

SBI ready to open ₹ trade account with Russian banks

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State Bank of India (SBI) is willing to work with Russian banks not facing sanctions and remain on the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network to open a special rupee vostro account (SRVA) for invoicing in Indian currency.

The country's largest lender in a statement said it has not been identified as the nodal bank for handling Russia-related transactions.

In July, the Reserve Bank of India (RBI) allowed banks in India, including SBI, to open an SRVA to promote invoicing in Indian rupee, subject to certain safeguards.

Accordingly, the bank in a statement said it is "making necessary arrangements and processing requests received from various banks, including Russian banks", following guidelines laid out by the RBI.

The banking regulator had allowed Indian banks in July to open SRVAs with lenders of other nations to settle overseas trades in the Indian currency.

A vostro account is opened by a domestic bank with a foreign correspondent bank to act as an agent for the domestic bank. Following the Russia-Ukraine stand-off, many Russian banks are facing sanctions from western countries. They have also been removed from the SWIFT network. This meant loss of access to the normal smooth and instant transactions provided by the network and disruption in payments for Russia's valuable energy and agricultural exports.

SBI may sell ₹4,000-crore tier-2 bonds

State Bank of India, is likely to raise ₹4,000 crore next week in order to augment capital amid firm credit growth, sources told *Business Standard*. The public sector bank had sold additional tier-1 bonds worth ₹6,872 crore on September 7 at a cutoff rate of 7.75 per cent, the lowest for any bank so far in the current financial year. In late July, SBI's board had approved plans to raise up to ₹11,000 crore via additional tier-I and -II bonds to meet regulatory requirements and support business growth. Over the past couple of months, banks have embarked on a spree of AT1 bond issuances to raise capital and finance strong demand for loans.

BHASKAR DUTTA

Banks facing sanctions now have to deal directly with other banking entities, causing delays and extra costs.

In 2018, public sector lender UCO Bank was chosen to route payments from India for oil imports from Iran to overcome US sanctions. Under the payment mechanism, the money of oil imports from Iran was to be deposited into escrow accounts of five of their banks held with state-run UCO Bank.

SBI executives said the RBI has made it very clear that opening of such special accounts is subject to sanctioned entities and any Financial Action Task Force negative list.