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



The Japanese Bankers Association

Comments on the Proposed Directions: Reporting instructions for Authorised Dealer Category-I Banks

Dear Reserve Bank of India:

We, the Japanese Bankers Association, would like to express our gratitude for this opportunity to comment on the "*Directions on Reporting instructions for Authorised Dealer Category-I Banks - Draft*" ("*Proposed Directions*") issued by the Reserve Bank of India (RBI) on 16 February 2026. We respectfully expect that the following comments will contribute to your further discussion.

[General Comments]

We would like to express our respect for the RBI's efforts to enhance transparency in the markets for over the counter (OTC) foreign exchange, interest rate and credit derivatives.

However, we respectfully express our concern that the Proposed Directions could contain elements of the extraterritorial application that are unduly extensive, and we believe that these aspects warrant careful and thorough deliberation, similar to the approach reflected in the "*Master Direction – Reserve Bank of India (Rupee Interest Rate Derivatives) Directions, 2025*", finalized in December 2025.

The Proposed Directions would require Authorised Dealer Category-I (AD Cat-I) banks to report OTC foreign exchange derivative transactions denominated in Indian rupees conducted outside India, irrespective of the attributes of the parties such as their Place of Establishment or Registered Office.

If regulations with such extraterritorial application are implemented, AD Cat-I banks would not only be subject to substantial additional obligations and operational burdens but would also face overlapping and potentially duplicative regulatory obligations with respect to OTC derivatives transactions conducted outside India. Consequently, such requirements could discourage market participants from engaging in Indian Rupee-denominated transactions and, in turn, adversely affect the liquidity of Rupee-denominated products. Accordingly, we respectfully request that the RBI, after first excluding from the scope of the Directions the OTC foreign exchange derivative transactions conducted outside India by related parties, conduct efficient trade surveillance and market monitoring, and consider implementing measures to avoid overlapping regulatory obligations — particularly through enhanced supervisory cooperation and strengthened information-sharing arrangements with other regulatory authorities.

Furthermore, we respectfully submit that the RBI ensure sufficient lead time be provided between the issuance of these Directions and the commencement of regulatory enforcement.

To establish an appropriate regulatory compliance framework, we believe it is essential that detailed guidance

on the transaction reporting requirements be provided sufficiently in advance of the regulatory implementation timeline. Specifically, we respectfully request that the implementation of the regulations take place 24 months after the Clearing Corporation of India Limited (CCIL) announces the reporting specifications, rather than 12 months after the issuance of the Directions.

In the following section, we provide our comments on each of the issues provided in the Proposed Directions.

[Comments on Specific Issues]

1. Reporting entity

An AD Cat-I bank shall report the necessary details of the OTC foreign exchange derivative contracts involving INR undertaken by its offshore related parties to the TR of CCIL. The related party of the AD Cat-I bank may also choose to report the details of such derivatives undertaken by it independently to the TR of CCIL.

Under the Proposed Directions, it is our understanding that AD Cat-I banks are directly responsible for fulfilling the reporting requirements. Clarification is therefore requested as to whether AD Cat-I banks would be subject to penalties if their head office, overseas branch, or affiliated entity located outside India fails to report an OTC foreign exchange derivative transaction conducted with a customer in that foreign jurisdiction.

2. Related party

For the purpose of these directions, the term "related party" shall have the same meaning as assigned to it under the Indian Accounting Standard (Ind AS) 24 - Related Party Disclosures or International Accounting Standard (IAS) 24 - Related Party Disclosures or any other equivalent accounting standard.

- We respectfully request that the scope of the Proposed Directions not be extended beyond AD Category-I banks to their affiliated entities. Affiliates are separate legal entities, and in many cases—such as transactions undertaken by an overseas affiliate in a manner other than a back-to-back arrangement, as illustrated in the example below—it would be extremely difficult, if not impossible, for AD Category-I banks to obtain visibility over such transactions.

(※) Example

There are followings.

