

INDUS RANGERS INSTITUTE PVT. LTD

INDIA-JAPAN 75 BILLION \$ CURRENCY SWAP AGREEMENT

INDIA- JAPAN 75 BILLION \$ CURRENCY SWAP AGREEMENT

- ✦ October, 2018, Prime Minister Modi in Japan
 - ✦ India & Japan signed a 75 Billion \$ bilateral currency swap agreement
 - ✦ Will help in bringing greater stability in foreign exchange and capital markets in the country
 - ✦ Commenting on the development, economic affairs secretary SC Garg said: " this bilateral swap agreement is one of the largest in the world".
 - ✦ Few days back Japan and China agreed \$ 30 billion swap.
 - ✦ Currency swap involves exchanging principal & fixed interest payments on a loan in one currency for principal & fixed interest payments in a similar loan in another currency.
 - ✦ Basically they will just swap their local currencies
 - ✦ 1 million US \$ loan for 5 years
 - ✦ If 1 \$ = 70 rupees meaning I took 7 crore loan for 5 years. Now in next 5 years the current \$ to rupees value goes to 100 instead of 70. I have to pay rs.10 crore at Maturity
- Scene 2:
- ✦ I found a US businessman Steve who needs 7 crore rupees. After 5 years I will pay him back 1 million \$ in return for 7 crore : a simple re-exchange of original principal amount. Currency Swap is done to minimize Foreign exchange Risks.