

Foreign Exchange Regulation Manual

INTRODUCTORY

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1. Foreign Exchange Regulation Act, 1947 and Notifications issued there under.

Foreign Exchange Policy and its operations in Pakistan are formulated and regulated in accordance with the provisions of the Foreign Exchange Regulation Act, 1947. The object of this Act is to regulate, in the economic and financial interest of Pakistan, certain payments, dealings in foreign exchange, securities, import/export of currency and bullion. Under the Act, the basic regulations are issued by the Government of Pakistan and the State Bank in the form of Notifications which are published in the official Gazette. The Act, as amended up-to date, is reproduced at the end of the Manual as Appendix I. Notifications issued by the Government of Pakistan under the Act, except those issued in terms of sub-section (2) of Section 19, sub-section (2) of Section 23 and Section 23-B are reproduced as Appendix II and those issued by the State Bank are reproduced as Appendix III.

2. Directions issued under the Act.

For the purpose of securing compliance with the provisions of the Act and the Notifications and any rules, orders or directions issued thereunder, the State Bank may, under sub-section (3) of Section 20 of the Act, give directions to Authorised Dealers, travel agents, carriers, stock-brokers and other persons who are authorised by the State Bank to do anything in pursuance of the Act, in regard to making of payments and carrying out other acts in the course of their business. Directions having general application are issued in the form of public notices, F.E. circulars and circular letters etc. Instructions issued by the State Bank to the Authorised Dealers, Authorised Money Changers, travel agents, carriers, etc., upto 31-12-2001, setting out the terms and conditions subject to which they may engage in transactions covered by the Act, have been incorporated in this Manual. Contents of this Manual and all instructions, directions,

orders etc., issued under the Act are without prejudice to the provisions of any other law of Pakistan or any rules, notifications, orders, directions or regulations made thereunder.

3. Amendments.

Changes in the regulations are generally advised by issue of F.E. circulars. This edition of the Manual has been issued in the loose-leaf form. Amendments in the provisions of the Manual will be printed periodically by the State Bank in the form of replacement pages which will be substituted in place of the old pages. It will be in the interest of Authorised Dealers and other holders of the Manual to ensure that it is kept updated and the old pages are regularly replaced by new pages whenever issued. The Manual and its amendments will also be posted on the State Bank's Website (www.sbp.org.pk).

4. Jurisdiction of the Offices of Exchange Policy Department.

Under the Act, the State Bank is responsible for day to day administration of Foreign Exchange Policy which is exercised through its Exchange Policy Department. The Principal Office of the Department is situated at Karachi under the charge of a Director. The Department has following offices with the jurisdiction of each Office mentioned there against:

Office Jurisdiction

1. Operations Division,
Exchange Policy Department,
SBP, Central Directorate, Karachi:
Karachi Division.
2. Hyderabad: Hyderabad Division.
3. Sukkur: Sukkur Division.
4. Quetta: Quetta, Kalat, Sibi and Mekran Divisions.
5. Lahore: Lahore Division.
6. Faisalabad: Faisalabad and Sargodha Divisions.
7. Sialkot: Sialkot District.
8. Multan: Multan and Dera Ghazi Khan Divisions.
9. Rawalpindi: Rawalpindi Division
10. Islamabad: Federal Capital Area of Islamabad.
11. Peshawar: Hazara, Kohat, Malakand and
Peshawar Divisions.
12. Gujranwala: Gujranwala Division, excluding Sialkot District.
13. D. I. Khan: Dera Ismail Khan Division.
14. Bahawalpur: Bahawalpur Division.
15. Muzaffarabad: Azad Kashmir.

5. Authorised Dealers to notify the Regulations to their Customers and to report Cases of Evasion.

Authorised Dealers are required to bring the Foreign Exchange regulations to the notice of their customers and to ensure compliance in their day to day operations. They should also report to

the State Bank every case of evasion or attempt, direct or indirect, at evasion of the provisions of the Act and Notifications or any rules, orders or directions issued thereunder, immediately as it comes to their notice.

6. References to the State Bank.

Authority has been delegated to the Authorised Dealers to approve certain transactions on behalf of the State Bank. In these cases, Authorised Dealers should, before approving any transactions, satisfy themselves about the bonafides of the applicant and the genuineness of the transaction by verifying the necessary documents. They should refer to the State Bank alongwith their recommendations/comments only those cases which they are not authorised to approve. While referring cases to the State Bank, they should ensure that the applications are on the prescribed forms, wherever such forms are prescribed and are supported by appropriate documentary evidence. In all these cases it will be deemed that they have satisfied themselves about the bonafides of the applicants and the correctness of the statements made by them on the application and the accompanying documents, if any.

7. Submission of Returns to the State Bank.

Authorised Dealers must submit to the State Bank returns of their dealings in foreign exchange on due dates in the forms prescribed in the Manual. Specimens of all application forms and returns prescribed by the State Bank are given in Appendix V.

8. Stationery.

(i) Forms 'M', 'T-1', 'E' and 'I' will be got printed by the Head/Principal Offices of the Authorised Dealers themselves strictly according to the size, contents and format of the specimens supplied to them by the State Bank. These forms should bear an identifying prefix as per Appendix IV followed by serial numbers in six digits except in the case of form 'E' which will have seven digits. For example, the first number of all the forms printed by XYZ bank except form 'E' will be "XYZ 000001" (i.e. six digits) and so on, and in the case of form 'E', the serial number will be "XYZ 0000001" (i.e. seven digits) and so on. The other prescribed forms may also be got printed by the Authorised Dealers themselves. These must conform exactly in size, content and format to the respective forms prescribed by the State Bank.

(ii) As omission of any part in the printing of the forms is likely to make a material change and may weaken the position of the State Bank legally, Authorised Dealers should take utmost care in the printing of the forms. They should also keep an updated record of the forms printed and distributed to their branches, which should be kept adequately stocked to avoid any complaint on account of non-availability of the forms.

9. Definitions.

Terms having special meanings for the purposes of the Act have been defined in Sections 2 and 13 of the Act.

i) For the purposes of Section 13 of the Act the term "persons resident outside Pakistan" covers a foreign national including foreign nationals of Indo-Pak origin as also Pakistanis holding dual

nationality for the time being resident in Pakistan. A company registered in Pakistan which is controlled directly or indirectly by "persons resident outside Pakistan" is, for the purposes of Sections 13 and 18 of the Act, treated as a "person resident outside Pakistan".

ii) For the purposes of Section 5 of the Act the term "persons resident outside Pakistan" also includes nationals of Pakistan and persons domiciled in Pakistan, except persons holding office in the service of Pakistan, who go out of Pakistan for any purpose.

iii) In respect of purposes other than the above, a resident person, bank or firm is a person who resides in Pakistan. A non-resident is a person, bank or firm, who resides outside Pakistan. No definite rules can be laid down for determining whether a person is ordinarily resident in Pakistan but there is a presumption that a person is resident if he maintains a home in Pakistan, or resides in the country for a substantial part of each year, or pays income tax as a resident of Pakistan. On the other hand, the fact that a person gives an address in Pakistan does not necessarily mean that he should be regarded as a resident if he is in fact only a temporary visitor and is ordinarily resident outside Pakistan.

iv) The following terms used in the Manual are described below:

a) Rupee- 'Rupee' means the Pakistan Rupee unless otherwise specified.

b) Act- 'Act' means the Foreign Exchange Regulation Act, 1947.

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CHAPTER II

AUTHORISED DEALERS AND MONEY CHANGERS

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Authorised Dealers should satisfy that no Contravention or Evasion of the Provisions of the Act is contemplated.

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1. Authorisation to deal in Foreign Exchange.

(i) In terms of the powers vested in it by section 3 (1) & 3 (2) of the Act, the State Bank may on application authorise any person to deal in foreign exchange. An authorisation may authorise dealings in all foreign currencies or may be restricted to authorising dealings in specified foreign currencies only and may authorise transactions of all descriptions in foreign currencies or may be restricted to authorising specified transactions only.

(ii) Authorisations to deal in all foreign currencies and in approved transactions of all descriptions are issued to those scheduled banks which conduct all types of banking transactions. Authorisations limited to specified transactions are issued to those Non-bank financial institutions which undertake limited banking transactions.

2. Application for Authorised Dealer's Licence.

(i) Applications for grant of Authorised Dealer's Licence should be made by the Head Office of the bank/NBFI or the Principal Office in Pakistan in the case of a foreign bank, to the Director, Exchange Policy Department, stating the nature of transactions that are desired to be dealt with and it should be confirmed that trained staff and the required systems and equipments to handle foreign currency transactions are available.

(ii) Once the Head Office/Principal Office of a bank or NBFI has obtained an authorisation to deal in foreign exchange, it would be free to decide the names of those of its branches, which would conduct foreign exchange business. In case it is decided that a branch which was not previously authorised to deal in foreign exchange, is to be allowed to start such business, its name and address shall be communicated to the Director, Exchange Policy Department, who will allocate a code number to the branch for statistical purpose. The branch can, thereafter start dealing in foreign exchange.

(iii) Every Branch of a bank authorised to deal in foreign exchange, is however authorised to purchase foreign currency notes, coins, travellers cheques and demand drafts. Such transactions should be reported to a branch designated by its head office/controlling office for consolidation and reporting to the State Bank through the prescribed returns.

(iv) The State Bank may, without assigning any reason, refuse to grant an authorisation to deal in foreign exchange. It may also withdraw an authorisation already granted or prohibit dealings in foreign exchange by any branch of an Authorised Dealer in accordance with the powers vested vide section 3B of the Act.

(v) A list of Authorised Dealers in Foreign Exchange is given in Appendix IV.

3. Authorised Dealers to engage in Transactions within the Scope of their Authorisations.

An Authorised Dealer shall, in all its dealings in foreign exchange, comply with such general or special instructions which the State Bank may give from time to time and shall not engage in any transaction involving foreign exchange which is not in conformity with the terms of its authorisation.

4. Authorised Dealers should satisfy that no Contravention or Evasion of the Provisions of the Act is contemplated.

An Authorised Dealer shall, before undertaking any transaction in foreign exchange within the scope of its authorisation, on behalf of any person, require that person to make such declarations and to give such information as will reasonably satisfy it that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Act or of any rules, directions or orders made thereunder. If any person refuses to comply with any such requirement or makes only unsatisfactory compliance therewith, the Authorised Dealer should refuse to undertake the transaction and should, if it has reason to believe that contravention or evasion of the provision of the Act is contemplated, report the matter to the State Bank.

5. Authorised Money Changers (AMCs).

In terms of the powers vested by Section 3A of the Act the following terms and conditions are laid down for grant of AMC's Licence to Pakistani nationals and resident Pakistani firms and companies: -

i) Application for grant of licence to act as an AMC should be made to the area office of the Exchange Policy Department where the applicant's business is located. The application should contain full particulars as regards business conducted by the applicant, location of business premises, name and address of the proprietor/partners/directors of the applicant and the same may be routed through an Authorised Dealer/applicant's banker who should enclose a confidential report on the financial standing and creditworthiness of the applicant and its suitability for grant of AMC's licence. The grant of AMC's Licence will be subject to the following terms and conditions: -

a) Applicant will be required to pay application-processing fee (non-refundable) through pay order in favour of State Bank for grant of fresh licence and for renewal upto 30th June of each year. Fee for the purpose will be as under: -

aa) (Single office)

Fresh licence Rs.100,000/-

Renewal of licence Rs.12,000/-

bb) (Multi Branches)

Fresh licence

Head office Rs.200,000/-

Branch Rs.100,000/- each

Renewal of licence

Head office Rs.60,000/-

Branch Rs.12,000/-each

b) An applicant for grant of fresh licence will also produce the following documents: -

aa) Police verification report to the effect that the applicant was not involved in any illegal activities. However, this will not be applicable in case of existing Money Changers. AMC licence will not be issued to a person who was found involved in illegal activities or was convicted by a Court of Law.

bb) Copies of National Identity Card and NTN Certificates of proprietor/partners/ directors.

cc) Wealth Statement and evidence of being a taxpayer as detailed in the following sub-paragraphs (ii) and (iii).

dd) Evidence to the effect that the applicant possesses a suitable business space built on an area of not less than 10' x 10' in size in which no other business activity of whatsoever nature will take place. Proper counter(s) shall be installed for public convenience. However, this requirement will not be applicable for hotels, curio shops, and booths at airports/departmental stores or where specially permitted by the State Bank on the merit of each case. The State Bank of Pakistan will have the right to declare any premises un-suitable for the conduct of money changer's business, if it is not suitably located in a public place.

ee) An undertaking to the effect that the request is being made for single office/multi branches, as the case may be, and the applicant has thoroughly studied the Code of Conduct for AMCs and will abide by all rules and regulations mentioned therein or issued from time to time.

ff) Evidence to the effect that the applicant has reasonable knowledge and experience in the field of foreign exchange business.

c) Application for renewal of licence should be made to the State Bank through an Authorised Dealer/applicant's banker at least two weeks before the expiry date of relative licence alongwith the following documents:

aa) Original AMC's Licence

bb) Application processing fee as laid down in sub-para 5 (i) (a).

cc) Tax Paid Challan/No Demand Certificate issued from Income Tax Department.

ii) Where an applicant wishes to establish more than one branch, its net worth capital should not be less than Rs 5 million, whereas in case of a single office it should not be less than Rs 2 million as per wealth statement filed with the Income Tax Department.

iii) AMC's licence shall be granted only to Pakistan nationals and resident Pakistani firms and companies who are paying Income Tax. An applicant for more than one branch should be a taxpayer of at least Rs 70,000/- per annum and for single branch licence Rs 25,000/- per annum. Tax and bank loan defaulters will not be eligible for grant of licence.

6. Code of Conduct for Authorised Money Changers.

- i) AMC's activities will be restricted to purchase/sale of foreign currency notes/coins only.
- ii) AMC's commercial name should not include words such as bank, financial institution, investment company, trading company, real estate or any other word indicative of activities other than money changing business. However, hotels, curio shops, departmental stores or any other premises specially permitted by the State Bank can use their original name.
- iii) An AMC shall not be permitted to deal in transfers i.e. T.Ts, D.Ds etc. However, there will be no restriction on bringing in foreign currency through banking channels from outside the country. Further, the money changers shall be prohibited to undertake any other banking activity such as acceptance of deposits, advancing of loans, issuance of letters of credit, discounting bills of exchange, purchases/sales of traveller's cheques and stocks/securities, release of foreign exchange for travel abroad on various accounts as defined in Chapter XVII of Foreign Exchange Manual as modified through F.E. Circulars from time to time or purchase/sale of gold and silver in any form or of other precious metals.
- iv) Dealings between AMCs and customers should be supported by receipts/ vouchers for all transactions. Every receipt provided to the customer shall bear the name of Money Changer in printed form, date, nature of transaction i.e. sale/purchase, currency dealt, rate, amount and signature of dealer. Further, a notice, advising customers of the necessity of obtaining receipts for all purchases/sales of foreign currencies, shall be prominently displayed by AMCs. AMCs will also display at a prominent place in the business premises, rates of foreign currencies applicable to purchases and sales daily at their counter, in the prescribed format of Exchange Rate Chart (Appendix V-1) and all deals must be carried out at the rates specified in the Rate Chart. However, AMCs may negotiate different rates for large transactions.
- v) All purchases and sales made by AMCs in terms of their licence will be at their own risk and responsibility. They will make their own arrangements to procure the stock of various currency notes and coins for meeting their daily requirements and also to dispose of their surplus holdings. They should also make arrangement to ensure that the foreign currency notes handled by them are genuine. The AMCs will not be entitled to make any purchases of foreign currency notes/coins from any Authorised Dealer against payment in rupees.
- vi) AMCs shall maintain proper books of accounts and upon State Bank's directive, provide all data, information, books of accounts and other record relating to their business.
- vii) Any change in the business premises/partners/directors of an AMC which has been granted licence will require prior approval of the State Bank. Separate fee for each new branch at the scale prescribed in item (i)(a) above will be required to be paid.
- viii) The name/title of the business shall be displayed clearly and in a bold face outside the business premises.
- ix) The business premises should be equipped with Telephone, Fax and Electronic Cash Registers or some other electronic device for printing serially numbered receipts of their sales/purchases transactions.

x) AMCs will ensure that an effective system of internal controls and checks and balance is in place.

xi) AMCs will follow same opening hours as prescribed for the banks. However, they may observe extended business hours.

xii) AMCs will be free to trade between themselves domestically with proper accounting procedure as laid down above.

xiii) AMCs will submit a weekly statement of sales and purchases, for weeks ending on 8th, 15th, 22nd and last day of each month to area office of the Exchange Policy Department within 3 days in the prescribed proforma (Appendix V-2).

xiv) AMCs shall be bound by the rules and regulations prescribed by the State Bank from time to time. Any violation of such rules may result in penalty, suspension or cancellation of licence.

7. Inspection of Authorised Money Changers.

The State Bank shall have the right to visit the premises and inspect the records and books of accounts of the AMCs. The State Bank may withdraw the licence of any such AMC who:

i) does not apply for renewal of licence before its expiry,

ii) does not commence its activities within three months from the date of grant of licence,

iii) stops its activities for a period of three consecutive months,

iv) does not submit weekly statement of sales and purchases of foreign currencies for eight consecutive weeks and,

v) is declared bankrupt or whose liquidity or solvency is endangered.

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CHAPTER III

AUTHORISED RATES OF FOREIGN EXCHANGE

1. AUTHORISED RATES OF FOREIGN EXCHANGE

1. Section 4 (2) of the Act lays down that, except with the general or special permission of the State Bank, all transactions in foreign exchange shall be carried out at rates authorised by the State Bank. A general permission has been given to Authorised Dealers to determine their own rates of exchange, both for ready and forward transactions for the public, subject to the condition that the margin between the buying and selling rates should not exceed fifty paisa per

US dollar or its equivalent in other currencies. This condition does not apply to inter-bank transactions.

2. In the case of an import bill against which no forward cover has been taken by the importer, the exchange rate prevailing on the date of lodgement of the bill would apply.

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CHAPTER IV

FORWARD EXCHANGE FACILITIES

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14. Forward covers against foreign currency accounts.

1. General.

(i) Authorised Dealers may enter into contracts for forward purchase or sale of foreign currencies subject to the regulations set out in this chapter. Before entering into a forward exchange contract with the public, the Authorised Dealers should satisfy themselves about the bonafides of the applicants and ensure that forward cover is required for genuine and firm transactions of approved nature. For this purpose, they should call for verification, the offers

and acceptance and/or formal contracts duly signed by the exporters/importers and/or letters of credit. Originals or photocopies of these documents should be retained by the Authorised Dealers. The number and date of the forward contract should be endorsed by the Authorised Dealers under their seal and signature on all the copies including the originals, even in cases where these are returned to the applicants. Similarly, Authorised Dealers should indicate, on the relative forward contract, the particulars of the documents which have been verified by them and on the basis of which the forward contract has been booked.

(ii) Forward cover may be provided even if the letter of credit has been opened through another Authorised Dealer or contract etc. has been registered with or export documents have been handled by another Authorised Dealer. Such cover would be provided on the basis of a certificate from the concerned Authorised Dealer confirming, inter-alia, that no forward cover has been provided by it against the transaction.

2. Forward Quotations.

Authorised Dealers may provide forward cover for exports, imports, foreign private loans covered under paragraph 8, Chapter XIX (on roll-over basis) and repatriable foreign currency loans mentioned in paragraph 15, Chapter XIX of the Manual (excluding loans obtained by foreign contractors and branches of foreign companies) for any duration subject to any restriction mentioned in subsequent paragraphs, in accordance with the conditions prevailing in the market. No forward transaction may, however, be made for a tenor of less than one month. Further, one month's forward transactions should be for fixed maturity. In case payment is made/received within one month, the spot

selling/buying rate will be applied and the relevant contract will be closed out at the maturity date.

3. Forward purchase of foreign exchange against export of goods.

(i) In the case of export of goods from Pakistan against a firm contract, Authorised Dealers may purchase foreign currencies forward for delivery upto six and a half months from the last date of shipment as provided in the contract/EPC form/letter of credit. Such purchases may be made at any time from/after the date of contract/EPC form/letter of credit. Purchases in case of exports on consignment sale basis, may be made at any time after the shipment has taken place but the last date of delivery should not fall after six and a half months from the date of shipment. In both the cases of exports against firm contract and on consignment basis where State Bank's prior approval has been obtained for the realisation of sale proceeds beyond six months, the purchase contract may provide for delivery upto fifteen days after the extended date for realisation.

(ii) In the case of export of goods to be invoiced in any convertible currency other than U.S. Dollar, it is permissible to buy forward the concerned currency in terms of U. S. Dollar, if the exporter wishes to cover only such risk and to carry dollar versus rupee risk himself. The Authorised Dealers will conduct such transactions within their approved 'Exchange Exposure' limits. On realisation of the proceeds the equivalent U. S. Dollar amount at the booked rate will not be delivered but converted at the spot rate and the rupee equivalent will be paid to the exporter.

4. Forward sale of foreign exchange against import of goods.

(i) Authorised Dealers may sell foreign currencies forward in cover of imports into Pakistan on cash basis under letters of credit or registered contracts. The sale contract may be booked at any time after opening of letter of credit or registration of contract. A forward sale may also be made after the receipt of an import bill drawn on usance basis, but such a sale may not provide for delivery beyond the date of maturity of the bill.

(ii) Forward cover facility will not be made available in respect of the following: -

a. Import of crude oil and POL products.

b. Imports by Federal or Provincial Government Departments or Corporations set up by Government and Industrial undertakings in which Government holds majority interest other than TCP and those public sector undertakings which export part of their products.

c. Sale of foreign exchange to overseas bank's branches and correspondents to cover rupee bills negotiated by them under letters of credit established by Authorised Dealers in Pakistan.

5. Forward sale against investment by Non-Residents.

(i) Authorised Dealers may sell foreign currencies forward to non-residents for portfolio investment made by them in rupee denominated shares and securities on repatriation basis out of funds remitted from abroad, as permitted vide Chapter XX of the Manual. The forward cover can also be provided on the date of conversion of foreign currency into rupees, pending their investment. Such sales would be made only for the amount brought in or the face value of the security, whichever is higher. No forward cover will be provided for dividend/interest/coupon income. Forward cover will also not be provided for Foreign Direct Investment. The maximum period of sales should be twelve months, which may be extended in the manner laid down in paragraph 9.

(ii) A forward sale may also be made by an Authorised Dealer other than the one maintaining the Special Convertible Rupee Account or providing custodial service for investment provided the customer gives a declaration that the investment has been made on repatriation basis and that cover has not already been obtained from any other Authorised Dealer.

6. Forward transactions between Authorised Dealers.

Authorised Dealers may freely enter into forward transactions with each other, provided their 'Exchange Exposure' at the end of the day remains within the prescribed limits.

7. Forward transactions with overseas branches and correspondents.

Authorised Dealers may enter into forward transactions with their overseas branches and correspondents in respect of currencies other than U.S. Dollar, in cover of transactions entered into by them with their customers.

8. Forward cover to the Investment Banks, Leasing and Modaraba Companies.

Authorised Dealers may provide forward cover to the Investment Banks, Leasing Companies and Modaraba Companies holding restricted Authorised Dealer's Licences issued by the State Bank of Pakistan, in respect of the funds mobilized by them from abroad against issuance of Certificates of Investment and surrendered to the State Bank provided they have not obtained forward cover from the State Bank.

9. Extension of forward contracts.

It would be permissible to extend the contracts on roll over basis even for less than one month if the export proceeds have not been realised and extension in the period of realisation has been granted by the Authorised Dealer/State Bank or import bill is not paid in accordance with the terms of letter of credit/registered contract. Such extensions would be made by closing out the original contract and booking of a fresh contract at the new rate.

10. Discounting of usance export bills.

In case an exporter books forward cover and presents thereagainst an export bill drawn on usance basis for discounting, the Authorised Dealer may treat discounting of the usance bill as delivery against the forward contract provided such bills are presented for discounting during the option delivery period only. In all other cases the foreign currency receipts in respect of discounted bills will not be considered as delivery against forward contract and the Authorised Dealer will discount the bill at its current applicable rate and close out the contract on maturity.

11. Rates at which forward contracts may be closed out.

(i) Forward contracts, which are not taken up, may be closed out on the date of maturity. In the case of closure of forward exchange contracts, the difference between the booked forward rate excluding the element of usance, if any, and the prevailing spot rate for the counter transaction on the day of the maturity will be recoverable from or payable to the customer, as the case may be.

(ii) The State Bank reserves the right to direct under sub-section (2) of section 4 of the Foreign Exchange Regulation Act, 1947 that all forward contracts or any particular forward contract or class of forward contracts shall be closed out at the rate ruling on the day on which they were booked or on any other day within the currency of the contract(s) at its discretion and not necessarily at the rates ruling on the day on which they are closed out.

12. Cancellation of forward contracts.

If in any particular case or cases State Bank is not satisfied with the transactions for which forward cover has been booked, it may direct the Authorised Dealers to cancel the forward contract immediately or within such period as it may prescribe.

13. Switch over of exchange contract in cover of imports/exports.

(i) Where the foreign beneficiary of a letter of credit is changed in accordance with the instructions contained in Chapter XIII, Authorised Dealers may allow the forward foreign exchange booked in respect of the original letter of credit to be used for the new letter of credit

provided the currency and the description of the commodity of the new letter of credit are the same as of the original letter of credit.

(ii) Where delivery against a forward sale made by an exporter against a particular contract or letter of credit cannot be made due to non-shipment, the exporter may give delivery out of export proceeds repatriated by him against other contract/letter of credit.

14. Forward covers against foreign currency accounts.

Persons maintaining foreign currency accounts with the Authorised Dealers in Pakistan can sell forward the balances held in their accounts to the importers in connection with import letters of credit/indents, proforma invoices, orders registered with the Authorised Dealers for imports on consignment basis. The procedure to be followed in this regard is as under:

(i) The importer and foreign currency account holder (hereinafter called the "seller") will agree to the deal under intimation to the Authorised Dealer. For smooth conduct of transaction, it is necessary that the importer and seller are the customers of the same Authorised Dealer.

(ii) The seller will authorise the Authorised Dealer to mark a lien on the respective foreign currency account to the extent of the amount involved.

(iii) The Authorised Dealer will make separate arrangement with the importer for recovery at the opportune time of rupee equivalent at the forward rate agreed to between the importer and the seller.

(iv) As and when payment is required to be made for imports:

a. The Authorised Dealer will debit the foreign currency account of the seller, take delivery of the amount from State Bank of Pakistan by lifting the cover, where cover has been obtained, take the foreign currency amount in the Nostro account, report the same as inward remittance under the code meant for Home Remittance and credit rupee equivalent at the forward rate to the seller's non-convertible rupee account.

b. Simultaneously, the Authorised Dealer will lodge the documents in its books at the forward rate agreed to between the importer and seller. The rupee recoveries from the importers will be made by the Authorised Dealer as per its own arrangement.

c. The Authorised Dealer will report the import transaction in the monthly foreign exchange return in the normal way on Form 'I'- Schedule E-2.

(v) In case the importer fails to take up the contract arranged with the seller, it will be closed out and the exchange rate differential settled on the maturity date in the same manner as other forward sale contracts are closed out e.g. in accordance with paragraph 11 of this chapter.

(vi) The provisions of paragraphs 4 & 9 of this chapter will, ipso-facto, apply to the forward contracts made in terms of this para.

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CHAPTER V

FOREIGN CURRENCY ACCOUNTS OF AUTHORISED DEALERS AND SALE OF FOREIGN CURRENCIES

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Purchase and sale of Foreign Currency from and to Banks' Overseas Branches and Correspondents.

1. Introduction.

This chapter sets out the regulations governing purchase and sale of foreign currencies by Authorised Dealers in the inter-bank market in Pakistan as well as their purchase from and sale to the State Bank and overseas branches and correspondents.

2. Accounts in Foreign Currencies.

Authorised Dealers are permitted to open and maintain accounts in all fully convertible currencies with their branches and correspondents abroad, subject to the condition that opening of every new account should be reported to the Director, Exchange Policy Department by a letter giving the name and address of the foreign branch or correspondent with whom the account has been opened and the currency of the account.

3. Foreign Currency held at the disposal of the State Bank.

Foreign currency balances of Authorised Dealers, whether operated by their Head/Principal Offices or branch offices, shall at all times be held at the disposal of the State Bank which may give such directions for their disposal as it may consider necessary and expedient. The State Bank may direct Authorised Dealers at any time to sell either ready or for forward delivery,

foreign currency or currencies held by them to the State Bank or to such other person or persons as the State Bank may direct.

4. Exposure Limits and Nostro Limits.

i) The State Bank fixes from time to time limits for foreign exchange exposure on an overall basis for all currencies for each bank authorised to deal in foreign exchange. These limits are intended to cover the positions of all the branches in Pakistan of banks incorporated abroad, and all the branches, including overseas branches, if any, of banks incorporated in Pakistan. Head/ Principal Offices of Authorised Dealers should ensure on day to day basis that these limits are not exceeded. It is advisable that Authorised Dealers maintain square or near square exposure.

ii) There are no Nostro Limits for balances held abroad.

5. Calculation of Exposure Limits.

The guidelines for calculating the exposure appear as a Memorandum at the end of Appendix III.

6. Exchange Exposure Position.

Authorised Dealers are required to report to the Exchange & Debt Management Department, State Bank of Pakistan, all the foreign exchange transactions (ready, forward, take-ups, cancellation and adjusting entries etc.) entered into by them with customers as well as with other Authorised Dealers that create foreign exchange exposure in any currency, transacted during a day on floppy diskettes using the software installed by SBP on each bank's computers.

Floppy diskettes alongwith following reports generated by the software, duly signed by an Authorised Officer, are required to be submitted on daily basis to the Exchange & Debt Management Department, State Bank of Pakistan by close of office hours:

- a) Deals
- b) Take-ups
- c) Cancelled deals
- d) Adjusting entries
- e) Closing balance

7. Purchase and sale of Foreign Currencies.

Authorised Dealers may freely purchase foreign currencies, as there are no restrictions on inward remittances. All sales of foreign currencies to customers must, however, be in cover of

genuine transactions approved by the State Bank or by the Authorised Dealers under powers delegated to them.

8. Inter-bank transactions.

Authorised Dealers may freely buy and sell foreign currencies from and to other Authorised Dealers in Pakistan provided they remain within their permissible exposure limit.

9. Purchase of U.S. Dollars from and their sale to the Authorised Dealers by the State Bank.

The State Bank may, at its discretion, buy U.S. dollars from and sell to the Authorised Dealers both ready and forward.

10. Purchase and sale of Foreign Currency from and to Banks' Overseas Branches and Correspondents.

Authorised Dealers may freely purchase both ready and forward one foreign currency against another from their overseas branches and correspondents in order to cover their positions. Purchase of foreign currencies from and their sale to banks' overseas branches and correspondents against Rupee may be made in accordance with the provisions of Chapter VII.

