

Reserve Bank of India (RBI) allows international trade settlements in Indian Rupees (INR)

To promote the growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, RBI on 11 July 2022 has permitted additional arrangement for invoicing, payment, and settlement of exports/imports in INR. To facilitate the settlement in INR, the authorised dealer (AD) banks will require prior approval from the Foreign Exchange Department of RBI.

Broad framework of the cross-border trade transactions:

- Invoicing – All the exports and imports can be denominated and invoiced in INR.
- The exchange rate between the two trading partner countries will be market-determined.
- Settlement will be done wherein the Indian AD bank will open a special Rupee VOSTRO account of the correspondent bank of the partner trading country.
 - i. Indian importers can make payments 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.
 - ii. Indian exporters of goods and services 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. Under this mechanism, the Indian exporters can also receive an advance payment from overseas importers (as per the existing master directions of RBI).
 - iii. Set-off of export receivables: Set-off of export receivables against import payable for the same overseas party is allowed under this mechanism, subject to the fulfilment of the RBI master directions in this regard.

Documentation and Reporting: The procedure for documentation and reporting will be governed by the existing RBI guidelines and FEMA provisions.

Weblink <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDCN1083AC50D954814429AC4D404A9A73DDDD1.PDF>

Therefore

RBI has taken various steps to prevent the depreciation of the Rupee and safeguard its foreign exchange reserves. In long run, this will enable the use of the Rupee in international trade to a greater extent. This will also facilitate trade with countries willing to use the Rupee as the base currency and mostly facilitate trade with neighbouring countries since it reduces exchange risk borne by the individual trader and enables savings in the cost of hedging. So, this can be considered a welcome step for Indian traders. Certain export incentives/benefits under the hitherto RBI directions are allowed on convertible foreign currency. The industry awaits the RBI's direction/clarification to allow such incentives under the newly notified decision also.