ABSTRACT
The present paper concentrates on importance of Nostro and Vostro accounts in the area of international trade and settlement. These accounts facilitate effective settlement of international payment. Because of LPG, now a day’s every country’s bank involved in the international market and trade. Bank in India is also permitted not only to open foreign currency accounts with banks abroad but also maintain Indian rupee account maintained by foreign country. When an Indian bank issues a foreign currency draft payable abroad drawn on a correspondent bank, the nostro account of the bank maintained with the correspondent is debited and the amount is paid to beneficiary. When an export bill is sent for realization abroad, the realized exporter bill proceeds is credited to the nostro account. Vostro account is the account in India in Indian rupee maintained by an overseas bank. Any draft issued by overseas correspondents in Indian rupee is paid in India, to the debit of vostro account. This paper also covers working procedures of accounts, advantages and disadvantages, difference between nostro and vostro accounts and RBI instruction relating to rupee vostro account.

KEYWORDS: Bank, Foreign Currency, International market and trade, Nostro account, RBI and Vostro account.