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CHAPTER VI

PRIVATE FOREIGN CURRENCY ACCOUNTS

1. Opening of Foreign Currency Accounts with Banks in Pakistan.

2. Different Schemes for Foreign Currency Accounts.

3. State Bank's Forward Cover Scheme.

4. Acceptance of Deposits from foreign banks operating abroad and overseas branches.

5. Payment of subsidy on account of interest differential.

6. F.E. 25 Scheme.

7. Special Foreign Currency Accounts of Private Power Projects.

8. Special permission for Foreign Currency Accounts.

9. General permission for Maintenance of Accounts abroad by Resident Pakistanis.

10. Reporting of receipts into and payments from foreign currency accounts.

11. Reporting of local disbursements from foreign currency accounts.

12. Reporting of interest on foreign currency accounts.

13. Surrender of Foreign Exchange.

14. Payments by Foreign Nationals in Foreign Currencies.

15. Foreign Exchange received by Residents in Pakistan.

1. Opening of Foreign Currency Accounts with Banks in Pakistan.

(i) Authorised Dealers may, without prior approval of the State Bank, open with them foreign currency accounts of the following: -

a) Pakistan Nationals resident in or outside Pakistan, including those having a dual nationality.

b) All foreign nationals, whether residing abroad or in Pakistan.

c) Joint Account in the names of residents and non-residents.

d) All diplomatic missions accredited to Pakistan, and their Diplomatic Officers.

e) All International Organizations in Pakistan.

f) Firms and companies established/incorporated and functioning in Pakistan, including those having foreign share-holdings except as outlined in sub-para (v) below.

g) Charitable Trusts, Foundations etc. which are exempted from income tax.

h) Branches of foreign firms and companies in Pakistan.

i) Non-resident Exchange Companies even if owned by a bank or financial institution.

j) All foreign firms/corporations, other than banks and financial institutions owned by Banks, incorporated and operating abroad provided these are owned by persons who are otherwise eligible to open foreign currency accounts.

However, the facility is not available to airlines and shipping companies operating in/through Pakistan or collecting passage and freight in Pakistan and the investment banks, leasing companies and modaraba companies including those which have been granted licences to deal in foreign exchange.

(ii) Opening of foreign currency account covered by sub-para (i) is subject to the condition that these are not fed with:

a) any foreign exchange borrowed under any general or specific permission given by the State Bank, unless otherwise permitted;

b) any payment for goods exported from Pakistan;

c) proceeds of securities issued or sold to non-residents;

d) any payment received for services rendered in or from Pakistan;

e) earnings or profits of the overseas offices or branches of Pakistani firms and companies including banks, investment of resident Pakistanis abroad; and

f) any foreign exchange purchased from an Authorised Dealer in Pakistan for any purpose.

(iii) Corporate Bodies/Legal entities cannot generate funds from the Kurb market for deposit in their foreign currency accounts.

(iv) Foreign currency accounts can be fed by remittances received from abroad, travellers cheques issued outside Pakistan (whether in the name of account holder or in the name of any other person), foreign currency notes and foreign exchange generated by encashment of securities issued by the Government of Pakistan.

(v) Opening by firms/companies of foreign currency accounts, which are to be fed through the funds of foreign equity/foreign currency loans raised for establishment of industrial and other projects and by contractors who receive payments in foreign exchange from the employers, would be as per procedure laid down in paragraph 8 of this chapter.

(vi) These accounts are free from all Foreign Exchange restrictions. In other words, account holders have full freedom to operate on their accounts to the extent of the balance available in the accounts either for local payments in Rupees or for remittance to any country and for any purpose or for withdrawals in the shape of foreign currency notes and travellers cheques. However, a restriction was placed on withdrawal in foreign currency from some categories of foreign currency accounts existing as on 28th May, 1998. The instructions issued vide FE Circular No.12 of 1998, as amended from time to time, would continue to be operative, till the restrictions are lifted. Holders of such accounts are, however, free to transfer their accounts from one Authorised Dealer to another.

(vii) Accounts can be maintained and payments (excluding local payments) made in any currency of choice of the account holder. Credit Card facility can be obtained by the account holders to the extent of the balances held in their respective accounts, for utilization in and outside Pakistan provided settlement of the bills in respect of expenditure within the country is made in Rupees only and the relevant foreign currency amount is taken by the Authorised Dealers in their daily exchange position.

(viii) Authorised Dealers can mark lien on the foreign currency accounts in respect of banking facilities like credit cards, bank guarantees and loan/credit etc. availed of by the account holders in and outside Pakistan. The aggregate amount of the facilities availed of in and outside

Pakistan should not, however, exceed the balance in the respective accounts at any point of time and the regulations on credit should be strictly adhered to.

(ix) Head/Principal Offices of Authorised Dealers will send to the State Bank of Pakistan, Central Directorate, Karachi such returns in respect of these foreign currency accounts as may be prescribed from time to time.

2. Different Schemes for Foreign Currency Accounts.

Foreign currency accounts covered by paragraph (1) could be opened by the Authorised Dealers upto 28th May, 1998 under the State Bank's forward cover scheme, and thereafter under the rules introduced vide FE Circular No.25 of June 20, 1998. Separate ledgers will be maintained by the Authorised Dealers for these foreign currency accounts. In addition, Special Foreign Currency Accounts can be opened with the specific or general permission of the State Bank.

3. State Bank's Forward Cover Scheme.

(i) Under the State Bank's forward cover scheme, the Authorised Dealers will fix their own rates of interest for Term Deposits of 3 months, 6 months, 12 months, 2 years and 3 years provided they do not exceed the average Bid rates provided by British Banker's Association (BBA) for the concerned currencies at the close of business on the previous working day plus the margins prescribed by the State Bank from time to time. The maximum rates for payment of interest, including the margins allowed by the State Bank, are published daily by the Foreign Exchange Rates Committee.

(ii) As regards foreign currency deposits of less than 3 months including Call Deposits, Savings Bank, Special Notice etc. accounts, Authorised Dealers shall pay interest on the basis of return last allowed on similar Rupee PLS Accounts provided the rate at which interest is paid does not exceed the interest rate applicable to 3 months Term Deposits of the relevant foreign currency.

(iii) Authorised Dealers shall sell all the deposits in foreign currency accounts to the State Bank in multiples of US\$ 1,000/-, £ Stg.1,000/-, Euro 1,000/- and J. Yen 250,000/-. State Bank shall cover exchange risk of all such deposits as well as interest accruing thereon at the option of the Authorised Dealers, subject to payment of fee at the time of taking the forward cover at the rate(s) prescribed by the State Bank from time to time. Fee is payable on the full amount of forward cover obtained notwithstanding whether it is in respect of the amounts of deposit or for both the amount of deposit and interest. In case of premature withdrawal of deposit, fee for the unexpired period is refundable.

4. Acceptance of Deposits from foreign banks operating abroad and overseas branches.

As an exception to the rules set out in paragraph 1(i) to (j) of this chapter, Authorised Dealers can accept foreign currency deposits from their overseas branches and foreign banks operating abroad, including financial institutions owned by them, provided the amount and period of maturity of such deposits is not less than those prescribed from time to time. Interest on these foreign currency deposits can be paid by the Authorised Dealers annually, six monthly or quarterly in accordance with the option exercised by the depositor in writing at the time of placement of deposits. Interest can be paid at the rate not exceeding the prescribed margins

over Bid rate for the respective period as provided by the BBA at the close of business on the working day immediately preceding the date of deposit as published by the Foreign Exchange Rates Committee.

5. Payment of subsidy on account of interest differential.

Where the interest paid on foreign currency Term Deposits of 3, 6 and 12 months on the basis of BBA's bid rates as prescribed in the earlier paragraphs exceeds the return last allowed on similar Rupee PLS Accounts, State Bank shall reimburse the amount of differential on account of the excess to the Authorised Dealers. For the purpose of claiming reimbursement of the differential, Authorised Dealers should furnish to the Chief Managers' Offices of the State Bank, details of individual foreign currency Term Deposits in the prescribed form (Appendix V-3) while surrendering the amount of foreign exchange to the State Bank. This statement will be submitted in triplicate and bear running serial number. After the interest has been paid, claim for payment of interest differential will be lodged by the Authorised Dealers with the Chief Managers' Offices of the State Bank in the form given at Appendix V-4.

6. F.E. 25 Scheme.

(i) The amounts of foreign currency deposits accepted outside State Bank's forward cover scheme i.e. under F.E. Circular No. 25 of 1998, are not required to be surrendered to the State Bank and the Bank will not provide any forward cover for the same. The Authorised Dealers accepting such deposits are free to lend, invest and place on deposit such funds in Pakistan and abroad subject to the observance of regulations prescribed under the Banking Companies Ordinance.

(ii) Authorised Dealers are free to decide the rate of return offered on such deposits, provided the maximum rate of return does not exceed LIBOR applicable on the date of determination of such return/profit.

7. Special Foreign Currency Accounts of Private Power Projects.

(i) Authorised Dealers may open the following Special Foreign Currency Accounts/Off-shore Foreign Currency Accounts of private power projects in Pakistan as per the Implementation Agreements (IAs) entered into with Private Power and Infrastructure Board (PPIB), Government of Pakistan. These accounts will be maintained during the construction and operation of the projects for the following purposes subject to the conditions mentioned against each and the balances held in such accounts will be retained by the Authorised Dealers in addition to their Exposure Limits and will also not be required to be reported under F.E. 25 Scheme:

a) Special Foreign Currency Account in or outside Pakistan.

This will be maintained for deposit of foreign equity and foreign currency loan under the Loan Agreement registered with the State Bank. The amounts available therein will be utilized for the purposes of the project as provided for in the IAs.

b) Special Foreign Currency Insurance Account.

This will be maintained for depositing amounts required for payment of insurance/reinsurance premia and for receiving insurance/reinsurance claims against covers taken in foreign currency outside Pakistan with the approval of the Controller of Insurance or with State Bank's approval from an insurer in Pakistan, provided that amounts not required for meeting expenditure in foreign exchange will be repatriated to Pakistan and converted into rupees.

c) Off-Shore Foreign Currency Control Account.

This will be maintained subject to the condition that PPIB/Independent Engineer would determine for each project the portion of revenues required to meet the foreign currency cost for operating the project.

d) Off-Shore Foreign Currency Operating Account.

This will be maintained subject to the condition that O&M expenses to be remitted/deposited periodically to this account will be apportioned by the PPIB/Independent Engineer.

e) Off-Shore Disputed Payment Escrow Account.

This will be maintained subject to the condition that the balance will be remitted to Pakistan once the dispute is over.

f) Off-Shore Foreign Currency Debt Payment Account.

This will be maintained for depositing the amount required for Debt Service.

g) Off-Shore Debt Service Reserve Account.

This will be maintained subject to the condition that this account will be liquidated simultaneously with the retirement of debt and the maximum balance in this account would not exceed the next 12 months Debt Service Payment (both Principal and Interest).

h) Off-Shore Foreign Currency Maintenance Reserve Account.

This will be opened and maintained subject to the condition that this amount will be liquidated simultaneously with the life of the agreement and that this account will hold the maximum of US\$ 3 million during the term of Power Purchase Agreement.

i) Off-Shore Foreign Currency Dividend Account.

This will be used for receiving remittance of dividends as and when declared and paid by the company.

(ii) A monthly statement in the form prescribed at Appendix V-5 will be submitted for each account separately along with a certificate from the company's auditors to the effect that the payments made from the accounts are strictly in accordance with or covered under the IA, Power Purchase Agreement or other agreements, if any, approved by the Government.

(iii) Interest earned on balances held in these accounts will be repatriated to Pakistan.

(iv) There will be nil balance in the Main Control Account and all other accounts after the expiry of the relevant Agreement Period.

(v) Any earnings from dealing in currency/exchange should also be repatriated to Pakistan.

(vi) Authorised Dealers will ensure that Income Tax, wherever due on payments made through the accounts, is duly deducted and paid to the Income Tax Authorities.

(vii) Authorised Dealers may also open Special Foreign Currency Accounts of the foreign EPC (Engineering, Procurement and Construction) and O&M (Operation and Maintenance) contractors of the Power Projects operating in Pakistan with the approval of the Government for receipt of foreign currency amounts under the contracts awarded to them by the Power Projects and its utilization in accordance with the EPC/O&M contracts.

8. Special permission for Foreign Currency Accounts.

(i) Foreign Oil/Mineral exploration companies and foreign contractors and their foreign sub-contractors may be allowed by the Authorised Dealers to open foreign currency accounts under the Scheme described in paragraph 6 or Special Foreign Currency Accounts subject to the condition that they will meet all their expenditure in Pakistan including salaries of foreign nationals/non-residents in Pak Rupees only, out of rupee payments, if any, received by them in terms of their contracts/by converting in the inter-bank market funds received from their Head Offices/by converting funds from their foreign currency accounts in the inter-bank market.

(ii) (a) Firms and companies raising foreign equity and foreign currency loan may be allowed by Authorised Dealers to open special foreign currency account for receiving and retaining the foreign funds on submission of information about the source of foreign funding and the amount required to be retained in foreign currency. The funds available in such foreign currency accounts can be used by the account holders for making only those types of payments which are otherwise permissible in terms of the instructions laid down in this Manual (e.g. imports, consultancy) and which are related to the business of the account holder. Any amount not so used will be required to be converted into rupees in the inter-bank market and no withdrawal will be allowed in the shape of foreign currency notes.

(b) The concerned Authorised Dealer will be required to submit monthly statements in the prescribed proforma (Appendix V-5) alongwith the related import documents, invoices, agreements etc.

9. General permission for Maintenance of Accounts abroad by Resident Pakistanis.

Pakistan nationals resident in Pakistan are not permitted to open or maintain any foreign currency accounts with banks etc., outside Pakistan. As an exception, they can maintain foreign currency accounts abroad in any country other than Afghanistan, Bangladesh, India and Israel provided the balances held in such accounts do not exceed U.S.\$ 1000/- or equivalent thereof in other currencies as provided in Government Notification No. SRO 1016(1) 79 dated the 17th

October, 1979. These accounts cannot, however, be operated from Pakistan without the prior approval of the State Bank.

10. Reporting of receipts into and payments from foreign currency accounts.

Receipt of foreign currency amounts for credit to the foreign currency accounts under the Forward Cover Scheme should be reported by the Authorised Dealers as "Purchase" on Schedule 'J' under Code 9718 in the case of accounts opened in terms of paragraph 1 and under Code 9828 in respect of accounts opened under special permission granted by the State Bank in accordance with the provisions of paragraphs 7 & 8 *ibid*. Similarly payments out of the foreign currency accounts should be reported by the Authorised Dealers as "Sale" on Schedule E-4 under Code 1718 in the former case and under Code 1828 in the later case. Transactions in accounts covered by paragraph 6 are not required to be reported in the summary statements.

11. Reporting of local disbursements from foreign currency account.

Authorised Dealers should report the payments in rupees from foreign currency accounts as "Sale" on Schedule E-4 under Code 1718 or 1828, as the case may be. The Rupee receipts should simultaneously be reported as "Purchase" on relevant schedules under a code appropriate to the purpose of the receipt.

12. Reporting of interest on foreign currency accounts.

Interest paid by Authorised Dealers on Foreign Currency Accounts should be reported as "Sale" on Schedule E – 4 of the monthly foreign exchange returns under Code 1226.

13. Surrender of Foreign Exchange.

In exercise of the powers conferred by Section 9 of the Act, the Government have issued Notification No. SRO 1016(1) 79 dated the 17th October, 1979 (Appendix II-8) requiring all citizens of Pakistan and other persons residing in Pakistan continuously for six months or more, who become the owner of any foreign exchange whether held in Pakistan or abroad, to sell such foreign exchange to an Authorised Dealer within three months of the date of acquisition by them of such foreign exchange. The provisions of the aforesaid notification do not apply to the following cases viz:

(i) Foreign exchange held abroad by foreign diplomats and foreign nationals employed in Embassies and Missions of foreign countries in Pakistan.

(ii) Foreign exchange held abroad by foreign nationals or foreign business houses, except to the extent that it represents their earnings abroad in respect of business conducted in Pakistan or services rendered while in Pakistan.

(iii) Foreign exchange held by residents in Pakistan in countries other than Afghanistan, Bangladesh, India and Israel provided the amount does not exceed in the aggregate U.S. \$1000/- or equivalent thereof in other currencies.

(iv) Afghan currency whether held in or outside Pakistan.

For the purposes of the aforesaid notification the term "residents in Pakistan" excludes citizens of Pakistan in foreign countries so long as they stay outside Pakistan, but includes foreign nationals who reside continuously in Pakistan for six months or more.

14. Payments by Foreign Nationals in Foreign Currencies.

Payments in foreign currency by foreign nationals residing in Pakistan to or on behalf of residents of Pakistan whether Pakistanis or foreign nationals are prohibited. Foreign nationals should not, therefore, directly or indirectly, make foreign currency available to the residents or to other persons on their behalf against payment in Rupees. Such payments are prohibited even from their foreign currency accounts which they are permitted to maintain and operate from Pakistan.

15. Foreign Exchange received by Residents in Pakistan.

Payments in foreign exchange received by an Authorised Dealer on behalf of a resident in Pakistan must not be retained in foreign exchange but must be converted into Rupees unless the State Bank has given general or special permission to the beneficiary to retain the foreign exchange received by him.

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CHAPTER VII

NON-RESIDENT RUPEE ACCOUNTS OF FOREIGN BANK BRANCHES AND CORRESPONDENTS

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1. General.

Rupee accounts of all banks' overseas branches or correspondents are treated as non-resident accounts. The accounts of different branches of the same bank situated in different countries must be identified separately and the accounts of each branch or group of branches in one country should be designated as accounts of that country.

2. New Non-Resident Accounts of Banks.

Authorised Dealers may open new non-resident Rupee accounts in the names of their overseas branches or correspondents without the prior approval of the State Bank.

3. Operations on Non-Resident Bank Accounts.

Drawings can be made on the non-resident Rupee accounts of overseas banks by their branches and correspondents located in any other country irrespective of their monetary area.

4. Transfer to the Credit of Non-Resident Bank Accounts.

Any payment for credit to non-resident Rupee account of any bank's overseas branch or correspondent constitutes an outward remittance and is equivalent to a sale of the appropriate foreign currency. Such payments may be made by the Authorised Dealers against approved transactions covered by 'T-1', 'I' or 'M' forms approved by the State Bank or by the Authorised Dealers on behalf of the State Bank as permissible.

5. Transfer to the Debit of Non-Resident Bank Accounts.

Payment in Rupees to the debit of non-resident Rupee accounts of banks' overseas branches and correspondents constitutes an inward remittance and is equivalent to purchase of the appropriate foreign currency. Such payments may be made freely by the Authorised Dealers.

6. Transfer between the Accounts of Non-Resident Bank Branches or Correspondents.

Transfers between non-resident bank accounts may be freely allowed by the Authorised Dealers irrespective of their monetary area. In respect of such transfers credits should be covered by form 'M' in which the name and address of the bank whose account is debited and the name of the Authorised Dealer with whom that account is maintained should be given. The form may be approved by the Authorised Dealer on behalf of the State Bank. No form need to be completed covering debits, details of which should be reported to the State Bank in the manner prescribed in Chapter XXII.

7. Credits to Non-Resident Bank Accounts against Foreign Currencies purchased by Authorised Dealers.

Authorised Dealers may freely purchase foreign currencies from banks' overseas branches and correspondents and credit the Rupee equivalent to their non-resident Rupee accounts.

8. Debits to Non-Resident Bank Accounts against Currencies sold by Authorised Dealers.

Prior approval of the State Bank would be required for the sale of foreign currencies to non-resident bank branches and correspondents against credit balance available in their non-resident Rupee account.

9. Non-Resident Accounts of Exchange Companies.

Non-resident Exchange Companies may, in addition to opening a foreign currency account under F.E. Circular No. 25 of 1998, open non-resident rupee account for the purpose of effecting payment of remittances made by overseas Pakistanis. Such accounts will be fed by sale of foreign currency by the account holder. Authorised Dealers are permitted to enter into drawing arrangements with the exchange companies subject to the condition that they will obtain guarantee of a reputable bank equivalent to one month's aggregate rupee drawings, and the replenishment from the exchange companies should be called within 4 to 5 days of the drawings.

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CHAPTER VIII

PRIVATE NON-RESIDENT RUPEE ACCOUNTS

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Responsibility for submitting Form A-7 – Debits to Non-resident Accounts.

1. General.

(i) Accounts of individuals, firms or companies resident in countries outside Pakistan are designated as non-resident accounts. Also under the State Bank's Notification No.FE1/63-SB

dated the 14th October, 1963 issued in pursuance of Section 20(I) (a) of the Act, all nationals of Pakistan and persons domiciled in Pakistan except persons holding office in the service of Pakistan, who go out of Pakistan for any purpose viz., employment, study, business tour, pleasure trip etc., are treated as non-resident for the purpose of Section 5 of the Act, for so long as they remain outside Pakistan. Accordingly their accounts are also treated as non-resident accounts. All such accounts are regarded for the purpose of Foreign Exchange regulations as accounts of countries in which the account holder is residing.

(ii) Non-resident accounts can, therefore, be grouped in the following categories:

(a) Non-resident accounts of Pakistan nationals permanently residing and domiciled abroad.

(b) Non-resident accounts of Pakistan nationals who are abroad for short visits.

(c) Non-resident accounts of foreign nationals residing abroad.

(d) Non-resident accounts of foreign nationals ordinarily resident in Pakistan but gone abroad for short visits.

(iii) Authorised Dealers should mark the accounts of all non-resident persons, firms or companies in their books as non-resident accounts and also indicate clearly the country of their residence. All non-resident accounts should be maintained in a separate ledger. Similarly new non-resident accounts, as also those designated as non-resident accounts consequent upon the account holders being out of Pakistan, will be maintained in the Non-resident Accounts ledger. As and when non-resident accounts are re-designated as resident accounts, the same should be taken out of the Non-resident Accounts ledger.

(iv) Non-resident accounts of the categories mentioned in sub-para (ii) shall be treated as resident on account holder's permanent return or his temporary visit to Pakistan for which permission of the State Bank is not necessary and there shall be no restriction on the account holders' operating these accounts so long as such account holders are resident in Pakistan.

(v) Where any doubt exists whether any account is to be treated as non-resident, an immediate reference should be made to the State Bank for a decision giving full particulars.

(vi) Authorised Dealers may transfer amounts to and from such accounts only in accordance with the regulations laid down in this chapter.

2. Accounts of United Nations and its Organizations.

In terms of Section 5 of Article-II of the Schedule appended to the United Nations (Privileges and Immunities) Act, 1948 the accounts of United Nations and its organizations are free from financial controls. Authorised Dealers should, therefore, treat such accounts maintained with them as "Resident Accounts".

3. Joint Accounts of Residents and Non-Residents.

There is no bar on non-residents maintaining accounts jointly with residents. These accounts should be treated as non-resident accounts irrespective of the fact whether the accounts are to be operated solely or jointly by the residents.

4. Opening of New Non-Resident Accounts of Persons other than Banks.

New non-resident accounts in the names of persons or firms or companies other than banks may be opened without the prior approval of the State Bank where accounts are to be opened with funds received from abroad through banking channel or with Rupee funds which have been accepted by the State Bank for remittance abroad. Reference of the Monthly Exchange Returns or the State Bank approval number, as the case may be, should be quoted in the relevant form A-7 covering the credit.

5. Accounts of Foreign Nationals Resident in Pakistan – Form "Q.A.22".

The accounts of all foreign nationals who are resident in Pakistan and the accounts of companies or firms (other than banks) whose head offices or controlling interests are outside Pakistan but the accounts are operated on by persons in Pakistan may be treated as resident accounts. The account holders or persons in Pakistan authorised to operate on such accounts must sign form "Q.A.22" (Appendix V-6). Form "Q.A.22" should be obtained by the Authorised Dealers in duplicate and a copy thereof forwarded to the State Bank for record as and when the account is opened. Prior approval of the State Bank for opening such accounts is not necessary. However, in cases where such accounts are desired to be opened with a bank which is not an Authorised Dealer, prior approval of the State Bank will be necessary. Form "Q.A.22" is an undertaking that the signatory will not provide any foreign currency against reimbursement in Rupees and that any transaction on the account not directly connected with the signatory's business in Pakistan will be reported to the State Bank on form A-7. Declaration on form "Q.A.22" should not be taken from members of foreign embassies, legations, consulates and accredited representatives of foreign governments in Pakistan.

6. Form "Q.A.22" not required from Non-Residents.

In the case of non-resident accounts, declaration on form "Q.A.22" is not necessary.

7. Responsibility of Authorised Dealers regarding irregular Operations on Accounts.

Notwithstanding the fact that a constituent has signed form "Q.A.22" the Authorised Dealer must take all reasonable steps to ensure that the constituent is not making foreign exchange available to any person in Pakistan other than an Authorised Dealer against reimbursement in Rupees or is not by any other means contravening the provisions of the Act. It shall be the responsibility of the Authorised Dealers to bring to the notice of the State Bank immediately any such irregularities detected by them.

8. Operations on Non-Resident Accounts of Persons, Firms and Companies other than Banks.

(i) Unless it is prescribed otherwise by the State Bank in respect of any particular Rupee non-resident account of persons, firms and companies other than banks, all operations on such accounts shall be governed by the rules set out below. Authorised Dealers may, therefore, raise

debits and afford credits to non-resident accounts accordingly. The applicants will be required to fill in Form A-7 (Appendix V-7) in respect of these transactions:

(a) Debits:

aa) Payments on account of the account holder direct to the institutions concerned in respect of insurance premium, club bills or other payments of a regular nature provided the payments are supported by bills and vouchers.

bb) Government and Municipal dues provided payments are supported by official claims and payments are made direct to the Government or Municipal agencies.

cc) Debits on account of disbursements in Pakistan limited to the extent of the funds received from abroad through banking channel.

dd) Debits representing payments through cheques direct to the carriers or the travel agents for travel within the country by rail or air for self, wife, children and parents and for travel abroad as approved in Chapter XVII.

ee) Debits on account of purchase of shares of public limited companies and/or securities of the Government of Pakistan, NIT Units, Prize Bonds, Defence Savings Certificates etc., provided such shares/securities etc., are purchased by the Authorised Dealers themselves on behalf of the account holder on the basis of non-repatriation of capital, dividend/interest etc., and registered at their Pakistan address and also retained by the Authorised Dealers in their custody on behalf of their constituent concerned so long as he resides outside Pakistan. Sale proceeds of such investments and dividends/interest etc., accruing thereon should be credited to the non-resident account only.

ff) Payments against bills for hotel expenses in Pakistan of the family members of the account holder provided payment is being made direct to the hotel by cheque. The concession is restricted to hotels of the category of three stars and above only.

gg) Cheques drawn in favour of his dependents resident in Pakistan for maintenance.

hh) Debits in reversal of previous credits.

ii) Debits in respect of approved remittances in foreign exchange.

jj) Payment of installments of loans direct to the financial institution from whom the account holder had obtained loan.

(b) Credits:

aa) Receipts on account of salary, allowances, bonus, commission etc., directly from the employers by cheque.

bb) Dividend and interest income on investment in shares and securities directly from the company by cheque.

cc) Income from landed property and agricultural rent against identity of the depositor.

dd) Credits of remittances received from abroad through banking channel.

ee) Interest accrued on the amount lying in the non-resident account.

ff) Amounts representing the maturity proceeds/surrender/paid up value of insurance policies and proceeds of the shares of the public limited companies and/or securities of Government of Pakistan purchased under sub para (a)(ee).

gg) Refund of amounts previously debited or over-charged.

hh) Sale proceeds of landed property as evidenced from the registered sale deed.

All other debits and credits require prior approval of the State Bank.

(ii) While allowing operations on non-resident accounts in accordance with the above instructions, the Authorised Dealers must satisfy themselves that the credits/debits to the non-resident accounts fall under any one of the exempted categories and are in fact meant for the purpose declared by the applicant. Authorised Dealers should take all possible precautions to ensure that the above relaxation is not misused in any manner for evasion of any of the provisions of the Act. It will be the responsibility of the Authorised Dealers to ensure that payments from non-resident accounts are allowed only in respect of genuine obligations in Pakistan of the account holders while deposits represent genuine Rupee receipts accruing to the account holders which are not intended to set off payments effected abroad. Similarly while opening new non-resident accounts, Authorised Dealers will ensure that the Rupee funds with which the account is proposed to be opened, represent receipts from abroad through banking channel or represent Rupee funds which have been accepted by the State Bank for remittance abroad. In cases of slightest doubt a reference should be made to the State Bank for advice. If transactions passing through a non-resident account are subsequently found to have been used for compensatory deals, the Authorised Dealer maintaining the account will be held responsible therefore.

9. Disposal of Forms A-7.

Forms A-7 in support of the transactions on non-resident accounts shall be sent to the State Bank along with Schedule 'K' prescribed in paragraph 7 of Chapter XXII of this Manual.

10. Responsibility for submitting Form A-7 – Credits to Private Non-resident Accounts.

In the case of credits to a non-resident account, except when otherwise prescribed, the receiving banker, i.e. the bank which credits a non-resident account in its books is responsible for ensuring that form A-7 has been completed or State Bank's approval obtained where required, before crediting funds to private non-resident accounts. In order that no difficulties arise on this score, the following procedure is suggested for adoption by all banks. A cheque or draft etc., received for the credit of a non-resident account of a company, firm or person should be sent by the receiving bank to the paying bank, stating that a non-resident account is being credited and requesting in exchange a pay slip accompanied by forms A-7 duly completed by

the drawer or by the paying bank on his behalf and where necessary, approved by the State Bank.

11. Responsibility for submitting Form A-7 – Debits to Non-resident Accounts.

In the case of debits to non-resident accounts cheques should be returned by the paying banker with the remarks 'Non-resident account, Form A-7 required'. The collecting bank will then arrange with the customer, for whom the payment is drawn, to submit Form A-7 to the paying banker.

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CHAPTER IX

BLOCKED ACCOUNTS

1. Powers of the State Bank to block Non-Resident Accounts.
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5. Payment to Blocked Account deemed as a good Discharge.
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7. Procedure regarding Payments to Blocked Accounts.
8. Pakistani Emigrants-Blocking of Accounts.
9. Operations on Blocked Accounts.
10. Use of Blocked Balances.

1. Powers of the State Bank to block Non-Resident Accounts.

Section 6 of the Act confers powers on the State Bank to block accounts in Pakistan of any person resident outside Pakistan and to direct that payment of any sums due to a non-resident may be made only to such a blocked account.

2. Definition of Blocked Account.

A blocked account means an account opened as a blocked account at any branch or office in Pakistan of a bank authorised in this behalf by the State Bank or an account blocked by the order of the State Bank.

3. Banks authorized to maintain Blocked Accounts.

All Authorised Dealers in foreign exchange are permitted to maintain blocked accounts subject to the conditions laid down in this chapter. In certain cases, banks other than Authorised Dealers in foreign exchange may be authorised by the State Bank to maintain blocked accounts.

4. Opening of Blocked Accounts.

A blocked account may not be opened in the name of a resident of Pakistan unless it is held jointly with a non-resident. No blocked account may be opened by an Authorised Dealer or an existing 'free' account blocked except under directions from the State Bank.

5. Payment to Blocked Account deemed as a good Discharge.

Sub-section (1) (b) of Section 6 of the Act provides that where the State Bank has directed that any payment due to a non-resident may be made to a blocked account in his name with a bank in Pakistan, the crediting of the sum to the blocked account shall, to the extent of the sum credited, be a good discharge to the person making the payment.

6. Items payable to Blocked Accounts.

The State Bank may not approve certain remittances in settlement of liabilities to non-residents under the current Foreign Exchange regulations. Payments in discharge of such liabilities to non-residents can only be allowed to be made to blocked accounts. Amounts due to a Pakistani who has emigrated to another country and all amounts due to a resident of India will be allowed to be paid only into a blocked account of the beneficiary.

