

TRADE SETTLEMENT IN ₹

Centre, RBI devise plan specific to countries

SHREYA NANDI

New Delhi, 6 December

The central government and the Reserve Bank of India have devised a country-specific plan towards implementation of overseas trade in rupee, people aware of the matter said.

To start with, a small number of banks will be allowed to manage cross-border transactions in domestic currency with a particular country.

“Small countries that are dollar-deficient have shown interest in doing trade in rupee. There were discussions regarding making the rupee trade (mechanism) bank and country-specific. UCO Bank and IndusInd Bank may deal with Russia. Similarly, Punjab National Bank may lead in the case of trade with Myanmar. Other banks can also join later, once the system kicks in. More banks can seek RBI’s approval once the system stabilises,” one of the persons cited above said.

Emails sent to UCO Bank, IndusInd Bank, and Punjab National Bank remained unanswered till press time.

As on Monday, the Reserve Bank of India (RBI) has allowed the opening of 18 special vostro accounts and majority of these accounts have been opened to facilitate trade with Russia. These accounts have been opened with five Indian lenders — UCO Bank, IndusInd Bank, Union Bank of India, HDFC Bank, Canara Bank — and two Russian banks — VTB and Sberbank. The matter was discussed at the meeting between the finance and commerce ministries, RBI, export promotion councils, and industry associations on Monday.

While the central bank had announced the rupee trade mechanism nearly five months ago, not even a single rupee-trade transaction has taken place till now, as exporters and banks continue to struggle teething procedural hurdles. Exporters said even as the RBI’s rupee-trade mechanism is open for all nations, it will enable trade especially with sanction-hit nations such as Russia and countries staring at forex shortages.

However, it is now clear that the government is not insisting on large banks that have banking assets overseas to handle such transactions. Banks are concerned that facilitation of such a trade would cause problems to their overseas banking operations in the future due to the fear of economic sanctions by the West. These banks include State Bank of India, Bank of Baroda, Bank of India, among other banks.

“As a result, mostly smaller banks or banks that don’t have enough international exposure have gone ahead with getting necessary approvals towards cross-border payments in rupee,” the official said.

During the meeting on Monday, the finance ministry and the RBI also discussed ways to simplify procedures towards expediting international trade transactions in local currency.

The RBI has informed banks that exporters may not have to open a new account in banks that have been allowed to open special vostro accounts for cross border payments in rupee. This means that an exporter can continue to deal with the existing bank, such as SBI, but for these transactions, the payment will be routed through banks such as IndusInd and UCO. The procedure will be similar to what happened in the case of facilitating transactions with Iran, another official said.



STEP FORWARD

▶ Smaller banks have got approvals towards cross-border payments in rupee

▶ UCO Bank and IndusInd Bank may deal with Russia

▶ Punjab National Bank may lead trade with Myanmar

▶ RBI has so far allowed opening of 18 special vostro accounts