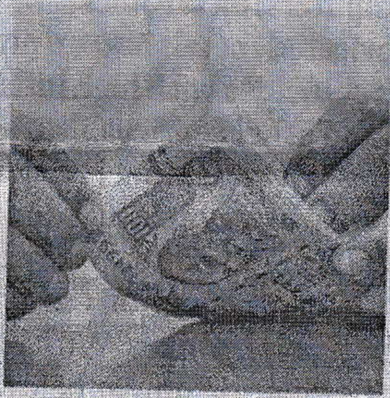
Global trade in rupee: Banks from 18 countries allowed to open vostro a/c

Shishir Sinha
New Delhi

The Reserve Bank of India has approved 60 requests to open Special Rupee Vostro Accounts (SRVAs) of correspondent banks from 18 countries, Finance Ministry informed the Lok Sabha on Tuesday. These countries include the UK, Singapore, and New Zealand beside others.

Last July, RBI allowed invoicing and payments for international trade in rupee. It put in place the arrangement to promote global trade growth with emphasis on exports from India and to support the increasing interest of the global trading community in rupee. A framework has been put in place by RBI and it is applicable for any partner country seeking to undertake trade with India in rupee.

The approval process for opening SRVAs is banks of partner countries may approach Authorised Dealer



(AD) banks in India which may seek approval from RBI with details of the arrangement.

In a written response, Minister of State for Finance Bhagwat Karad said, “Approvals have been granted by RBI to domestic and foreign AD Banks in 60 cases for the opening of Special Rupee Vostro Accounts (SRVAs) of correspondent banks from 18 countries, namely Botswana, Fiji, Germany, Guyana, Israel, Kenya, Malaysia, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Sri Lanka, Tanzania, Uganda and the UK.”

According to RBI, the settlement of International trade through INR is an additional arrangement to the existing system of settlement. SRVA requires prior approval before opening unlike Rupee Vostro account. The settlement through INR is an additional arrangement to the existing system that uses freely convertible currencies and works as a complimentary system. This will reduce dependence on hard (freely convertible) currency.

CALIBRATED PATH

The exchange rate for most currencies is determined in the forex markets, typically against global currencies like the USD, EUR, JPY, etc. In the transition phase, when there is no market with direct exchange rates between two currencies (say INR and Sri Lankan Rupee), the exchange rate between the currencies of two trading partner countries, each of which has markets against global currencies, would be derived as a cross currency rate.