Mumbai Branch of A bank

Tokyo Branch of A bank

Mumbai Branch of B bank

A company located in Tokyo which is not related party of either A bank or B bank

Trade 1

Mumbai Branch of A bank vs Tokyo Branch of A bank

Trade 2

Mumbai Branch of B bank vs Tokyo Branch of A bank

Trade 3

Tokyo Branch of A bank vs A company located in Tokyo which is not related party of either A bank or B bank

Our concerns

Mumbai Branch of A bank can report Trade 1, but it is not necessary to report Trade 2. Mumbai Branch of A bank must report Trade 3, but it is uncontrollable because Trade 3 is totally outside of Mumbai Branch of A bank.

- We would like to seek confirmation that, among related parties, OTC foreign exchange derivative transactions entered into by end users that are ordinary commercial entities without the qualifications or authorization to deal in or offer derivative products are excluded from the reporting requirements.

(Reason)

Under the draft Directions, an accounting-based definition of “related party” is provided; however, a financial group may include various non-financial business corporations, such as system development companies. When such entities enter into derivative transactions, they do so purely in the capacity of end-users. As a general matter, end-users are not subject to trade-reporting obligations, and even in jurisdictions such as the United States and Europe where in-scope corporate entities are required to report, it is common market practice for the counterparty financial institution to report the transaction on their behalf. As a result, most corporate entities do not, in practice, report under the OTC derivatives reporting regulations themselves.

3. Coverage of transactions

All OTC foreign exchange derivative contracts involving INR, undertaken globally by the related parties of the AD Cat-I bank in India shall be reported to the TR. For the purpose of these directions, OTC derivatives shall mean derivatives other than those which are traded on stock exchanges and shall include those traded on electronic trading platforms (ETPs).

We request clarification on whether the definition of over-the-counter foreign exchange derivative transactions under the draft Directions also encompasses non-deliverable forwards (NDFs), that is, forward contracts in which the settlement amount is linked to the Indian rupee, but the transaction is settled in a foreign currency other than the Indian rupee.

4. Reporting requirements

An AD Cat-I bank shall ensure that all covered transactions undertaken by its offshore related parties are reported. With a view to providing operational flexibility, such reporting shall be subject to the following requirements:

- (i) An AD Cat-I bank is not required to report transactions undertaken in terms of the back-to-back arrangement, as defined in the Master Direction - Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended from time to time, and transactions undertaken by the related parties with other AD Cat-I banks in India;
- (ii) An AD Cat-I bank shall have the option of not reporting transactions where the notional of the contract does not exceed USD 1 million or equivalent;
- (iii) An AD Cat-I bank shall ensure that:
 - a. with effect from 12 months after the date of issuance of these Directions, transactions reported by it constitute at least 70 per cent of the notional value of all foreign exchange derivative contracts involving INR undertaken by its related parties;

- b. with effect from 18 months after the date of issuance of these Directions, transactions reported by it constitute at least 80 per cent of the notional value of all foreign exchange derivative contracts involving INR undertaken by its related parties; and
- c. with effect from 24 months after the date of issuance of these Directions, transactions reported by it constitute at least 90 per cent of the notional value of all foreign exchange derivative contracts involving INR undertaken by its related parties; and

- When a foreign bank’s offshore sister companies—such as banks or securities firms that are wholly owned subsidiaries of the overseas financial holding company—enter into an OTC foreign exchange derivative transaction with an offshore customer and subsequently execute a back-to-back cover transaction with the foreign bank’s branch in India, we seek clarification on whether the transactions conducted by such companies would fall within the scope of “transactions undertaken based on a back-to-back arrangement” under the draft Directions.

(Reason)

We note that the treatment of wholly owned subsidiaries and joint ventures of AD Category-I banks is addressed in the “*Master Direction – Risk Management and Interbank Dealing.*” However, in the case of foreign banks, it is not uncommon for their offshore sister companies—such as wholly owned subsidiaries of the overseas financial holding company—to undertake derivative transactions offshore. In this regard, we would appreciate clarification on the regulatory treatment applicable to such transactions.

- As mentioned above in our general comments, we respectfully request that sufficient lead time be provided between the issuance of the final Directions and the commencement of regulatory enforcement. Specifically, we request that the implementation of the regulations take place 24 months after the CCIL announces the reporting specifications, rather than 12 months after the issuance of the Directions.

