

RBI to shut down dollar swap window on November 30

KOLKATA: Reserve Bank of India (RBI) said that the concessional swap facility will not be extended beyond November 30, putting all speculation to rest, but allowed some breathing space for banks currently busy with negotiating with global lenders for taking overseas loans.

The central bank said it will allow banks to get the benefit if they get firm commitment from global financial institutions on or before November 30, 2013.

RBI had in September allowed banks to borrow up to 100% of their Tier-I capital from overseas markets and swap dollar with it for rupees. The measure was aimed at attracting dollar inflows and arrest the rupee's depreciation. It offered one percentage point lower swap rate than the market rate till November 30.

As time is running out, RBI observed that banks currently in the process of negotiation may not be in a position to draw the loan even after getting a sanction and deliver it for swapping before the deadline.

In such cases, a bank will be allowed to enter into a forward-forward swap. In its first leg, the bank will sell forward the contracted amount of foreign currency corresponding to the loan amount for delivery up to December 31, 2013.

However, if the bank is not in a position to deliver the contracted amount of foreign currency on the contracted date, it will have to pay the difference between the concessional swap rate contracted and the market swap rate plus one hundred basis points.

The other terms and conditions for the swap will remain unchanged as notified earlier.

(Economic Times)