

# FEMA ke FUNDAE

## International Trade settlement in Indian Rupee (Part 1 of 2)



#FamiliarwithFEMA

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Jain Shrimal & Co.

Hi Mr FEMA Gyani. Hope you are doing good.  
Recently I have Exported goods to USA to Alex. I wanted to ask, if it is mandatory to receive payment in Foreign Currency or can I receive the payment for the same in INR also?



Rahul- Indian Exporter

Yes Rahul, as per the **RBI Circular on International Trade Settlement in Indian Rupees (INR)**, You can receive the payment for the Export of Goods in INR also.



The FEMA Gyani

Ohh! That's great. Can you explain it in detail.



Rahul

Sure, for receiving the payment in INR **Special INR VOSTRO account** will be required.



The FEMA Gyani

**Jain Shrimal & Co.**



Ok. I have heard about VOSTRO account. Is this Special INR VOSTRO account and VOSTRO account same?



Rahul

No, there is a difference between these two.



The FEMA Gyani

The term "vostro" comes from the Latin word meaning "yours,"

**Vostro Account**

A vostro account is a type of bank account that is maintained by one bank on behalf of another bank.

## DIFFERENCE BETWEEN VOSTRO AND SPECIAL INR VOSTRO ACCOUNT



### Vostro Account

- Vostro account refers to any account that Indian banks hold for foreign banks in INR.
- Vostro accounts acts only as **transit accounts**.

### Special INR Vostro Account

- A Special INR vostro account is a specific type of vostro account used for transactions involving Indian Rupees (INR).
- Special Vostro Accounts INR (Indian Rupee) **balances can be held**.
- Special INR VOSTRO account **requires prior approval** before opening unlike Rupee Vostro account



Rahul

Okay. Can You explain the whole procedure for the same.

Sure Rahul. Suppose you have a Bank account with ABC Bank in India and Alex has the bank account in USA with USA Bank.



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USA Bank of Alex should approach any AD bank in India for opening the **Special INR VOSTRO account**. The AD bank in India will seek approval from RBI before opening such bank account.



Approval from RBI

After getting the **approval from RBI**, the AD Bank in India will open special INR VOSTRO account of Alex's USA Bank. Then the transaction will be taken place in the following manner:



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**1** You(Exporter) will Send **Invoice denominated in INR** to the ABC Bank, in which you have the account.

**2** Then the ABC Bank in India will forward the same to the AD bank in India in which the USA bank has opened the account.



Rahul (Exporter)

**4** Your ABC bank will transfer money in your account.

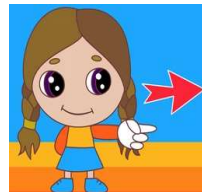
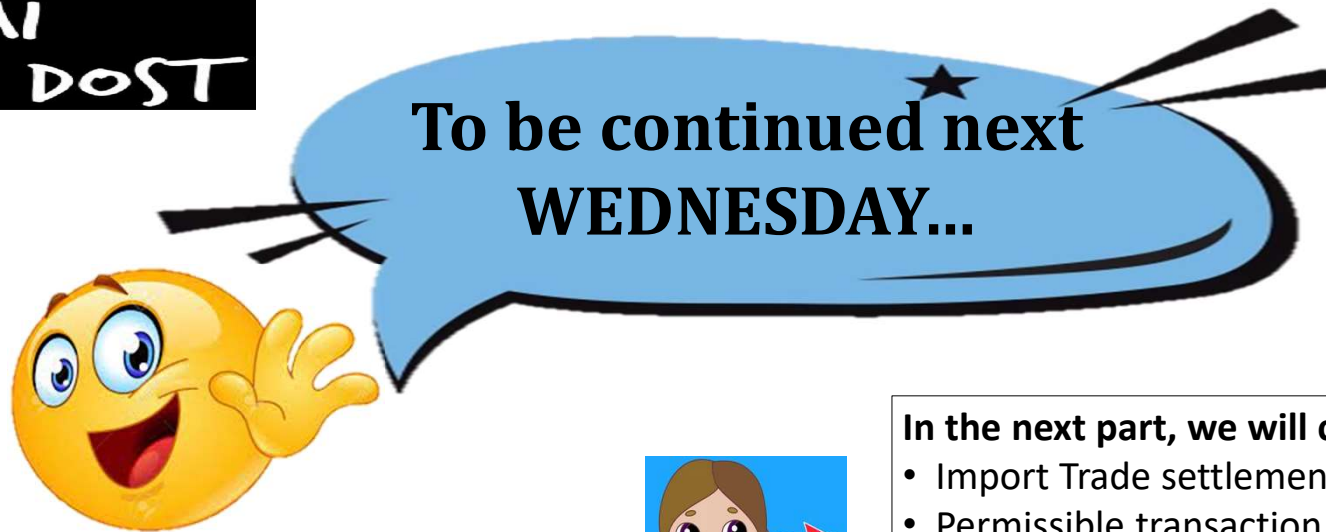
**3** AD Bank will debit the Special INR VOSTRO account of Alex's USA bank and credit money to the ABC bank of yours.



ABC Bank (Exporter's Bank)



AD Bank in India



**In the next part, we will cover:-**

- Import Trade settlement in INR
- Permissible transaction through Special Rupee Vostro account
- Set-off the balance of Special Rupee Vostro account

# 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 Shrimal & Co.**



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