



ನವ ಮಂಗಳೂರು ಬಂದರು ಪ್ರಾಧಿಕಾರ  
ನವ ಮಂಗಳೂರು ಪತ್ತನ ಪ್ರಾಧಿಕಾರ  
NEW MANGALORE PORT AUTHORITY  
(Fully Solar Powered)



ಭಾರತ ಸರ್ಕಾರ ( ಪತ್ತನ, ಪೊತ ಪರಿವಹನ ಔರ ಜಲಮಾರ್ಗ ಮಂತ್ರಾಲಯ)  
Govt. of India (Ministry of Ports, Shipping and Waterways)  
ಪಣಂಬೂರು ಪಣಮ್ಬೂರು Panambur / ಮಂಗಳೂರು ಮಂಗಳೂರು Mangalore - 575010

No. NMPA/TM/2024

14.08.2024

TRADE NOTICE

**Sub:** International Trade Settlement in Indian Rupees (INR) – Reg.  
**Ref:-** 1) DO.BLR.FED.EXP.No.S489/06.06.027/2024-2025 dtd05.08.2024  
2) RBI/2022-2023/90 dtd. 12.07.2022.

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A letter was received from the Regional Director for Karnataka, Reserve bank of India requesting to promote the use of INR in International Trade Settlements among the importers and exporters. The letter mentions the measures taken by the RBI in promoting INR and the benefits as below:

1. An additional arrangement is put in place with the introduction of Special Rupee Vostro Account (SRVA)
2. Using INR in International Trade limits exchange rate risk which in turn reduces vulnerability to external shocks, reduced dependency on USD in trade settlement and increasing India's global footprint in international trade.

RBI has issued Local Currency Settlement Scheme vide circular on International Trade Settlement in Indian Rupees (INR) dated July 11, 2022 and the Frequently Asked Questions on this topic which are enclosed here for reference.

The trade bodies/trade associations are requested to promote the awareness among the importers/exporters about the benefit of using INR in international trade settlement.

All the stakeholders are requested to take a note of the same and take necessary steps to improve the use of INR in international trade.

Further any queries/suggestions/feedback in this matter may please be forwarded to Foreign Exchange Department, Reserve Bank of India, Benagaluru via letter or email at [blrtrade@rbi.org.in](mailto:blrtrade@rbi.org.in) marking copy to this office.

  
TRAFFIC MANAGER

Copy to

- President, Kanara Chamber of Commerce and Industries
- President, Confederation of Indian Industries, Mangalore District Council
- President, Custom House Agents
- Vice President, JSWMCTPL for wide circulation among the importers/exporters
- Vice President, MCTPL for wide circulation among the importers
- FA & CAO for information
- Sr.DTM/DTM/ATM Gr.1 (Comm.)/ATM Gr.1 (Opn.) for information
- Sr. Dy. Director, EDP for publishing in the NMPA website
- PS to Chairperson/PS to Dy. Chairperson for kind information

ದೂರವಾಣಿ / ದೂರಭಾಷ / Phone : 0824 - 2407341, 2887399

आईएसओ 9001:2015, 14001:2015 आईएसओ एवं 450011:2018 आईएसपीएस अनुपालनकर्ता पत्तन  
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RBI/2022-2023/90

A.P. (DIR Series) Circular No.10

July 11, 2022

To

All Category-I Authorised Dealer Banks

Madam/Sir

**International Trade Settlement in Indian Rupees (INR)**

In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in INR. Before putting in place this mechanism, AD banks shall require prior approval from the Foreign Exchange Department of Reserve Bank of India, Central Office at Mumbai.

2. The broad framework for cross border trade transactions in INR under Foreign Exchange Management Act, 1999 (FEMA) is as delineated below:

- (a) **Invoicing:** All exports and imports under this arrangement may be denominated and invoiced in Rupee (INR).
- (b) **Exchange Rate:** Exchange rate between the currencies of the two trading partner countries may be market determined.
- (c) **Settlement:** The settlement of trade transactions under this arrangement shall take place in INR in accordance with the procedure laid down in Para 3 of this circular.

3. In terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016, AD banks in India have been permitted to open Rupee Vostro Accounts. Accordingly, for settlement of trade transactions with any country, AD bank in India may open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading

country. In order to allow settlement of international trade transactions through this arrangement, it has been decided that:

- (a) Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier.
- (b) Indian exporters, undertaking exports of goods and services through this mechanism, shall be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country.

**4. Documentation:** The export / import undertaken and settled in this manner shall be subject to usual documentation and reporting requirements. Letter of Credit (LC) and other trade related documentation may be decided mutually between banks of the partner trading countries under the overall framework of Uniform Customs and Practice for Documentary Credits (UCPDC) and incoterms. Exchange of messages in safe, secure, and efficient way may be agreed mutually between the banks of partner countries.