7. Procedure regarding Payment to Blocked Accounts.

Where State Bank directs that a payment be made to a blocked account only, it may be made either:

(i) by a banker's payment order marked 'payable to blocked account of _____ only' or

(ii) by a crossed cheque or warrant drawn in favour of the beneficiary and marked with the words "Payable to blocked account of payee only." Where such a cheque or warrant is sent to a non-resident, it is desirable that the payee should arrange for the opening of a blocked account with an Authorised Dealer before forwarding the cheque to that bank for collection. 'Form A-7' with the name of the payee as the transferee and clearly marked 'Blocked Account' must be submitted to the State Bank for prior approval. The collecting bank must endorse cheques, warrants or drafts so marked "received for the credit of blocked account at (Bank and Branch)" before presenting them for payment. The paying bank may not pay such instruments, unless they are properly marked and unless Form A-7 has been approved by the State Bank for payment to a blocked account. After payment has been made it must endorse the form on the back "Payment made to blocked account at (Bank and Branch)". The amount which the State Bank has directed to be placed to a blocked account,

must be immobilised pending the opening of the account and may not be used for any other purpose except with the prior approval of the State Bank.

8. Pakistani Emigrants-Blocking of Accounts.

Bank accounts and securities belonging to Pakistan and foreign nationals residing permanently in Pakistan, who emigrate to foreign countries, should be treated as blocked. For blocking the accounts and securities of intending emigrants the State Bank will issue necessary instructions to their bankers. Some times Pakistan nationals who had gone abroad for purposes other than 'Migration', take up permanent residence in a foreign country. As and when such cases of their clients come to the knowledge of Authorised Dealers, it will be their responsibility to report them to the State Bank for instructions as to whether or not the bank account/securities of the person concerned should be blocked. In such cases pending receipt of instructions from the State Bank, the securities should be immobilised and no operation on the bank account should be allowed without its prior approval.

9. Operations on Blocked Account.

The State Bank may issue special instructions regarding operations on individual blocked accounts. In the absence of any such special instructions, no payments into or withdrawal from blocked accounts may be made unless prior approval of the State Bank has been obtained.

10. Use of Blocked Balances.

Balances held in blocked accounts may be invested in "approved securities" expressed to be payable in Rupees or in fixed deposit with the bank in which the account is held subject to the prior approval of the State Bank. Shares or securities in which investment is permitted by the State Bank must be bought through the bank with whom the blocked account is kept and registered in the name of the account holder, the address being his permanent residential address outside Pakistan. Alternatively, securities so purchased may be registered in the names of the banks keeping the blocked accounts or their nominees in Pakistan. The securities should not be held in bearer form and should not be sold or transferred without the permission of the State Bank.

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CHAPTER X

INWARD AND OUTWARD REMITTANCES

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Cancellation of Inward Remittances.

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1. Inward Remittances.

The term 'inward remittance' means purchase of foreign currencies in whatever form and includes not only remittances by M.T., T.T., draft etc., but also purchase of travellers cheques, drafts under travellers letters of credit, bills of exchange, currency notes and coins etc. Debit to banks' non-resident Rupee accounts also constitutes an inward remittance. This chapter, however, does not cover purchase of foreign currency notes and coins which is dealt with in Chapter XI.

2. Inward Remittance – No Restrictions.

There is no restriction on receipt of remittances from abroad either in foreign currency or by debit to non-resident Rupee accounts of banks' overseas branches or correspondents. Authorised Dealers may freely purchase T.Ts, M.Ts, drafts, bills etc., expressed and payable in foreign currencies or drawn in Rupees on banks' non-resident Rupee accounts. There is also no objection to their obtaining reimbursement in foreign currency from their overseas branches and correspondents in respect of Rupee bills and drafts which are purchased by them under letters of credit opened by non-resident banks or under other arrangements.

3. Outward Remittances.

The term "outward remittance" means sale of foreign exchange in any form and includes not only remittances by T.Ts, M.Ts, drafts etc., but also sale of travellers cheques, travellers letters of credit, foreign currency notes and coins etc. Outward remittance can be made either by sale of foreign exchange or by credit to non-resident Rupee account of banks' overseas branches or correspondents. Authorised Dealers may sell foreign exchange for approved transactions only in accordance with the procedure outlined in this chapter. This chapter does not cover sale of foreign currency notes and coins which is dealt with in Chapter XI.

4. Mode of Remittances.

Authorised Dealers should normally avoid issuing drafts in cover of outward remittances whenever remittance can be made by T.Ts, or M.Ts, etc. Where, however, the normal means of transfer is likely to result in unnecessary hardship or inconvenience to the remitter, drafts may be issued in the name of the beneficiaries of the remittance but such drafts should be crossed by the issuing bank as "Account Payee only".

5. Prescribed Application Forms.

(i) There are three types of application forms for outward remittances:

(a) Form 'I' is to cover remittance against imports (Appendix V-30)

(b) Form 'T-1' is to cover sale of exchange for travel (Appendix V-64)

(c) Form 'M' is to cover all other remittances (Appendix V-8)

(ii) Any person who wishes to purchase foreign exchange must lodge an application with an Authorised Dealer on the appropriate prescribed form duly supported by the requisite documents. On receipt, the application should be examined by the Authorised Dealer and if the Authorised Dealer is satisfied that the application is covered by the regulations and it is empowered to approve the remittance on behalf of the State Bank, it may effect the sale of foreign exchange. If the transaction requires prior approval of the State Bank, the application should be forwarded by the Authorised Dealer to the State Bank for consideration with comments under its stamp and signature.

6. Applications by Letters.

In some cases, applications are made by letters as it becomes difficult for the applicants to fully describe on the prescribed application form the purpose of purchase of foreign exchange particularly for travel abroad and for purposes other than import. In all such cases, letters should be accompanied by Form 'T-1' or 'M' as the case may be, duly filled in. If the remittance is permissible, the State Bank will return the form duly approved. In cases where remittance is required to be made in installments at periodical intervals, the State Bank may issue special permits authorising remittances in the desired manner.

7. Applications to be submitted to the State Bank only through an Authorised Dealer.

All applications for foreign exchange should be forwarded to the State Bank through Authorised Dealers who should arrange their delivery to the State Bank through their own messengers or through post. All applicants who present their applications directly to the State Bank will be asked to resubmit them through an Authorised Dealer.

8. Forwarding Applications to the State Bank.

When submitting applications to the State Bank, Authorised Dealers should take all reasonable precautions to satisfy themselves as to the bonafides of the applicants. They should verify that the application form has been duly completed and signed by the applicant and then affix their stamp and signature thereon in token of their having examined the application and of having satisfied themselves that to the best of their knowledge and belief, the statements made in the form are correct and that full documentary evidence as required has been submitted. In this connection, reference is also invited to para 6 of Chapter 1. The applicant should also be advised that under Section 22 of the Act, it is an offence to give any information or make any statement which he knows or has reasonable cause to believe to be false or not true in any material particular.

9. Processing of Approved Form etc.

After receipt of approved forms or permits etc., from the State Bank, Authorised Dealers should see that the forms etc., have been approved by the authorised officers of the State Bank and that they bear its embossing seal. Authorisations which are signed by officers whose specimen signatures are not available with the Authorised Dealer, should be presented to the nearest office of the State Bank for authentication. It is also important that once a form has been approved by or on behalf of the State Bank, the Authorised Dealer should effect remittance only on behalf of the original applicant for whom the form has been approved and in favour of the beneficiary whose name appears in the approval. They must in no case accept instructions from third parties. In those cases where Authorised Dealers are empowered under the instructions laid down in this Manual to approve applications on behalf of the State Bank, they should ensure while approving the form that the applications are complete in all respects and that all the necessary documentary or other evidence as required has been submitted to and examined by them and that they have satisfied themselves as to the genuineness of the transaction.

10. Permits for Recurring Remittances.

(i) Permits (Appendix V-9) issued by the State Bank are of three types. In the first type of permits, the State Bank authorises remittances upto a stated amount within a stated period which an Authorised Dealer may make on behalf of the permit holder. Remittances under such permits may be made during the period of validity of the permit in amounts as required by the applicant provided that the total of such remittances under the permit does not exceed the overall limit laid down in the permit.

(ii) The second type of permits covers remittances on a periodical (monthly) basis but the periodical (monthly) limits are not cumulative and remittances in all during any one period (month) must not exceed the prescribed rate laid down in the permit. If remittances are not made upto the full extent of the limit in any period (month), it is not permissible to carry forward unutilised balance in order to make larger remittances in subsequent periods.

(iii) The third type of permits allows remittances on a periodical (monthly) basis but the periodical (monthly) amount is sanctioned on a cumulative basis so that unutilised amounts for earlier periods (months) can be remitted in subsequent periods (months). Unutilised amounts may, however, be accumulated only within the validity of the permit and the entire unutilised balance of such permits will lapse after the last day of the validity of the permit. In such cases it is not permissible to make remittances in advance of the entitlements of the subsequent periods (months).

(iv) Requests for utilisation of lapsed quotas should be forwarded by Authorised Dealers to the State Bank giving full reasons for non-utilisation on due dates supported by suitable documentary evidence, wherever available.

11. Effecting Remittances against Permits.

In all cases where permits are issued by the State Bank, it will be in order for the Authorised Dealers to effect remittances against the permits subject to report on form 'M'. Authorised Dealers must state on form 'M' the number of the permit against which the remittance has been made and also certify that the remittance has been endorsed on the permit. The remittance must be endorsed on the reverse of the permit giving the amount and date of remittance under their stamp and signature. When the permit is exhausted, it should be returned to the State Bank by the Authorised Dealers alongwith the form 'M' on which the last remittance is reported. In all cases where the purpose for which the permit was granted ceases to exist and no further remittances are required or are permissible, the unutilised permit should be returned to the State Bank with an advice that the permit should be cancelled.

12. Period of validity of approval by the State Bank.

All Authorisations given by the State Bank are valid for a period not exceeding 30 days from the date of approval unless they are expressly approved as valid for a specified longer period or unless they have been revalidated for a further period. Similarly, permits issued by the State Bank are also valid for specified periods as stated on the permit. Authorised Dealers should not effect any remittance against approved forms, permits etc., which have been lapsed unless they have been duly revalidated.

13. Release of Foreign Exchange for Travel Abroad.

Foreign exchange is issued to the travellers against specific or general approval given by the State Bank. It may be drawn in any foreign currency equivalent to the sanctioned amount exclusively in the forms specified in paragraph 44 of Chapter XVII. In cases where a traveller desires to draw foreign exchange partly in foreign currency instruments and partly in foreign currency notes, Authorised Dealers will prepare two separate 'T-1' forms. In the portion meant for their certificate, the Authorised Dealers will give on both the 'T-1' forms a suitable indication as to the amounts of foreign exchange released in foreign currency instruments and notes. The 'T-1' forms will be attached with Schedules E-3 annexed to Summary Statements S-1 and S-6. In the case of sale of foreign exchange partly in foreign currency instruments and partly in foreign currency notes against specific approval issued by the State Bank, a photocopy of the State Bank's sanction will also be made. Authorised Dealers will give a suitable indication to this effect, both on the original sanction as well as its photocopy which will be attached with the

relative 'T-1' forms and surrendered to the State Bank alongwith the monthly returns of foreign exchange transactions.

14. Processing of Approvals given on one Authorised Dealer's Form by another Authorised Dealer.

There may be instances where a traveller or a remitter might approach an Authorised Dealer for issue/remittance of foreign exchange against approved form 'T-1' or 'M' bearing the identifying prefix and serial number of another Authorised Dealer. While releasing/remitting foreign exchange against such form 'T-1' or 'M', Authorised Dealers should insert their own identifying prefix and serial number borne on one of the blank 'T-1' or 'M' forms in their possession, and score out the prefix and serial number already appearing on approved form 'T-1' or 'M' under proper authentication. The Authorised Dealers should, however, destroy that blank form 'T-1' or 'M' whose serial number is so inserted by them.

15. Reporting of Remittances.

Authorised Dealers should submit to the State Bank alongwith the appropriate returns as laid down in Chapter XXII, forms 'M', 'T-1' and 'I' as the case may be, in cover of each remittance effected by them. Where remittances are approved by the State Bank, the approved forms should be submitted in original. Where approval is given by the State Bank by letter or through issue of permit, particulars of the letter or of the permit should be given on the appropriate form before submitting it to the State Bank with the returns.

16. Cancellation of Outward Remittances.

In the event of any outward remittance which has already been reported to the State Bank being subsequently cancelled, either in full or in part, Authorised Dealers must report the cancellation of the outward remittance as an inward remittance. The return in which the reversal of the transaction is reported should be supported by a letter giving the following particulars:

- (a) The date of the return in which the outward remittance was reported.
- (b) The name and address of the applicant.
- (c) The amount of the sale as effected originally.
- (d) The amount cancelled.
- (e) Reasons for cancellation.

17. Cancellation of Inward Remittances.

In the event of any inward remittance which has already been reported to the State Bank, being subsequently cancelled either in full or in part, because of non-availability of the beneficiary, Authorised Dealers must report the cancellation of the inward remittance as an

outward remittance on form 'M'. The return in which the reversal of the transaction is reported should be supported by a letter giving the following particulars:

- (a) The date of the return in which the inward remittance was reported.
- (b) The name and address of the beneficiary.
- (c) The amount of the purchase as effected originally.
- (d) The amount cancelled.
- (e) Reasons for cancellation.

18. Utilisation of Exchange for the purpose it is obtained.

Where any foreign exchange is acquired by any person other than an Authorised Dealer for any particular purpose or where any person has been permitted conditionally to acquire foreign exchange, the said person will not use the foreign exchange so acquired otherwise than for that purpose or fail to comply with the prescribed conditions. In cases where the foreign exchange so acquired cannot be used in full or in part for the purpose for which it was acquired or any of the conditions subject to which the foreign exchange was released cannot be complied with, the foreign exchange should immediately be surrendered to an Authorised Dealer.

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CHAPTER XI

DEALINGS IN FOREIGN CURRENCY NOTES AND COIN ETC.

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 4. Non-convertible Currency Notes.
 5. Authorised Dealers' requirements of Foreign Currency Notes.
 6. Sale to Public.
 7. Sale to other Authorised Dealers.
 8. Disposal of Surplus Notes.
1. Authorised Dealers and Money Changers.

(i) Authorised Dealer's licence to deal in foreign exchange includes an authority to deal in foreign currency notes and coins as well. This chapter sets out the regulations, which govern the purchase and sale of foreign currency notes and coins.

(ii) Besides Authorised Dealers, the State Bank has granted Authorised Money Changer's Licences to Pakistan nationals and resident Pakistani firms/companies to purchase and sell foreign currency notes and coins. They are required to follow the code of conduct prescribed for them vide Chapter II.

2. Purchase from the Public.

All incoming passengers, whether Pakistani or foreign can bring with them without any limit foreign currency notes, coins and other instruments which should be freely purchased by the Authorised Dealers against payment in Rupees. In all cases Authorised Dealers should issue a certificate of encashment in the prescribed form (Appendix V-10) and if so desired by the travellers, the purchase should be endorsed on the traveller's passport. In cases where the foreign currency offered for sale by a traveller had been originally obtained from an Authorised Dealer, the repurchase should be endorsed on the traveller's passport in the case of Pakistan nationals only.

3. Purchase from other Authorised Dealers and Money Changers.

Authorised Dealers may also purchase foreign currency notes, coins and other instruments freely from other Authorised Dealers and Money Changers.

4. Non-convertible Currency Notes.

Many countries have restrictions on import of their own currency notes and do not also allow their repatriation through banking system. Surplus collection of such foreign currency notes can be disposed of in the international centres at market rates. Authorised Dealers should arrange with their overseas branches or correspondents to keep them fully informed of such restrictions on import and repatriation as also about demonetisation, currency re-organization etc., in foreign countries. Such information may also be passed on by the Authorised Dealers to those Authorised Money Changers who are their customers. Authorised Dealers should regulate the sale of foreign currency notes etc., to travellers keeping in view the restrictions of the respective countries so that they are not put to any loss or inconvenience on arrival in the foreign country concerned.

5. Authorised Dealers' requirements of Foreign Currency Notes.

Authorised Dealers may replenish their stocks of foreign currency notes for meeting the requirements of their customers either by purchasing them from other Authorised Dealers or by importing them from their overseas branches and correspondents.

6. Sale to Public.

Authorised Dealers may sell foreign currency notes and coins to persons proceeding abroad within the amount of foreign exchange sanctioned by the State Bank or released by the

Authorised Dealers under the authority delegated to them in Chapter XVII subject to compliance of the provision of paragraph 44 of that chapter.

7. Sale to other Authorised Dealers.

Authorised Dealers may freely sell foreign currency notes and coins to other Authorised Dealers.

8. Disposal of Surplus Notes.

When Authorised Dealers are unable to dispose of their holdings of foreign currency notes by sale to the public or other Authorised Dealers, they may dispatch such surpluses to their agents or correspondents abroad for crediting their value to their foreign currency accounts.

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CHAPTER XII

EXPORTS

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1. General.

The Government of Pakistan have, by their Notification Nos.I(6)-ECS/48 and I(7)ECS/48 both dated the 1st July, 1948 issued in pursuance of Section 12 of the Act, prohibited the export by post and otherwise than by post, of any goods either directly or indirectly, to any place outside Pakistan, unless a declaration is furnished by the exporter to the Collector of Customs or to such other person as the State Bank may specify in this behalf that foreign exchange representing the full export value of the goods has been or will be disposed of in a manner and within a period specified by the State Bank. This chapter deals with the regulations governing exports from Pakistan.

2. Exports exempted from foreign Exchange Regulations.

The prohibition mentioned above does not apply to exports to Afghanistan, exports to Iran by land route under special arrangement and to the export of:

- i) Bonafide trade samples of articles exported as such by an exporter registered under the Registration (Importers and Exporters) Order, 1993 as amended from time to time, or who has been exempted from registration thereunder provided the FOB value of samples supplied free of charge does not exceed the limit notified by the Ministry of Commerce from time to time. Leather garment manufacturers are entitled to export 50 (fifty) samples in a calendar year irrespective of monetary ceiling.
- ii) personal effects whether accompanied or unaccompanied of travellers,
- iii) ship stores and transshipment cargo,
- iv) goods shipped under the orders of the Government of Pakistan or of such officers as may be appointed by the Government of Pakistan in this behalf or of the Military, Naval or Air Force authorities in Pakistan for Military, Naval or Air Force requirements. In the case of export by post, a certificate signed by a Gazetted Officer or by any person entitled to use service postage stamps should be pasted on the outer cover of the parcel to the above effect,
- v) gift parcels where they are accompanied by a declaration by the sender that the contents of the parcel are of a value not exceeding the ceiling notified by the Ministry of Commerce for gift parcels and that the dispatch of the parcel does not involve any transaction in foreign exchange, and
- vi) where the packet is covered by a certificate issued by the State Bank to the effect that the export of the parcel does not involve any transaction in foreign exchange.

Customs authorities will not allow exports without declaration on the export forms except in the cases listed above.

3. Export Control Regulations.

Exchange policies regarding exports cover all goods exported from Pakistan irrespective of whether they are subject to licence under the Export Trade Control Regulations or not. Similarly, nothing in the Exchange policies relieves the exporters from the necessity of complying with the Export Trade Control Regulations as laid down by the Government from

time to time, including the necessity of obtaining an export licence wherever necessary. The Government of Pakistan has under the Export Trade Control Regulations banned exports to Israel.

4. Registration of Exporters.

Under the Registration (Importers and Exporters) Order, 1993, as amended from time to time, no person can export any goods from Pakistan unless he is duly registered as an exporter with the Export Promotion Bureau. Authorised Dealers should, therefore, ensure before certifying any export form 'E' as required in para 8 ibid that the person is so registered. The registration number should be quoted on the relative export forms.

5. Forms Prescribed for declaring Exports.

As required under the Federal Government Notification Nos.I(6)-ECS/48 and I(7)ECS/48 both dated the 1st July, 1948 the exporters are required to declare their exports to the Customs/Postal authorities in form 'E' (Appendix V-11).

6. Method and period of Payment.

(i) Full export value of goods exported from Pakistan and declared to the Custom authorities should be received in an approved manner, as embodied in State Bank's Notification No. F.E. 3/2001-SB dated the 28th September, 2001 on the due date for payment or within six months from the date of shipment/posting, whichever is earlier, or within a period as may be prescribed by the State Bank through specific or general instruction, through an Authorised Dealer either in convertible foreign currency in which the Authorized Dealer maintains accounts or in U.S. Dollar or in Pakistan rupee from a non-resident bank account. However, where the terms of sale/irrevocable letter of credit provide for payment on 180 days' usance/270 days' usance in the case of Hand Knotted Carpets, from the date of shipment/posting, it shall be permissible for the exporter to repatriate the export proceeds within 195/285 days from the date of shipment/posting. Similarly, in the case of exports to South American countries Authorised Dealers may certify Form 'E' if the letter of credit provides for payment on 270 days sight/usance from the date of shipment and the export proceeds may be repatriated within 285 days from the date of shipment. Prior approval of the State Bank should be obtained before arranging for payment in any manner other than that indicated above.

(ii) As an exception to the above, payment for goods exported to countries other than those with which Pakistan has special payment arrangements e.g. Asian Clearing Union member countries etc., may also be accepted from foreign currency accounts maintained with banks in Pakistan including an account maintained by the exporter himself. The transaction shall be reported first on Schedule E-4 as payment to the account holder and simultaneously on Schedule A-1/A-2 as purchase on account of export proceeds.

(iii) Where the terms of sale provide for payment earlier than six months, Authorised Dealers may allow extension in the realisation period if they are satisfied with the explanation given for delay in realisation, provided such extension does not extend the period beyond six months from the date of shipment.

7. Retention period of Export Proceeds.

It is permissible for exporters to retain the export proceeds including 'Advance Payments' in foreign currency with an Authorised Dealer in Pakistan for three working days and to sell the same within this period to any Authorised Dealer. The foreign currency so retained shall be kept by the Authorised Dealers in 'Special Exporters' Account' outside their 'Exposure' limits.

8. Certification of Export Forms by Authorised Dealers.

i) Before the export forms are lodged by the exporters with the Customs/Postal authorities all the copies thereof are required to be certified as under by the Authorised Dealers:-

a) Certified that the above exporter(s) is/are known to us, that he/they is/are bonafide businessman/businessmen in Pakistan and that he/they has/have made arrangements with us for the realisation of the export proceeds, of the goods declared on this form on the due date for payment or within six months from the date of shipment/posting, whichever is earlier, in accordance with the State Bank's Notification No. FE. 3/2001-SB dated the 28th September, 2001 and that we are satisfied with said arrangements. We have also satisfied ourselves about the bonafides of the importers/consignees abroad and their credentials etc.

b) We undertake to ensure that export proceeds against shipment on firm contract shall be received by us on the due date for payment or within six months from the date of shipment/posting, whichever is earlier, in accordance with the State Bank's Notification No. FE 3/2001-SB dated the 28th September, 2001. In the event of non-compliance due to reasons beyond our control we shall furnish to the State Bank of Pakistan a full explanation as to the reasons and circumstances resulting in our inability to comply.

c) We undertake that in the event of non-realisation of export proceeds against shipment on consignment sale within the stipulated period of six months, we shall obtain from the exporter(s) and furnish to the State Bank of Pakistan a full explanation as to the circumstances resulting in non-realisation. We further undertake that in the event of short realisation, we shall obtain from the exporter(s) and furnish to the State Bank of Pakistan a fully documented account sale certified by the consignees/Chamber of Commerce of the country of import.

ii) Authorised Dealers shall not certify any export form unless they have satisfied themselves with regard to the following:

(a) Arrangements have been made for realisation of export proceeds of the goods covered by the relative export forms.

(b) Bonafides of the importers/consignees abroad and their credentials have been verified. Wherever necessary they should make discreet enquiries through their foreign correspondents. In case of shipments against T.R. (Trust Receipts) or D.A. (Documents against Acceptance) greater care should be exercised by the Authorised Dealers in certifying the relative export forms. Where Authorised Dealers doubt the bonafides or standing of the importers/consignees or where they suspect collusion with the intent to evade or delay repatriation of full export proceeds, they should report such cases promptly to the State Bank.

(c) Arrangements have been made for receipt of documents of title to goods like Railway Receipt, Bill of Lading, Airway Bill and Truck Receipt.

(d) Genuineness of the charter party where shipment is to be made against a charter party Bill of Lading has been verified. Discreet enquiries should be made about the carrier and the importers as indicated in sub-paragraph (b) above to safeguard against any loss of cargo or foreign exchange in such cases.

(e) The export form has been signed by the exporter or his authorised agent. The signatory should disclose his status/capacity in the concerned firm/company etc., i.e. Director/Partner/Proprietor/Manager etc. In case the form is signed by the agent of the exporter, it should be ensured by the Authorised Dealers that he holds a valid legal power of attorney from the exporter & the terms of the power of attorney are such that the exporter as well as the attorney can be held responsible severally and jointly for the repatriation of the export proceeds to Pakistan.

(f) Letter of credit for export to Asian Clearing Union member country has been received under the ACU Arrangement, unless the export is covered by a loan/credit extended to the importing country by International Agencies like IBRD/Asian Development Bank etc., in which case letters of credit will be established envisaging payment in convertible currencies outside the Asian Clearing Union Arrangement.

(g) In the case of re-export of imported goods, the conditions laid down by the Ministry of Commerce through the existing export policy have been complied with.

9. Export by Country Craft, Motor Launch or Truck.

Authorised Dealers can also advise letters of credit or confirm arrangements and certify export forms for exports by means of country-craft or motor-launch or truck subject to normal procedure followed in case of exports.

10.(i) Printing and Distribution of Export Forms.

Head/Principal Offices of Authorised Dealers are required to maintain a complete record of all export forms printed by them and of their distribution to their branches and customers. For this purpose, they should maintain a Stock Register which should show branch-wise distribution of the export forms. It is the responsibility of the Head/Principal Offices to keep their branches adequately stocked with the export forms.

(ii) Maintenance of Party-wise Record of Certified Export Forms.

Authorised Dealers should maintain another register for recording therein the particulars of export forms issued and certified by them in respect of each exporter. In this register they should record against each form the date of submission of the export documents in cases where shipments have been made, or of the surrender of complete set of export forms in cases where goods have not at all been entered for shipment or of submission of complete "shut-out notice" in cases where the goods have been entered for shipment but have been shut-out. Against each export form, the Authorised Dealers should also indicate the date of realisation of

the export proceeds wherever the documents are negotiated or collected through them. In cases where none of the above documents are received by them within the period of 21 days from the date of certification on the relative export forms, the Authorised Dealers should immediately get in touch with the exporter concerned to ascertain whether or not the shipment has been effected. If the Authorised Dealer is satisfied that the exporter has not yet been able to ship the goods against the certified export form, it should make a suitable notation against the entry in the register of the relevant certified export form and follow it up till the documents referred to above are submitted to it. All other cases where the exporters do not respond to the notices of the Authorised Dealers should be reported to the State Bank on monthly basis in the prescribed form (Appendix V-12).

11. Making out and Delivery of Shipping Documents.

In exercise of the powers vested in it under Section 20(3) of the Act, all carriers whether common or private (railway, steamship, motor trucking or airline companies) and their agents have been directed by the State Bank as under:

(i) (a) In respect of export of goods from Pakistan to foreign countries by land route or by sea, the Railway Receipts, Bills of Lading, Truck Receipts or any other documents of title to cargo should be drawn only to the order of an Authorised Dealer designated for the purpose by the exporter. This restriction will not apply if the exporter produces a certificate to the carrier from the Authorised Dealer concerned in the prescribed form (Appendix V-13). The certificate will be issued by the Authorised Dealer only if the shipment is being made against an advance payment or against an irrevocable Letter of Credit which calls for drawing of documents of title to cargo to the order of the opening bank, or the importer, or the exporter or to order and blank endorsed. In all cases the railway receipt, bill of lading and other documents of title to cargo should be delivered by the carriers to the authorised representative of the Authorised Dealer concerned holding authority letter for collecting these documents.

(b) A Seaway bill may be accepted by the Authorised Dealers if the export is being made against receipt of advance payment or against an irrevocable letter of credit opened/confirmed by a reputable bank abroad, envisaging payment on the basis of seaway bill.

(ii) In respect of export of goods to foreign countries by air, the airway bills and any other documents of title to cargo should be drawn to the order of a bank in the country of import nominated by the Authorised Dealer designated for this purpose by the exporter. However, in the case of export of goods against advance payment or against irrevocable letter of credit which contains a condition that the airway bill and other documents should be drawn to the order of the importer abroad, the airway bill and other documents of title to cargo may be drawn to the order of the importer abroad, provided the exporter produces to the carriers a certificate to this effect from the Authorised Dealer concerned in the prescribed form (Appendix V-13). In all cases the airway bill and other documents of title to cargo will be delivered by the carriers to the authorised representative of the Authorised Dealer concerned holding authority letter for collecting these documents.

(iii) The directions contained in sub-paragraphs (i) and (ii) do not apply to the following cases:

- (a) Bonafide trade samples provided the F.O.B. value of each consignment supplied free of charge does not exceed the limit prescribed by the Ministry of Commerce.
- (b) Personal effects, whether accompanied or unaccompanied, of travellers.
- (c) Ship stores and transshipment cargo.
- (d) Goods shipped under the orders of Federal Government or of such officers as may be appointed by the Federal Government in this behalf or by Military, Naval or Air Force authorities in Pakistan for Military, Naval or Air Force requirements.
- (e) Exports covered by exemption certificates issued by the State Bank.
- (f) Exports of fresh fish, vegetables, fruits, poultry and other goods of perishable nature.
- (iv) In case where irrevocable Letter of Credit contains a condition that documents shall accompany a certificate from the beneficiary stating that one original (1/3rd or 2/3rd) Bill of Lading or Airway bill has been dispatched to the buyer/consignee, Authorised Dealers may allow dispatch of original 1/3rd or 2/3rd Bill of Lading or Airway Bill to the party named in the letter of credit only after the documents have been presented for negotiation under the letter of credit.

12. Export of Software.

i) The following procedure will be adopted for the export of computer software and realisation of the proceeds of such exports:

- (a) The Software houses/companies will get themselves registered with the concerned area office of the Exchange Policy Department.
 - (b) Whenever an exporter concludes an agreement for the export of software, he will submit a copy of the same to the area office for information.
 - (c) Each exporter will submit a monthly statement of his exports/earnings in the prescribed form (Appendix V-14) alongwith the Export Proceeds Realisation Certificates issued by the Authorised Dealer through which the value of exported software is repatriated to Pakistan.
- ii) It is permissible for exporters of software to retain amounts upto 35% of their export earnings in Special Exporters Foreign Currency accounts opened with the Authorised Dealers exclusively for payment of commission/discount to the overseas agents/buyers and to use the same to meet other expenses such as promotional publicity, import of Hardware/Software, foreign consultant's fee etc.

13. Exports to Afghanistan.

As stated in paragraph 2 *ibid*, exports to Afghanistan are not required to be declared on form 'E'. In the case of any foreign exchange becoming due to an exporter against such exports, he is required to repatriate the same to Pakistan and sell it to an Authorised Dealer against

payment in Pakistan currency. Exports to the Central Asian Republics via Afghanistan by land route would, however, be subject to declaration on form 'E'.

