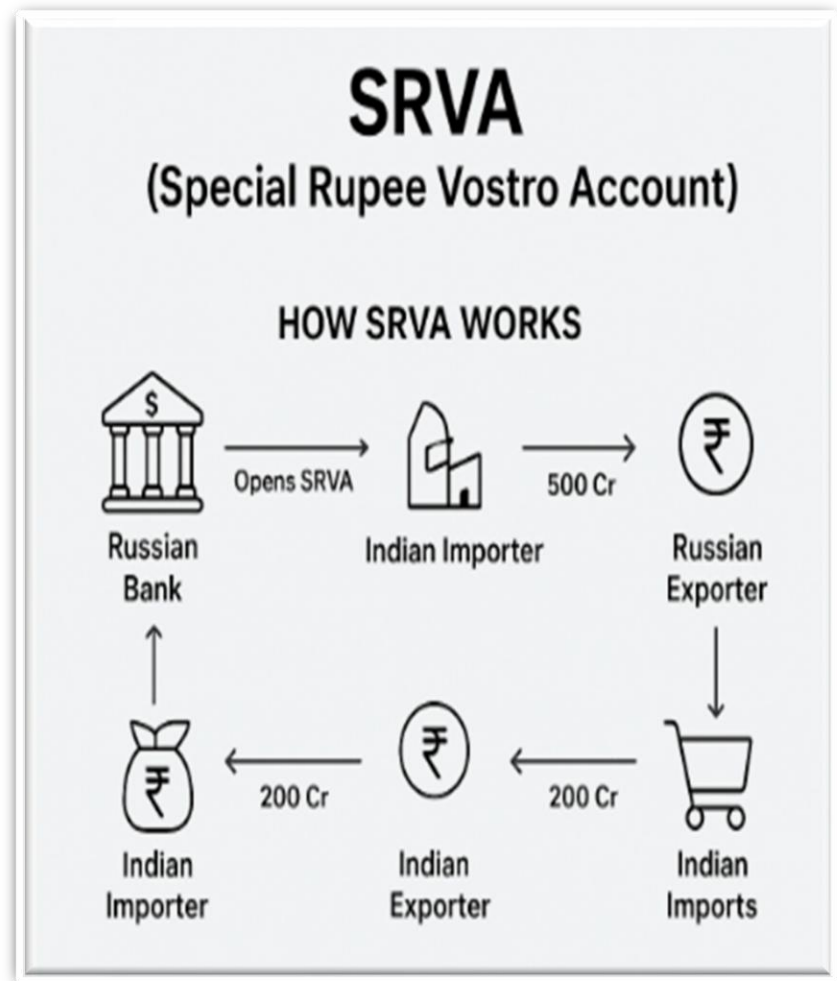
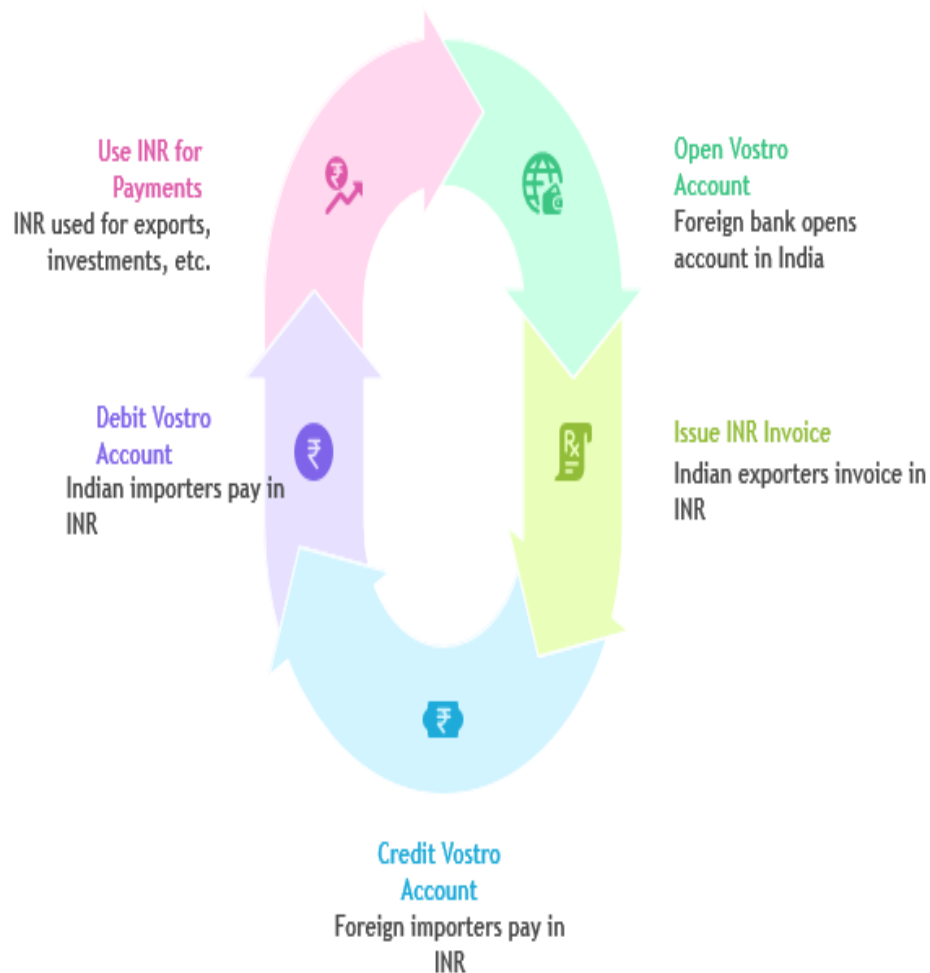


