of Rupee derivatives at International Financial Services Centres (IFSCs)” dated January 20, 2020.”
4. Further, the existing paragraph 2.6(vii) of Annex I and II of the aforesaid circular dated April 01, 2015, is amended by adding the following at the end thereof:

“This is subject to the provisions of paragraph 2.6(xiv).”

5. All other terms and conditions contained in the aforementioned circular remain unchanged.

6. An updated copy of the RBI circular on IBU dated April 01, 2015 incorporating the amendments made hitherto is available on RBI’s website.

Yours faithfully

(Saurav Sinha)
Chief General Manager-in-Charge