14. Endorsement of Shipping Documents by Authorised Dealers.

The Authorised Dealers to whose order the relative railway receipts, bills of lading etc., are drawn shall endorse the same to the order of their foreign correspondent but in no case shall they make any blank endorsement thereon or endorse them to the order of the consignor unless they have obtained specific or general approval of the State Bank. However, in the case of exports through third country intermediary i.e. under merchanting arrangements, it will be in order for Authorised Dealers to make blank endorsement where advance payment has been received or where documents are negotiated under letters of credit which call for such blank endorsement.

15. Functional Utility of the Copies of Form 'E'.

All exports from Pakistan which are subject to Foreign Exchange regulations are required to be declared on Form 'E' which is in sets of four copies each. The exporter should submit the full set of Form 'E' to the Authorised Dealer for certification as described in paragraph 8 (i) *ibid* only after it has been completed and signed by the exporter himself or his authorised agent. While certifying Form 'E', Authorised Dealers should ensure that exporters give only one address in Form 'E'. After the form is certified by the Authorised Dealer, it should be submitted to the Customs/Postal authorities at the time of shipment alongwith the shipping bill. The Customs authorities will detach the original copy and after filling in the portion relating to them and affixing their seal and signature thereon forward it to the State Bank. The Customs authorities will return the duplicate, triplicate and quadruplicate copies to the exporter or his authorised agent who will retain the quadruplicate for his own record and submit the duplicate and triplicate copies to the Authorised Dealer alongwith the shipping documents within 14 days from the date of shipment. The Authorised Dealer will forward the triplicate copies of the export forms to the State Bank alongwith the monthly returns in which realisation of export proceeds is reported, retaining the duplicate for his record. In cases where receipts of export proceeds are reported by an Authorised Dealer in respect of exporters residing in the jurisdiction of an area office of Exchange Policy Department other than that to which the returns are being submitted, separate area-wise schedules A-1/A-2 with one additional copy will be prepared and submitted to the Exchange Policy Department. The name of the area office of Exchange Policy Department to which the schedules pertain will be prominently indicated on top thereof.

16. Submission of Export Documents to Authorised Dealers.

All shipping documents covering goods exported from Pakistan and declared on Form 'E' must be passed through the medium of an Authorised Dealer within 14 days from the date of shipment. The exporter must submit the duplicate (bearing Customs seal and signature of Customs Officials with Code number) and triplicate copies of Form 'E' alongwith the shipping documents, invoices etc., to the Authorised Dealer who had certified the Form 'E'. An extra copy of the shipper's invoice must be attached to the triplicate copy of the Form 'E'. In the event of payment being received through an Authorised Dealer other than the one who had certified the export form, the Authorised Dealer negotiating or collecting the export documents should

convey the particulars of the export form to the Authorised Dealer which had originally certified the export form to enable the latter to make a suitable note in the relative register.

17. Scrutiny of Documents.

On receipt of the bill of lading/airway bill/railway receipt etc., alongwith the Form 'E' and the export documents, the Authorised Dealers should compare the bills and/or documents with the relative export form and satisfy themselves that they conform in all respects to the declarations made on the relative export forms and the amount of the bills and invoices is not less than the value declared on them. In the case of those commodities which are subject to Export Price Check (EPC) procedure, the invoice should also be compared with the EPC form approved/registered by the relevant authority, to ensure that the quantity, quality, value, destination and terms of sale/payment shown therein agree with those declared on the EPC form, and the quantity and value should be endorsed on the reverse of the EPC form. All such cases where the Authorised Dealers consider that the value declared to the Customs and accepted by them does not represent the true value of the goods should be promptly reported to the State Bank. The Authorised Dealers may, however, accept bills/documents for negotiation/ collection if the difference between the value stated on the relative export form and the amount of the bill/invoice represents legitimate adjustments on account of short weight or actual freight and other items of similar nature. Details of such adjustments must be given on the relative export forms and must be authenticated by the Authorised Dealers under their stamp and signature.

18. Exports subject to receipt of Advance Payments or Irrevocable Letters of Credit.

In the case of commodities export of which is permissible only on receipt of advance payment or irrevocable letter of credit, shipments will be allowed by the Customs only on the basis of the certificate of the Authorised Dealer on the export forms to the effect that either advance payment or irrevocable letter of credit has been received covering export of the goods mentioned on the export form.

19. Special Requirements for Export of Wool and other Commodities subject to Grading Scheme.

(i) Under the Wool Grading Scheme of the Government of Pakistan every exporter of wool is required to obtain a test report from the Government Test House for all shipments of wool intended for export whether on firm contract or on account basis. In all such cases the exporter of wool is required to forward to the State Bank through an Authorised Dealer a copy of the test report of the Wool Test House duly initialed by the Customs alongwith the invoice and triplicate copy of the relative export form. In the case of firm sales, the exporters should also mention in the invoice:

(a) the quality of wool,

(b) the rate per pound and

(c) yield basis on which the sale has been made.

Sale of wool on consignment basis is required to be made only by public auction through recognized Auction Houses abroad. Account Sale from these recognized Auction Houses should be forwarded to the State Bank alongwith the relative triplicate copy of the export form.

(ii) The procedure governing other commodities which may, in future, be subjected to Grading Scheme will be notified to Authorised Dealers separately.

20. Part Drawings and Advance Remittances.

(i) If it is customary in any particular trade for exporters to draw bills for only a percentage of the invoice value and to receive the balance after arrival of the goods at destination, Authorised Dealers may negotiate/collect bills in the part amount provided they obtain an undertaking from the exporters that they will realize the balance within the prescribed period. Authorised Dealers should report such part receipts on "Form 'E' not attached Voucher" on Schedule 'A-2'. It is the responsibility of the Authorised Dealers to follow up each such case and to ensure that the balance amount is also realised within the prescribed period. This exemption will not, however, apply in the case of shipments of those goods which are subject to either 100% advance remittance or to the opening of irrevocable letter of credit for the full amount of the export.

(ii) When a part of the invoice value has been received in advance by the shippers, the Authorised Dealers when negotiating/collecting documents for the balance should certify on the triplicate copy of the export form that part of the amount had been received by them in advance quoting reference to the return in which the receipt was reported on an "Advance Payment Voucher" (Chapter XXII).

(iii) In both the above cases the triplicate copy of the export form should be kept outstanding by the Authorised Dealer and submitted to the State Bank only after the full value of the export has been received.

21. Short Shipment.

Where a portion of a consignment is short shipped and the exporter consequently draws a bill or prepares an invoice for a quantity less than that declared on the relative export form, he should produce a notice of short shipment on the prescribed form duly certified by the Customs alongwith the shipping documents. In such cases, Authorised Dealers should negotiate/collect the shipping documents on the basis of short shipment notice. The Authorised Dealer will forward the short shipment notice to the State Bank alongwith triplicate copy of 'E' form while reporting the realisation of full value of the goods shipped. If the exporter fails to produce the short shipment notice alongwith the export documents, the Authorised Dealer may negotiate/accept the documents for collection but report full particulars of the case to the State Bank. The Authorised Dealer should, however, continue to follow up the case with the exporter for submission of short shipment notice.

22. Shipments Shut-out Entirely.

(i) Where a shipment to be made by a particular vessel is entirely shut-out and reshipped by another vessel, the exporter should apply on the prescribed form in duplicate to the Customs for permission to alter the name of the vessel on the relative export form and the shipping bill.

(ii) Where a shipment is entirely shut-out and is not being reshipped immediately by another vessel, the exporter should give a notice to the Customs in the prescribed form in duplicate. It will be the responsibility of the exporter concerned to produce to the Authorised Dealer who had certified the export form, a copy of the shut-out notice duly certified by the Customs within 21 days from the date of certification of the export form. On receipt of the shut-out notice, the Authorised Dealer should treat the relative export forms as cancelled and forward the shut-out notice to the State Bank.

23. Shipment lost or damaged in Transit.

(i) If shipments from Pakistan are lost in transit for which payment has not already been received, the Authorised Dealers must see that an insurance claim is made immediately the loss is known. The triplicate copy of the relative export form should be endorsed with the narration "Shipment Lost" under the stamp and signature of the Authorised Dealer and sent to the State Bank under a separate covering letter giving the following particulars and bearing running serial number:

(a) Name of the insurance company with which goods were insured.

(b) Amount of insurance and its currency.

(c) Place where claim is payable.

(ii) The Authorised Dealer who had certified the export form should pursue the matter with the shipper and ensure that in each case the exporter has received the insurance claim and produces encashment certificate, in cases where claims are paid in foreign currencies and Rupee payment certificate where settlements are made in Rupees. These certificates should be forwarded by the Authorised Dealer to the State Bank giving reference of relative export forms.

24. Advance Remittances against Exports.

i) In case of remittance received in advance for goods to be exported from Pakistan, Authorised Dealers should obtain a certificate in duplicate from the beneficiary on the Advance Payment Voucher (Appendix V-18) declaring the particulars of the intended export, before disbursing the amount to him. Both copies of the Advance Payment Voucher shall be authenticated by the Authorised Dealer. The original shall be surrendered to State Bank with the relative Schedule A-2, while the duplicate shall be returned to the exporter for production at the time of certification of Form 'E'. The Authorised Dealer which has disbursed the amount, shall ensure that Form 'E' is certified for export in accordance with the declaration made on the Advance Payment Voucher within a period of one year of receipt of advance payment and particulars of Form(s) 'E' viz. date of certification, value for which 'E' Forms certified and progressive un-utilised balance (where more than one Forms 'E' are certified) shall be endorsed on the duplicate copy of the Advance Payment Voucher. The triplicate copy of the 'E' Form will be surrendered to the State Bank under a covering letter alongwith a photocopy of the Advance Payment Voucher and the invoice.

ii) In case of payments received for export of fresh fruits/vegetables, it would be in order for the Authorised Dealers to certify 'E' Forms against Advance Payment received, even if the

detailed particulars of the 'Goods', their 'Quality' and 'Invoice Value' have not been filled in, provided the broad description i.e. 'Fresh Fruits', 'Fresh Vegetables', or 'Fresh Fruits/Vegetables' is declared in the relevant column. While certifying the 'E' Form, the following remarks would be added by the Authorised Dealers:-

'This form has been certified against the outstanding balance of _____ (Amount) out of the advance payment of _____ (Amount) received on _____ (Date)'.

There is no objection to the use of one 'E' form for export of both fresh fruits and vegetables if these goods form a single consignment. At the time of shipment, the exporter will fill in the required particulars in all copies of the 'E' Form and submit the duplicate and triplicate copies to the Authorised Dealer alongwith the shipping documents and an invoice. The Authorised Dealer will compare the details of the 'Goods', 'Quantity' and 'Invoice Value' and process the case as indicated in sub-para (i).

25. Exports Against Payments Tendered by Buyer in Person.

In case where payment for goods to be exported is made out of foreign exchange (excluding foreign currency notes) brought from abroad by a purchaser on person, the following procedure will be followed:-

i) The seller (exporter) will arrange the encashment of foreign exchange (excluding foreign currency notes) brought in by the foreign buyer with a bank in Pakistan.

ii) The Authorised Dealer while encashing foreign exchange will obtain an application in the prescribed form (Appendix V-19) from the foreign buyer and get the 'Advance Payment Voucher' completed by the seller.

iii) The Rupee proceeds will be credited to the account of the seller, if one is maintained with the encashing bank, or passed on to the bank with whom the seller maintains his account for credit thereto. Thereafter the Authorised Dealer will make out the prescribed certificate (Appendix V- 20).

iv) While reporting the receipt of foreign exchange as advance payment for export on Schedule A-2, the Authorised Dealer will attach the application and certificate (Appendices V-19 and V-20) with the "Advance Payment Voucher".

26. Export on D.A./T.R. Basis – Non-Payment by Foreign Buyer.

In case of exports on firm contract on D.A. or T.R. basis, Authorised Dealers, before certifying the export form, should ensure that the foreign buyer is of sound financial standing and enjoys good repute. Doubtful cases should be referred to the State Bank for instructions. Despite aforesaid precaution, if a foreign buyer refuses to accept the goods, the exporter should either make immediate arrangements for shipping the goods back to Pakistan or alternate buyer found with the approval of the State Bank. However, prior approval of the State Bank will not be necessary in cases where the consignment initially refused is taken up finally by the original consignee or an alternate buyer found provided that payment for the consignment is not less than 90% of its original value minus actual demurrage charges, if any. In those cases where

the foreign buyers default in making payment after taking delivery of the goods against their acceptance of the bill or T.R., Authorised Dealers shall consider the possibility of initiating legal action against the foreign buyers for recovery of export proceeds in consultation with the State Bank. To this end, Authorised Dealers should make arrangements for obtaining a suitable undertaking from the exporters at the time of certification of the Form 'E' for firm sales on D.A. or T.R. basis so that there is no hitch in initiating legal action in those cases where the foreign buyers have defaulted.

27. Verification of Export Proceeds Realisation Certificate.

Sometimes exporters are required to produce to the Government Departments evidence of exports and the realisation of their proceeds. In such cases proceeds realisation certificates may be issued by the Authorised Dealers in the prescribed form (Appendix V-21) after getting them authenticated by the State Bank. The State Bank will authenticate such certificates on the strength of certification made by the Authorised Dealers. The transaction would be post-facto verified by the State Bank with reference to the relative schedule/statement received from the concerned Authorised Dealer. To facilitate checking and verification of these transactions Authorised Dealers should quote the correct reference and the period of their schedule/statement in column 10 of the proforma at Appendix V-21.

28. Issue of Duplicate Export Proceeds Realisation Certificate.

In case of loss of original export realisation certificate, the State Bank on application would authorise issuance of duplicate thereof on the basis of undertaking given by the Authorised Dealer in the prescribed form (Appendix V-22). The word "Duplicate" will be prominently marked in indelible ink at the top of such certificates.

29. Payment of Freight in Rupees.

(i) Carrier companies will not accept payment of freight in Rupees on cargo shipped on C&F or CIF basis unless the exporter produces to them a certificate from an Authorised Dealer in the form given below:

"CERTIFIED that 'E' form Noin respect of shipment to be made by Messrs (Name of Exporter) has been stamped to the effect that the documents in respect of the shipment under this 'E' form shall be negotiated/accepted only if these are drawn on C&F or CIF and not on FOB basis".

(ii) Before issuing the above certificate, Authorised Dealer will invariably endorse the relative 'E' form in the following manner:

"Certified that documents in respect of the shipment under this form shall be negotiated/accepted only when these are drawn on C&F or CIF and not on FOB basis."

The carrier companies will invariably submit to the Authorised Dealer through whom remittance of surplus freight collection is desired to be made with the freight manifests the aforesaid bank's certificates alongwith the relative bills of lading which should be arranged according to the entries appearing in the freight manifest.

30. Reporting of Overdue Cases.

(i) The State Bank has prescribed the period within which full foreign exchange value of the exports must be realised. Non-realisation or delay in realisation of the export proceeds without the prior permission of the State Bank constitutes an offence and renders the exporters liable to action under the Act.

(ii) To enable the State Bank to review the position of all outstanding export bills, the Head/Principal Offices of Authorised Dealers will furnish to the State Bank every month the following statements:

(a) Statement showing the total figures of all export bills outstanding (including partly unrealised) relating to all their branches, at the end of each month in the prescribed form (Appendix V-15).

(b) Statement in the prescribed form (Appendix V-16) containing particulars of those export bills which have become overdue during the month under report. This statement will be prepared in respect of Authorised Dealer's branches according to the area office of the Exchange Policy Department given in para 4 of Chapter 1 and will be submitted in duplicate for each area separately. The outstanding export bills pertaining to each exporter should be listed in a sequence with exporter-wise totals and the grand total given at the end. However, the statement for the month of June each year should show particulars of all overdue export bills as on 30th June.

(c) Statement in Appendix V-17 showing particulars of those cases which were reported by Authorised Dealers as overdue in the previous statements but the items are deleted from their books during the month under report either due to realisation of the proceeds or under instructions from the State Bank.

The above statements in Appendices V-15, V-16 and V-17 should reach the Exchange Policy Department (Central & Statistics Section), State Bank of Pakistan, Central Directorate, Karachi by the 15th of the month following that to which they relate. It will be the responsibility of the Authorised Dealers to see that the above statements are submitted to the State Bank on due dates and that all cases of exports which become overdue are invariably incorporated in these statements and that there is no omission in this regard. The statements in forms V-16 and V-17 will additionally be submitted on floppy diskettes.

31. Export of Jewellery, Precious or Semi-precious Stones.

Export of gold jewellery/precious and semi-precious stones will be allowed in accordance with the procedure notified by the Government of Pakistan and the instructions issued by the State Bank from time to time.

32. Remittance of Export Commission, Brokerage and Discount.

(i) Authorised Dealers are permitted to allow payment of commission/brokerage/discount due to foreign importers/or agents by exporters in Pakistan at the following rates:

Maximum rate of
commission etc.

(a)
Books, journals and magazines.
Upto 33 1/3 %

(b)
Engineering goods (Electrical and Non-electrical).
Upto 10 %

(c)
Sports goods, surgical instruments, cutlery, leather goods, ready-made garments and other
textile made-ups, carpets and plastic manufactures.
Upto 7 %

(d)
Cotton.
Upto 2 %

(e)
All other goods except cement.
Upto 6%

Cases not covered by the above instructions should be referred to State Bank with full facts and documentary evidence necessitating the payment of commission at a higher rate.

(ii) Authorised Dealers can allow payment of commission etc., upto the above extent without the prior approval of the State Bank as under after satisfying themselves that the payment is in conformity with the relative agreement between the exporter and the buyer/agent abroad:

(a) By deduction from the invoices where payment is to be made to the foreign buyers themselves. In such cases the net amount realised will only be reported as "Purchase".

(b) By instructing the negotiating bank abroad that the amount of commission etc., may be paid by them to the agents direct out of the proceeds of the bill. In such cases the Authorised Dealers should report the full export proceeds of the bill as "Purchase" and the amount of commission should be reported as "Sale".

(c) By remittances from Pakistan, when the full export proceeds are received within ninety days of the receipt of export proceeds. The Authorised Dealers should report the full export proceeds of the bill as "Purchase" and the amount of commission remitted should be reported as "Sale".

Where remittance is not made as provided herein, approval of the State Bank in accordance with the provisions of paragraph 7 of Chapter XIV shall be obtained. It should, however, be noted that in the case of exports under special trading agreements, commission is payable only through the special accounts opened for settlement of related transactions.

(iii) In cases where the exporter is not required to pay commission or where he is required to pay an amount less than the maximum permissible limits, such amounts of commission/differential not exceeding 6% of the FOB value of goods realised can be retained in foreign currency account with Authorised Dealers in Pakistan. The funds held in such foreign currency accounts can be used by the exporters for promotional publicity, collection of commercial intelligence, purchase of designs/patterns, market studies, bonafide export claims and shortfall in realisation of export proceeds, without any approval from the State Bank. The foreign currency accounts so opened will be fed exclusively with the amount of commission on exports and no other deposits, whatsoever the nature, will be accepted for credit to such foreign currency accounts. This facility is also available where export proceeds are realised under ACU Arrangement.

(iv) 'Physicians' Free Sample' may be supplied alongwith consignments of drugs and medicines being exported by the pharmaceutical companies, upto the extent agreed to between exporters and foreign buyers/agents.

33. Export of Services.

Exporters of services such as Financial Services, Wholesale Distribution and Retail Trade, Transportation, Storage and Communications, Tele-communication Services, Medical Services, Educational Services, Engineering Services, Real Estate Development, Hotel and Tourism/Tourism Related Services, Technical Testing Facilities and Consultancy Services etc. are authorised to retain 35% of their net foreign exchange earnings in foreign currency accounts with Authorised Dealers in Pakistan. The Authorised Dealers should ensure that such funds are utilized only for payment of commission/discount and for meeting other expenses such as promotional publicity, foreign consultant's fee etc.

33.A. Retention of a part of incremental export earnings.

Those exporters who post at least 10% growth in their net foreign exchange earnings in terms of US dollar over the last year's export performance may be allowed by the State Bank to retain 50% of their additional export earnings in their foreign currency account maintained with Authorised Dealers in Pakistan. For claiming this facility, the Exporter/Group will work out on aggregate basis in the context of companies/firms having common Directors/Partners/individual company owned by the single owner having substantial equity, and will prepare a Bank-wise statement in the prescribed form (Appendix V-23 A) showing the performance of previous financial year and current financial year. They are also required to submit a consolidated statement in the prescribed form (Appendix V-23 B) to the Exchange Policy Department alongwith the 'performance' in original for issuance of formal permission to the exporter to retain 50% of their additional export earnings in their foreign currency account from their future export earnings in the designated bank. This facility will be available in addition to the one available in terms of paragraph 32 (iii) *ibid*.

34. Private Commodity Exchange Arrangement With Foreign Parties.

(i) It is permissible for private parties in Pakistan to enter into Commodity Exchange Arrangement (CEA) with foreign parties (including undertakings controlled by foreign governments and public sector agencies but excluding foreign governments). The Ministry of

Commerce will prescribe, from time to time, a negative list of commodities which cannot be exported under this scheme.

(ii) Applications for conducting transactions through Private Commodity Exchange Arrangement may be submitted to the Exchange Policy Department (Policy Division, Central Directorate, Karachi) through banks authorised to deal in foreign exchange, for approval alongwith copies of Export/Import Registration Certificates, the past performance showing the value of exports made by the applicant in each year during the preceding three financial years duly certified by their bankers, and the recommendation of the bank whether in view of its past dealings, the party may be given permission to conduct business through private Commodity Exchange Arrangement. Exporters having less than three continuous years export performance would not be eligible. A copy of the agreement entered into between the party in Pakistan and the counter-party in the concerned country abroad will also be required to be submitted. In the case of both exports and imports by the party in Pakistan, the normal laws, regulations, rules governing such export/import will continue to be applicable barring the exemptions granted in this paragraph. The approvals will be given by the State Bank in the format appearing at (Appendix V-23 C)

(iii) The party permitted to undertake business transactions under such arrangement will be exempt from the existing requirement of drawing the documents of title to export cargo to the order of an Authorised Dealer in case of export, and it can also receive the import documents from the counter-party direct. Authorised Dealers shall also be required to certify Form "E" in the modified form as indicated in the Appendix V-23 C. The parties will ensure that imports at least equal to the value of exports are made by them within the period prescribed from time to time for repatriation of export proceeds failing which the value of exports should be repatriated in convertible foreign currency within the prescribed period.

(iv) The party will nominate an Authorised Dealer to maintain proforma account in its name for the purpose of accounting the trade transactions. Separate proforma account will be maintained in respect of each Commodity Exchange Arrangement. The concerned Authorised Dealer will be required to submit a monthly statement in duplicate in the prescribed form (Appendix V- 23 D) in respect of each CEA showing:-

a) the value of goods exported, alongwith the copies of invoice and duplicate 'E' Forms;

b) the value of goods imported from abroad alongwith copies of the invoices, non-negotiable copies of bills of lading and photocopies of Exchange Control copy of Customs Bills of Entry evidencing import of the goods into the country;

c) the opening and closing balances.

While forwarding the above statements to the State Bank of Pakistan, the Authorised Dealer will code the items exported/imported.

(v) It is clarified that no forward exchange facility either for export or import transactions shall be admissible. Export under the scheme is not eligible for the purpose of Export Refinance Scheme.

(vi) The withholding tax leviable on the export as per the Notifications issued by the Central Board of Revenue from time to time will be recovered by the Authorised Dealers at the time of passing the entry in the account in respect of exports from Pakistan.

35. Internet Merchant Accounts.

In order to promote Business-to-Consumer (B2C) e-Commerce in Pakistan, banks operating in Pakistan can open and operate Internet Merchant Accounts. In this connection the following parameters are to be observed meticulously:-

(a) Merchants desirous of opening an Internet Merchant Account with a bank in Pakistan can open the same either in local currency or in US\$ for the purpose and, in addition to observance of normal procedure for opening an account, will be required to submit a copy of their NTN Certificate to the bank.

(b) Merchants must be engaged in a business permissible under laws of Pakistan.

(c) Merchants must have a registered place of business in Pakistan.

(d) Merchants intending to export goods/services must provide a copy of export registration certificate from the Export Promotion Bureau (EPB).

(e) For the present, merchants desirous to undertake transactions outside Pakistan will be required to submit 'E' forms for transactions of value less than US\$ 500 each to their bank who shall submit the same in consolidated form on monthly basis to SBP. Each 'E' form for the aforesaid accounts should specifically indicate the words "E-Commerce" on the upper left corner.

(f) Banks shall recover charges for Internet Merchant Accounts strictly in accordance with Prudential Regulation X. Any clarification with regard to bank charges on these accounts may be obtained from the Director, Banking Supervision Department, SBP, CD, Karachi.

(g) The banks shall be responsible for reporting business through the Internet Merchant Accounts to the Exchange Policy Department, State Bank of Pakistan on monthly basis as per proforma appearing at Appendix V-24.

(h) The banks shall be responsible for reporting any suspected transactions against the laws of the country, as per Prudential Regulation XII.

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CHAPTER XIII

IMPORTS

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1. Scope of Chapter.

This chapter sets out the regulations relating to sale of foreign exchange by the Authorised Dealers against import of goods into Pakistan from any country.

2. Import Trade Control.

Import of goods into Pakistan is regulated by the Ministry of Commerce, Government of Pakistan, under the Imports and Exports (Control) Act, 1950 and the notifications issued thereunder. No import is permissible from Israel or from any other country, which may be notified by the Ministry of Commerce. Import of goods originating from any of these countries/sources is also prohibited. Imports from India are regulated as notified by the Ministry of Commerce, Government of Pakistan from time to time.

3. Registration of Importers.

No person can import goods into Pakistan unless he is registered with the Export Promotion Bureau, under the Registration (Importers and Exporters) Order, 1993 or exempted from the provisions of the said Order. Authorised Dealers should, therefore, verify that the importer is registered or otherwise exempted before any letter of credit is opened/contract registered or remittance made on his behalf for imports into Pakistan. Authorised Dealers should ensure that the registration number of the importer is invariably furnished on Form 'I'. Where the importer has been granted an exemption, a suitable mention of this fact should be made on Form 'I'.

4. Classification of Imports.

Before establishing any letter of credit/registering contracts, Authorised Dealers should take all precautions to ensure that the goods to be imported under it are clearly classifiable under the Import Trade Control Schedules. In all cases of doubt, reference should be made either by the Authorised Dealer or the importer direct to the Export Promotion Bureau. Failure to do so may result in confiscation of goods or imposition of penalty for violating the provisions of the I.T.C. regulations. In all such cases establishment of letter of credit/registration of contract and/or making of remittance will also constitute infringement of the Foreign Exchange regulations.

5. Terms of Imports.

Subject to the provisions of this Chapter, imports can be made on FOB basis, CFR liner terms basis or CFR free out basis. However, prior permission of the State Bank shall be obtained for import of sugar and food grains (cereals) on CFR free out basis.

6. Modes of payments for imports.

Payment for imports may be made either through letters of credit, without letters of credit against documents received for collection on the basis of registration of contracts, or as clean remittance without opening of letter of credit and without registration of contract, as described in detail in the subsequent paragraphs.

7. Letters of Credit to be opened only against Firm Contracts.

Authorised Dealers should ensure before opening a letter of credit that in each case a firm commitment exists. For this purpose, they should ensure that an invoice, order or indent has been issued by an indenter duly registered as importer under Registration (Importers and Exporters) Order, 1993 and it bears registration number of the indenter concerned. It is also permissible to open a letter of credit on the basis of proforma invoice/order issued/accepted by the foreign supplier. Authorised Dealers should also ensure that while opening letters of credit, full description of the goods to be imported is given in each credit alongwith their prices. In all cases where the amount of the letter of credit is Rs.1,500,000/- or over, Authorised Dealers should obtain a confidential report on the exporter from their branches or correspondents abroad or in their discretion satisfy themselves as to the standing of the shipper by consulting standard books of reference issued by international credit agencies such as Seyds, Dunn and Bradstreet. Such reports should be obtained by the Authorised Dealers themselves and the reports if submitted by the importers should not be accepted. Even in the case of imports of the value of less than Rs.1,500,000/-, it is important that the Authorised Dealers satisfy themselves about the bonafides of the transactions before opening letters of credit.

8. Methods of Payment under Letters of Credit.

(i) Letters of credit may be established providing for payment to beneficiary either in the country of origin of goods or in the country of shipment of goods.

(ii) Authorised Dealers may also establish letters of credit providing for payment to the beneficiary in a third country, not being the country of origin of goods or the country of shipment provided they are satisfied that the payment to the beneficiary in a third country does not involve extra expenditure. This facility is, however, not admissible for the import of goods which are directly shipped from the ACU member countries.

(iii) Authorised Dealers may also establish letters of credit providing for shipment of goods of the origin of more than one country provided the beneficiary remains the same and the shipment does not involve extra expenditure.

(iv) Letters of credit established as per (i), (ii) and (iii) above should provide for payment in any of the following manners:

(a) in any foreign currency.

(b) in Rupees for credit to the non-resident bank account of the country of the beneficiary or of the country of origin/shipment of goods.

(c) Through ACU Clearing Arrangement where letters of credit envisage shipment directly from ACU member countries.

(v) Opening of letters of credit providing for payment in any other manner requires prior approval of the State Bank. Such requests giving full facts of the case alongwith their recommendations should be forwarded by the Authorised Dealers to the State Bank.

(vi) It is not permissible to establish letters of credit providing for alternate countries of origin of goods unless prior approval of the State Bank is obtained. Letters of credit providing for goods of 'European Union' origin may, however, be opened.

9. Opening of/extension in letters of credit-time frame/change of beneficiary and commodity/other amendments.

(i) Authorised Dealers can open letters of credit and extend their validity for a period allowed by the import policy announced by the Ministry of Commerce subject to compliance with all the conditions laid down therein.

(ii) If the import policy does not lay down any instruction in this regard, they may open letters of credit for a period upto 12 months. However, in respect of machinery and mill-work which are required to be specifically manufactured and the period of manufacture is more than 12 months, the letter of credit may be opened for a period upto 24 months. The validity of a letter of credit may be extended by the Authorised Dealers for further periods not exceeding 12 months at a time on payment of fee, if so prescribed in the import policy, provided there has been no change in the Import Policy/exchange regulations in relation to the importability of the goods, the country of origin/shipment, and the method of payment/and if approached within its validity. An expired letter of credit may also be similarly revalidated subject to the same conditions.

(iii) Authorised Dealers are also allowed to amend the letters of credit envisaging change of the beneficiary/goods at the request of the importers provided the importers approach the Authorised Dealers for the change within the validity of the letter of credit and import of the goods covered by the letters of credit are still permissible.

(iv) Authorised Dealers should also ensure to make endorsement of L/C opened for items (other than freely importable items) whose import is subject to certain conditions, in the original Category Pass Book. In case an importer opens letters of credit with more than one bank, the Authorised Dealer holding the original category Pass Book will make out photostat copies thereof, authenticate the same and furnish other concerned Authorised Dealers with it and will keep record thereof.

(v) Authorised Dealers may also make other amendments in the letters of credit without reference to the State Bank provided the amendments are not in conflict with the provisions of this Manual or the Import Trade Control Regulations.

(vi) Letters of credit may provide for negotiation of documents within a period not exceeding 30 days from the date of shipment.