Special Rupee Vostro Account (SRVA)

(A step towards the internationalization of the Indian Rupee)

Model of SRVA



Example Russian Oil Trade Using SRVA

Step 1

Setting up the SRVA

A Russian bank (let's say *Sberbank*) opens a Special Rupee Vostro Account with an Indian bank (say *State Bank of India*).

This account is held in **Indian rupees** (not roubles or dollars).

Step 2

Indian Importer Buys Russian Oil

An Indian oil company agrees to pay ₹500 crore for a shipment of Russian crude oil.

Instead of sending USD, the Indian importer pays **₹500 crore** directly to **Sberbank's SRVA** at SBI in India

Step 3

Russian Exporter Gets Paid

Russian Exporter Uses INR for Indian Imports

Rosneft can now either:

- Use the INR to buy Indian goods (machinery, pharmaceuticals, textiles, etc.).
- Invest the INR in Indian assets (government bonds, equities).
- Hold INR for future trade with India

Step 4

Russian Exporter Uses INR for Indian Imports

Suppose Rosneft decides to use ₹200 crore from its SRVA to import Indian tea, medicines, and auto parts.

The payment to Indian exporters happens directly from the SRVA, so no currency conversion is required.

Benefits of Rupees Internationalization

Reduces forex pressure

Alleviates economic strain by decreasing USD reliance.



Boosts strategic autonomy

Enhances India's trade independence significantly.



Lower transaction costs

Minimizes economic burden through reduced conversion fees.

