Liberalization of FEMA regulations to encourage use of Indian Rupee for settlement of cross border transactions, dated January 14, 2025

To encourage greater use of Indian Rupee (INR) for trade transactions, in July 2022, an additional arrangement in the form of Special Rupee Vostro Account (SRVA) was introduced. Several foreign banks have since opened SRVAs with banks in India. The Reserve Bank has also signed Memorandum of Understanding (MoU) with the central banks of the United Arab Emirates, Indonesia and Maldives, to encourage cross-border transactions in local currencies. Further, in December 2023 the Foreign Exchange Management (Manner of Receipt and Payment) Regulations were revised to enable cross border transactions in all foreign currencies (including local currencies of trading partner countries) and INR.

To promote cross-border transactions in INR and local / national currencies, a further review of the existing regulations issued under FEMA, 1999, has been undertaken by the Reserve Bank in consultation with the Central Government. Accordingly, the following changes have been made to the extant FEMA regulations vide RBI notifications dated January 14, 2025:

- ✓ Overseas branches of Authorized Dealer banks will be able to open Special Non-Resident Rupee (SNRR) Accounts for a person resident outside India for settlement of all permissible current account and capital account transactions with a person resident in India. Furthermore, units in International Financial Services Centres (IFSCs) are now permitted to open SNRR accounts with authorized dealers in India for conducting business transactions outside the IFSC. The regulations also feature refinements in terminology, bringing them in line with broader banking practices.

- ✓ Persons resident outside India will be able to settle bona fide transactions with other persons resident outside India using the balances in their repatriable INR accounts such as Special Non-resident Rupee account and SRVA.

- ✓ Persons resident outside India will be able to use their balances held in repatriable INR accounts for foreign investment, including FDI, in non-debt instruments.

- ✓ Indian exporters will be able to open accounts in any foreign currency overseas for settlement of trade transactions, including receiving export proceeds and using these proceeds to pay for imports. However, the exporters are required to repatriate any remaining funds to India by the end of the following month, after accounting for forward commitments, provided they follow Regulation 9 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015.

For more details, kindly refer to,

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12768&Mode=0

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https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12766&Mode=0