10. Terms on which Letters of Credits may be opened.

All letters of credit and similar undertakings covering imports must provide for payment to be made against full set of clean on board (shipped) bills of lading, air consignment notes, railway receipts, post parcel receipts (or in the case of bulk import of books from U.K. against "Statement of Dispatches" in lieu of post parcel receipts) showing dispatch of goods to a place in Pakistan. Sea-way bills should not be accepted. All letters of credit must specify submission

of invoices certifying the country of origin in addition to any other certificate prescribed in the import policy.

11. Import of Old Ships for Scrapping.

Letters of credit for import of old ships for scrapping may be opened by the Authorised Dealers in accordance with the normal procedure after scrutiny of the following documents:

(i) Memorandum of agreement or contract of sale; and

(ii) Confidential reports on buyers and sellers.

Authorised Dealers will satisfy themselves that the ship is free from all encumbrances and that the seller has a legal title to the ship.

12. Letters of Credit for Shipment by Country Craft, Motor Launch or Truck.

Ordinarily it is not permissible to open letters of credit providing for shipment by means of country craft, motor launch or truck except by public sector agencies or by well established and reputable firms in the private sector, provided in the latter case the Authorised Dealers are satisfied about their financial and business integrity and they have no doubt that the goods covered by such letters of credit will be received in Pakistan.

In the case of other importers in the private sector, letters of credit for import of goods by means of country craft, motor launch or truck may be opened by the Authorised Dealers subject to the following condition:

(i) The supplier abroad furnishes guarantee of a bank in the country of export for an equivalent amount to the effect that should the goods be lost or damaged or pilfered in transit, the above guarantee can be invoked and the amount remitted against the letters of credit recovered.

(ii) Alternatively, the letter of credit provides that payment will be made to the foreign suppliers after the goods have been received and cleared by the Customs in Pakistan.

In respect of importers in the private sector who are unable to fulfill the conditions at (i) and (ii) above, the Authorised Dealers should refer their cases to the State Bank with full particulars.

13. Remittances in Excess of the Amount of Letter of Credit.

In cases where the value of documents exceeds the amount of the letter of credit and the foreign correspondent negotiates the documents because of the excess amount being small or sends them on collection basis, Authorised Dealers may allow remittance of the excess amount subject to the condition that the amount does not exceed 5 percent of the amount of credit subject to a maximum of US \$500/-. The bill of entry/certified invoice in respect of the consignment will be required to cover the increased amount.

14. Types of Letters of Credit not permitted.

It is not permissible to open clean, revolving, transferable or packing credits. Applications for opening such letters of credit should be referred to the State Bank with full particulars.

15. Prohibition to open Letters of Credit for Import from Certain Countries.

It is not permissible to open letters of credit for imports into Pakistan in favour of beneficiaries in Israel or of goods originating from that country.

16. Imports on the basis of registration of contracts.

The undernoted procedure will be adopted for making imports of goods not subject to authorisation from the Export Promotion Bureau/Ministry of Commerce as also not subject to minimum margin restrictions, if the importer wants to make the import on the basis of registration of contract without opening letter of credit: -

(i) The importer will submit a copy of the contract/purchase order/proforma invoice/indent etc. to the Authorised Dealer for registration.

(ii) The Authorised Dealer registering the contract etc. will issue to the importer, a registration certificate in the format appearing at Appendix V-25.

(iii) In case the documents covering imports are received by the branch of the Authorised Dealer which had registered the contract/purchase order/indent/proforma invoice, directly from the bankers of the suppliers abroad, the remittance may be effected in terms of the instructions laid down in paragraph 23 (i) of this chapter provided the documents conform to the terms of the relative contract/purchase order/indent or proforma invoice.

(iv) In case the shipping documents are received by the importers directly, or by the Authorised Dealer from the overseas supplier instead of the bankers of the suppliers, remittance should be made in accordance with the instructions contained in para 23 (ii) of this chapter.

(v) In case of imports from ACU member countries, remittances will be effected through ACU Clearing Arrangements.

(vi) Forward cover will be available to the importers in accordance with the terms and conditions laid down in Chapter IV of this Manual.

(vii) Authorised Dealers will incorporate the figures of the contracts registered by them/ remittances made thereagainst in the statements as per appendices V-131, V-132 V-133 and V-134 (para 15-Chapter XXII).

17. Imports without letter of credit/registration of the indent/proforma invoice/order.

(i) In terms of the import policy, registered importers are permitted to make imports upto specified value (US\$ 5,000/- as per Import Trade and Procedure Order 2000) without opening of letters of credit or registering the indents/proforma invoices or orders with the Authorised Dealers, and make remittances thereagainst. The registered importers are free to make remittances in respect of such imports either in advance or after receipt of the goods in

Pakistan. The remittances can be made through demand draft/telegraphic transfer/mail transfer. In such cases where the registered importers make advance payments for such imports, they will be required to furnish to the Authorised Dealer at the time of making a request for remittance, an undertaking to produce invoices and bills of lading/airway bill within a period of four months from the date of advance payment. The Authorised Dealers will pursue the matter with the importers and report those cases to the area office of the Exchange Policy Department where the requisite documents are not produced within the prescribed time limit. In cases where remittances are made after receipt of goods in Pakistan, the registered importers can approach the Authorised Dealers for remittance on the basis of invoices and original bills of lading or airway bill. The Authorised Dealers have general permission to make advance payments or arrange remittances against the prescribed documents on receipt of goods in Pakistan.

(ii) At the request of industrial establishments registered as importers, Authorised Dealers may issue foreign currency demand draft upto the value prescribed in the Import Policy (currently US\$ 15,000 per fiscal year for 2000-2001) for import of spare parts/machinery, without opening of letter of credit, provided such import is made by air or by courier. Authorised Dealers will maintain a record of all such drafts issued by them. They will obtain from the applicant a declaration showing the amount already remitted by him during the current fiscal year and issue demand draft only upto the extent of the balance entitlement. They will also obtain Exchange Control copy of Bill of Entry and evidence to the effect that the import was made by air/courier. These records will be retained till the next inspection of the concerned bank branch by the State Bank's Inspectors.

18. Import on Usance Basis.

Authorised Dealers may open letters of credit or register contracts for imports into Pakistan providing for payment on usance basis subject to the condition that such letters of credit/contracts do not stipulate payment of any amount by way of interest separately. The usance should commence from the date of issue of Bill of Lading/Air Way Bill etc. or the acceptance of Bill of Exchange by the drawees as the case may be. The letters of credit opened on usance basis cannot subsequently be converted on sight basis. Similarly the terms of the contracts covering payments on usance basis registered by the Authorised Dealers cannot subsequently be changed to sight basis. It is not permissible to effect payments of usance bills prematurely.

19. Imports by public sector agencies to which special allocation is made by the Government.

Public Sector agencies like WAPDA, Karachi Electric Supply Corporation Limited, Pakistan State Oil Co. Ltd., OGDC, etc. which are allocated foreign exchange for their import requirement or the private parties who are allowed to import on Defence/Railway's account shall make applications to the area Exchange Policy offices of State Bank of Pakistan for permission to get the contracts registered with the Authorised Dealer/open letters of credit, on Appendix V- 26. Authorised Dealers will register contract/open letter of credit in these cases on the basis of clearance issued by State Bank on Appendix V- 26.

20. Remittance of bank charges in respect of imports.

Authorised Dealers can make remittance of the following bank charges on account of imports. The particulars of the charges should be specifically mentioned on the relevant forms.

- (i) L.C. Advising Commission.
- (ii) L.C. Amendment Commission.
- (iii) L.C. Confirmation Commission.
- (iv) Negotiation Commission.
- (v) Un-utilized letter of credit Commission.
- (vi) Payment Commission.
- (vii) Reimbursement Commission.
- (viii) Collection Commission.
- (ix) Acceptance Commission (Usance Drafts).
- (x) Postage and Cable Charges.

Remittances of bank charges other than the items mentioned above in respect of imports will be subject to the prior approval of the State Bank.

21. Remittance of Proceeds of Dishonored Bills.

In those cases where the original drawee dishonors the bill and the foreign shipper or his local agent finds another buyer, the Authorised Dealers may make remittance not exceeding the value of such bills without the prior permission of the State Bank if there are no restrictions in the import policy issued by Ministry of Commerce.

22. Remittance involving Violation of I.T.C. Regulations.

Authorised Dealers may allow remittance of the value of imports made in contravention of the import policy if the Federal Government has condoned the contravention and the Customs have released the goods. Such remittance may be allowed on submission of the invoice, bill of lading and Exchange Control copy of Customs Bill of Entry.

23. General Authority for Remittances against Imports.

(i) Authorised Dealers may approve, on behalf of the State Bank, applications for remittance against imports into Pakistan provided the documents covering imports, whether under letters of credit or otherwise, are received through them and the conditions set out in this chapter are complied with. The relative Form 'I' should be certified accordingly when reporting the sale to the State Bank. In the case of imports by post, Authorised Dealers may make remittances

without the prior approval of the State Bank, only if the post parcels are addressed directly to them. In cases, where the parcels are addressed direct to the individuals or care of the Authorised Dealers, applications should be forwarded to the State Bank for prior approval. Authorised Dealers should invariably attach a copy of the relative invoice with the original or quadruplicate 'I' Form, as the case may be, submitted by them to the State Bank with their monthly return of sale in terms of para 33 of this chapter.

(ii) Where the shipping documents are received by the importers directly, or by the Authorised Dealer from the overseas supplier instead of the bankers of the suppliers, remittance should be approved only after the goods have been cleared from the Customs and the Exchange Control copy of Bill of Entry or Customs certified invoices in the case of imports by post, relative invoices, Non-negotiable copies of the Bill of Lading/Airway Bill/Railway Receipt/Truck Receipt etc. and 'I' Form duly completed and signed have been submitted.

24. Collection of Freight on Imports on F.O.B. basis in the Private Sector.

The following procedure will be followed for imports on FOB basis in the private sector:

(i) The importers desiring to make imports on FOB basis will get the letters of credit opened/contracts for imports on consignment basis registered through/with their bankers provided the importers fulfill other instructions issued by the Government of Pakistan/State Bank of Pakistan with respect to imports.

(ii) The shipping lines/airlines will obviously issue Bills of Lading/Airways Bills in connection with FOB imports on "Freight to Collect" basis. As and when freight is required to be paid in Pakistan rupees, the importers will approach the Authorised Dealers who had opened letter of credit/registered the contract for import on consignment basis alongwith a copy of Bill of Lading/Airway Bill indicating the amount of freight payable together with the freight invoice issued by the carrier, where available, for issuance of a certificate in the format appearing at Appendix V-27 which will bear the name/address of the issuing Authorised Dealer and a running serial number.

(iii) The importers will then pay the freight amount to the carriers in Pakistan rupees and will also surrender the "certificate" referred to in the preceding sub-para to the concerned carrier.

(iv) Airlines/shipping companies and their agents will not accept freight on FOB imports without Authorised Dealers' certificate mentioned in sub-para (ii) above. The airlines/shipping companies will invariably attach the said "certificate" (Appendix V-27) in original alongwith the applications to be made for allowing remittance of surplus freight collections.

25. Collection of Freight on F.O.B. Imports by the Public Sector.

In the case of imports by the public sector on FOB basis the carriers should not accept freight in Rupees without the approval of the State Bank. Approval will be given by the State Bank after charging the full amount of the freight to the foreign exchange allocation of the respective Government/Semi-Government agency. While applying for approval, the carrier company will produce with the application a letter in the prescribed form (Appendix V-28) from the concerned Department/Agency authorising the State Bank to debit its foreign exchange allocation with the

freight amount. As an exception, it will be in order for the carriers to accept freight in Rupees on account of F.O.B. imports by the Ministry of Defence only subject to post-facto approval. Application for permission to pay freight in Rupees in respect of imports by the Ministry of Defence will be made by the Controller of Military/Naval/Air Force Accounts in triplicate in the above proforma. Approval will be accorded by the State Bank on the original copy of the application with the following narration.

“Payment of freight in Rupees as indicated above allowed”.

While the triplicate copy of the application will be retained by the State Bank, the original and duplicate will be returned to the Controller of Military/Naval/Air Force Accounts. The latter will furnish the original copy to the carrier concerned.

26. Shipment of Public Sector cargo through PNSC vessels/PIA.

As an exception to the provision of paragraph 25 *ibid* it will be in order for the PNSC and PIA to accept freight in Pak Rupees on FOB imports by the Public Sector agencies (Ministries/Departments, autonomous and semi-autonomous public sector organizations) provided the goods are carried by them on freight to pay basis. PIA will, however, accept cargo only for the sectors covered by it. Authorised Dealer's Certificate mentioned in Para 24 (ii) will not be required to be produced to PNSC/PIA by the importing agencies.

27. Payment of Freight on Import of Trade Samples.

Airlines/shipping companies can accept freight in Rupees upto Rs. 2,000/- per year per registered importer for import of bonafide trade samples. While accepting freight the airlines/shipping companies should obtain a certificate from the registered importer to the effect that the total amount of freight already paid including the amount to be paid during the calendar year on account of trade samples received by him, does not exceed the limit of Rs. 2,000/- The certificate should be submitted by the airlines/shipping companies alongwith their application for remittance in which the collection of such freight is included.

28. Imports on Private Account.

Certain categories of imports are exempted from the Import Trade Control Regulations. For example, in transit imports, imports by diplomatic officials in Pakistan, imports in bond, imports of gift parcels upto the exempted limit and imports by private parties for their personal use upto prescribed limits. Authorised Dealers should not allow any remittance against such imports except as laid down in Chapter XVI.

29. Imports by PICIC/NDLC under Foreign Currency Lines of Credit.

(i) PICIC/NDLC can open letters of credit under the foreign currency lines of credit contracted by them with the approval of the Government of Pakistan, and the foreign currency loans contracted by the Government of Pakistan and placed at their disposal for on-lending to their customers.

(ii) In all the cases of imports against letters of credit issued by PICIC/NDLC, it should be ensured that import is made on C&F basis unless shipment is made on Pak flag vessels and in that case letters of credit may provide for imports on FOB basis on payment of freight in Pakistan rupees.

30. Advance Remittances.

(i) State Bank may consider applications for advance remittance against imports where the goods are of a specialized or capital nature. Applications for such advance remittance should be made to the State Bank on Form 'I' and should be accompanied by the original contract (with a spare copy) entered into between the importer and the foreign manufacturer or supplier. The applications should also be supported by an undertaking in the prescribed form (Appendix V-29) duly countersigned by the Authorised Dealer. In special cases advance remittance may be allowed upto 33 1/3% of the estimated C & F value of the total quantity of the goods to be imported.

(ii) In the case of import of books and subscription to journals and magazines etc., by Government and Semi-Government agencies, Authorised Dealers may allow direct advance remittance upto the amount of the relative letter of credit/contract. In the case of subscription to magazines/journals etc., there will be no Customs Bill of Entry/certified invoice. In such cases, Authorised Dealers will attach the relative debit note with the duplicate of Form 'I' giving on both a suitable remark indicating that the remittance has been allowed in advance. As regards import of books, there will be usual Customs Bill of Entry/certified invoice which will be processed in the normal course.

(iii) Authorised Dealers may allow advance remittances for import of books, journals and magazines etc., by commercial importers upto the amount of relative proforma invoices. Since magazines and journals are imported in bulk by the commercial importers in their own names, there will be usual Bills of Entry/certified invoices as in the case of import of books.

31. Use of foreign exchange acquired for Imports.

In all cases of remittances against import into Pakistan, the importers shall not use the foreign exchange so acquired other than for that purpose.

32. Processing of Form 'I'.

Applications for remittance against imports into Pakistan should be made on Form 'I' (Appendix V-30) which should be signed by the importer or his authorised agent. The signatory should disclose his status/capacity in the concerned firm/company etc., i.e. Director/Partner/Proprietor/Manager etc. In case the form is signed by the agent of the importer, it should be ensured by the Authorised Dealers that he holds a valid legal power of attorney from the importer and the terms of the power of attorney are such that the importer as well as the attorney can be held responsible jointly & severally under the Foreign Exchange Regulation Act, 1947. The form should be submitted to an Authorised Dealer who must sign the certificate as provided therein under his stamp and signature. In cases where the Authorised Dealers are empowered to approve remittances on behalf of the State Bank, they will do so by

recording their approval on the form. In all other cases, the forms together with the required supporting documents should be forwarded to the State Bank for approval.

33. Functional Utility of the various copies of Form 'I'.

Form 'I' consists of four copies. The original copy of the form duly signed by the importer is required to be sent to the State Bank by the Authorised Dealers with their monthly return of sales. In cases where the importers do not retire the documents and the Authorised Dealers fail to get the original copies of the form signed by them, they should themselves sign the quadruplicate copy of the form and send it with the monthly return to the State Bank. All cases where the importers fail or refuse to sign the Form 'I' should be specifically reported to the State Bank.

34. Indication on Form 'I' for Government Import.

In the case of remittances against imports by Government Departments or in cover of imports by private parties which are marked "ON GOVERNMENT ACCOUNT", Authorised Dealers should mark Forms 'I' with a bold letter 'G' to indicate that the remittance is on Government account.

35. Loss of Goods.

In the event of total or partial loss of goods, it will be the responsibility of the importers to recover claim from insurance company/shipping company/supplier, as the case may be.

36. Designation of Authorised Dealers for imports under Special Arrangements.

(i) The State Bank designates Authorised Dealers for handling imports under Foreign Loans/credits and barter agreements including PL-480 programme. Letters of credit for import under these arrangements are required to be established through the designated Authorised Dealers only. Importers are, however, free to approach the designated banks either directly or through their bankers.

(ii) In the case of US AID Loans, PL-480 and KFW (German) Loans, the State Bank designates banks in U.S.A. and West Germany also for claiming payment or reimbursement from the loan/aid giving agencies. Similar designation of banks in the country of other aid giving agencies may also be made, if necessary, under the aid/loan arrangements.

37. Rates of Commission to be charged by Banks.

(i) Authorised Dealers may recover from the importers following charges:-

(a) Bank charges specified in and remittable under the provisions of para 20 of this chapter and the amount of interest, where authorised under loans like US AID Loans and others, payable to the foreign banks handling the transactions at the other end. The amounts of bank charges and interest as mentioned above may be remitted to the foreign banks without the prior approval of the State Bank subject to report on Form 'M'.

(b) Their own commission at rates allowed by the Banking Supervision Department from time to time, if applicable.

In respect of imports under Aids/Loans/Credits/Barter where the business is handled through Authorised Dealers who are not designated banks, the commission will be shared equally between the designated bank and the bank handling the business on behalf of its customers.

(ii) Authorised Dealers may recover commission at the following rates on letters of credit covering imports by the Government routed through State Bank:

(a) In respect of cash/reimbursable loans/barter expressed in U.S. Dollar or any other foreign currency including L/Cs under A.C.U. arrangement:

aa) 1/8 % if the value of the letter of credit is less than Rs.250,000/-

bb) 1/16 % if the value of the letter of credit is Rs 250,000/- or more.

(b) In respect of non-reimbursable credits and Rupee Barter: 3/8 % irrespective of the value of the letter of credit.

The above charges are inclusive of foreign correspondents charges. However, in addition to the above, Authorised Dealers may recover actual cable/telex charges where L/Cs are desired to be established through cable/telex and confirmation charges of foreign bank if foreign bank's confirmation is also to be added on opener's request.

38. Special Features of various Aid, Loans and Credits.

(i) U.S. AID LOANS: After the signing of the loan agreement, U.S. AID, Washington issues letters of commitment which indicate the salient features of the loan as also the names of designated Pakistani and American banks. U.S. AID loans stipulate minimum monetary limits for the opening of each letter of credit as well as the value of each shipment. They may, however, issue one letter of commitment under each U. S. AID Loan. Goods are required to be shipped on U.S./Pakistan flag vessels in accordance with the shipping requirements laid down in respect of each loan. U.S. Liner Services are available on some ports from where shipments can be made only on U.S. flag vessels. In cases U.S. flag vessels are not available on these ports, shipments can be made on Pakistan flag vessels or on the vessels of any other country which is included in the AID Geographic Code 941 after obtaining waiver from the U.S. AID. From ports where U.S. Liner Services are not available, shipments can be made on Pakistan flag vessels or vessels of other countries included in AID Geographic Code No.941. Two percent or ten percent of the freight amount under U.S. AID Loans on 'Free-Out' and 'Non-Free-Out' basis respectively, which is not financed by AID authorities, is paid from Pakistan's own resources.

(ii) PL-480 PROGRAMME: Major food items like wheat, soyabean oil, tobacco and non-fat dry milk are imported under Public Law 480. Banks are not designated for import of wheat which is directly handled by the Ministry of Food. For the remaining items, banks in Pakistan and the U.S.A. are designated for handling imports. Payment to the suppliers is made directly by the Commodity Credit Corporation (C.C.C.) of U.S.A. for which Procurement Authorisation (P.A) is issued. Shipments are required to be made on Pakistan and U.S. flag vessels on 50:50 basis. In

the event of non-availability of U.S./Pakistan flag vessels, shipments can be made on vessels of any other country at the discretion of Commodity Credit Corporation. In case of shipments by Pakistan flag vessels, Pakistani Shipping Companies can accept payment of freight in Rupees without approval of the State Bank. In case of shipment on U.S. flag vessels, permission of the State Bank for opening of freight letter of credit/making remittance of freight is required in each individual case.

(iii) I.D.A. CREDITS: Imports under I.D.A. Credits can be made from member countries of I.B.R.D. (International Bank for Reconstruction and Development) and Switzerland. Shipment is also required to be made on the vessels of member countries of I.B.R.D. and Switzerland. There are different case procedures for payments under I.D.A. Credits.

(iv) OTHER LOANS AND CREDITS: In respect of loans and credits other than those mentioned above, which are provided by various countries, specific instructions are issued by the State Bank from time to time for handling imports and claiming reimbursements thereunder.

(v) ACU CLEARING ARRANGEMENT: ACU Clearing Arrangement provides a clearing system through which all eligible payments for current international transactions among the member countries, other than payment relating to travel, are compulsorily settled through the ACU mechanism which allows payment in the AMU or the currency of the participating country in which one party to the transaction resides. However, there is no bar to any contract or letter of credit or invoice being denominated in Non-ACU Currency, provided such contract/letter of credit invariably contains a clause to the effect that payment of equivalent amount in ACU Currency/AMU shall be made through the Clearing Arrangement and also specifies the manner in which the currency of the contract/letter of credit will be converted into the currency of actual payment/AMU. Payments for exports to member countries against letters of credit established under loans/credits taken by the importing country from the international financial institutions like World Bank, Asian Development Bank etc., can be realised in convertible currency outside the Clearing Arrangement.

39. Foreign Currency Loans and Credits Negotiated by the Government of Pakistan.

Foreign currency loans and credits negotiated by the Government of Pakistan with the international institutions and other agencies are utilised for import of machinery, capital goods, technical know-how, commodities etc. Such credits negotiated for import of machinery, capital goods etc., are normally placed at the disposal of public sector agencies (who use it by opening letters of credit through the banks designated by State Bank of Pakistan or by arranging direct disbursement by the lending agency) and the Development Finance Institutions e.g. PICIC, NDLC and IDBP who in turn disburse them to their constituents. The credits for import of commodities, raw materials, spares etc., are normally disbursed through banks designated by the State Bank against the allocations made by the Economic Affairs Division, Government of Pakistan. Any other foreign currency credits negotiated privately would require approval of the Federal Government/State Bank.

40. Project Loans and Credits.

In respect of imports under Project loans, banks are also designated. Normally, Authorised Dealers are advised to deliver shipping documents to the importing agencies free of payment.

41. Reimbursable Loans and Credits.

In case of reimbursable loans and credits, imports are financed in the first instance from Pakistan's own foreign exchange resources and reimbursement is obtained from the loan giving agency. In some cases imports are also financed from Pakistan's cash foreign exchange resources pending signing of the relevant loan agreement. As and when the loan agreement is signed, reimbursement is to be sought expeditiously from the relevant Loan/Credit giving agency. The procedures for obtaining reimbursement from the loan giving agencies are worked out on loan to loan basis.

42. Deposit of Counter-Part Rupee Funds with the State Bank in respect of Foreign Non-Project Commodity Loans.

The designated Authorised Dealers will observe the following procedure for deposit of counter-part Rupee funds:

(i) Appropriate Rupee amounts in respect of imports under all foreign non-project commodity loans and credits on non-reimbursable basis will be deposited with the regional office/branch of the State Bank within three working days of the receipt of documents by the designated banks in Pakistan or within 10 days from the date of negotiation by the bank abroad, whichever happens to be earlier, at the rate of exchange prevailing on the date of lodgement of documents in cases where no forward exchange is booked. Where forward cover has been booked, the booked rate is applied for the purpose of depositing Rupee funds.

(ii) The designated Authorised Dealers will submit, to the concerned area Chief Manager of the State Bank, a statement of Rupee deposits at the time such deposits are made against foreign non-project commodity loans and credits in the prescribed form (Appendix V-31). Copies of these statements will also be sent to various Government agencies.

43. Fine on delay in deposit of Counterpart Funds.

In the event of delay in depositing counterpart funds with the State Bank within the prescribed period, the concerned Authorised Dealer will pay to the State Bank fine at the rate of Rs 4 per day per Rs 10,000 or part thereof for the period of delay.

44. Documents received on Collection Basis due to Discrepancy/Documents drawn on usance basis.

(i) In cases where the overseas negotiating bank does not make payment to the supplier but sends the documents to the bank in Pakistan on collection basis due to discrepancy in the documents, the Authorised Dealers will deposit counterpart funds with the State Bank on retirement of the documents by the importers concerned. The prescribed period for deposit of counterpart funds will be reckoned as from the date of retirement of bill by the importer. If the funds are held back by the Authorised Dealers beyond the prescribed period, fine would be charged as per paragraph 43 *ibid*.

(ii) In those cases where the negotiating banks make payment to the suppliers under reserve or guarantee due to minor discrepancies in documents, either the documents should be sent back

to the negotiating bank or the counterpart funds deposited with the State Bank within a maximum period of one week from the date of the receipt of the documents. In case, however, the designated bank in Pakistan chooses to retain the documents beyond the prescribed period of one week, a statement of all such cases should be sent to the Director of Accounts, Economic Affairs Division, Government of Pakistan, Islamabad and the concerned Chief Manager of the State Bank showing the particulars of shipping documents and indicating names and addresses of the importers, letters of credit numbers and dates, vessel, commodity and foreign currency amount specifying the detailed reasons for not depositing the amount within the prescribed period of one week. The cases in which deposits are made within a week need not be reported.

(iii) The designated Authorised Dealer is required to deposit counterpart funds with the State Bank within the period specified in paragraph 42 *ibid*. The letters of credit opened by the Authorised Dealers for imports under Aid/Loans and Credits should not, therefore, provide for documents to be drawn on usance basis. Documents with usance clause if received by an Authorised Dealer will not be accepted by the State Bank as sufficient reason for waiver of fine on account of delayed deposit of counterpart funds.

45. Deposit of Funds Received under Reimbursable Loans/Credits.

In case of loans and credits on reimbursable basis, the designated banks are required to deposit funds in the State Bank's Account with the Federal Reserve Bank, New York or with such other banks as may be specified from time to time. The deposits should be made immediately on reimbursement by the foreign loan/credit giving agencies but not later than the date following that on which reimbursement is received. Late deposits will be subject to payment of fine at rates given in paragraph 43 *ibid*. The Authorised Dealers designated to open letters of credit for imports under loans and credits should, therefore, make necessary arrangements in advance with their correspondents abroad to effect the transfers within the stipulated period. Late receipt or non-receipt of reimbursement advice by the designated banks in Pakistan would not be accepted as sufficient reason for waiver of fine.

46. Exchange Facilities for Merchanting Business by Pakistan Intermediaries.

(i) Residents of Pakistan and firms and companies functioning in Pakistan are allowed to engage themselves in three way merchanting trade through back-to-back letters of credit providing for payment in convertible currency or advance payments excluding payments under bilateral/multilateral accounts, in respect of the following commodities:

1. Crude Oil
2. Edible Oil
3. Wheat
4. Rubber
5. Cotton

6. Tea

7. Sugar

8. Fertilizer

Authorised Dealers are permitted to open letters of credit in favour of third country exporters either against an irrevocable letter of credit on sight basis or against advance remittance in convertible currency received from the ultimate importer subject to the following conditions:

a) The price differential includes intermediary's commission at not less than one percent, plus actual charges incurred on account of opening of back-to-back letter of credit, buying and selling rates differential etc.

b) The letters of credit to be established by Pakistani intermediary in favour of third country supplier will carry sufficient usance so that payment becomes due only after receipt of payment from the importer. In case where letters of credit are to be opened against advance remittance, the condition of usance will not be obligatory.

c) The amount of foreign exchange representing the price differential including commission will be converted into Pak rupees.

d) No commission or any other claim of whatsoever nature will be allowed to be remitted from Pakistan.

e) No credit line such as export finance etc. will be available.

f) Goods will be shipped directly from the country of supply to the country of import.

g) No forward cover facility will be available for trade under this arrangement. However, if desired, the intermediary Pakistani trader can open a "Special Foreign Currency Account" with an Authorised Dealer in Pakistan for deposit of the proceeds of the letters of credit/advance remittances received from the third country buyer pending (i) eventual payment to the third country suppliers under the back-to-back letter of credit stipulating reimbursement to the third country suppliers out of Special Foreign Currency Account and (ii) conversion into Pakistan rupees of the amount left out after making payment to the third country supplier against back-to-back letters of credit.

General permission has been accorded to the Authorised Dealers for opening and maintaining Special Foreign Currency Accounts for merchanting trade which will be subject to the following terms, conditions and the procedure:

aa) The account will be fed exclusively through remittances emanating either from the realisation of proceeds under an irrevocable letter of credit opened by an overseas buyer for third country goods or advance remittance made by such buyer for supply of third country goods.

bb) The account will be kept outside the scope of Foreign Currency Accounts Scheme as embodied in paragraph 3 of Chapter VI of this Manual. In other words the foreign currency received in such accounts will not be required to be surrendered to the State Bank. Authorised Dealers can hold such foreign currency abroad in addition to the normal balances held abroad.

cc) Interest accruing on the balances held in the account will be converted into and paid in Pak rupees.

dd) The exemption of interest income from levy of taxes etc. shall not be admissible.

After payment for import under the back-to-back letter of credit, the Authorised Dealer will prepare a statement in the format appearing at Appendix V-32 matching the receipt and payment for each merchanting transaction individually and will submit the same to the concerned area office of the Exchange Policy Department. The reporting of inward and outward remittances would be as indicated in the format appearing at Appendix V-33.

(ii) It is also permissible to conduct three-way merchanting trade in commodities other than those mentioned in sub-para (i), subject to the same terms and conditions, except that the margin to be retained by the Pakistani intermediary which includes his commission and expenses, is not less than (a) 10%, if the sale price is to be received from the foreign buyer before remittance of the purchase price is made to the overseas supplier of the goods, and (b) 15% if back-to-back letter of credit provides for payment to be made to the overseas supplier of the goods before receipt of remittance from the overseas buyer.

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CHAPTER XIV

COMMERCIAL REMITTANCES (OTHER THAN FOR IMPORTS)

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(ii) Remittances on account of News Feature, News Picture, Syndication Services, Gambles, Comics, Puzzles, Book Reviews etc.

(iii) Remittances of salary/remuneration as well as Telex/ Telefax/ Telegram/ Telephone Charges to the Overseas Correspondents of Pakistani Newspapers.

Advertisements in Newspapers and Magazines abroad.

Bank Charges and Sundries.

Purchase of Tender Forms from abroad.

