

After US relief, India works to pay for Iran oil in rupees

Exploring Mechanism To Pay For Crude At A Bank In India

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New Delhi: With the US granting a 180-day exemption on Iranian oil sanctions to India ahead of the restrictions kicking in from Monday, India and Iran are finalising details of a mechanism that will allow New Delhi to pay Tehran entirely in Indian currency, at a bank in India.

India will revive a previous arrangement of making payments in an account in UCO Bank, which does not have international exposure and is therefore not vulnerable to sanctions. However, in the earlier instance, the oil payments were divided—45%

in rupees deposited in UCO Bank, while 55% was paid in Euros. This time, Iran will take the entire amount in rupees. Tehran is expected to use these funds to import items from India.

This also means that if Iranian banks are banned from the SWIFT payment systems, India will continue to be able to pay for oil imports. The second round of sanctions, will in addition to targeting Iran's energy sector, take aim at shipping, shipbuilding and financial sectors. Sources said this arrangement has been arrived at after sustained discussions with both Iran and US.

Senior US official Brian Hook confirmed to journal-

ists that countries who would continue to import oil from Iran would set up escrow accounts. "The escrow accounts that are being created for those nations that need to continue importing Iranian oil deny Iran hard currency, and it denies Iran any revenue from oil sales. Any time Iran sells oil, that money goes into an escrow account in the importing nation's bank, and Iran has to spend down that credit."

Hook add that "We strongly encourage those nations to ensure that Iran spends that money on humanitarian purchases to benefit the Iranian people." The US will monitor these accounts "closely". "Unlike in

prior administrations, we will ensure that the money is not spent on illicit activities, that there isn't any leakage in these escrow accounts, and we will work closely with countries to encourage the sale and purchase of humanitarian goods to benefit the Iranian people."

The European Union—working to save the Iran nuclear deal—is expected to announce a special purpose vehicle (SPV) to assist Iran. However, according to sources, this has run into several complications which may mean the entire process gets operational only in 2019. Many European countries are wary of housing this SPV and attracting US wrath.