



# EXPORT PROMOTION COUNCIL FOR EOUs AND SEZs

(Setup by Ministry of Commerce & Industry, Government of India)

A-101, 10th Floor, Himalaya House, 23, KG Marg, New Delhi-110001

Tel: 011-23329766-70 Email: [epces@epces.in](mailto:epces@epces.in)



**Circular No. 403**

12<sup>th</sup> July 2022

## **Sub: RBI notifies on International Trade Settlement in Indian Rupees (INR).**

Dear Member(s),

The Reserve Bank of India (RBI) on July 11, 2022 has issued a **Notification No. RBI/2022-2023/90 A.P. (DIR Series) Circular No.10 (enclosed)** on International Trade Settlement in Indian Rupees (INR) to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR.

RBI has 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.

The foremost points to be considered:

- 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.

- **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.

- **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).

- **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.

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

- **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.

**Yours sincerely**  
**EPCES**