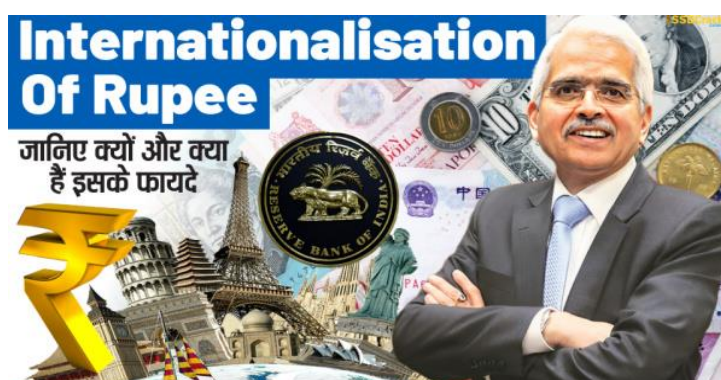


## IDG Report on approach and recommendation for Internationalization of INR



On July 05, 2023, the Reserve Bank of India (RBI) placed on its website the Report of the Inter-Departmental Group (IDG) to review the extant position of INR as an international currency and to frame a road map for the internationalization of INR. IDG was formed by the RBI.

The Report and its recommendations reflect the views of the IDG and do not in any way reflect the official position of the RBI.

### **What is the Internationalization of a currency?**

Internationalization of a currency is an expression of its external credibility as the economy integrates globally. For any country to have internationalization of its currency need to have a strong economy and financial system to demonstrate long-term resilience, integrity, transparency, openness, and stability, which are characteristics of the US economy for which the US dollar is said to enjoy an exorbitant privilege among global currencies.

### **What does it do?**

Just like a domestic currency, an international currency performs the three functions of money – as a medium of exchange, a unit of account, and a store of value.

### **Cost and Benefit of Internationalization of a Currency**

The benefits of internationalization of currency by a country is limited exchange rate risk, lower cost of capital due to better access to international financial markets, high seigniorage benefits, and reduced requirement of foreign exchange reserves far outweigh the cost of internationalization of currency.

### **What is in the Report?**

The Report provides the theoretical framework and cross-country experience on the internationalization of a currency and the approach adopted by the IDG to further the goal of internationalization of INR and the initiatives already taken by India towards this end. It should be a continuous process of change in the financial architecture of the Indian economy thereby stimulating the international usage and demand for INR.

Internationalization of any currency, with its embedded costs and benefits, tends to be a very slow-moving process, characterized by considerable inertia. The realisation of these costs and benefits will in turn depend on several factors and preconditions as elaborated in the Report.

### **Recommendations in the Report**

IDG has suggested Short Term, Mid Term and Long Term Goals with the Approach , Concerns and recommended solutions towards following recommendations.

1. Capital Account Convertibility (CAC)
2. Liquidity in INR/Local Currency
3. Cross-border payment infrastructure
4. Extant provisions - FEMA/FTP Guidelines and Accessibility and KYC Regulations
5. Deepening Indian Financial Markets
6. Approach for Long Term - Scope of INR to be used as a “Vehicle Currency
7. Developments in the GIFT City
8. Liberalizing the capital account
9. INR accounts outside India
10. Banking Services in INR through offshore branches of Indian banks
11. Recalibrating the regime for Foreign Portfolio Investment (FPI) in debt
12. Cross-border payment system linkages of RTGS, NEFT, UPI & Rupay Cards
13. Strengthening the Financial Markets
14. Integration of onshore and offshore markets
15. Promoting India as the hub of INR transactions and the main centre for INR price discovery
16. Inclusion of Indian Government Bonds in Global Bond Indices

Link of the report: [Reserve Bank of India - Press Releases \(rbi.org.in\)](http://rbi.org.in)

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