SBI to begin overseas rupee trade with smaller nations

Move to steer clear of West sanctions on Russia deals SHREYA NANDI

New Delhi, 11 December

State Bank India (SBI) will start overseas trade in rupee with smaller countries like Mauritius and Sri Lanka to steer clear of any transactions with Russia which carries the risk of sanctions by the West.

Two special vostro rupee accounts have been opened with SBI — the country's largest lender — to facilitate overseas trade in rupee. SBI



Mauritius and People's Bank of Sri Lanka had opened vostro accounts with SBI, people aware of the matter said.

As far as rupee trade with smaller nations is concerned,

the Reserve Bank of India (RBI) has allowed opening of six special vostro accounts with three Indian lenders — SBI, Bank of Ceylon and Indian Bank.

All these transactions were

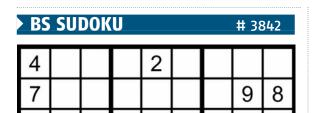
related to trade with Mauritius and Sri Lanka, they said. SBI did not respond to an email by *Business Standard* seeking a comment on the development.

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Rupee trade...

In July, the RBI had spelt out a mechanism to settle international trade transactions in rupee to promote the growth of global trade. This was also seen as a step towards internationalisation of India's local currency and a strategy to continue India's trade with sanctions-hit Russia. According to the mechanism, banks of partner countries can approach authorised dealer (AD) banks in India for opening special rupee vostro accounts. The AD bank will then have to seek approval from the central bank with details of



such an arrangement.

Five months on, the central bank has allowed the opening of 18 special vostro accounts, of which 12 have been opened to facilitate trade with Russia. These accounts are with five Indian lenders — UCO Bank. IndusInd Bank, Union Bank of India, HDFC Bank, Canara Bank — and two Russian banks: VTB and Sberbank. However, the progress has been slow. Not a single rupee trade transaction has taken place as exporters and banks are still trying to comprehend the implications of such a move. Besides, the response has been tepid in case of large banks with banking assets overseas.