

An aerial night view of a port. A large ship is docked at a pier, with its deck illuminated. The ship is loaded with numerous stacked shipping containers in various colors (blue, red, yellow, green). The surrounding area is dark, with some lights visible on the pier and in the background.

RBI's New Forex Hedging Rules: What Changes for Importers, Exporters and Startups Paying Abroad

RBI A.P. (DIR Series) Circular No. 25 (RBI/2026-27/291) and Circular No. 26 (RBI/2026-27/292), both dated 10 October 2026

FEMA · Forex Hedging · Treasury · Authorised Dealers

What RBI Changed on 10 October 2026

Two circulars to Authorised Dealers amend the position under the Master Direction on Risk Management and Inter-Bank Dealings dated 5 July 2016. They are issued under Sections 10(4) and 11(1) of FEMA, 1999 and Section 45W of the RBI Act, 1934.

RBI Press Release 2026-2027/1305: the measures are "intended to strengthen market discipline and ensure appropriate risk management in the foreign exchange market".

Measure	Instrument
No rebooking of a cancelled INR forex derivative contract	Circular No. 25, para 2(a)
No-underlying hedging limit cut to USD 5 million	Circular No. 25, para 2(c)
New undertaking: exposure not hedged with another bank	Circular No. 25, para 2(d)
20% Foreign Exchange Risk Reserve (FERR) on large contracts	Circular No. 26

Four Rules to Know

No rebooking.

A forex derivative contract involving INR, deliverable or non-deliverable, cancelled with any Authorised Dealer after the Directions cannot be rebooked. The bar runs across banks.

New undertaking.

When you hedge a contracted exposure, your bank must obtain and keep your undertaking that the same exposure is not hedged with any other Authorised Dealer. Hedging in parts? The undertaking shows the amounts already booked with other banks. It can be part of the deal confirmation.

Rollover still allowed.

Your bank may continue to permit rollover on maturity, subject to the Master Direction.

Reserve on large contracts.

Your bank keeps 20% of the INR notional in cash with RBI on contracts above USD 2 million that hedge current account transactions where you buy foreign currency.

The Numbers

USD 5 million:

the new no-underlying limit

20%:

the FERR on each contract above USD 2 million

2 years:

minimum period your bank keeps the documents

Facility	Earlier	Now
OTC hedging of contracted exposure without establishing the underlying, across all Authorised Dealers	USD 100 million	USD 5 million notional outstanding
Exchange-traded currency derivatives involving INR without establishing the underlying, all recognised stock exchanges combined	USD 100 million	USD 5 million
FERR threshold per contract	New measure	Notional above USD 2 million
FERR amount	New measure	20% of INR notional, cash with RBI, daily, until the contract ends

Who Is Covered by the FERR

Covered (Circular No. 26)

- Forex derivative contracts involving INR
- Notional value above USD 2 million equivalent
- Hedging current account transactions where the user buys foreign currency against INR, such as import payments
- Contracts undertaken after 10 October 2026

Outside the FERR

- Contracts where the user sells foreign currency, such as an exporter selling dollars forward
- Contracts at or below USD 2 million
- Contracts undertaken before the Directions

The USD 5 million limit, the rebooking bar and the undertaking apply to every user, importer or exporter.



Who Feels It

Finance heads and CAs

Hedging policies, board-approved treasury limits and bank documentation checklists written around USD 100 million need updating.

Founders paying foreign vendors

Hedges above USD 5 million outstanding need the underlying established. Contracts above USD 2 million attract the FERR at the bank's end.

Exporters and MSMEs

The rebooking bar and the undertaking apply to forward sales of export receivables. The FERR does not apply where you sell foreign currency.

Watch Out

01 The bar is across banks.

Cancel with Bank A and rebook with Bank B is caught: the ban covers contracts cancelled with any Authorised Dealer.

03 Your bank must see the underlying.

Para 3 of Circular No. 25 makes the Authorised Dealer responsible for compliance, including the existence of the underlying exposure, with documents kept at least two years.

02 Splitting is a violation.

Para 3 of Circular No. 26: any attempt to get around the USD 2 million threshold through multiple transactions with one or more banks is a violation of the Directions.

04 Dates differ.

Circular No. 25 came into force with immediate effect. Circular No. 26 applies to contracts undertaken after it was issued.

Action Plan

- 1** **Add it up:** total your outstanding notional across all banks.
- 2** **Document:** keep the invoice, purchase order or contract for each hedged exposure.
- 3** **Roll, do not cancel:** set hedge tenors around expected payment dates and use rollover on maturity.
- 4** **Keep a register:** each exposure, amount hedged and bank, for an accurate undertaking.
- 5** **Ask your bank:** how it will handle contracts above USD 2 million that attract the FERR.

Key Dates and Next Step

10 October 2026: Circulars No. 25 and No. 26 issued

10 October 2026: Circular No. 25 in force with immediate effect

After 10 October 2026: Circular No. 26 applies to contracts undertaken

Review your hedge book and treasury policy against the new limits before you book your next contract.

Book a quick call with A S Banka Advisors Private Limited.

Source: Reserve Bank of India, A.P. (DIR Series) Circular No. 25, RBI/2026-27/291, 10 October 2026, rbi.org.in

Source: Reserve Bank of India, A.P. (DIR Series) Circular No. 26, RBI/2026-27/292, 10 October 2026, rbi.org.in

