

India, Russia banks to discuss rouble-rupee trade today

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The meeting being organised by the Indian Banks' Association will see participation from the RBI and Russia's central bank representatives

Bid to by-pass sanctions imposed by the US on trade with Moscow

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Representatives of at least three Russian banks operating in India, including Vnesheconombank, Sberbank and VTB, will meet executives from top Indian banks in Mumbai on Monday to discuss rupee-rouble settlements between businesses of the two countries.

According to sources close to the development, the meeting being organised by the Indian Banks' Association (IBA) will also see participation from the RBI and Russia's central bank representatives.

India and Russia have been trying to establish mechanisms for trade in national currencies, bypassing the US dollar, for about a decade, but there has been little progress on the ground.

The need for rupee-rouble trade has increased in the past one year as Russia continues to face pressure of US sanctions. India-Russia bilateral trade is highly dominated by defence deals and several Russian defence majors contracted by the Indian government are currently under US sanctions. Since the beginning of this year, Indian banks have halted defence-related payments worth several billion US dollars.

The issue was raised during the 24th meeting of Indo-Russian working group on banking and financial matters held in August in the Russian city of Tula chaired by Ksenia Yudaeva, first Deputy Governor of the Central bank of Russia, and Bibhu Prasad Kanungo, Deputy Governor of the Reserve Bank of India. According to the minutes of the meeting reviewed by *BusinessLine*, the infrastructure for such settlements is in place, but banks need to make further progress to start transactions.

The Indian side expressed concern over negative implications of the US sanctions against Russia while the Russian side said these challenges "can be addressed through a more accurate interpretation by Indian banks of the unilateral restrictions imposed against Russia by third countries". The Russian side said it will provide the Indian side with regular updates on the sanctions regime which would then be communicated by the RBI to Indian banks. Experts believe the current volume of trade between India and Russia, which is around \$10 billion, is too less to move to settlements in national currencies, and for the beginning the countries could start with agreement on currency swap.

"The trade volumes should go up by at least 30-50 per cent for the entire ecosystem to be interested," an analyst with a Moscow-based brokerage said. "The rupee-rouble settlements could be more expensive and time consuming, at least in the initial phase. Hence, for business participating in this the governments and regulators of both countries should ensure they create a favourable environment," he added.

Analysts said that the launch of rupee/dollar futures by the Moscow Exchange last month is a favourable step. Although technically it does not pave the way for settlement in national currencies, it could popularise the rupee in the Russian market.

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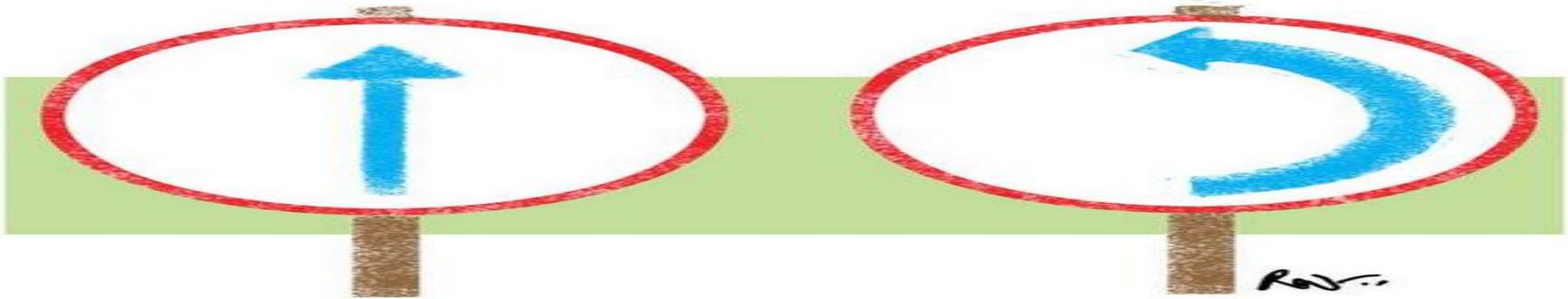
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