**5. Advance against exports:** Indian exporters may receive advance payment against exports from overseas importers in Indian rupees through the above Rupee Payment Mechanism. Before allowing any such receipt of advance payment against exports, Indian Banks shall ensure that available funds in these accounts are first used towards payment obligations arising out of already executed export orders / export payments in the pipeline. The said permission would be in accordance with the conditions mentioned in para-C.2 on Receipt of advance against exports under Master Direction on Export of Goods and Services 2016 (as amended from time to time). In order to ensure that the advance is released only as per the instructions of the overseas importer, the Indian bank maintaining the Special Vostro account of its correspondent bank shall, apart from usual due diligence measures, verify the claim of the exporter with the advice received from the correspondent bank before releasing the advance.

**6. Setting-off of export receivables:** 'Set-off' of export receivables against import payables in respect of the same overseas buyer and supplier with facility to make/receive payment of the balance of export receivables/import payables, if any, through the Rupee Payment Mechanism may be allowed, subject to the conditions mentioned in para C.26 on Set-off of export receivables against import payables under Master Direction on Export of Goods and Services 2016 (as amended from time to time).

**7. Bank Guarantee:** Issue of Bank Guarantee for trade transactions, undertaken through this arrangement, is permitted subject to adherence to provisions of FEMA Notification No. 8, as amended from time to time and the provisions of Master Direction on Guarantees & Co-acceptances.

**8. Use of Surplus Balance:** The Rupee surplus balance held may be used for permissible capital and current account transactions in accordance with mutual agreement. The balance in Special Vostro Accounts can be used for:

- (a) Payments for projects and investments.
- (b) Export/Import advance flow management
- (c) Investment in Government Treasury Bills, Government securities, etc. in terms of extant guidelines and prescribed limits, subject to FEMA and similar statutory provision.

**9. Reporting Requirements:** Reporting of cross- border transactions need to be done in terms of the extant guidelines under FEMA 1999.

**10. Approval Process:** The bank of a partner country may approach an AD bank in India for opening of Special INR VOSTRO account. The AD bank will seek approval from the Reserve Bank with details of the arrangement. AD bank maintaining the special Vostro Account shall ensure that the correspondent bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

**11.** The above instructions shall come into force with immediate effect. AD banks may bring the contents of this Circular to the notice of their constituents and customers concerned.

12. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Vivek Srivastava)  
Chief General Manager



भारतीय रिज़र्व बैंक  
Reserve Bank of India  
India's Central Bank



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FAQs

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Date: 01/12/2022

### International Trade Settlement in Indian Rupees (INR)

**Disclaimer:** These FAQs are for general guidance purpose only. In case of any inconsistency(ies) between FAQ and FEMA, 1999, Rules/Regulations/Directions/Permissions issued thereunder, the latter shall prevail.

**Q 1:** How is the Special Rupee Vostro Account (SRVA) different from the already existing Rupee Vostro Account provided for under Foreign Exchange Management (Deposit) Regulations, 2016?

**Answer:** The settlement of International trade through Indian Rupees (INR) is an additional arrangement to the existing system of settlement. SRVA requires prior approval before opening unlike Rupee Vostro account.

**Q 2:** What is new in this arrangement?

**Answer:** The settlement through Indian Rupees (INR) is an additional arrangement to the existing system that uses freely convertible currencies and will work as a complimentary system. This will reduce dependence on hard (freely convertible) currency.

**Q 3:** Whether RBI approval is required for opening such Special Rupee Vostro Accounts?

**Answer:** Yes, for opening of Special Rupee Vostro Account, prior approval of RBI would be required. The bank willing to open Special Rupee Vostro Account for bank of the partner country should have a good level of business resilience and financial health. Second, they need to have experience in facilitating trade/investment transactions and capability to provide other financial services. Third, AD banks should have good correspondent relationships with banks in partner countries.

**Q 4:** What is Correspondent banking?

**Answer:** The term correspondent banking relationship acts as an intermediary or agent, facilitating wire transfers, conducting business transactions, accepting deposits and gathering documents on behalf of another bank. Correspondent banks are most likely to be used by domestic banks to service transactions that either originate or are completed in foreign countries. Domestic banks also use correspondent banks to gain access to foreign financial markets and to serve international clients without having to open branches abroad.

