

RBI to review norms for overseas hedging of commodity price risk

Sets up panel comprising members from RBI, SEBI, banks and India Inc

OUR BUREAU

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The Reserve Bank of India has set up a working group to review the guidelines for hedging of commodity price risk by residents in overseas markets.

The review, according to the RBI, has been necessitated as exposure of Indian entities to commodity price risks has been accentuated by the growing integration of the Indian economy with the rest of the

world and rising volumes of cross-border trade.

The central bank, in a statement, said it has set up "a working group to review the guidelines for hedging of commodity price risk by residents in the overseas markets during the development phase of our domestic commodity derivative market."

The terms of reference of the working group include assessment of the risks faced by resident entities and their

hedging requirements; identifying gaps in the existing regulatory framework in relation to the hedging requirements — coverage of commodities, participants and products; and suggesting broad principles for guiding the regulatory regime for overseas hedging of commodity risks.

Further, the group will recommend a modified framework for residents hedging commodity risk overseas.

Group members

The group has members drawn from the RBI, the Securities and Exchange Board of

India (SEBI), commercial banks and corporates.

Members of the group include Chandan Sinha, Executive Director, RBI, T Rabi Sankar, Chief General Manager, RBI, PK Bindlish, Chief General Manager, SEBI, and C Venkat Nageswar, Deputy Managing Director, SBI.

The RBI said resident entities exposed to commodity price risks, industry bodies, members of academia and other interested parties could mail their suggestions/comments to "fmrdfx@rbi.org.in". The group will submit its report by February 28, 2017.