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Current Affairs search results for: " Russian Gazprombank opens account with UCO bank"

1. RBI allows HDFC Bank and Canara Bank to open special Vostro rupee account for trade with Russia (Nov. 22, 2022)

"Vostro account" for trade in rupees with Russia.

Reserve Bank of India (RBI) has allowed India's largest private sector bank [HDFC Bank](#) and the public sector bank [Canara Bank](#) to open a special "Vostro account" for trade in rupees with Russia.

Vostro is a type of a bank account where a bank holds an account on behalf of other banks in local currency. Normally here the other bank is a foreign bank.

In July 2022 RBI introduced a mechanism for international trade settlements in rupees, aiming to promote exports and facilitate imports.

This was done to promote trade and investment with Russia which was facing sanction from western countries over its invasion of Ukraine.

Russian energy major Gazprom has opened an account with [UCO Bank](#) while [VTB Bank](#) and SberBank have opened accounts with their own India-based branch offices.

HDFC Bank is the largest private sector bank in India with its headquarters in **Mumbai**.

Canara Bank is a Public sector bank with its headquarters in **Bengaluru**.

2. Sberbank and VTB Bank of Russia open special Vostro account for overseas trade in rupee (Oct. 24, 2022)



Russia's top two banks Sberbank and VTB Bank became the **first foreign bank** to open a Special Vostro account following permission from the Reserve Bank of India to facilitate overseas trade in rupee.

The Sberbank and VTB Bank — the largest and second-largest banks of Russia — are the first foreign lenders to receive this approval after the RBI announced the guidelines on overseas trade in the rupee in July.

The special Vostro account has been opened in their only branch in India, in New Delhi. This means that the Indian buyers of Russian goods will pay in Indian Rupee and it will be deposited in the special Vostro accounts with these Russian banks .

Earlier, the third largest Russian bank Gazprombank had opened a Special Vostro Account with the Kolkata based **UCO bank**. UCO bank was the first Indian bank to get permission from the Reserve Bank of India (RBI) to provide such a facility to settle international trade in Indian rupees.

RBI introduced the Rupee Drawing Arrangements (RDAs), under which the bank of a partner country opens a special Vostro account in Indian rupees with a correspondent bank in India. This was done to encourage international trade in Indian rupees.

Currently, a large part of bilateral trade between India and Russia is getting settled in the rupee due to sanctions imposed by the US and Europe following Moscow's attack on Ukraine.

3. Russian Gazprombank opens account with UCO bank (Oct. 22, 2022)

Russian Gazprombank opens account with UCO bank

The Russian bank Gazprombank has opened a Special Vostro Account with the Kolkata based **UCO bank**. UCO bank was the first Indian bank to get permission from the Reserve Bank of India (RBI) to provide such a facility to settle international trade in Indian rupees.

Why UCO bank has been chosen

Gazprombank is the third largest bank in Russia and has been set up by the world's largest gas producer and exporter Gazprom. Gazprom has not been included into the Specially Designated Nationals list of the United States but only faces sectoral sanctions.

The United States imposes sanctions on companies or banks which deal with the companies included in its sanctions list. A company which faces US sanctions finds it very difficult to conduct business in the world as the world financial market is dominated by American financial institutions.

UCO banks have minimal international presence and there will be little or no impact on its business even if the United States imposes sanctions on it.

Earlier when sanctions were imposed on Iran by the United States, UCO bank was chosen by the government to conduct trade with Iran.

Special Vostro Account

The Indian government is keen to promote Indian rupee for settlement of International Trade and to lessen dependence on the American dollars. RBI on 11 July 2022 permitted the use of a special Vostro account for settlement of international trade (export and Import) in India Rupee.

Under this mechanism foreign banks of a country will open a special Vostro account with an Indian bank.

Suppose the Indian bank is SBI and foreign country is Russia and the Russian Bank is Gazprombank. An Indian businessman buys gas from a Russian company for Rs 200. The amount will be deposited in the Gazprombank account with SBI.

A Russian company buys Rs 125 worth of Tea from an Indian company.

Then Rs 125 will be deducted from the Rs 200 deposited in the Gazprom bank account with the SBI.

RBI says that the balance Rs 75 amount can be invested in the government securities.

Here the whole trade is being conducted in Indian Rupee and the settlement is also being done in Indian Rupee.

What is Nostro and Vostro bank account?

The key word to understand Nostro and Vostro is that Nostro means **Ours** and Vostro means **Yours** in Latin.

Nostro account

It is a bank account which is opened by a bank with a foreign bank in the foreign country's currency.

Vostro accounts

It is a bank account which a bank holds of other foreign bank in local currency.

Explanation

Nostro and Vostro accounts are the same bank account but two terms are used to explain it.

E.g. suppose SBI goes to London and opens an account with HSBC bank branch in London. While opening the account SBI has to deposit some money in its account. The money will be in pound sterling which is the currency of Britain.

SBI will tell HSBC that “**our**” account is with you. HSBC will say to SBI “**Yours**” account is with us. It is the same bank account but HSBC and SBI are using different terms to describe it.

Here SBI has used the word **Ours**, it means the SBI account with HSBC is a **Nostro account**.

HSBC has used the word ‘**Yours**’ so for HSBC the SBI account is Vostro account.

Thus the Gazprombank account with UCO bank is a Vostro account because UCO banks is saying to Gazprombank that ‘your’ account is with us.

UCO Bank

It was founded by Ghansyham Das Birla as United Commercial Bank Ltd. on 6 January 1943 at Kolkata (then Calcutta).

It was nationalized in 1969 and its ownership passed into the hands of the Government of India.

Its name was changed to UCO Bank in 1985.

Its overseas branches are in Singapore and Hong Kong.

Headquarters: **Kolkata**

Managing Director (MD) and Chief Executive Officer (CEO) : **Soma Sankara Prasad**

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