



Government Gives Nod to Iran bank

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The Government of India has approved a proposal from Iranian private lender Bank Pasargad to open a branch in India.

Key Highlights

- The clearance to the Iranian bank comes amidst the US announcing sanctions and asking other countries to minimize oil purchases from Iran.
- Apart from the Iranian Bank, branch license proposals of two South Korean banks, KEB Hana Bank and Kookmin Bank, have also been approved by the Indian government.

Why the Need for an Iranian Bank?

- India imports a large quantity of oil from Iran and has committed an investment of \$500 million for the development of the crucial Chabahar port.
- The rupee-rial arrangement was used to buy oil from Iran before US sanctions were lifted against it three years ago.
- In the wake of US sanctions, India is exploring the possibility of reviving the rupee-rial arrangement to import oil from Iran that it has used in the past.
- The presence of an Iranian bank in India will open up a significant financial channel that will ensure the smooth flow of funds between the two countries.

NOTE: After the RBI gives its first internal clearance to a foreign bank branch proposal, it is vetted by a committee comprising senior officials of the ministries of Finance, Commerce, External Affairs and Home Affairs. Clearance from each ministry is required before the RBI issues a license to a foreign bank.