

# FEMA ke FUNDAE

**International Trade settlement in  
Indian Rupee  
( Part 2 of 2)**



**#FamiliarwithFEMA**

**Date : April 19, 2023**

**Issue No. :45**

**Jain Shrimal & Co.**



**Topics already covered in Part 1 :-**

- What is Vostro Account
- Difference between Vostro account and Special INR Vostro Account
- Transaction flow of Export Settlement in INR.



**For Part 1, refer the below link:-**

<https://jainshrimal.com/international-trade-settlement-in-indian-rupee-part-1/>

Or

<https://www.linkedin.com/feed/update/urn:li:activity:7051802549716209666>



Rahul-Indian Importer

Hi Mr FEMA Gyani. Hope you are doing good. Recently I have Imported goods to USA to Alex. I wanted to ask, through the **Special INR VOSTRO account** can I pay the payment for the same in INR?

Yes Rahul, you can pay for the Import of goods in INR.



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Rahul

Can you explain the procedure for the same.

Sure Rahul, let me explain you this with an example. Let suppose you as an Importer in this case and you have Imported goods from USA from Alex.



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**1**

You have to transfer the payment to the ABC Bank, in which you have your account.



Rahul- Indian Importer



ABC Bank (in India )  
Importer's Bank

**2**

That ABC bank will transfer the payment to the AD bank in India which holds the Special INR Vostro account of Alex's USA bank.



AD Bank in India



USA Bank (in USA)  
Exporter's bank

**3**

AD Bank will credit Special INR VOSTRO account of Alex's USA bank and debit money from your ABC bank.



Alex- Exporter from USA

**4**

Alex's USA Bank will transfer money in the account of Alex and pay him in his local currency i.e., Dollar.

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Rahul

Okay. I have one more question. For such settlement exchange rate will be required. So, how will I determine such exchange rate?

Exchange rate will be Market determined.



The FEMA Gyani



Rahul

Can balances in Special Rupee Vostro account be used for other purpose also?

**Yes, Rahul.** The Rupee surplus balance can be used for any permissible current and capital account transaction.



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Payments for projects and investments

Export/Import advance flow management

Investment in Government Treasury Bills, etc up to prescribed limits.



Rahul

Can the balance is **set-off** under such account?

**Yes, Rahul.** Set-off of those balance is permissible where the transaction is taken place with the same overseas buyer/supplier. But set-off shall be subject to the following conditions:



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**1** Set-off shall not result in tax evasion/avoidance.

**3** The invoices under the transaction are not under investigation by Directorate of Enforcement, etc

### CONDITIONS

**2** Transaction has been undertaken as per the extant Foreign Trade policy

**4** The arrangement shall be supervised by one AD Category – I bank only.

# Thank You!

Let's meet every  
Wednesday.

To make you more familiar with FEMA,  
we are happy to listen to your

Comments

Feedbacks

Suggestions



**The FEMA Gyani**

**Jain Shrial & Co.**



<https://www.linkedin.com/company/jasco>  
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