

# RBI to Speed Up Rupee Globalisation, Roll Out Series of Reforms This Fiscal

TO WOO NRIs while also boosting GIFT City's appeal, says central bank in annual report

## Our Bureau

**Mumbai:** The Reserve Bank of India (RBI) will boost ongoing efforts toward the internationalisation of the rupee by bringing regulatory changes for non-residents while taking steps to bolster the GIFT City's appeal vis-à-vis other international financial centres.

"Efforts are underway toward internationalisation of the Indian Rupee (INR) through settlement of bilateral trade in local currency," RBI officials wrote in the central bank's annual report for 2023-24.

"To promote the internationalisation of INR and support local currency settlement with partner countries, it is necessary to liberalise the regulations relating to INR accounts for non-residents," they wrote.

Accordingly, the Foreign Exchange Management (Deposit) Regulations concerning rupee accounts for non-residents are being reviewed in consultation with the government.

The central bank's agenda for the

current financial year to internationalise the rupee includes letting persons resident outside India (PROIs) open rupee accounts outside the country, rupee lending by Indian banks to PROIs and the enabling of foreign direct investment and foreign portfolio investment through special non-resident rupee and special rupee vostro accounts.

The central bank officials highlighted significant steps taken towards the rupee's internationalisation in December 2023 via the issuance of the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023, which ushered in rationalised norms.

Amongst the major amendments include regulations which now enable receipt or payment in any foreign currency, which would help in local currency settlement with partner countries.

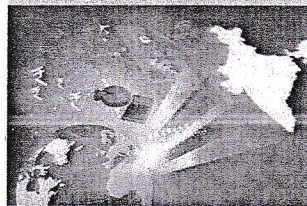
Another key development is the facilitation of rupee settlement for all Asian Currency Union (ACU) countries with regard to non-trade-related transactions as well as

## In the Works

Letting NRIs open rupee accounts overseas

Encouraging trade of more FCY-INR pairs at GIFT City

Enabling FDI and FPI flows via special non-resident and vostro rupee accounts



trade-related transactions in compliance with RBI directions, central bank officials said.

The previous regulations permitted receipt or payment in rupees for all cross-border transactions — current and capital — for all non-ACU countries whereas such receipts or payments were not allowed

for some ACU countries such as Bangladesh, Myanmar, Pakistan and Maldives.

"To simplify the existing regulatory framework for trade transactions by moving towards a more principle-based approach, improving ease of doing business, and dispensing with redundant provisions/processes and various approvals, the rationalisation/simplification of trade guidelines is under process," RBI officials wrote.

Another measure that the RBI has conceptualised to quicken the pace of the rupee's internationalisation is an extension of the domestic structured financial messaging system (SFMS) through a global SFMS hub to other countries.

"The interested countries can connect their local messaging system to Global SFMS Hub for cross-border payment messaging in their local currencies.

This may help India in reducing dependence on other major trading currencies and may help in foreign exchange management," the RBI said.