

6 more Russian banks get RBI nod for Vostro a/c

EASING TRADE. Russian banks can use ₹ deposits for India buys

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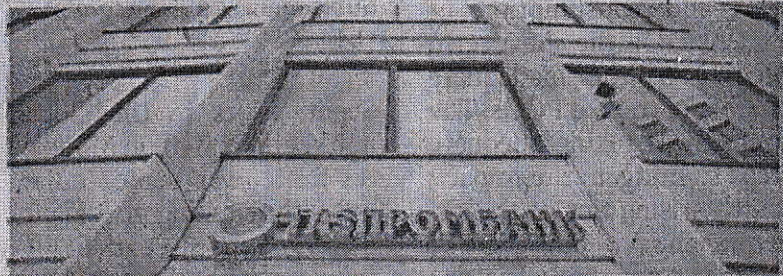
The RBI has given approval for opening of nine Vostro accounts of Russian banks with banks in India in order to allow bilateral trade to take place in rupee — a mechanism that can provide insulation against western sanctions on Russia.

“While three accounts have already been opened—Gazprom Bank with UCO Bank and VTB and Sberbank with their own branch offices in India — the remaining six will be opened by Indusind bank and talks are on,” a source close to the development told *businessline*.

WESTERN SANCTIONS

Although VTB Bank and Sberbank are both facing Western sanctions, officials say that as long as the rupee payment received for Russian exports is used to pay for imports from India, there won't be a problem.

“If the two Russian banks facing sanctions use the rupee deposits in their Vostro accounts to pay for imports made by Russians from India, there will absolutely be no problem as the Western banking system will be totally bypassed. If they want to remit the payment back to



MAKING A START. Three banks have already opened the accounts — Gazprom Bank with UCO Bank and VTB and Sberbank with their own branch offices in India

their country, they will have to find their own way of doing so,” the source said.

Following Russia's invasion of Ukraine on February 24, a number Russian banks were banned from using the SWIFT messaging system that effectively stopped them from participating in international trade. The number of sanctioned banks have been increasing since then.

There are other sanctions too targeting Russian oligarchs and several State entities and their subsidiaries. This led to fear amongst Indian companies doing business with both Russia and the West of secondary sanctions that may be aimed at them.

As the rupee trade mechanism, allowed by RBI in July 2022, allows bilateral trade to be carried out only in rupee, in the case of Russia it

will take care of all fears associated with exposure to the Western payment system.

IMPORTS FROM RUSSIA

India's imports from Russia increased 410 per cent to over \$21 billion in the first six months of this fiscal, mainly due to a sharp increase in imports of crude and fertiliser. New Delhi hopes that Russia will now import more Indian products, to bridge the trade gap of about \$20 billion, as well-balanced trade would be essential for the success of the rupee trade mechanism.

“Both the countries are now looking at how Indian exports to Russia could go up and attempts are being made to bring exporters and importers together so that they can strike deals,” the source said.