

RBI allows global trade settlements in rupees

Move seen primarily aimed at facilitating trade with sanctions-hit Russia

Shayan Ghosh & Ravi Dutta Mishra
MUMBAI/NEW DELHI

The Reserve Bank of India (RBI) on Monday announced an arrangement for domestic traders to settle imports and exports in rupees, a move experts said is aimed at facilitating trade with sanctions-hit Russia.

According to the central bank, this would promote global trade growth with an emphasis on exports from India and will support the increasing interest of the global trading community in the domestic currency. This comes amid the rupee touching record lows against the dollar. India's trade with Russia stood at \$13.1 billion in 2021-22.

Hailing the move, experts said it would expedite transactions between the two countries.

Following the sanctions, payments to any Russian entity, including those that haven't been sanctioned, have been taking longer than usual because of enhanced due diligence.

According to A. Sakthivel, president of the Federation of Indian Export Organisations (FIEO), under the existing provisions of the Foreign Exchange Management Act, final settlements must be in free foreign exchange except for Nepal and Bhutan. Now, if RBI approves, the

RUPEE SWITCH

The new measure will promote trade growth, with an emphasis on exports from India, and support the interest of the trading community in rupee, RBI said.

India's top trading partners

Total trade in \$ billion, FY22



mint

Source: Commerce ministry

COLLATERAL GAIN

THE pressure on India's forex reserves is likely to diminish

RBI'S measure shows Russia's significance as India's trading partner

SOME analysts see RBI's move as a step to stabilize the rupee

SARVESH KUMAR SHARMA/MINT

final settlement to all countries can be in the Indian rupee, Sakthivel said.

"Russian banks will have to open Vostro accounts in India, and whenever exports or imports take place, that account will be debited or credited, depending on the transaction," said a senior private sector banker, adding that this will only be possible for Russian banks that are not part of the OFAC sanctions list.

Enforced by the US Office of Foreign Assets Control (OFAC), the sanctions were implemented after Russia's invasion of neighbouring Ukraine in February. Indian banks had long hoped that the government and RBI would work out an alternative payment mechanism, as was done when Iran sanctions were imposed in 2012 and again in 2018.

TURN TO PAGE 6