

Govt. asks banks, trade bodies to explore opportunities for trade in rupee

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The government has asked trade bodies, banks to explore more opportunities with nations to facilitate rupee trade, as done with nations like Russia, Mauritius and Sri Lanka.

This was reported by news agency PTI quoting sources.

Indian banks have opened special vostro rupee accounts (SVRA) with banks of these three nations, operationalising the rupee trade arrangement.

Recently, SBI Mauritius Ltd and People's Bank of Sri Lanka opened an SVRA with State Bank of India (SBI).

Bank of Ceylon opened an account in its Indian subsidiary in Chennai.

Union Bank of India has opened special rupee account of Ros Bank Russia while Chennai-based Indian Bank has opened such accounts of three Sri Lankan banks, including Colombo-based NDB Bank and Seylan Bank.

In all 18 such special rupee accounts have been opened by 11 banks, including 2 of Russia and one of Sri Lanka, following approval from the Reserve Bank of India (RBI). The RBI issued detailed guidelines on cross-border trade transactions in the domestic currency in July.

In a recent review meeting with stakeholders, sources said, the finance ministry asked stakeholders to explore more countries and establish this mechanism as part of its plans to expand bilateral trades through SVRAs and internationalise indigenous payment modes.

Following the Russia-Ukraine war and the sanctions imposed by the West, India has been trying to promote rupee trade.

Since July, Sberbank and VTB Bank -- the largest and second-largest banks of Russia, respectively -- are the first foreign lenders to receive approval after the RBI announced the guidelines.

The RBI, as per the guidelines, decided to put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in the rupee.

Another Russian bank Gazprombank, which does not have its branch in India, has also opened this account with Kolkata-based UCO Bank.

The move to open the special vostro account clears the decks for settlement of payments in rupee for trade between India and Russia, enabling cross-border trade in the Indian currency, which the RBI is keen to promote.

Making Corporate India Comply

The RBI has allowed the special vostro accounts to invest the surplus balance in Indian government securities to help popularise the new arrangement.

"Indian importers undertaking imports through this mechanism shall make payment in INR (Indian Rupee), which shall be credited into the special vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller/supplier," the RBI had said.