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In the presence of the President of the UAE and the Prime Minister of India...

CBUAE and Reserve Bank of India exchange of two MoUs to strengthen use of national currencies for bilateral trade and link payment and financial messaging systems

Abu Dhabi (15 July 2023): His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates, and Shri Narendra Modi, Prime Minister of the Republic of India, today witnessed the exchange of two Memoranda of Understanding (MoUs) between the Central Bank of the UAE (CBUAE) and the Reserve Bank of India (RBI), aimed to support the rapid growth of trade relations between the two countries. The CBUAE and RBI will work together to develop a framework that promotes the use of their respective national currencies, the UAE dirham and the Indian rupee, in cross-border transactions. The framework will also seek to streamline payment services in both countries, benefitting their respective populations, through the linkage of their instant payment platforms (IPPs), local payment card systems, and financial messaging systems.

The (MoUs) were signed and exchanged by His Excellency Khaled Mohamed Balama, Governor of CBUAE, and Shri Shaktikanta Das, Governor of RBI.

The first MoU defines a framework comprising various elements and measures to facilitate the settlement of trade transactions in the two national currencies (the UAE dirham and the Indian rupee) per the agreements set between importers and exporters. It also outlines the types of eligible transactions, allows opening and use of correspondent accounts for the benefit of financial institutions in both countries, promotes direct exchange rates between the two national currencies, and provides options for liquidity management in accordance with the laws and regulations of the two countries.

Under this agreement, the two central banks will collaborate on promoting the use of their national currencies by supporting the gradual implementation of the framework, exchanging relevant information, and periodically assessing the framework's effectiveness to identify areas for improvement.

By establishing a framework that promotes the use of the two national currencies in commercial transactions, CBUAE and RBI aim to develop the foreign exchange market, facilitate bilateral trade, encourage direct investment, and facilitate financial transfers. These efforts will contribute to the continued development of the financial market and support economic growth and financial stability.

The second MoU aims to enable participants to benefit from the services of IPPs and local payment card schemes in the UAE and India. This will be achieved through the



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direct integration of these systems, ensuring compliance with regulatory requirements in both countries. Furthermore, the agreement explores the possibility of leveraging both parties' expertise in developing financial messaging systems and exploring potential linkages between similar systems in both countries.

It also intends to consolidate cooperation between the two parties by linking their respective IPPs, developed by the CBUAE under the Financial Infrastructure Transformation Programme and currently in the pilot phase, and the Unified Payments Interface in India. These efforts will help make cross-border instant payments more efficient through UAESWITCH and RuPay Switch, enabling acceptance of local cards in both countries for ATM cash withdrawals and direct point-of-sale purchases without relying on external payment networks. Moreover, the MoU explores the Structured Financial Messaging System developed by the RBI and the possibility of linking similar systems between the two countries.

His Excellency Khaled Mohamed Balama, Governor of CBUAE, said: "Given the rapid advances in technology, innovation, and digital payments, these agreements reflect the CBUAE and RBI's ambitions to enhance collaboration, share expertise, and leverage digital advances to process and settle cross-border payments more seamlessly and efficiently. This will enable consumers to easily access payment services available in both countries, serving our mutual interests, and support in strengthening the robust bilateral relations and economic partnership between the two countries in line with the directives of our wise leadership,"

His Excellency added: "The two Memoranda of Understanding are of great significance as they provide a solid foundation for enhancing cooperation across the financial sector and supporting further trade and investment between the two countries. We look forward to working closely with our partners in India to improve cross-border payments and drive innovation in the financial technology space."

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