(i) Registration of Patents and Trade Marks in Foreign Countries.

(ii) Registration of Exporters of Pharmaceutical products in Foreign Countries.

Reporting of Remittances.

1. Freight and Passage Collections.

i) Shipping companies/airlines may accept freight and passage money in Rupees only in the under-noted cases without the prior approval of the State Bank:

a) Exports from Pakistan made on C&F/CIF basis against Form 'E' duly certified by Authorised Dealers on their letterheads in terms of para 29 of Chapter XII of the Manual.

b) Imports into Pakistan on FOB basis:

aa) Against Authorised Dealer's certificate on form prescribed at Appendix V-27 in terms of para 24 of Chapter XIII of the Manual.

bb) Against SBP's approval for import on FOB basis in public sector in terms of para 25 of Chapter XIII of the Manual.

cc) Against certificate of registered importers for freight on Import of Trade Sample not exceeding Rs. 2000/- per year in terms of para 27 of Chapter XIII of the Manual.

c) Freight on personal effects/excess baggage in accordance with the provisions laid down in paras 40(i) & 40(iii) of Chapter XVII of the Manual.

d) Freight on Export of Trade Sample and gift parcels in accordance with the procedure laid down in para 40 (ii) of Chapter XVII of the Manual.

e) Passage money in accordance with the instructions laid down in Chapter XVII.

In all other cases prior approval of State Bank should be obtained before collecting freight in Rupees. For this purpose, applications should be made to the State Bank giving the nature of the transactions and the reasons why freight cannot be paid in foreign currency.

ii) Foreign shipping companies and airlines, whether having an office in Pakistan, or not, are not allowed to open PLS accounts. They can open current accounts for keeping funds received from abroad and the amounts of freight and passage collections, pending remittance to their head offices. Agents of foreign shipping companies and airlines may, however, retain freight/passage collections in PLS accounts held in their own names provided the profits earned in these accounts are not passed on in any manner to their principals.

iii) Cargo Consolidators/Forwarders who are approved members of FIATA and registered with the Board of Investment, Government of Pakistan as such, may accept freight in rupees without the prior approval of the State Bank only in respect of Pakistani exports cargo on C&F/CIF basis as per procedure prescribed in paragraph 29 of Chapter XII of the Manual provided the consignment is being dispatched against Advance Payment or an irrevocable letter of credit which contains a provision for issuance of document of title under Cargo Consolidation System and a certificate to this effect issued by the Authorised Dealer on Appendix V-13 is produced.

2. Reporting of Passage and Freight Earnings.

Foreign airlines/General Sales Agents/Shipping companies/Shipping Agents are required to report each month to the State Bank full particulars of the passages and freight booked by them in Pakistan on form 'F.P. Airline'/'F.P. Shipping' in duplicate as per specimen appearing at Appendices V-34 and V-35. The statements should be sent to the State Bank by the end of the month following that to which they pertain. While the Airlines should submit only one form 'F.P. Airline' in respect of bookings made by them and their agents, the Shipping Agents should submit separate statement (form F.P. Shipping) for each of their principals whose ships are handled by them during a month. The forms F.P. should be supported by bank encashment certificate in support of Inward remittances received.

3. Remittance of Surplus Passage and Freight Collections.

i) Authorised Dealers may allow remittance of surplus passage and freight collections of those foreign airlines, General Sales Agents, and shipping companies/agents which are keeping their collections with them, on submission of application alongwith the following documents: -

- a) A copy of F.P. Statement (Appendix V-34 for airlines and V-36 for shipping companies).
- b) Import/Export freight manifests.
- c) A copy of each bill of lading/airway bill issued in respect of export on freight pre-paid basis, alongwith Authorised Dealers certificates as stated in paragraph 1.
- d) Passage statement (Appendix V-37) alongwith photocopies of ticket coupons and other documents prescribed in Chapter XVII.
- e) Statement of passage/freight bookings earlier made on credit now realised (Appendices V-38 for airlines and V-39 for shipping).
- f) Disbursement Statements (Appendices V-40/V-41).
- g) Cancellation/refund statement (Appendix V-42).
- h) Statement of outstanding passage/freight bookings on credit (Appendices V-43/ V-44).
- i) Authenticated copy of the charter party if the vessel calling at the ports in Pakistan has been chartered by the principals of the shipping agents in Pakistan.
- j) A copy of manifest of Cargo Consolidators together with relative non-negotiable copies of House Bill of Lading or/House Airway Bill (quoting reference of original Master Bill of Lading or Master Airway Bill issued by them with names of each shippers), "E" form certificates prescribed vide para 29 of Chapter XII of the Manual, encashment certificate where freight is paid in foreign exchange separately and a copy of valid permission letter given by the Board of Investment.
- k) A copy of encashment certificate in respect of inward remittance.
- l) Auditors' certificate showing payment of income tax, or exemption certificate given by the Revenue authorities.
- m) In the case of agents, a copy of the valid permission letter given by the Board of Investment for acting on behalf of the foreign principal.
- n) An undertaking to repatriate back to Pakistan, the amount found by the State Bank, on post-facto checking, to have been remitted in excess of the entitlement.
- ii) Authorised Dealers will allow remittance of surplus passage and freight collections plus inward remittance, to the extent of amounts of passage and freight actually realised less disbursements, refunds, and income tax paid/payable. No remittance is to be allowed in excess of the balance available in the account, as it is not permissible to make remittances out of borrowed funds.

iii) Authorised Dealers will retain all the documents mentioned in sub paragraph (i) alongwith a photocopy of Form 'M' submitted by shipping companies/shipping agents for on sight inspection by the Banking Inspection Department. In the case of airlines or their G.S.As, the documents will be submitted to the Joint Director, Operations Division, Exchange Policy Department, SBP, Karachi within three working days from the date of remittance. The original Form 'M' shall be submitted as usual through schedule E-4 while reporting the transaction in the monthly Foreign Exchange Returns.

iv) Any irregularity detected and advised by the State Bank shall be rectified by the concerned airline/GSA/shipping company/agent within ninety days or the amount under objection will be repatriated or adjusted from subsequent remittance, as applicable.

4. General Average Payments.

i) Applications for remittance of general average collected from consignees in Pakistan shall be made by the shipping companies/shipping agents on Form 'M' accompanied by the following information/documents:-

a) Circular of Insurance Association regarding general average.

b) N.O.C. from the Insurance Association and National Insurance Company Limited about the remittance of the amount of the general average.

c) The amounts collected from each individual consignee.

d) List of cargo subject to general average.

e) The general average bonds covering the collections.

f) General Average Award.

Authorised Dealers may allow remittances on the basis of these documents and attach the same with the 'M' form, while reporting the transactions in their monthly Foreign Exchange Returns.

ii) Pending General Average Award, the Authorised Dealers may also issue bank guarantees in favour of the General Average Adjusters on submission of the information documents referred to from (a) to (e) above. Remittances under the guarantees will, however, be allowed by them on production of General Average Award.

iii) In the case of exports from Pakistan, if general average is declared and if the general average claim is paid by the overseas importer, the insurance company in Pakistan, with whom the goods were insured prior to shipment from Pakistan may be allowed to reimburse the amount to the overseas importer on production of the following documents, which should be submitted to the State Bank as mentioned in sub-para (i):

a) Export Realisation Certificate.

- b) All shipping documents viz. a copy of the bill of lading, invoice, insurance policy etc.
- c) Average deposit receipt duly endorsed by the overseas importer in favour of the insurance company in Pakistan.
- d) Letter of subrogation.
- e) An undertaking to render the account on finalization of the award.

5. Operating Expenses of Pakistani Shipping Companies/Airlines.

Pakistani shipping companies and airlines are required to submit to the State Bank a monthly statement of their earnings and expenditure at foreign ports in the prescribed forms (Appendices V-45 and V-46) supported by passage/freight manifest for receipts and by vouchers in respect of payments. They can make disbursements in respect of approved transactions only out of their receipts at foreign ports and they are under obligation to regularly repatriate the excess collections, if any, to Pakistan and attach the bank encashment certificates with the statement. In case the collections fall short of the disbursements, the shipping companies/airlines should make an application to the State Bank for remittance of the deficit or for meeting bonafide individual items of disbursements like crew wages, bunkering charges, port dues, food charges etc. Applications for repair of ships/aircrafts and purchase of durable stores other than food provisions should, however, be routed through the Ministry of Communications in the case of shipping companies and the Ministry of Defence in the case of airlines.

6. Charter of Foreign Ships and Aircrafts.

Persons or firms intending to hire on charter non-resident owned ships or aircrafts should apply in the first instance to the Ministry of Communications for the charter of ships and the Ministry of Defence for the charter of aircrafts. Applications for remittance of charter hire should be made to the State Bank on Form 'M' supported by the Government sanction and a copy of the Charter Party Agreement and an undertaking that detailed account of all disbursements made for the account of the owners will be submitted to the State Bank within 15 days of the expiry of the agreement. If the application is approved, a permit will be issued to cover any advance payments required under the terms of the charter but the remittance of the total amount agreed upon will not normally be sanctioned until the final account of disbursements is made available to the State Bank. The charterers should seek from the owners' periodical reimbursement of the disbursements made on their behalf or have them adjusted from their remittances of charter hire.

7. Export Claims.

Applications from exporters for remittance of various types of claims on exports should be made on Form 'M' accompanied by a declaration in the prescribed form (Appendix V-47) duly supported by the following documents: -

- (i) QUALITY CLAIMS.

a) Proceeds Realisation Certificate.

b) Debit Note from the buyer.

c) Test Report from a recognized Test House or an Arbitration Certificate from an approved body of arbitrators.

(ii) AMICABLE SETTLEMENT.

(a) Proceeds Realisation Certificate.

(b) Debit Note from the buyer.

(c) Certificate from the Chamber of Commerce in the country of import.

(d) Correspondence in original exchanged between the shippers and the buyers. Original cables should be produced if cable charges are included in the Debit Note.

(iii) COMMISSION (If not paid in terms of the authority delegated vide Chapter XII).

(a) Proceeds Realisation Certificate.

(b) Debit Note.

(c) Agreement regarding payment of Commission. Shippers should furnish a copy of the Export Price Check (EPC) form registered with the relevant authority, if the goods are subject to "Export Price Check" procedure. The form should show the rate of commission.

(iv) NON-FULFILMENT OF EXPORT CONTRACT EITHER IN FULL OR IN PART.

a) Debit Note from the buyer.

b) Contract in original.

c) Arbitration award from a recognized arbitrator.

d) Correspondence in original exchanged between the buyer and the shipper.

e) In case of claim for partial non-shipment, Proceeds Realisation Certificate for the quantity shipped.

(v) INSPECTION FEE, ARBITRATION FEE, SURVEY AND ANALYSIS FEE, CONTROLLING FEE, WEIGHING CHARGES ETC.

(a) Proceeds Realisation Certificate.

(b) Debit Note from the institution claiming fees.

(c) Report from the above institution in support of the claim.

(vi) MISCELLANEOUS CLAIMS LIKE REFUND OF EXPORT DUTY ETC.

a) Proceeds Realisation Certificate.

b) Debit Note.

c) Contract.

d) Correspondence.

(vii) LOSS IN WEIGHT.

a) Proceeds Realisation Certificate and Export Invoice.

b) Debit Note from the buyers.

c) Weighment Certificate/Note from a recognized weighing body and Controller's Report.

Applications in respect of items (v), (vi) and (vii) may be approved by the Authorised Dealers and the prescribed documents surrendered to the State Bank alongwith the monthly Foreign Exchange Returns. Applications in respect of items (i), (ii), (iii) and (iv) will, however, require approval from the State Bank.

8. Guarantees for Payment of Claims.

i) In case of export of cotton only, Authorised Dealers may extend guarantees in favour of overseas importers for payment of claim, provided the following conditions are fulfilled:

a) Advance payment or confirmed and irrevocable letter of credit for hundred percent value has been received in favour of the exporter.

b) The amount of the guarantee does not exceed 5% of the total invoice value covered by the advance payment or confirmed and irrevocable letter of credit.

c) The guarantee covers shipment of cotton only.

d) The guarantee is valid for a maximum period of 30 days after the last date of discharge of cotton in the country of import.

e) The guarantee provides for payment of claims on submission of Liverpool Cotton Association Arbitration Award in case of exports to U.K. and of internationally known associations whose names are approved by the State Bank in the case of export to other countries.

ii) Authorised Dealers may also allow remittance of claims falling within the terms of these guarantees provided the amount is fully covered by the Arbitration Award of the respective

association. While reporting these remittances to the State Bank, the Authorised Dealers should enclose with the form 'M': -

- a) Relative Arbitration Award,
- b) Proceeds Realisation Certificate, and
- c) Certificate confirming the date of discharge of cotton in the country of import.

9. Employment of Overseas Agents etc.

Prior permission of the State Bank is required by persons or firms in Pakistan who wish to acquire the services of agents abroad for any purpose other than export of goods from Pakistan, whether on regular basis or otherwise. Applications for this purpose should be made by letter giving full details of the nature and value of business transacted in the past by the applicant, the existing arrangements and the nature of the arrangements proposed to be made with the overseas agents.

10. Remittance of Royalty/Franchise and Technical Fees.

(i) Royalty and Technical Fee in the Manufacturing Sector has been defined as under:-

a) Definition of Royalty: Royalty is a fee paid by a local firm to the foreign collaborator in consideration of "Licence to use the foreign manufacturers' patent/brand name for marketing the product(s)."

b) Definition of Technical Fee: It is a fee paid by the local firm to the foreign collaborator in consideration of:-

aa) Engineering and Technical Services including assistance on manufacturing process, testing and quality control, assistance by way of making available patented process and/or secret know-how and right to avail of the technical/confidential information resulting from continuous technical research and development etc; and

bb) Technical training of local personnel.

NOTE:

No technical fee shall be allowed for simple conventional process goods which are being produced in the country without foreign technical collaboration.

ii) The remittance of Royalty/Franchise and Technical Fee or Service Charges in Agriculture, Social, Infrastructure and Service Sector projects including international food chains may be allowed according to the following guidelines:-

(a) The initial lump sum fee payable to the foreign investor/the party providing technical expertise and/or allowing use of their brand name, should not exceed US\$ 100,000/- irrespective of the number of outlets under one franchise.

(b) A maximum of 5% remittance of net sales (excluding sales tax) in the food sector may be allowed as Franchise Fee only for those items, which are core items of the franchise and are the specialties of the trade name. The payment of such fees will be allowed on monthly basis. No item will be eligible for twice payment of Royalty/Franchise Fee. In other words, the payment of Royalty/Franchise Fee shall not be admissible for those items whose franchise is not held by the food chains and/or which are sold under some other brand name e.g. soft drinks etc.

(c) Percentage/amount of fees etc., for other non-manufacturing projects may also be upto the maximum of 5% of net sales (excluding sales tax).

(d) Initial period for which fees is to be allowed to projects in non-manufacturing sectors, including international food chains, should not exceed 5 years. Subsequent extension in time period will be considered and allowed by the Government/State Bank of Pakistan, provided these projects also make investment in allied upstream projects.

iii) Upon execution of an agreement for transfer of technology with foreign collaborator, the local firm engaged in manufacturing as stated in sub-para (i) or operating in the non-manufacturing sectors as stated in sub-para (ii) will designate any of the Authorised Dealers in foreign exchange in Pakistan through whom payments under the agreement will be made and send an authenticated copy of the agreement to the State Bank of Pakistan, Exchange Policy Department (Investment Division), Central Directorate, Karachi through the designated bank within 30 days from the date of its execution. Application for acknowledgement will be made on the prescribed form (Appendix V-48). The State Bank will record the agreement if it conforms to the foregoing definitions of Royalty/Franchise and Technical Fees and send an acknowledgement or return it if the same is not in accord therewith.

iv) Remittance of Royalty/Franchise and Technical Fees may be allowed by the Authorised Dealer designated for the purpose, without the prior approval of the State Bank subject to the following:-

a) Application for remittance of Royalty/Franchise and Technical Fees is submitted by the firm concerned in the prescribed form (Appendix V-49) in triplicate alongwith a copy of the acknowledgement letter issued by the State Bank.

b) The correctness of the information furnished in the application(Appendix V-49) must be certified by the auditors of the firm in the space provided for the purpose. An additional statement showing calculation of Royalty/Franchise and Technical Fees duly certified by the auditors should also be enclosed with the application.

c) Payment of income tax supported by a certificate from the auditors of the paying firm. In case it is claimed that the amount of Royalty/Franchise and Technical Fees is exempt from levy of Pakistan taxes, the applicant should invariably produce a certificate to this effect from the competent tax authority and attested copy of the said certificate should be enclosed with the prescribed application to be sent alongwith other relevant documents while reporting the

transaction to the Exchange Policy Department.

(v) Authorised Dealers will maintain company-wise record of remittances allowed by them on the above account so as to facilitate inspection by the State Bank's Inspection Teams.

11. Technical Services and Consultancy Agreements and Engagement of Foreign Technicians.

(i) Foreign experts/technicians may be employed by the local firms in private sector without requiring approval by any Government agency for rendering such technical services as supervision of installation, commissioning of plant and training of personnel.

(ii) Authorised Dealers may accordingly allow remittances for engagement of foreign experts/technicians to foreign firms or establish letters of credit available for payment of such charges on production of beneficiary's service invoices/bills duly certified by the employers in Pakistan. While reporting to the State Bank the remittances effected under this facility in the monthly foreign exchange returns, the Authorised Dealers will attach the following documents with relative Form 'M':-

(a) Copy of the service agreement entered into with the foreign firms.

(b) Beneficiary's service invoices/bills duly certified by the employers in Pakistan.

(iii) It will be the exclusive responsibility of the Authorised Dealers to ensure that income tax has been correctly deducted from the amount payable to the foreign beneficiaries and paid to the income tax authorities or exemption certificate from the income tax authorities is called and recorded with the Authorised Dealers.

12. Remittances by Information Technology Sector.

(i) Remittances on account of items of the following nature may be allowed by the State Bank:

(a) Satellite Transponder Charges.

(b) International Bandwidth Charges.

(c) International Internet Service Charges.

(d) International Private Line Charges.

(e) Software Licence/Maintenance/Support Fee against specific "Software Licence Agreement" executed with the licensor on the basis of NOC issued by Pakistan Software Export Board.

(ii) Application on Form 'M' for such remittances should be submitted to the Joint Director (Investment Division) through an Authorised Dealer alongwith the following:

(a) Agreement, if any.

(b) Original invoice/demand note.

(c) NOC from the concerned authority (viz PTA/Pakistan Software Export Board).

(d) Evidence of payment of income tax or exemption certificate from CBR.

13. Remittance of Profits by Foreign Banks/Companies.

(i) Applications from branches of foreign banks operating in Pakistan for remittance of profits to their Head Office abroad should be made to the State Bank on Form 'M' duly supported by the following information/documents: -

a) Audited Balance Sheet and Profit & Loss Account of the branch(es) in Pakistan.

b) Tax provision made during the year for (a) the current year and (b) for the prior years alongwith its computation.

c) A certificate from the auditors in Pakistan that tax provision made in the accounts is sufficient to meet all tax liabilities in Pakistan, or copies of final assessment orders and forms duly certified by the Income Tax Department.

d) Assessment orders for the previous years, if not submitted earlier to the State Bank.

e) Certificate from the auditors showing the liability for staff gratuity as at the close of accounts and provision made there-against. If no provision has been made, reasons thereof.

f) Details of other/miscellaneous income.

g) Amount charged/claimed on account of Head Office expenses for the current year (if not separately shown in the accounts) and the basis of its calculation alongwith Head Office expenses claimed/allowed by the Income Tax Authorities for the preceding 3 years.

h) Provision made in the current year for classified assets.

i) Confirmation to the effect that the amount provided for classified assets is not less than the amount required to be provided on the basis of the Prudential Regulations of the State Bank.

j) Item-wise details of un-realised/accrued income credited to Profit & Loss Account for the year and in the previous year.

k) Item-wise details of un-realised/accrued income of the previous years realised in the current year.

(ii) Applications for remittance of net remittable profits by the branches of foreign companies other than banks, operating in Pakistan to their Head Offices abroad should be submitted on Form 'M' supported by the following information/documents: -

a) Audited Balance Sheet and Profit & Loss Account of the branch(es) in Pakistan.

b) Audited Consolidated Balance Sheet and Profit & Loss Account of the Head Office. If they are not available at the time of making the applications, they should be submitted subsequently.

c) Reconciliation of the Head Office Accounts.

d) Tax provision made during the year for (i) the current year and (ii) prior years alongwith its computation.

e) A certificate from the auditors in Pakistan that tax provision in the accounts is sufficient to meet all tax liabilities in Pakistan or copies of final assessment orders and forms duly certified by the Income Tax Department.

f) Assessment orders for the previous years, if not submitted earlier.

g) Certificate from the auditors showing the liability for staff gratuity as at the close of accounts and provision thereagainst. If no provision has been made, reasons thereof.

h) Details of other/miscellaneous income.

i) Amount charged/claimed on account of Head Office expenses for the current year (if not separately shown in the accounts) and the basis of its calculation alongwith Head Office expenses claimed/allowed by the Income Tax Authorities for the preceding 3 years.

j) Full particulars of additions, if any, made to fixed assets in Pakistan, during the period and the source of funds utilized for financing such additions.

k) The extent to which the proposed remittance will require bank finance.

l) In case the applicant is applying for the first time, documentary evidence to the satisfaction of the State Bank that the applicant firm was in existence and conducting business operations in Pakistan prior to 3rd October, 1963. In respect of those branches of foreign firms and companies which were established in Pakistan on or after 3rd October, 1963, original or photocopy of the letter of the Investment Promotion Bureau/Board of Investment, Government of Pakistan, granting them permission to conduct business operations in Pakistan, should be submitted with the application alongwith other documents.

(iii) A company other than a bank, insurance company, airline and shipping company desiring to avail of the facility of making remittance of profit without prior approval of the State Bank, may approach the Joint Director (Investment Division), Exchange Policy Department, State Bank of Pakistan, Central Directorate, Karachi disclosing the name of its banker through whom it would like to make remittance. The State Bank will authorise the bank concerned to effect remittance of profit to the Head Office abroad of the company subject to verification of the remittable amount in the manner to be prescribed by it. While reporting such remittances, the designated Authorised Dealers will enclose all the relevant documents with the relative Form 'M'.

14. Payment of Dividend to Non-Resident Shareholders.

(i) Authorised Dealers may allow remittance of dividends to non-resident shareholders without the prior approval of the State Bank. For this purpose, each company will designate an Authorised Dealer through whom it proposes to remit dividends to its non-resident shareholders. No Authorised Dealer will effect remittance of dividends under this authority unless it has been authorised by the State Bank to do so in respect of a particular company.

(ii) Each company which wants to avail of the facility of making remittance of dividends without the prior approval of the State Bank, should advise the Joint Director (Investment Division), Exchange Policy Department, State Bank of Pakistan, Karachi the name of its bankers through whom it would like to make remittance. On receipt of nomination of a bank from the company, the State Bank will authorise the bank concerned to effect remittance of dividends, whether interim or final, to the non-resident shareholders of the company without its prior approval.

(iii) Before allowing remittance of dividends, Authorised Dealer must ensure:

a) that the shares are held by the non-residents (other than Indian nationals) under the specific and/or general permission of the State Bank and are registered at their foreign addresses,

b) that the shares in question were not acquired by the non-residents on the basis of their undertaking that they will not claim remittance of dividend and,

c) that the application for remittance of dividend is net of Pakistan tax liability. Authorised Dealers must also ensure that the auditor's certificate to this effect on the application is from a well-known firm of auditors.

(iv) The following documents must be seen by the designated Authorised Dealer before allowing the remittance of dividends: -

a) Application in triplicate in the prescribed form (Appendix V-50) duly certified by the company's auditors. There will be one consolidated application in respect of dividends due to all the non-resident shareholders. Where the company's auditors have not accepted the entitlement in respect of some shareholders, the application may be certified with their reservation and entitlement of others released pending reconciliation. Entitlement in respect of un-resolved cases may be released through a supplementary consolidated application after the matter is finalized.

b) Two certified copies of the audited Annual Profit & Loss Account and Balance Sheet of the company concerned for the year to which the dividend application pertains or two copies of interim Profit & Loss Account for the period to which interim dividend relates.

c) Certified true copy of the Shareholders'/Directors' resolution declaring the dividend.

d) In case tax exemption is claimed by them/any of the shareholders, a certificate to this effect is invariably produced from the competent tax authorities.

(v) While reporting remittances allowed by them under the above authority in their monthly Exchange Returns, the Authorised Dealers will enclose with the relative Form 'M' a copy of the supporting application (Appendix V-50) together with one copy of audited Annual/Interim Profit

and Loss Account and Balance Sheet and certified true copy of the Directors'/ Shareholders' resolution. In cases where shareholders are resident of different countries and remittances are made in different currencies, the remittances will be reported on different 'M' forms under the relative currency statements. Reference to the relative monthly currency statements should be made in column 10 of the application (Appendix V-50) against remittances made in different currencies and the application alongwith its supporting documents should be attached to any of the 'M' forms. Duplicate copy of the application form will be retained by the Authorised Dealer concerned for its record.

(vi) Authorised Dealers also have general permission to allow payment of dividends due to non-residents (other than Indian) holding shares of companies incorporated in Pakistan on non-repatriation basis, by credit to their private non-resident Rupee accounts maintained with them or with other Authorised Dealers. To this end, Authorised Dealers making payment of dividends to non-resident shareholders for credit to their non-resident accounts shall complete the prescribed Form A-7 and forward the same alongwith the payment instruments to the Authorised Dealer which maintains the non-resident Rupee account for credit to the account of the shareholders. The receiving Authorised Dealer will report the transaction in its monthly Exchange Return.

(vii) Authorised Dealers should maintain separate company-wise record of payment of dividends made to their non-resident shareholders either by remittance or for credit to their non-resident accounts, as the case may be, under the above general permission so as to facilitate their inspection by the State Bank's Inspection Teams.

(viii) Authorised Dealers should note that it is one of the conditions prescribed in the Investment Policy that foreign investor may temporarily hold 100% shares in the specified newly opened sectors for foreign investment, pending disinvestments of the prescribed percent of investment to residents, subject to the condition that remittance of dividend would be restricted to their investment upto 60% only. They should ensure compliance with this restriction.

15. Export of Dividend Warrants.

Dividend warrants of companies incorporated in Pakistan can be freely exported to the non-resident shareholders, provided the shares have been issued with the approval of the State Bank and a statement of such non-resident shareholders has been filed with it.

16.(i) Foreign Articles in Pakistani Newspapers and Magazines.

Authorised Dealers may allow remittances at actuals, without prior approval of the State Bank, in respect of articles contributed by non-resident foreigners for publication in Pakistani Newspapers or Magazines, provided a demand note from the non-resident contributors is produced by the publishers of the article to the Authorised Dealers while applying for remittance. Advance remittance may also be allowed subject to the applicant's undertaking to submit the requisite documents in due course.

(ii) Remittances on account of News Feature, News Picture, Syndication Services, Gambles, Comics, Puzzles, Book Reviews etc.

Authorised Dealers may effect remittances, without prior approval of the State Bank, at the request of the publishers of Newspapers and Magazines of repute having large circulation or by local agents of the foreign beneficiaries in Pakistan on account of News Feature Services, News Picture Services, Syndication Services, Gambles, Comics, Puzzles, Book Reviews etc. published in Pakistan Newspapers and Magazines. While effecting remittances, Authorised Dealers shall ensure the following:-

- a) Form 'M' has been duly signed by the applicant.
- b) A formal letter of request for remittance has been received from the remitting agency in Pakistan.
- c) The invoices/demand notes etc. of the foreign beneficiaries are produced in original.

(iii) Remittances of salary/remuneration as well as Telex/Telefax/Telegram/Telephone Charges to the Overseas Correspondents of Pakistani Newspapers.

Authorised Dealers may allow remittances without prior approval of the State Bank, on account of salary/remuneration as well as Telex/Telegram/Telefax/Telephone charges in favour of correspondents of Pakistani newspapers posted abroad on production of original demand notes/bills/vouchers.

17. Advertisements in Newspapers and Magazines abroad.

Exchange facility is available to exporters for publishing advertisements in foreign newspapers and magazines without any upper ceiling. Authorised Dealers may allow remittances as indicated above for advertisement charges payable by exporters to newspapers, magazines, etc., abroad without the prior approval of the State Bank on production and examination of the following documents:-

- (i) Form 'M' signed by the applicant.
- (ii) Invoice/Bill etc., of the beneficiary in original.
- (iii) Undertaking from the applicant concerned that he will produce relevant clippings from the newspaper/magazine to them within a period not exceeding three months. These clippings will be retained by the Authorised Dealers for inspection by State Bank's Inspectors.

While effecting the above remittances, Authorised Dealers will ensure that the newspaper/magazine in which the advertisement is proposed to be inserted is of good standing and repute and remittance is made only in the name of the concerned newspaper/magazine. In cases of doubt, reference should be made to the State Bank before effecting the remittance.

18. Bank Charges and Sundries.

Authorised Dealers may, without prior approval of the State Bank, effect remittances to their foreign correspondents etc., to cover payments due to them on account of bank charges, cost of cables and other incidental charges arising in the normal course of authorised business other

than imports. All such remittances should be reported to the State Bank on Form 'M'. In cases where bank charges relating to exports are paid by the Authorised Dealers to their foreign correspondents by deduction from the amount of the export bills, they should report the full amount of the export bill as "Purchase" and simultaneously report the deduction as "Sale".

19. Purchase of Tender Forms from abroad.

Authorised Dealers may allow remittances on account of fees for tender forms payable to Government/Semi-Government agencies or a private company or a firm abroad without the prior approval of the State Bank on receipt and examination of the following documents:

- i) Form 'M' duly filled in and signed by the applicant.
- ii) Newspaper clipping/Pakistan/Foreign Embassy's letter or other supporting documents evidencing floatation of tenders and the cost of tender documents.

20. (i) Registration of Patents and Trade Marks in Foreign Countries.

Authorised Dealers may allow remittances covering fees etc., for registration of patents and trademarks in foreign countries by firms/companies etc., in Pakistan without prior approval of the State Bank on receipt and examination of the following documents:

- a) Form 'M' duly signed by the applicant.
- b) Debit Notes of the patent attorney/solicitors etc., for the fees for registration of patent/trade mark.
- c) Undertaking from the remitter to produce within one month from the date of remittance evidence to the effect that the patent/trade mark has been registered abroad.

It will be the responsibility of Authorised Dealers to ensure that the requisite evidence for registration of patent/trade mark is produced to them within the stipulated period.

(ii) Registration of Exporters of Pharmaceutical products in Foreign Countries.

Authorised Dealers may allow remittances of registration fees by exporters of pharmaceutical products in Pakistan for their registration with the Ministry of Health of a foreign country, without the prior approval of the State Bank, on production of the following documents:

- a) Form 'M' duly signed by the applicant.
- b) Evidence from the Ministry of Health of the foreign country concerned demanding payment of registration fee.
- c) Undertaking from the remitter to produce within 1½ month from the date of remittance, evidence to the effect that the applicant has been registered with the Ministry of Health of the foreign country concerned.

