

# Govt OKs Iran bank in Mumbai before US sanctions

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**SUNNY VERMA**

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JUST WEEKS before US sanctions on Iran begin, the Centre has approved a proposal from Iranian private lender Bank Pasargad to open a branch in Mumbai, it is learnt. The Finance Ministry has conveyed to the RBI that it has no objection to allowing the Tehran-based Bank Pasargad to open its branch in India.

The clearance to the Iranian bank comes amidst the US announcing sanctions and asking other countries to minimise oil purchases from Iran. The first US sanctions on Iran will start from August 6 and a second set will begin from November 4.

The Federation of Indian Export Organisations had earlier approached the RBI suggesting that they should allow the entry of Iranian banks into India to facilitate bilateral trade. Apart from

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# Iran bank branch

the Iranian Bank, branch licence proposals of two South Korean banks, KEB Hana Bank and Kookmin Bank, have also been approved by the Centre, sources said.

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 licence to a foreign bank.

In the wake of US sanctions, India may explore 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. 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. Under this mechanism, India paid in Euros to clear 55 per cent of its dues, while the remaining 45 per cent payment was remitted in rupees into accounts Iranian oil companies had with UCO Bank.

Sources said two banks from Iran, Bank Pasargad and Parsian Bank, had applied to set up maiden branches in India, while another Iranian lender, Saman Bank, had sent an application to set up a representative office. The government has so far cleared only the Tehran Stock Exchange-listed Bank Pasargad's proposal for a branch in Mumbai,

while the other Iranian banks' plans are yet to get the green light, sources said.

Apart from the Iranian bank, the Centre has approved South Korean KEB Hana Bank's proposal to open its second branch in Gurugram and Kookmin Bank's request to convert its representative office in Gurugram into a branch. The government has also rejected an application from Malaysia's Maybank to open a branch in India for the second time, sources said.

At least 14 foreign banks applied to the RBI last year to open branches across the country. Apart from the Iranian banks, two Chinese banks, four banks from South Korea, and two from the Netherlands have applied to set up branches and wholly-owned subsidiaries in India. One bank each from the Czech Republic, Sri Lanka and Malaysia have also applied to open branches.