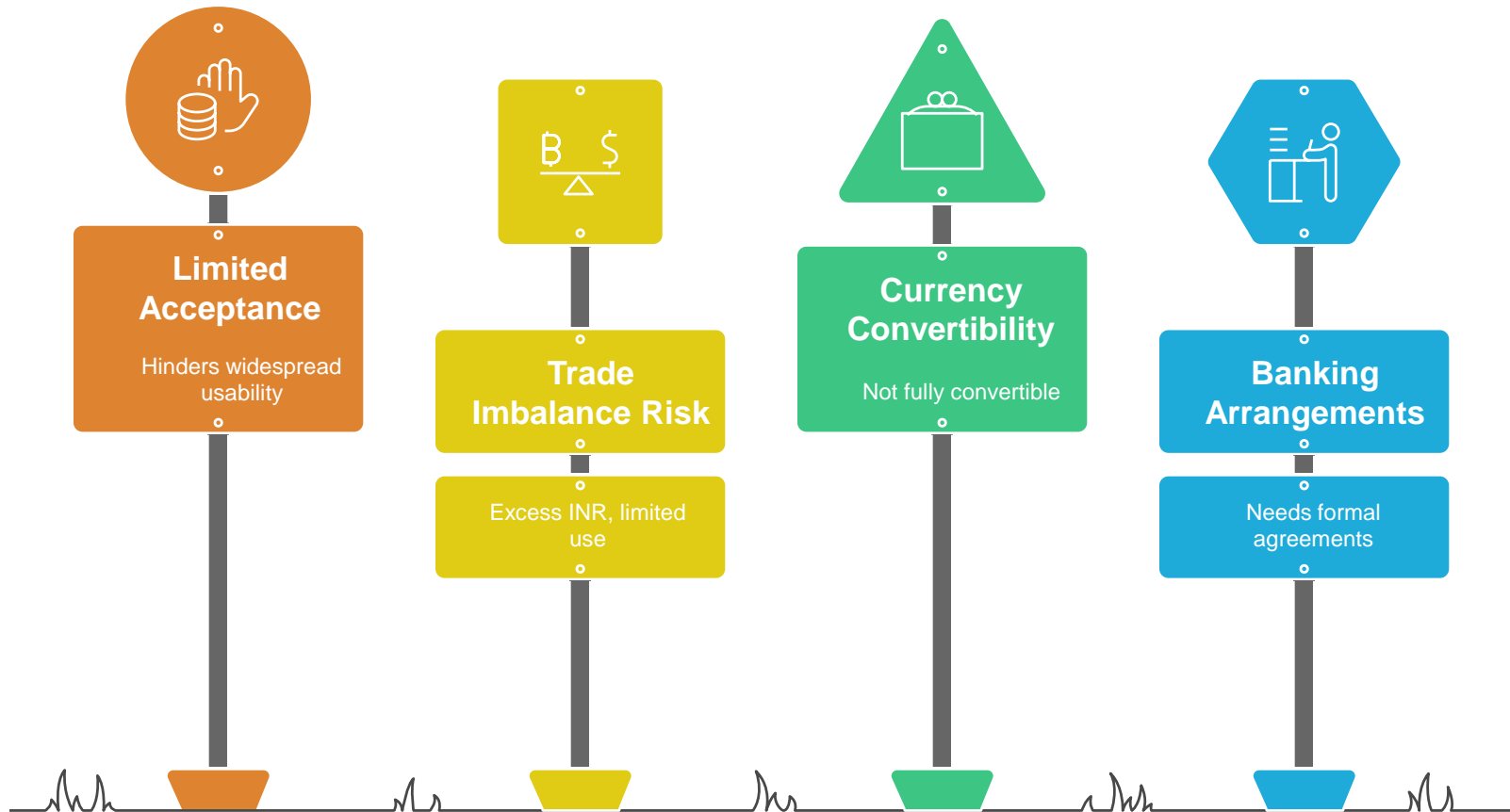


Improves trade with sanction-hit countries

Facilitates trade with nations facing economic restrictions.



Challenges in Internalization of Indian Rupees



Acceptability So Far

Countries Using or Considering INR



Shown Interest

Countries showed initial interest



Actually Settling

Countries settling in INR

Countries Using or Considering INR Trade

Country	INR Trade Settlement
 Russia	Yes
 Sri Lanka	Yes
 Bangladesh	Yes
 Mauritius	Yes
 UAE	Yes
 Tanzania	Yes
 Kenya	Yes
 Sudan	Yes
 Myanmar	Yes
 Latin America	Exploring
 Central Asia	Exploring

Special Rupee Vostro Account (SRVA) : FAQ (1/4)

	Questions	Answers
Q1.	How is the Special Rupee Vostro Account (SRVA) different from the already existing Rupee Vostro Account provided for under.	An additional arrangement to the existing system of settlement.
Q2.	What is new in this arrangement ?	It uses freely convertible currencies and will work as a complimentary system. This will reduce dependence on hard (freely convertible) currency.
Q3.	Will this be a bank- to-bank arrangement or country to country arrangement?	A bank-to-bank arrangement similar to correspondent banking arrangement.
Q4.	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?	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.

Special Rupee Vostro Account (SRVA) : FAQ (2/4)

	Questions	Answers
Q5.	Can foreign bank (correspondent bank) maintain more than one Special Rupee Vostro Account with different AD banks?	Yes
Q6.	Can an AD bank in India open only one Special Rupee Vostro Account from a foreign country?	No. AD bank in India can open multiple Special Rupee Vostro Accounts for different banks from the same country.
Q7.	How will the exchange rate be determined?	Exchange rate between the currencies of the two trading partner countries will be market determined
Q8.	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?	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.

Special Rupee Vostro Account (SRVA) : FAQ (3/4)

	Questions	Answers
Q9	Whether this will address the difficulties in cross border payments with specific countries.	It is part of a sequenced and calibrated path for increased use of the INR in international transactions.
Q10	Can balances in Special Rupee Vostro Account be repatriated?	Can be repatriated in freely convertible currency and/or currency of the beneficiary trading partner country.
Q11	Whether income from INR balance in SRVA can be repatriated	Yes, can be repatriated subject to applicable regulatory guidelines and tax provisions.
Q12	Can balances in Special Rupee Vostro account be used for FDI, ECB?	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.
Q13	What are the different types of investment where surplus balance can be invested?	Investment in Government Treasury Bills, Government securities is permitted in terms of extant guidelines and prescribed limits.

Special Rupee Vostro Account (SRVA) : FAQ (4/4)

	Questions	Answers
Q14	Whether INR balance in SRVA can be hedged?	Yes, INR exposure can be hedged in terms of applicable guidelines depending upon underlying transactions.
Q15	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?	No
Q16	Which bank will be responsible for reporting for cross border transaction either AD bank in India or correspondent bank?	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.
Q17	How this new mechanism will benefit the Indian traders?	As the transactions will be settled in INR, it will reduce the exchange rate risk for the Indian exporters and importers.
Q18	Where can I find the details of SRVAs opened by Indian Banks?	The details of SRVA can be found on FEDAI's website under link 'SRVA Directory'.

Key Takeaways

- ✓ The RBI is encouraging bilateral trade agreements that allow INR settlement.
- ✓ If more countries accept INR for oil, commodities, and high-value goods, the rupee's role could expand regionally, similar to how China grew yuan trade.
- ✓ SRVA can help India move toward rupee internationalization, but it needs:
 - ❑ More balanced trade
 - ❑ Wider INR convertibility
 - ❑ Attractive investment channels for surplus rupees
 - ❑ Stronger banking partnerships