Vostro Account

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About Vostro Account:

- Russia becomes first country to facilitate rupee-based export-import transactions
- The move will facilitate India's exports to sanction-hit Russia, which reported a 24% decline in the April-August period. The RBI-designed mechanism only entails trade in the Indian rupee, eliminating exchange risks.
- To facilitate trade through this route, the government, through an amendment in the foreign trade policy recently, allowed exporters to avail of incentives or duty rebates for settling trade in rupee terms.

Nostro account:

- A Nostro account is an account held by a bank in another bank.
- It allows the customers to deposit money in the bank's account in another bank. It is often used if a bank has no branches in a foreign country.

- The main difference between a deposit account and a Nostro account is that the former is held by individual depositors while foreign institutions hold the latter.

Vostro account:

- A Vostro account is just another name for a Nostro account.
- It is an account held by a bank that allows the customers to deposit money on behalf of another bank.
- A Nostro account is a Vostro account for the bank that opens the account.
- If a person deposits money in the Vostro account, it will be transferred to the account holder's bank.

Source : The Hindu

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