

# CABINET APPROVES BILATERAL SWAP ARRANGEMENT BETWEEN INDIA AND JAPAN

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Cabinet

## Cabinet approves Bilateral Swap Arrangement between India and Japan

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The Union Cabinet chaired by Prime Minister Shri Narendra Modi has approved the proposal for entering into an Agreement for Bilateral Swap Arrangement (BSA) between India and Japan and authorizing the Reserve Bank of India (RBI) to sign the Agreement for Bilateral Swap Arrangement between the RBI and the Bank of Japan for a maximum amount of USD 75 billion.

### Salient Features:

The swap arrangement is an agreement between India and Japan to essentially exchange and re-exchange a maximum amount of USD 75 Billion for domestic currency, for the purpose of maintaining an appropriate level of balance of payments for meeting short-term deficiency in foreign exchange.

### Benefits:

The BSA is a very good example of mutual cooperation between India and Japan for strategic objective of assisting each other in times of difficulty and for restoring international confidence. This facility will enable the agreed amount of Capital being available to India on tap for use. Also, with this arrangement in place, prospects of Indian companies would improve in tapping foreign capital as there would be greater confidence in stability of country's exchange rate. Availability of such swap line to tide over difficulties arising out of Balance of Payment (BOP) would deter speculative attacks on the domestic currency and greatly enhance the RBI's ability to manage exchange rate volatility.

The arrangement is another milestone in mutual economic cooperation and special strategic and global partnership between India and Japan.

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