21. Reporting of Remittances.

While reporting remittances to the State Bank allowed by them under paras 10, 16, 17, 18, 19 and 20 in their monthly Exchange Returns, Authorised Dealers will bunch the 'M' forms under each category separately alongwith the supporting documents on the basis of which remittances have been effected by them. The bunch of Forms 'M' with the relative documents must have a covering statement in duplicate as per proforma given below:-

"Covering statement in respect of remittances

allowed during the month of

on account of

(State purpose)

All documents on the basis of which exchange facility is allowed by Authorised Dealers must invariably be stamped to indicate that the remittance has been allowed against them.

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CHAPTER XV

INSURANCE BUSINESS

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1. General.

The Exchange regulations governing insurance business entered into in Pakistan are set out in this chapter. Branches and agencies in Pakistan of insurance companies whose head offices are situated abroad are, for Exchange purposes, subject to the same regulations as insurance companies registered in Pakistan.

2. Issue of Life Policies to Pakistanis.

Insurance policies on the lives of Pakistanis resident in Pakistan can be issued only in Rupees.

3. Issue of Policies to Foreigners residing in Pakistan.

Policies on the lives of foreign nationals resident in Pakistan may be issued in Rupees. State Bank will permit conversion of such Rupee policies into foreign currency policies and consequential transfer of actuarial reserves as also remittance of maturity proceeds, as the case may be, provided the premia in Rupees is paid by them out of their genuine savings which are

otherwise remittable. Similar facility is also available to diplomats accredited to Pakistan and expatriate employees of international organizations provided premia in Rupees is paid by them out of their convertible Rupee accounts.

4. Issue of Foreign Currency Policies.

Foreign currency policies may be issued on the lives of foreign nationals where premia is paid by them in foreign exchange or out of remittable Rupee funds of the policy holders as laid down in paragraph 17 *ibid*. Foreign currency policies can also be issued on the lives of Pakistan nationals domiciled abroad provided premium is paid in foreign exchange only.

5. Premia on Rupee Policies held by Pakistanis Resident abroad.

Premia on Rupee life policies held by Pakistanis resident abroad must be received either by remittance from abroad or out of Rupees held in the non-resident account of the policy holder.

6. Assignment.

Rupee Policies cannot be assigned by a resident in Pakistan to a non-resident except with the prior approval of the State Bank. Foreign currency policies held by foreign nationals may, however, be assigned to non-residents without State Bank's approval.

7. Payment of Claims – Rupee Policies.

The maturity proceeds or surrender value of Rupee policies will be paid in Rupees only. In the case of foreign nationals, the remittance of maturity proceeds/surrender value of Rupee policies held by them, can be allowed only with the prior approval of the State Bank as indicated in preceding paragraph 3. Application for this purpose should be made in the prescribed form (Appendix V-51).

8. Payment of Claims – Foreign Currency Policies.

The maturity proceeds or surrender value of foreign currency policies held by foreign nationals may be paid in rupees or in the currency of the policy. Payment in foreign currency will be made with the prior approval of the State Bank.

9. Export of Policies.

Life and Endowment policies fall within the definition of securities and cannot be taken or sent out of Pakistan without the prior approval of the State Bank. Application for export of life policies should be made to the State Bank giving full description of the policy and reasons for its export.

10. Remittance of Premia on Foreign Currency Policies of Pakistanis.

Pakistanis, who had taken foreign currency policies while residing abroad, are required to declare them to the State Bank on their return to Pakistan. In this connection, reference is invited to the instructions contained in para 15 of Chapter XX. Normally in such cases, the policy

holders will be required to repatriate the surrender value of the policy to Pakistan. However, in cases where the policy is to mature within one year or so, the State Bank will consider allowing remittance of premia subject to the condition that the proceeds of the policy on maturity will be received in Pakistan through banking channel. Application for the purpose should be made in the prescribed form (Appendix V-52).

11. Marine Policies – Exports.

Exports from Pakistan can be insured by the exporters only if the goods are shipped on C.I.F. basis. In respect of shipment on F.O.B. or C & F basis insurance will be arranged by the overseas buyers. Exporters can take out policies only from companies operating in Pakistan, which can be expressed in Rupees or in foreign currency.

12. Marine Policies – Imports.

i) Imports into Pakistan are required compulsorily to be insured in Pakistan with companies operating in Pakistan. Imports can thus be made only on C & F or F.O.B. basis. It is not permissible to issue marine policies covering imports into the country in currencies other than Rupees.

ii) As an exception to the above general rule:

a) National Insurance Company Limited is authorised to issue foreign currency policies against imports financed by P.I.C.I.C./I.D.B.P. and directly by the loan-giving agencies.

b) Sub-authorisations issued under U.S. AID Programme on C.I.F. basis can, at the option of the importers, be utilized for imports from U.S.A. on C.I.F. basis by arranging insurance in the U.S.A.

13. Marine Policies – Shipment between two countries outside Pakistan.

Shipments between two countries outside Pakistan financed by a person or firm in Pakistan with the permission of the State Bank, can be insured in Rupees or in foreign currency.

14. Marine Policies – Coastal Shipments.

Coastal shipments between places in Pakistan can be insured in Rupees only.

15. Non-Marine Risks Excluding Life.

i) Insurance cover on non-marine risks (excluding life) inside Pakistan can be issued in Rupees only. Nothing in this paragraph shall affect the operation of the warehouse clause in marine insurance policies.

ii) Insurance cover on assets outside Pakistan owned by residents of Pakistan can be issued in Rupees or in the currency of the country in which the assets are situated.

iii) Insurance cover in respect of personal baggage and valuables in transit of Pakistan nationals can be issued in Rupees only. In respect of foreign nationals, such insurance covers can be written in Rupees or foreign currencies. However, in cases where foreign currency policies are issued to foreign nationals, premia thereon can be collected in foreign exchange only.

iv) House-holders policies can be issued in Rupees only.

v) The issue of personal accident policies is governed by the same conditions as those applicable to life policies.

vi) Policies under the Workmen's Compensation Act and Merchant Shipping Act can be issued in Rupees only.

16. Premia Collection – Rupee Policies.

Premia on policies issued in Rupees to non-residents can be collected by remittance from the country in which the policy holder is resident or out of Rupees held in his non-resident account. Insurers are not permitted to accept payments in Rupees from resident sources.

17. Premia Collection – Foreign Currency Policies.

Premia on foreign currency policies issued by insurance companies in Pakistan, in respect of foreign nationals resident in Pakistan, can be collected out of remittable Rupee funds of the policy holder or through a remittance received from abroad. In respect of foreign nationals residing abroad, the premia can be collected only through a remittance from abroad. As regards Pakistan nationals holding foreign currency policies, premia can be collected in foreign exchange only as laid down in paragraph 4 *ibid*.

18. Method of Settlement of Claims (Non-Life).

Claims on Rupee policies can be paid in Rupees only even in cases where the beneficiary is a non-resident.

19. Claims under Foreign Currency Policies covering Imports under Aid/Loan.

Claims arising under Foreign Currency policies covering imports under Aid/Loan can be paid by National Insurance Company Limited (NICL) without the prior approval of the State Bank of Pakistan in foreign currency for the replacement of goods damaged or lost in transit. Before making payment of claims in foreign currency, the NICL will obtain from the concerned importers an undertaking to the following effect:

i) The amount of the claims will be utilized only to the extent required for replacement of the goods damaged/lost in transit and any amount un-utilised will be repatriated to Pakistan through the medium of an Authorised Dealer in foreign exchange.

ii) Documentary evidence regarding payment made to the overseas suppliers in respect of goods purchased in replacement shall be submitted to the State Bank.

iii) The documents viz. Invoice relating to shipment duly endorsed by the Authorised Dealer, Bill of Lading, Bill of Entry and Bank's certificate showing repatriation of un-utilised amount, if any, shall be submitted to the State Bank within 4 months from the date of payment to the overseas suppliers.

The National Insurance Company Limited will report the payment of the claims in foreign currency to the State Bank through a monthly statement showing the amount of claims, names and addresses of the importers, number and date and value of the import licences/authorisation, if any, against which the goods were originally shipped and names and addresses of the overseas exporters. The statement, alongwith the copies of claim payment advices sent to the respective importers and relative undertaking obtained from them, should be so submitted as to reach the concerned area office of the Exchange Policy Department by the 7th of the following month.

20. Claims in respect of Marine Policies covering Exports.

i) Claims arising under the policies covering exports from Pakistan are payable to the shippers in cases where the proceeds have not been realised from the overseas importers. Where the payments have been received by the shippers, the claim can be paid to the overseas importers.

ii) Remittance of these claims by Pakistani insurance companies to foreign importers may be allowed by the Authorised Dealers on submission of applications accompanied by the following documents:

a) Application on Form 'M' alongwith the declaration in the prescribed form (Appendix V-53).

b) Claim Note.

c) Policy in original. Duplicate acceptable where original is retained by the Customs authority of the importing country and/or lost and indemnity in lieu of the original.

d) Invoice on CIF basis relating to the shipment.

e) Bill of Lading/Airway Bill/Postal Receipt relating to the shipment.

f) Survey Report/Short Landing Certificate/General Average Adjustment/Short Contents Certificate/No Survey Loss Certificate. Survey is not necessary if claim is not likely to exceed U.S. \$100/-.

g) Foreign bank's certificate to the effect that the proceeds relating to the shipment against which claim is made have already been remitted to Pakistan (except in case of general average claim payable to adjusters).

iii) To facilitate prompt payment to overseas claimants, the State Bank will consider requests from Pakistani insurance companies for settlement of such claims by their overseas settling agents through a system of revolving letter of credit. In cases where such permission is given, claims would be scrutinized by the overseas settling agents on the basis of the documents indicated at serial No. (b) to (g) in the preceding sub-paragraph and payments made through

revolving letter of credit. The claim documents both in respect of direct remittance and remittance under letter of credit should be submitted to the State Bank alongwith the relative Form 'M' while reporting the transaction in the monthly Returns for post facto checking alongwith the declaration in the prescribed form (Appendix V-53).

iv) Foreign insurance companies are required to settle claims in respect of marine policies covering exports through their head offices on the basis of all the above claim documents.

21. Claims under Foreign Currency Policies other than Marine.

Claims on foreign currency policies other than marine can be paid as under:

i) Where the beneficiary is a non-resident, the claim can, with the permission of the State Bank, be paid in the currency in which the policy is issued.

ii) Where the beneficiary is resident in Pakistan, payment of claim can be made in Rupees only for which prior permission of the State Bank is not required. In case, however, the resident beneficiary requires payment in the currency of the policy, application for making such payment should be made to the State Bank giving full reasons as to why he requires payment in foreign currency.

Application for remittance of claim under (i) and (ii) above, should be made on Form 'M' accompanied by the prescribed declaration (Appendix V-53).

22. Reinsurance Business.

Exchange facilities for reinsurance will be given only to branches or offices of insurance companies in Pakistan doing business on their own account. Such facilities will not be given to agents of non-resident companies who book business on account of the non-resident companies.

23. Reinsurance – Life.

Remittance of reinsurance premia both under treaty and facultative cover arising from the life insurance policies is not permissible except in the following cases:

a) Reinsurance premia on policies reinsured before 29th December, 1970.

b) Reinsurance premia on policies issued and reinsured on or after 25th May, 1973 for sums over Rs. 3.5 lacs in respect of death risk only.

Remittances in respect of (a) and (b) above will be allowed by the State Bank in accordance with the procedure set out in the following paragraph No. 24.

24. Remittance under Reinsurance Business.

Permission may be given by the Authorised Dealers for remittances in respect of reinsurance business effected with or accepted from non-resident companies on the insurance companies submitting to them the following information and documents. Remittances in respect of life reinsurance business will, in addition, be subject to conditions laid down in the preceding paragraph 23:

i) Remittance of premia under Facultative Reinsurance:

a) Applications on Form 'M' accompanied by a declaration in the prescribed form (Appendix V-54).

b) Evidence in the nature of cover note etc., in respect of reinsurance effected.

c) Certificate from the Controller of Insurance to the effect that the local market has been fully utilized before placing any part of the risk outside the country facultatively.

ii) Settlement of Account under Treaty Reinsurance:

a) Application on Form 'M' accompanied by declaration in the prescribed form (Appendix V-55).

b) A proforma statement of account showing net balance payable/receivable signed by the manager or an authorised officer of the applicant company duly confirmed by the beneficiary.

c) Proceeds Certificate in case any amount of claim has been received in cash and the same is being accounted for through the statement of account.

These documents will be submitted to the State Bank with the monthly Returns.

25. Foreign Currency Accounts of Pakistani Insurance Companies.

Retention of foreign currency received by Pakistani insurance companies is not permissible except with the special permission of the State Bank. Premia collected by them in foreign currency must, therefore, be sold to an Authorised Dealer. There is, however, no objection to the settlement of reinsurance accounts through the non-resident reinsurers.

26. Transfer of surplus Funds of Marine and General Business by Foreign Insurance Companies.

It is the practice with foreign insurance companies, operating in Pakistan, to settle through their head offices all claims arising under the policies issued by them and payable to non-residents. Similarly claims arising in Pakistan under the policies issued by their head offices are settled by their branches in Pakistan. To facilitate such settlements the local branches of overseas insurance companies are allowed to transfer their surplus funds on quarterly, half-yearly or annual basis. Companies wishing to transfer surplus funds should make an application to the State Bank, through the Authorised Dealer maintaining their account, on Form 'M' supported by (i) a no objection certificate from the Controller of Insurance, (ii) a declaration and statement in the prescribed forms (Appendices V-56 and V-57) signed by the manager or an authorised officer of the remitting branch holding power of attorney, and (iii) other requisite documents.

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CHAPTER XVI

PRIVATE REMITTANCES

Transfer of Assets – Foreign Nationals retiring from Pakistan.

Sale of imported vehicles.

Legacies and other Distributions of Assets from the Estate of Deceased Persons.

Family Remittance Facilities.

Issue of Permits.

Family Remittance Facilities – Self-employed Foreign Nationals.

Family Remittance Facilities – Foreign Nationals employed by Merchant Navy and Persons of Indo-Pak Origin.

Convertible and Non-Convertible Rupee Accounts.

United Nations and its Organizations in Pakistan.

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Membership Fees of Bonafide Social Clubs etc.

Correspondence Courses.

Fees for appearing in Examinations held in Pakistan by ICWA, London Institute of Bankers, etc.

Other Private Remittances.

Method of Reporting the Remittances allowed by Authorised Dealers under the above Authority.

1. Transfer of Assets-Foreign Nationals retiring from Pakistan.

Requests for remittance of assets received by the Authorised Dealers from foreign nationals (other than Indian nationals), foreign born wives of Pakistan nationals, persons of Indo-Pakistan origin holding foreign passports and stateless refugees, retiring permanently from Pakistan to their country of permanent domicile or to another country should be referred to the State Bank in the prescribed form (Appendix V-58) alongwith Form 'M' and other supporting documents. The assets include bank balance, sale proceeds of securities and other items including real estate purchased by the applicant out of his genuine savings during his stay in Pakistan. In such cases, the application should be accompanied by the following documents:

(i) (a) In respect of foreign nationals employed in the private sector, a certified true copy of the service contract and approval letter from the Board of Investment/work permit/work visa if applicable under the government's Investment Policy.

(b) In respect of persons employed in the public sector, a certified true copy of their contracts with the employing agency.

(c) In the case of self-employed persons carrying on their business or profession in Pakistan e.g. doctors, lawyers, architects, consultants etc., a certified true copy of the permission letter of the Board of Investment. Where a foreign national has been carrying on his business or profession in Pakistan prior to 3rd October, 1963, the permission letter will not be necessary. To this effect, suitable evidence will have to be produced by the applicant to the State Bank.

(ii) A certificate from the employer showing:

(a) Net salary and allowances for each year.

(b) Provident fund and leave salary paid on retirement.

(c) Bonus and other gratuitous payments for each year.

(d) Whether cost of passage for self and family is being paid by the employer.

N.B: The above certificate should cover the period of employment not exceeding ten years counting from the date of retirement from Pakistan.

Where any of the above payments is not covered by the relative service contract, a certified copy of the resolution of the Board of Directors of the company or special sanction of the public sector agency, as the case may be, will be necessary.

In respect of self-employed foreign nationals, instead of employer's certificate, certified true copies of their final income-tax assessment orders for the preceding two years will be required.

(iii) A statement of bank account for the preceding two years prior to the date of the application.

(iv) Bank certificate showing separately the total amount of remittances made on account of (a) family maintenance (b) leave salary and (c) other miscellaneous purposes for the preceding two years.

(v) Statement of sale proceeds realised in respect of locally purchased articles.

(vi) A Statement of sale proceeds of articles imported by the applicant from abroad.

(vii) Authorised Dealer's certificate showing the amount invested and the amount realised from the sale of investments, where the applicant had made investment in N.I.T. Units or other Government Securities for availing of income tax relief.

2. Sale of imported vehicles.

Foreign Diplomatic Missions, Diplomatic Officers, privileged persons/organizations, foreign nationals/contractors/firms etc., doing business or employed in Pakistan, can sell or otherwise dispose of in Pakistan their vehicles, which have been imported into Pakistan for official or personal use, only in accordance with the rules governing such imports. Remittance of sale proceeds will be considered by the State Bank under the prescribed rules.

3. Legacies and other Distributions of Assets from the Estate of Deceased Persons.

Applications covering remittance of legacies and other distributions from estates of deceased persons due to beneficiaries resident outside Pakistan should be referred to the State Bank for consideration. Such applications should be made by letter, which should be accompanied by the following documents and information:

(i) Name, nationality and place of residence of the deceased at the time of his death. If the deceased person was resident of Pakistan, the period of such residence should be stated.

(ii) A copy of the relative clauses in the Will after Probate has been granted or if the deceased died intestate, in the Letters of Administration, in both cases authenticated by a Notary Public, any Court, Judge or Magistrate in Pakistan or in the country of residence of the deceased if he died abroad.

(iii) A full statement of the assets in Pakistan of the deceased together with a copy of the bank account for the preceding two years.

Any amounts which are not allowed to be remitted to the non-resident beneficiaries will be permitted by the State Bank to be credited to a blocked account in the name of the executor or administrator with a bank in Pakistan. If any security, shares and real estate which has been specifically bequeathed to persons resident outside Pakistan are to be transferred to such beneficiaries, the applications should also contain full particulars of such securities, shares and real estate.

4. Family Remittance Facilities.

Foreign nationals, who are resident in and have income in Pakistan, are permitted to make remittances to the country of their domicile out of their current savings, to cover their commitments for family maintenance, insurance premia, educational expenses of their children, legal charges, mortgage payments, loan, interest etc. Such remittances can be made to the extent of the difference between the net income of the applicant and his estimated expenses in Pakistan, as declared by him in the prescribed application form. This facility is, however, not available to Indian and Afghan nationals and foreign-born wives of Pakistan nationals.

5. Issue of Permits.

(i) Permits for monthly remittances may be issued by the Authorised Dealers, without the prior approval of the State Bank, to foreign nationals other than those who are:

- a) Self-employed, or
- b) employed in Merchant Navy, or
- c) of Indo-Pak origin.

Permits will be issued on receipt of declaration from foreign nationals in the prescribed form (Appendix V-59) in duplicate and subject to fulfillment of the following conditions:

- aa) The applicant holds a work permit/visa or is employed in a hospital or educational/charitable institution.
 - bb) In case the applicant is employed with Government or Semi Government institution, a letter from the Department concerned is produced.
 - cc) The pay cheque of the applicant is received directly by the Authorised Dealer from the employer for credit to his individual account.
- (ii) Permits to eligible applicants will be issued by the Authorised Dealers on a yearly basis. These permits will be non-cumulative. It will, however, be in order for the Authorised Dealers to effect remittance of accumulated amounts upto a maximum of two months. Remittance of accumulations in excess of two months will require prior approval of the State Bank. The amount remitted each month should be endorsed on the application and after the last remittance is made, the same should be surrendered to the State Bank.

(iii) For renewal, a fresh declaration in duplicate should be obtained by the Authorised Dealers.

(iv) Salary on which remittance entitlement is calculated would exclude monetary value of various facilities such as free house, transport, servants, boarding etc., as also cash payments towards conveyance, entertainment, house rent etc. The term net income signifies gross income of the applicant less all compulsory deductions such as income tax, provident fund and pension fund, house rent and other deductions which are of a fixed nature. Bonus or commission receivable by foreign nationals cannot be added for calculating monthly entitlement in anticipation of the grant of bonus or commission. The computation will be made only after

the net amount of bonus or commission has actually been paid by the employer and will be spread over the subsequent twelve months.

(v) Authorised Dealers will keep proper record of these remittances, as this information is needed by the State Bank, when foreign nationals apply for remittance of their savings, on their retirement from Pakistan.

(vi) The original copies of all declaration forms (Appendix V-59) will be sent to the State Bank after effecting the last remittance. Authorised Dealers must, however, ensure that all expired permits are invariably sent to the State Bank promptly.

6. Family Remittance Facilities-Self-employed Foreign Nationals.

In the case of self-employed foreign nationals e.g., doctors, lawyers, architects, consultants etc., remittance permit will be issued by the State Bank. Authorised Dealers should submit applications of such foreign nationals in the prescribed form (Appendix V-59), together with a statement of income for the preceding one year and the latest income-tax assessment order. Foreign nationals who have been carrying on their business or under-taking independent profession in Pakistan on or after 3rd October, 1963 will be required to produce permission from the Board of Investment. Permission letter will not be necessary in those cases where the foreign nationals have been carrying on their business or profession in Pakistan prior to 3rd October, 1963. In such cases, however, they will have to produce to the State Bank suitable documentary evidence to this effect.

7. Family Remittance Facilities-Foreign Nationals employed by Merchant Navy and Persons of Indo-Pak Origin.

Applications for issue of monthly remittance permits from foreign nationals employed by Pakistan Merchant Navy and from persons of Indo-Pakistan origin holding foreign passports should be forwarded to the State Bank duly supported by necessary documents.

8. Convertible and Non-Convertible Rupee Accounts.

Under the rules, all Diplomatic Missions accredited to Pakistan, their Diplomatic Officers and home-based members of the Mission's staff in Pakistan, as also all international organizations in Pakistan and their expatriate employees, are allowed to maintain two separate Rupee accounts with banks in Pakistan viz. (i) convertible Rupee account and (ii) non-convertible Rupee account. Operations on these accounts are subject to the following rules:

(i) The convertible Rupee account can be credited with the following: -

(a) Foreign exchange received from abroad through normal banking channel.

(b) Foreign exchange encashed in Pakistan with any Authorised Dealer.

(c) Transfer from any other convertible Rupee account.

Other credits to the convertible Rupee accounts would require the prior permission of the State Bank.

The convertible Rupee account can be debited with the following without the permission of the State Bank:-

- aa) Payments in foreign exchange abroad.
- bb) Credit to any other convertible Rupee account.
- cc) Transfer to a non-convertible Rupee account.
- dd) Local disbursements.
- ee) Issuance of foreign currency travellers cheques and foreign currency notes.

(ii) The non-convertible Rupee account can be credited with the following:-

- a) Transfer of funds from convertible Rupee account.
- b) Remittances received from abroad through banking channel.
- c) Other receipts from authorised sources.

Remittance from a non-convertible Rupee account or transfers therefrom to a convertible Rupee account is not permissible. This account can, however, be debited freely without State Bank's permission for making local payments.

All payments to officials of Foreign Missions and International Organizations are to be made from the convertible Rupee accounts of the Foreign Missions/International Organizations by credit to the convertible Rupee accounts of the said officials maintained with banks. The officials are free to transfer such amounts from their convertible Rupee account to their non-convertible Rupee account as they may consider necessary for meeting their local expenses from time to time.

9. United Nations and its Organizations in Pakistan.

Operations on accounts of United Nations and its Organizations in Pakistan are governed by the instructions contained in para 2 of Chapter VIII. The expatriate employees of the United Nations and its Organizations in Pakistan are also governed by the instructions contained in the preceding paragraph 8 . However, in their case it will be in order for Authorised Dealers to allow transfer of funds to their convertible Rupee account from the official Rupee accounts of the United Nations Organizations.

10. Issue of Travellers Cheques against Family Maintenance Permits.

Authorised Dealers may issue travellers cheques to a foreign national, holding family maintenance permit or to the members of his family by deduction from his remittance entitlement for that particular month, on production of tickets evidencing the date of their departure from Pakistan within two weeks from the date of issue of travellers cheques.

11. Subscription to Foreign Magazines, Periodicals etc. and Purchase of Books of a Learned or Technical Nature.

Authorised Dealers may allow remittances, without prior approval of the State Bank, for subscription to foreign magazines, periodicals, newspapers etc., and for purchase of books of learned and technical nature as per ceiling prescribed in the Import Policy.

12. Procedure for effecting Remittances.

While effecting remittances Authorised Dealers shall ensure the following:-

- (i) Form 'M' has been duly signed by the applicant.
- (ii) Remittances are effected only on behalf of their own clients for not more than one copy each of the magazines, periodicals, books etc.
- (iii) The invoices, demand notes etc., received from foreign publishers or book-sellers and distributors are addressed to the clients on whose behalf remittance is being made.
- (iv) Remittances are made in favour of renowned booksellers, publishers and distributors on account of subscription to well-known foreign magazines, periodicals etc., and books of a learned and technical nature (i.e. non-fiction) only.
- (v) Remittances are not made for those magazines, books, journals, etc., whose import is prohibited.
- (vi) A declaration by the applicant showing the amount already remitted during the current fiscal year is submitted and remittance is allowed within his entitlement.

13. Remittances by Book-sellers/Subscription Agencies on account of Subscription to Foreign Journals and Magazines etc.

Authorised Dealers may allow remittances by book-sellers/subscription agencies on account of subscriptions collected by them from their individual customers for subscription to foreign newspapers/journals/magazines and import of books of technical and learned nature. In such cases remittances will be allowed by them on the strength of consolidated invoices issued by foreign publishers or book-sellers and distributors, subject to the following procedure:

- (i) The book-sellers/subscription agencies in Pakistan should accept payment from their customers only through cheques marked 'Account Payee Only' and deposit the same in a separate account, which they will open with their bankers exclusively for this purpose. Remittances in respect of foreign books and magazines will be made by the Authorised Dealers by debit to this account only.

(ii) Authorised Dealers should make remittances direct to the internationally known publishers and book-sellers only. As an exception, however, remittances may also be made to the subscription agents as specified in Appendix V-60.

(iii) The book-sellers/subscription agencies concerned must be a member of the Pakistan Publishers and Book-sellers Association and registered with the Export Promotion Bureau as an importer. The book-sellers/subscription agencies should produce a letter from the Secretary of the Association certifying their membership. This certificate will be kept on record by the Authorised Dealers for inspection by the State Bank.

(iv) Book-sellers/subscription agencies should ensure that parcels/invoices are addressed by the foreign publishers, book-sellers etc., direct to the individual subscribers in Pakistan. In cases where remittances are made on the strength of consolidated invoices, it should be ensured that such invoices are accompanied by statements duly authenticated by the foreign publishers showing the names, addresses etc., of the individual subscribers. However, in cases where the book-sellers/subscription agencies are unable to support the consolidated invoices with the detailed statements at the time of making remittances, the Authorised Dealers may make the remittance, on the basis of an undertaking from the applicant that authenticated copy of the statement will be produced to them within a period of two months from the date of remittance. It will also be the obligation of the concerned Authorised Dealer to ensure that the above statements are filed by respective book-sellers/subscription agencies with them within the stipulated period. The said statement should be linked with the relative papers and produced to State Bank's Inspecting Team on demand.

14. Import by Actual Users.

Authorised Dealers may approve applications on Form 'M' upto an amount prescribed in the Import Policy (currently US\$ 5,000 per person during fiscal year 2001-2002) in connection with import of any importable item or items by actual users on production of the following documents:-

(i) Proforma invoice/debit note in original.

(ii) Declaration of the applicant that the amounts remitted by him during the current fiscal year including the amount of the present application does not exceed US\$ 5,000.

(iii) Declaration that the item/items so imported are for his personal use only.

15. Membership Fees of Educational, Technical, Professional & Scientific Institutions.

Authorised Dealers may approve applications on Form 'M' covering subscriptions or membership fees at actuals to bonafide scientific, technical, professional and educational institutions abroad. The applications should contain the following particulars:

(i) Name and address of the institution.

(ii) Amount of subscription payable.

(iii) Period for which subscription is valid.

Remittances should be made directly in the name of the scientific, technical, professional and educational institutions abroad.

16. Membership Fees of Bonafide Social Clubs etc.

No foreign exchange will be made available for this purpose.

17. Correspondence Courses.

Authorised Dealers may approve remittances for payment of fee for correspondence courses in actuarial science and for those other courses which prepare students for examinations conducted in Pakistan by professional institutions of repute abroad like ICWA etc. Applications for the purpose should be made on Form 'M' duly supported by a declaration in the prescribed form (Appendix V-61) and the demand note received from abroad.

18. Fees for appearing in Examinations held in Pakistan by ICWA, London Institute of Bankers, etc.

Authorised Dealers may allow remittances on account of fees to be paid by students to foreign professional/educational institutions for appearing in the examinations conducted by such institutions in Pakistan. The above facility also covers fees for all examinations held in Pakistan for entry into universities, institutions and courses of studies abroad for which exchange is otherwise allowed by the State Bank. Remittances for the purpose may be effected by the Authorised Dealers subject to scrutiny of the following documents:

(i) Form 'M' signed by the applicant.

(ii) Demand Note/Examination Fee notice etc., in original.

The remittances are to be effected in the names of the foreign institutions abroad.

19. Other Private Remittances.

Applications for remittances by private individuals for purposes other than those mentioned above should be made to the State Bank on Form 'M'. Details of the purpose of the remittance should be stated in full on Form 'M' and appropriate documentary evidence in support of the application attached thereto. Authorised Dealers should advise all applicants that it is in their interest to state clearly the purpose of the remittances, as a decision on the application can be taken by the State Bank only after considering full facts of each case. Authorised Dealers must satisfy themselves regarding the bonafides of each case through their personal knowledge of the applicant, if any, or evidence which the applicant may be able to produce. After thus satisfying themselves, the Authorised Dealers should certify the application and forward it to the State Bank for consideration. In each case the nationality of the applicant should be stated and if the applicant is not a resident of Pakistan, the name of the country of which he is a resident shall be mentioned. If the applicant is a foreign national, the period of his residence in Pakistan and his future intention in this regard should be clearly spelled out. Particulars of any permit

obtained by him for making monthly remittances to his country of domicile should also be indicated.

20. Method of Reporting the Remittances allowed by Authorised Dealers under the above Authority.

While reporting to the State Bank remittances allowed by them under the general authority delegated to them in this chapter in their monthly exchange returns, the Authorised Dealers will bunch Forms 'M' under each category separately alongwith the prescribed supporting documents in each case on the basis of which the remittances in question have been effected.

Each bunch of Forms 'M' with the relative documents must have a covering statement in duplicate as per proforma given below:-

Covering Statement in respect of Remittances allowed during the month..... for

Sl.
No.
Name of the remitter.
Name & address of beneficiary.
Amount remitted in foreign exchange.
Equivalent in Rupees.

Before forwarding the prescribed documents to the State Bank alongwith the covering statements referred to above, the Authorised Dealers should see that these are invariably branded with an appropriate stamp indicating that remittances thereagainst have already been effected.

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CHAPTER XVII

TRAVEL

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1. General.

This chapter sets out the rules in accordance with which the Airlines/Shipping Companies/Travel Agents may sell tickets and Authorised Dealers may release foreign exchange for travel abroad.

