

# Vostro accounts

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**In news**— Recently, the government announced that nine special Vostro accounts have been opened with two Indian banks after permission from the RBI to facilitate trade in rupee in the wake of sanctions on Russia by the US and European countries.

## **What is a Vostro account?**

- **A Vostro account is an account that a domestic bank holds for a foreign bank in the domestic bank's currency** – which, in the case of India, is the **rupee**.
- The RBI allowed nine such accounts, including IndusInd Bank and Uco Bank.
- In the case of trade with Russia, payments in rupee for the export and import of goods will go to these Vostro accounts.
- The owners and beneficiaries of this money will be the exporters and importers in both the countries. The banks will keep the record of money transferred.

## **What is a Nostro account?**

- The account opened by the Indian bank in the US will be a Nostro account for the Indian bank, while for the US bank, the account will be considered a Vostro account.
- **Literally, Nostro means 'ours' and Vostro means 'yours' in Latin.** Therefore, the accounts opened by IndusInd and UCO are Vostro, and the ones opened by Russia's Sberbank and VTB Bank are Nostro accounts.
- **Both Vostro and Nostro are technically the same type of account,** with the difference being who opens the account and where.
- So, if an Indian bank like the SBI wants to open an account in the United States, it will get in touch with a bank in the US, which will open a Nostro account and accept payments for SBI in dollars.

## What is Nostro and Vostro Accounts in Correspondent Banking?

| Nostro  | Vostro   |
|---|--|
|  <p>An account that a bank holds in a foreign currency in another bank</p>             |  <p>An account that other foreign banks hold with "our" bank in the domestic currency.</p>  |
|  <p>Latin words that mean "ours"</p>   |  <p>Latin words that mean "yours"</p>   |
|  <p>Often used to simplify settlements of trade and foreign exchange transactions.</p> |  <p>Used to executing wire transfers, performing foreign exchange transactions, enabling deposits and withdrawals, and expediting international trade</p> |