(Reasons)

- In the Proposed Directions, similar to the “*Master Direction - Reserve Bank of India (Rupee Interest Rate Derivatives) Directions, 2025*” finalized in December 2025, OTC derivative transactions entered into by related entities worldwide are required to be reported. However, for the OTC foreign exchange derivative transactions covered under the Proposed Directions, including Non-Deliverable Forwards (NDFs), the number of transactions and the number of entities engaging in such transactions are significantly larger than in the case of interest rate derivatives. Implementing the Proposed Directions would therefore require extensive system enhancements across a large number of entities simultaneously, resulting in a substantial operational burden.
- Given that the publication of the Directions alone does not provide sufficient clarity on the reporting specifications, it is not feasible for institutions to begin their detailed preparation at this stage. Accordingly, we respectfully request that adequate lead time be ensured on the basis that concrete implementation efforts can commence only after CCIL issues the detailed reporting specifications.
- Furthermore, after analyzing the individual reporting specifications and seeking clarification from the authorities regarding their interpretation, each entity within a financial group will need to define the

corresponding system requirements. For these reasons, we believe that a lead time of around 24 months is necessary. (While a phased implementation has been proposed, we understand that, in practice, it would be necessary to prepare to report virtually all transactions, as the notional amounts used to determine the applicable reporting thresholds would fluctuate over time.)

- As provided under “1. Reporting entity,” “The related party of the AD Cat-I bank may also choose to report the details of such derivatives undertaken by it independently to the TR of CCIL.” In light of this description, we would like to confirm our understanding that, with respect to requirement “4.(iii) a.,” an AD Category-I bank would be considered compliant if the aggregate notional amount of the OTC foreign exchange derivative transactions reported by both the AD Cat-I bank and its related party represents 70 percent or more of the aggregate notional amount of such transactions undertaken by the related party.
- With respect to the criteria set out in “4.(iii) a.–c.” of the reporting requirements, we would appreciate clarification on how an AD Category-I bank is expected to evidence its compliance with the prescribed ratios (for example, “at least 70 per cent of the notional value...”).
- We would appreciate clarification on whether our understanding that, assuming the reporting thresholds are met, AD Category-I banks would not be required to retrospectively report OTC foreign exchange derivative transactions that were not reported prior to the commencement of the regulatory requirements.

5. Details of transactions to be reported

This will include, but not be limited to, the notional value, name of the counterparty, maturity date, currency, specifications etc., as applicable to the transaction. The central counterparty may be reported as the counterparty only in cases where the covered transaction is undertaken on an anonymous trading platform and is cleared by the central counterparty. The reporting formats shall be as indicated by CCIL with the prior approval of the Reserve Bank.

- We would like to highlight that sharing transaction information undertaken by overseas branches or affiliated entities with an AD Category-I bank located in India may conflict with customer-information management and data-sharing restrictions applicable in various jurisdictions. For instance, in Japan, the firewall regulations governing information sharing between banks and securities firms explicitly prohibit the exchange of certain customer information.
- With respect to the reporting elements, we request that the data fields be aligned with the CPMI-IOSCO technical guidance on the CDE, UTI, and UPI, and that the reporting format be adopted in an ISO 20022-compliant XML structure.

(Reason)

Under the CPMI-IOSCO harmonization work on trade reporting, jurisdictions have agreed to align the reporting elements of OTC derivative transactions, and these reporting requirements have been implemented by major authorities. Although a subset of jurisdiction-specific reporting fields remains in certain jurisdictions, the vast majority of reporting fields are built around the globally harmonized CDE, and reporting formats have been adopted in an ISO 20022-compliant XML structure. This alignment has

helped reduce the system-development burden. If, however, jurisdiction-specific data fields or reporting formats were to be introduced independently, it would significantly increase the system-development burden and could impede effective information sharing among authorities across jurisdictions.

6. Cut-off time for reporting

Transaction shall be reported preferably on the date of transaction, but in any case, within two working days from the date of transaction.

Although the Proposed Directions cover OTC foreign exchange derivative transactions undertaken outside India, meeting a same-day reporting cut-off would be extremely difficult in practice due to differences in public holidays across jurisdictions, time-zone gaps, and the operational constraints associated with cross-border information sharing.

(End)