**Q 5:** Will this be a bank to bank arrangement or country to country arrangement?

**Answer:** This is essentially a bank-to-bank arrangement similar to correspondent banking arrangement.

**Q 6:** What is the procedure for opening a Special Rupee Vostro Account with an Indian AD bank?

**Answer:** The AD bank approaching RBI for seeking approval for opening of Special Rupee Vostro Account must submit the following information along

with their proposal/request:

- a. The details of the arrangement between AD bank and correspondent bank from the trading partner country along with the funds flow.
- b. A brief write-up on the foreign banks seeking correspondent relationship for Special Rupee Vostro Account.
- c. Copy of the request letter of the correspondent bank to AD bank.
- d. Confirmation from AD bank that the due diligence has been carried out by AD bank which establishes correspondent banking relationship as per our extant guidelines {**Master Direction - Know Your Customer (KYC) Direction, 2016 dated Feb 25, 2016** (As amended from time to time)}.
- e. Confirmation from AD bank stating that the correspondent bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non-Co-operative jurisdictions on which FATF has called for counter measures.
- f. Confirmation from AD bank that they shall ensure that all the transactions taking place in the Special Rupee Vostro Account of the correspondent bank are strictly in adherence to the instructions given in the **A.P. (DIR Series) Circular No. 10 dated July 11, 2022**.
- g. Financial parameters pertaining to the correspondent bank as required for the proposal may be obtained beforehand by email to **fedcotrade@rbi.org.in** and the same may be furnished by AD bank along with the proposal.

**Q 7:** Is the Indian branch of foreign bank eligible to open Special Rupee Vostro Account of headquarter branch/any other branch situated in any foreign country?

**Answer:** Yes, provided Indian branch of foreign bank is an AD bank. This is subject to approval of Reserve Bank as in the case of other such accounts.

**Q 8:** Can the existing Rupee Vostro Accounts of banks from trading partner countries be used as Special Rupee Vostro Accounts under the new mechanism?

**Answer:** No

**Q 9:** Can foreign bank (correspondent bank) maintain more than one Special Rupee Vostro Account with different AD banks?

**Answer:** Yes

**Q 10:** Can an AD bank in India open only one Special Rupee Vostro Account from a foreign country?

**Answer:** No. AD bank in India can open multiple Special Rupee Vostro Accounts for different banks from the same country.

**Q 11:** How will the exchange rate be determined?

**Answer:** Exchange rate between the currencies of the two trading partner countries will be market determined.

**Q 12:** How would the exchange rate between INR and the currency of the trading partner country be market-determined in the absence of direct quote for the pair of currencies?

**Answer:** The exchange rate for most currencies are 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.

**Q 13:** Whether this will address the difficulties in cross border payments with specific countries.

**Answer:** The policy is not aimed at any specific country. This step is part of a sequenced and calibrated path for increased use of the INR in international transactions.

**Q 14:** Can balances in Special Rupee Vostro Account be repatriated?

**Answer:** The balance in Special Rupee Vostro Account (SRVA) can be repatriated in freely convertible currency and/or currency of the beneficiary trading partner country depending on underlying transaction i.e. for which the account was credited. For example, for import payments through SRVA like any Rupee Vostro account the fund can be remitted to overseas exporter either in freely convertible currency or in domestic currency of the overseas exporter.

**Q 15:** Whether income from INR balance in SRVA can be repatriated?

**Answer:** Yes, the income from INR balance can be repatriated subject to applicable regulatory guidelines and tax provisions.

**Q 16:** Can balances in Special Rupee Vostro account be used for FDI, ECB?

**Answer:** Balance in SRVA is like foreign exchange inflow converted into INR, hence balance can be used for any permissible current and capital account transaction under the present FEMA framework.

**Q 17:** What are the different types of investment where surplus balance can be invested?

**Answer:** Investment in Government Treasury Bills, Government securities is permitted in terms of extant guidelines and prescribed limits. Other than these, avenues of investments can be mutually agreed between the countries subject to compliance with applicable regulatory and statutory guidelines.

**Q 18:** Whether balances can be transferred from Special Rupee Vostro Account (SRVA)?

**Answer:** Balance of one Special Rupee Vostro Account (SRVA) can be transferred to SRVA of another bank of the same country only. Transfer from SRVA to Rupee Vostro account of same country is allowed but not vice-versa.

**Q 19:** Whether INR balance in SRVA can be hedged?

**Answer:** Yes, INR exposure can be hedged in terms of applicable guidelines depending upon underlying transactions.

**Q 20:** For investment in T-Bills and government securities from funds of SRVA with AD bank, whether FPI license is required by the account holder overseas bank?

**Answer:** No.

**Q 21:** Which bank will be responsible for reporting for cross border transaction either AD bank in India or correspondent bank?

**Answer:** The AD bank in India shall be responsible for the reporting of transactions taking place in the Special Rupee Vostro Account of the correspondent bank of the trading partner country.

**Q 22:** How this new mechanism will benefit the Indian traders?

**Answer:** As the transactions will be settled in INR, it will reduce the exchange rate risk for the Indian exporters and importers.

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