2. Persons from whom applications will be received by the State Bank.

In cases where booking of passage and release of foreign exchange require State Bank's prior approval, State Bank will entertain applications for approval of passage on Form "P" or "P-2" (Appendices V-62 and V-63 and for release of foreign exchange on Form T-1 (Appendix V-64) from the following only:

(i) Applicants themselves.

(ii) Authorised representatives of Airlines/Shipping Companies.

(iii) Authorised representatives of such travel agencies/general sales agents licensed by the Government under the Travel Agencies Act, 1976 and Overseas Employment Promoters licensed by the Bureau of Emigration, which are recognized by the State Bank for the purpose.

(iv) Authorised representatives of the Authorised Dealers.

3. Applications for grant of State Bank's recognition.

Applications for grant of recognition for the purpose of para 2 (iii) above should be made to the State Bank through the bankers of the applicants. These applications should, in addition to (i) a confidential report from the applicants' bankers and (ii) a list showing the names of their directors, proprietors, partners etc., as also their nationalities and addresses in Pakistan, be accompanied by the following:

(i) IATA TRAVEL AGENCIES: Original and one photo copy each of (a) approval of IATA Membership and (b) licence granted by the Government under the Travel Agencies Act, 1976.

(ii) NON-IATA TRAVEL AGENCIES:(a) Letters from three IATA airlines sponsoring their request and (b) original licence granted by the Government alongwith its photocopy.

(iii) GENERAL SALES AGENTS: (a) Original licence granted by the Government under the Travel Agencies Act, 1976 alongwith its photo copy and (b) a letter from the airline concerned indicating appointment as their general sales agents.

(iv) OVERSEAS EMPLOYMENT PROMOTERS: Original licence granted by the Bureau of Emigration alongwith its photo copy.

State Bank will, however, accord recognition in its absolute discretion. Recognition so granted is liable to be withdrawn by the State Bank at any time without assigning any reason.

4. Travel to countries other than Afghanistan by Pakistan nationals residing in Pakistan

(i) SALE OF TICKETS IN PAKISTAN.

(a) Airlines/Shipping Companies/Travel Agents may sell tickets to Pakistan nationals resident in Pakistan against payment in Pakistan Rupees on production of passport and in case the traveller is over 18 years of age also national identity card.

(b) Airlines/Shipping Companies/Travel Agents may sell tickets on any carrier to Pakistani crew members going abroad to join ships, on the basis of a certificate from the Shipping Master and a certificate from the local agents of the foreign ship owners to the effect that the cost of passage is being paid out of the remittable rupee collections of their foreign principals and that the same will be reported in the relative monthly Disbursement Statement of the concerned principal. The local agent's certificate alongwith the Shipping Master's Office certificate should be submitted with the monthly "Return of Passage Bookings (Appendix V-37)".

(ii) TICKETS RECEIVED FROM ABROAD.

Travel against P.T.As/tickets on PIA/Pakistan Shipping Companies as well as on foreign carriers received from abroad may be allowed without approval of the State Bank of Pakistan.

(iii) REBATED TICKETS.

(a) Travel by employees of Airlines/Shipping Companies and their dependents against 100% rebated/free tickets may be authorised by the carriers concerned. Travel by persons entitled to partly rebated tickets of PIA/Pakistan Shipping Companies may also be authorised by the carriers concerned.

(b) Travel against 100% rebated tickets on the inaugural flights and other travel against complimentary tickets issued under IATA Regulations may also be allowed on foreign Airlines/Shipping Companies without any annual limit.

(c) Airlines/Shipping Companies are authorised to issue 100% rebated tickets to the employees of other Airlines/Shipping Companies travelling on official duty. In such cases the Airlines/Shipping Companies should attach a certificate indicating the name of Airline/Shipping Company on whose official business the employee concerned has travelled.

5. Travel by non-resident Pakistan nationals.

(i) Airlines/Shipping Companies/Travel Agents are authorised to book passage of students studying abroad who wish to visit Pakistan on holidays or for other reasons, on production of a declaration by the parents/guardians countersigned by the Authorised Dealers through which remittances are made for education of the students concerned. These declarations should be surrendered in support of the bookings reported in the monthly Return of Passage Bookings. Where one way passage of a student is desired to be booked on completion of studies, Airlines/Shipping Companies/Travel Agents may issue ticket on the basis of Authorised Dealer's certificate not later than 6 months after completion of the studies.

(ii) Pakistan nationals resident abroad returning to their jobs and their family members accompanying them, may be sold one-way ticket for outward journey by any carrier.

(iii) Pakistan nationals resident abroad and their family members living with them, who come to Pakistan on short visits, may be sold ticket for any destination against surrender of equivalent amount in foreign exchange. The encashment certificate (Appendix V-10) issued by an Authorised Dealer in Pakistan should be surrendered alongwith monthly "Return of Passage Bookings".

(iv) Pakistani emigrants holding foreign passport may be sold one-way ticket for their return journey to their country of residence.

6. Restriction during Hajj Season.

The general authority given for issue of tickets /booking of seats without the State Bank's approval vide paragraphs 4 & 5 shall not be valid for issue of tickets which provide for travel to Saudi Arabia, Egypt, Sudan, Djibouti, Somalia, Ethiopia, Kenya, Syria, Turkey and Greece during the period from 10th Shawal to 10th Zilhaj each year as announced by the Ruet Hilal Committee except for the categories of travel specified below:

i) Wives wishing to join their husbands working in Saudi Arabia, Egypt, Sudan, Djibouti, Somalia, Ethiopia, Kenya, Syria, Turkey and Greece.

ii) Children wishing to join such parents who are working in the above countries.

iii) Parents wishing to join their sons/daughters working in the above countries.

iv) Those returning to duty.

v) Persons travelling to Saudi Arabia in response to invitation received from the Government of Saudi Arabia.

vi) Students going to join educational institutions to which he/she has been admitted plus his/her guardian duly authorised by Government of Saudi Arabia.

vii) Officials on duty-en-route to Saudi Arabia and other countries specified above.

viii) Those going to Saudi Arabia against work permit or employment visa.

ix) Such Pakistanis as are working abroad (outside Saudi Arabia) and happen to be on leave in Pakistan during Hajj season and wish to perform Hajj enroute while going to resume their duties.

x) Those going against business visas secured after the certification by recognized Chambers of Commerce and Industry in Pakistan.

(The above categories of travel are subject to change).

Accordingly, during the period from 10th Shawal to 10th Zilhaj each year Airlines/Shipping Companies/Travel Agents will neither issue tickets nor provide seats for travel to Saudi Arabia

and neighbouring countries mentioned above in favour of persons not covered by the exempted categories referred to above. Persons holding tickets for travel abroad where any point in Saudi Arabia can be touched enroute should not be allowed break-journey/transit in Saudi Arabia from 10th Shawal to 10th Zilhaj.

7. Booking of Passage for official travel of Government servants, employees of semi-government institutions/autonomous bodies & nationalized/taken over institutions/banks/other public sector organizations and travel of official delegations/foreign nationals engaged by public sector organizations.

(i) On production of air travel warrant (Appendix V-65), passport and National Identity Card in original, passage for the official travel of Government servants or members of an official delegation as detailed in the warrant may be booked by PIA or a travel agent, in which case the latter will approach the PIA for ticketing against Miscellaneous Charges Order (MCO). In the case of travel by the officials of the departments/institutions/public sector organizations etc., which do not issue air travel warrant, passage may be booked by PIA on submission of an official letter from the department/institution/public sector organization concerned authorizing such travel alongwith the passport and National Identity Card, in original. If the passage is desired to be booked by a department/institution/public sector organization through their approved travel agent, they may do so but in that case the travel agent should approach the PIA for ticketing against MCO. In cases where such traveller is abroad and ticket for inward journey is desired to be issued by the department/institution/public sector organization concerned, production of passport and National Identity Card in original will not be required. Release of foreign exchange to such officials will continue to be made by the State Bank.

(ii) Inward or round trip passage of foreign expatriates engaged by the public sector organizations for employment with them may also be booked by PIA or a travel agent, in which case the latter will approach the PIA for ticketing against MCO on the basis of employer's letter of request.

In the above cases PIA/travel agents will, before booking of passage, ensure that the air travel warrant or the letter of authorisation or the employer's letter of request, as the case may be, is genuine and it has been issued over the signature of an authorised official of the concerned department/institution/public sector organization. In case of doubt, PIA/travel agents may contact the concerned government department/institution/public sector organization, for verification. In support of such bookings, the air travel warrant or the letter of authorisation or the employer's letter of request, as the case may be, should be attached with the relative monthly "Return of Passage Bookings".

8. Booking of passages of Foreign Nationals.

In the following cases Airlines/Shipping Companies/Travel Agents can book outward/inward or round trip passages of foreign nationals without the prior approval of the State Bank.

(i) Passages paid for by Foreign Missions/International Organizations/United nations and its Organizations.

Where passages of foreign nationals are paid for by foreign missions/international organizations in Pakistan through cheques drawn by them on their convertible Rupee accounts or foreign currency accounts in Pakistan. In such cases it will be necessary for the traveller to produce to Airlines/Shipping Companies/Travel Agents an official letter from the foreign mission / international organization concerned confirming that the cheque has been drawn on their convertible Rupee/foreign currency account. The official letter should also indicate the number of cheque as well as the name of the bank on which the cheque has been drawn. As regards the United Nations and its Organizations, Airlines/Shipping Companies/Travel Agents may accept payments for such bookings through cheques drawn on any of their official bank accounts in Pakistan.

(ii) Booking of passages of Foreign Nationals working/residing in Pakistan and their Family Members.

(a) Where travel is undertaken by foreign nationals and their family members provided such foreign nationals are employed with a Government or a Semi-Government agency and if employed in the private sector, they hold work permit/visa from the concerned authority. In such cases Airlines, Shipping Companies and Travel Agents should ask the foreign national to produce a certificate of employment from the Government or the official agency concerned or a copy of the work permit/work visa. In their monthly returns the Airlines/Shipping Companies will invariably quote the number and date of the letter/permit/visa in support of such bookings. Passages of foreign nationals working in Pakistan who do not hold permission letter but are otherwise enjoying exchange facility from the State Bank/an Authorised Dealer or are employed in educational/charitable institutions or hospitals can also be booked against payment in rupees without the prior approval of the State Bank. Airlines/Shipping Companies will report such bookings in their monthly return duly supported by a certificate of the bankers of the concerned foreign national to the effect that he/she is enjoying family maintenance remittance facility from the State Bank of Pakistan/an Authorised Dealer (Name of the Office) vide (Permit No.) dated _____ or a certificate from the educational/charitable institution or hospital where the concerned foreign national is employed.

(b) Where travel abroad to the country of domicile is undertaken by foreign nationals and their family members residing/working in Pakistan but such travel is not covered by sub-para (a) provided their continuous stay in Pakistan prior to the issue of ticket is not less than 6 months, which should be verified with reference to the immigration stamp on the passport of the travellers.

(iii) Foreign Experts/Technicians.

Where inward/outward or round trip journey is undertaken by foreign experts/technicians being engaged in the private sector for rendering such services as supervision of installation, commissioning of the plant and training of personnel. The employers letter of request and their bankers certificate that engagement of the foreign national is covered by the Industrial Policy Statement should be attached with the monthly "Return of Passage Bookings".

(iv) Booking of Passage of Foreign Nationals Against Encashment Certificates.

(a) Where outward passage of foreign nationals (including persons of Indo-Pak origin), irrespective of their residential status, is desired to be booked against encashment certificate of Authorised Dealers (Appendix V- 10) evidencing receipt/encashment of foreign exchange in Pakistan in cover of the Rupee cost of the relative ticket, provided foreign exchange has been surrendered to an Authorised Dealer not earlier than 30 days from the date of booking. While reporting such bookings in their monthly "Return of Passage Bookings" airlines and shipping companies will enclose the relative encashment certificate in support of such bookings.

(b) Where outward passage/excess baggage, whether accompanied or unaccompanied, of foreign tourists is desired to be booked against payment in foreign exchange to the airlines/shipping companies on holidays or at odd hours when banks are closed, the foreign exchange so surrendered by the tourists and accepted by airlines/shipping companies, shall be surrendered by them to an Authorised Dealer on the next working day alongwith a letter indicating the name of the traveller and particulars of his passport viz. its No. and place of issue and a bank's encashment certificate obtained. These certificates shall be attached by the Airlines/Shipping Companies alongwith their relative passage/freight statement in support of such bookings.

(c) Where outward passage or excess baggage, both accompanied and unaccompanied, of foreign nationals is desired to be booked against International Credit

Card, the Airlines/Shipping Companies have first to satisfy themselves about the genuineness, validity etc., of the Card and then prepare a Charge Form. The Charge Form will be signed by the Card holder in acknowledgement of the purchase made against the Card. The name of the Card holder, Credit Card No. etc., would be clearly indicated on the Charge Form in proof of Credit Card having been presented by the holder for booking of passage or excess baggage. A copy of the Charge Form duly filled and signed by the Card holder will be attached by the Airlines/Shipping Companies alongwith their relative passage/freight statement in support of such bookings.

(v) PTAs/Tickets received from Abroad.

Where travel abroad is undertaken by foreign nationals against PTAs / tickets received from abroad.

(vi) Foreign Students.

Where travel abroad to any destination is undertaken by foreign students studying in Pakistan. A certificate of the educational institution concerned should be surrendered with the monthly "Return of Passage Bookings".

(vii) Foreign Crews.

Where outward journey is undertaken by foreign crews of foreign shipping companies, provided the cost of passage is paid by the agent of the foreign shipping company.

(viii) Foreign Born Wives and Children of Pakistan Nationals.

Foreign born wives and children of Pakistan nationals, holding foreign passports and ordinarily residing in Pakistan are eligible to the facilities mentioned in paragraph 4, 9, 17, 18 and 25 provided they otherwise qualify for the same.

9. Travel to Afghanistan.

Airlines/Travel Agents can book outward or round trip passages without the approval of the State Bank for travel to Afghanistan.

10. Journey from Pakistan against Outward Coupons of Return Tickets.

Airlines/Shipping Companies may authorize persons to emplane/embark against outward coupons of return tickets provided the traveller is a foreign national or in the case of Pakistani national, the traveller is resident/settled abroad and holds a work permit/residence visa abroad or his stay abroad is not less than 6 months.

11. Passage approval in other cases and its validity.

In all cases other than those specified in previous paragraphs Airlines/Travel Agents/Shipping Companies should not book passages unless State Bank's approval on Form 'P' / 'P-2' is produced to them. Passages booked against State Bank's approval on Form 'P'/'P-2' should provide for travel within 3 months from the date of approval in respect of journeys originating from Pakistan.

12. Issue of Tickets.

(i) Airlines/Shipping Companies and Travel Agents may book passages against payment in Rupees as permissible under the rules, provided booking is made by normal direct route. In other cases, prior approval of the State Bank is necessary.

(ii) Tickets for outward journeys from Pakistan issued by Airlines/Shipping Companies or Travel Agents under the general authority delegated to them in terms of paragraphs 4, 5, 7, 8 and 9 should invariably indicate the date of departure which should be within three months from the date of issue of the tickets subject to the restrictions mentioned in paragraph 6.

(iii) If a request is made to the Airlines/Shipping Companies or Travel Agents for an alteration in the date of departure after a ticket has been issued, the Airlines/Shipping Companies or Travel Agents may allow extension in the date of departure upto one month from the date on which a person is originally booked to travel subject to the restrictions mentioned in paragraph 6.

(iv) Airlines and Travel Agents should make the following endorsements on tickets issued to passengers travelling within Pakistan or to Afghanistan:

(a) For transportation within Pakistan: – "Valid for transportation within Pakistan only".

(b) For transportation to Afghanistan for which approval on form 'P' is not necessary: – "Destination not changeable".

(v) Airlines/Shipping Companies/Travel Agents, while issuing tickets, will endorse the passport of the passenger in the following manner under their proper authentication and stamp:

(a) Ticket of (Name of carrier) for issued (destination) on for (purpose of visit)

STAMP & SIGNATURE

(b) In case where tickets/PTAS are received from abroad, the endorsement on the passports should be made by the carrier concerned in the following manner:

Travel to (destination) against the ticket of (name of carrier) received from abroad authorised for (purpose)

STAMP & SIGNATURE

(vi) In all cases of issue of tickets under the authority of paras 4 and 5 of this chapter, the number of the passport and its date and place of issue will be recorded by the Airlines/Shipping Companies/Travel Agents on the first coupon of each ticket. A photo copy of these coupons will be submitted by the foreign carriers alongwith the monthly "Return of Passage Bookings" prescribed vide paragraph 16 of this chapter. The number of the relevant paragraph of this chapter will be quoted in column No. 12 of the "Return" in those cases where passage is sold under the authority delegated to the Airlines/Shipping Companies/Travel Agents.

13. Collection of Difference in Fare.

(i) It will be in order for the carriers to accept difference arising either from increase in fare or rerouting in respect of tickets issued in Pakistan subject to the same terms and conditions as laid down for issue of tickets under the general authority delegated to them in this chapter. In case of tickets purchased abroad, difference may be accepted in Pak Rupees if the traveller is otherwise entitled to purchase a ticket against payment in Pak Rupees under the facility of private travel allowed in terms of the provisions of this chapter.

(ii) In the case of foreign nationals coming to Pakistan against tickets issued outside Pakistan and who, on arrival in Pakistan, desire some alteration or amendment in the ticket, airlines and shipping companies or travel agents may carry out such alteration or amendment without the prior approval of the State Bank provided additional payment in Rupees on account of the cost of such amendments/alterations does not exceed Rs. 100/- per person. In such cases amounts in excess of Rs.100/- can be collected by airlines, shipping companies etc., only with the prior approval of the State Bank. This restriction, however, does not apply to cases where additional payment in Rupees is made by the foreign traveller out of funds received from abroad or against encashment of foreign currency or M.C.O's issued abroad.

14. Refund against Cancellation of Tickets.

Carriers have general permission to allow refund against partly or wholly unutilized tickets without the prior approval of the State Bank in the following cases:

(i) Wholly unutilized tickets:

(a) Where the carriers have satisfied themselves by examination of relative documents that the ticket holder has not drawn any foreign exchange.

(b) Where the foreign exchange drawn by the ticket holder has been surrendered to an Authorised Dealer. In such cases the relative encashment certificates should be attached with the refund statement.

(ii) Partly utilized tickets: Where refund is in respect of

(a) Travel between two points outside Pakistan except where a point of travel involved is in India or Bangladesh, and

(b) Return journey portion of a ticket originally issued for two way travel.

15. No refunds Outside Pakistan.

(i) In all cases of bookings made against payments in Rupees, whether single or round trip, no refunds should be granted outside Pakistan. In all such cases refunds should be made only in Rupees in Pakistan. All tickets/vouchers etc., must be marked accordingly. Airlines and Shipping Companies should also ensure that such refunds are not given in the form of exchange vouchers or in any other form, which can be used for further transportation. All such refunds must be made either by cheque or in cash.

(ii) In respect of a first class ticket involving travel by sea or air issued to a traveller, whether Pakistan or a foreign national, it is not permissible to convert it into one, which enables the passenger to travel in a lower class. All such requests must be referred to the State Bank for prior approval.

16. Return of Passage Bookings.

(i) Airlines and Shipping Companies should furnish to the concerned Authorised Dealer a monthly return of all passages sold or tickets issued by them in the prescribed form (Appendix V-37) according to the instructions contained in para 3 of Chapter XIV.

(ii) In all cases of cancellations or refunds of passages a monthly statement should be submitted in the prescribed form (Appendix V-42). In this regard reference is invited to para 3 of Chapter XIV.

(iii) No returns are required to be submitted by Travel Agents to the State Bank. They are, however, required to maintain a complete record of all passages sold by them in the prescribed form (Appendix V-37).

17. Release of Foreign Exchange by Authorised Dealers for foreign travel.

Authorised Dealers may release foreign exchange for foreign travel in accordance with the instructions set out below:

(i) Sale of Foreign Exchange to Pakistan nationals resident in Pakistan for travel to countries other than India, Bangladesh and Afghanistan.

Pakistan nationals resident in Pakistan are entitled to private travel exchange quota (PTEQ) of U.S. \$50/- per day per person subject to a maximum of US\$2,100 per calendar year for countries other than India, Bangladesh and Afghanistan. This quota may be drawn from Authorised Dealers in accordance with instructions contained in subsequent sub-paragraphs in lump sum or in installments over a period of one calendar year. Children below the age of 2 years are entitled to 10% of the PTEQ mentioned above while children over 2 years of age but below 12 years of age are entitled to draw 50% of PTEQ. The PTEQ will be released by the Authorised Dealers for the period of stay abroad as may be declared by the applicant on 'T-1' form subject to the prescribed maximum ceiling. The period of stay abroad declared by the applicant should be substantiated by the Authorised Dealers with reference to the number of days for which visa, if any, has been granted and from the dates of outward/inward journeys, if indicated in the tickets. Authorised Dealers should record in the relevant passports, release of PTEQ in full at one time or in instalments with date, month and year of issue. In cases where passport is presented within one year of its issue and it bears the endorsement that the holder thereof has previously travelled abroad on another passport which has been cancelled and returned, the Authorised Dealers should invariably call for the previous passport in order to determine the entitlement of PTEQ. In case the endorsement shows that the previous passport had been retained by the authorities after cancellation, Authorised Dealers may issue foreign exchange on the basis of the written affirmation by the person concerned about the foreign exchange drawn by him since 1st January of the relevant calendar year to date.

(ii) Private Travel Exchange Quota can also be released against one way ticket.

(iii) Banks authorised to deal in foreign exchange will release foreign exchange to the travellers as indicated above, on production of the following: -

(a) Passport.

(b) National Identity Card

(c) Ticket

(d) T-1 form duly completed.

(e) Visa in case of travel by land route.

Before issuing foreign exchange on the scale indicated in preceding sub-paragraph (i) , Authorised Dealers should satisfy themselves about the genuineness of the request for release of PTEQ and verify with reference to the passports of the travellers that they are entitled to the private travel exchange quota. It should also be verified from the passport that the journey for which the instalment of private travel exchange quota was last drawn, was actually undertaken. Authorised Dealers will ensure that the serial number(s) of the ticket(s) and the name of the airline/shipping company are invariably indicated in the columns provided for the purpose in the Authorised Dealer's Certificate provided in "T-1" form.

(iv) In the case of travel by land route, Authorised Dealers may release private travel exchange quota subject to entitlement on submission of "T-1" form, passport, National Identity Card and visa.

(v) No foreign exchange will be made available by Authorised Dealers for travel to Afghanistan.

(vi) Authorised Dealers will keep photostat copies of the following documents in their record and present the same to the Inspection Teams of the State Bank.

a) Pages 1, 2 and 3 with inside title page and that page of the passport on which endorsement of release of foreign exchange is made

b) First coupon of air/steamer ticket.

c) Visa

(vii) No foreign exchange will be made available by the Authorised Dealers for private travel to countries mentioned in para 6 of this chapter during the period from 10th Shawwal to 10th Zilhaj. However, in the case of persons falling in categories specified in paragraph 6 of this chapter and proceeding to Saudi Arabia exclusively for performing Hajj, Authorised Dealers may release Private Travel Exchange Quota, where admissible, on production of No Objection Certificate issued by the Ministry of Religious Affairs & Minorities Affairs, Government of Pakistan, Islamabad. While releasing foreign exchange to the above travellers, the Authorised Dealers will retain a copy of the above No Objection Certificate and forward the same to the Exchange Policy Department alongwith the relevant return of foreign exchange transactions.

18. Sale of foreign exchange to Pakistan nationals resident in Pakistan for travel to India and Bangladesh.

(i) Authorised Dealers may release to Pakistan nationals resident in Pakistan as private travel exchange quota (a) US\$25/- per head (irrespective of age) on each visit to India and (b) US\$100/- per head on each visit to Bangladesh subject to the condition that children upto the age of 12 years will be given US\$50/- per head. The foreign exchange may be released on production of passport, National Identity Card in original, "T-1" form and Air/Steamer ticket. The Air/Steamer ticket and passport of the traveller should be endorsed with the amount released as prescribed in paragraph 43 ibid except in case of travel by land route where only the passport should be endorsed. It should also be verified from the passport that the journey, for which private travel exchange quota was last drawn, was actually undertaken.

(ii) Zaireen nominated by the Federal Ministry of Religious Affairs to visit Muslim Shrines in India may be allowed exchange @ US\$10 per day per head by the Authorised Dealers on production of a copy of the nomination letter issued by the Federal Ministry of Religious Affairs. Zaireen proceeding to Ajmer for participation in the Urs of Hazrat Khwaja Moinuddin Chishti (R. A) may be allowed a further sum of US\$25/- per head in addition to US\$10/- per day per head to cover travel cost from Delhi to Ajmer and back. The nomination letter should be surrendered alongwith the "T-1" form while reporting the transaction.

19. Private travel by Government Servants, employees of Semi-Government Institutions/autonomous bodies and nationalized/taken over institutions/bank.

The instructions contained in paragraphs 4, 9, 17, 18 and 25 will apply. However, tickets will be issued and foreign exchange released on submission of relevant order of the competent authority sanctioning leave ex-Pakistan, in addition to other prescribed documents. Before releasing PTEQ in such cases Authorised Dealers should ensure that it is clearly indicated in the Leave Order that the traveller has not been allowed to draw leave salary / pension in foreign exchange.

20. Restriction as to re-issue of unspent amount of 'PTEQ' surrendered to an Authorised Dealer.

Unspent amount of foreign exchange brought back by a traveller out of the 'PTEQ' drawn by him and surrendered to an Authorised Dealer can be re-issued to him for subsequent travel abroad within the approved limits.

21. Travel by journalists/participation in international conferences/ seminars/ games/ meetings and sports events etc. in private capacity.

Persons proceeding abroad to attend international conferences, symposia, seminars, meetings etc., in their private capacity and journalists travelling abroad to cover journalists events etc., will be allowed foreign exchange by the State Bank at the rate of US\$60/- per head per day subject to a maximum of US\$1,000/- per head for countries other than India, Bangladesh and Afghanistan. In case of persons proceeding for these purposes to India and Bangladesh foreign exchange will be allowed by the State Bank at the rate of US\$40 per day subject to a maximum of US\$600/-.

22. Sale of foreign exchange for Professional Training.

Authorised Dealers may release foreign exchange on the following scales to persons sponsored by their respective institutions/organizations in the private sector for professional training abroad on submission of the prescribed Application Form (Appendix V-66) by the employing institutions/organizations:

For the first four weeks
For Periods extending beyond four weeks.

For Countries other than India.
For India.

(i)
Top level Executives like General Managers, Chief Accountants, Chief Engineers, Directors, etc.
Daily Allowance as per scale set out in Appendix V-67
US\$ 1200 p.m.
US\$ 500 p.m

(ii)
Junior Executives.

-do-

US\$1200 p.m.

US\$ 250 p.m.

23. Foreign exchange for Tabligh.

Release of foreign exchange over and above the private travel exchange quota (PTEQ) for Tabligh requires State Bank's prior approval.

24. Foreign exchange for Medical Treatment abroad.

State Bank's approval for release of exchange for medical treatment abroad will be obtained if the applicant desires to have foreign exchange over and above his private travel exchange quota (PTEQ). In such cases, the State Bank will allow exchange quota on the basis of recommendations made by the Medical Board set up by the Government for the purpose. Application should be made to the concerned Medical Board on the prescribed form (Appendix V-68) in duplicate. Request for release of exchange in addition to the quota recommended by the Medical Board should be sent to the State Bank alongwith statement of expenditure already incurred by the patient duly certified by the Pakistan Mission in the country where treatment is being undertaken.

25. Release of Exchange for Miscellaneous purpose.

Authorised Dealers may release US\$ 50 per head for meeting incidental expenses to the travellers of the following categories, proceeding to countries other than India, Bangladesh and Afghanistan on submission of passport and ticket. This will be in addition to any other purchase of foreign exchange admissible to them except Private Travel Exchange Quota: -

- (i) Pakistanis resident in Pakistan except those proceeding on official or business travel.
- (ii) Pakistani students studying abroad (Para 5(i) *ibid*) excluding those going abroad on fresh permits.
- (iii) Returning residents (Para 5(ii) *ibid*).
- (iv) Foreign nationals settled/working in Pakistan (Para 8(ii)(b) *ibid*).
- (v) Foreign students studying in Pakistan (Para 8(vi) *ibid*).
- (vi) Foreign Crews (Para 8(vii) *ibid*).
- (vii) Employees of foreign controlled companies and their joint ventures in Pakistan for attending In-House Seminars, Workshops, Symposia, Meetings etc. outside Pakistan.

The sale of this amount of US\$ 50 will be recorded on the passport as a separate entry distinct from any other amount of foreign exchange purchased by the traveller.

26. Exchange Quota to Government/Semi-Government Employees going on Delegations, Duty, Posting, Leave, Retirement and Training.

Government/Semi-Government employees will be entitled to draw exchange at the prescribed rate of daily allowance which has been fixed by the Government for the actual period they remain abroad on official duty. In addition, an exchange quota of US\$100/- per person will be allowed on private account, if so requested by the person concerned provided he has not been allowed to draw his salary abroad. Persons who are eligible to draw leave salary/pension in foreign exchange may, while proceeding abroad on leave or after retirement, either draw the private travel quota or leave salary/pension as admissible under Government rules.

27. Migration.

Persons proceeding on migration abroad will be allowed by the State Bank a foreign exchange quota of US\$50/- per head against sponsored migration visa and US\$500/- per family against non-sponsored visa. Migrants to USA/Canada against non-sponsored visa will be allowed a compulsory minimum quota of US\$260/- per family. They may at their option also obtain additional exchange quota upto US\$500/- inclusive of the compulsory quota. Application for the purpose should be made on the prescribed form (Appendix V-69).

28. Business Travels Abroad.

Persons proceeding abroad on business visits are allowed exchange facility at the rate of US\$300/- per day subject to a maximum of US\$9000/- per person for countries other than India and Afghanistan. For India business travel quota is allowed @ US \$40/- per day subject to a maximum of US\$1,200 /- per person.

29. Booking of passage/release of exchange for business visits abroad on the basis of Certificates of Trade Organizations.

Airlines/Shipping Companies/Travel Agents and Authorised Dealers may issue tickets and release foreign exchange at the rate specified in para 28 *ibid* without prior approval of the State Bank in accordance with the following instructions in cases where business visit to countries other than Afghanistan is recommended by the Federation of Chamber of Commerce and Industry or by a Chamber of Commerce/Trade Organization listed in Appendix V-70.

(i) Persons desirous of proceeding abroad on business visits under the above scheme should fill in Form "T-2" (Appendix V-71) in triplicate and submit it to one of the Organizations mentioned in the list for certification. Two copies of Form "T-2" will be returned to the applicants after certification and the third copy retained by the Chamber of Commerce/Trade Organization for their own record.

(ii) On the basis of certification of Chamber of Commerce/Trade Organization, Airlines/Shipping Companies/Travel Agents may sell passage for countries other than Afghanistan on payment of the cost thereof by the firm/company on whose behalf the travel is being undertaken. The passport should be endorsed as prescribed in preceding para 12 (v) (a) . The airlines/travel agents will endorse both the copies of Form "T-2", return one copy to the traveller and retain the other copy for submission alongwith their monthly "Return of Passage Bookings".

(iii) Authorised Dealers may release foreign exchange, at the rates prescribed in para 28 of this chapter for business visit to countries other than Afghanistan on submission of the duplicate copy of the "T-2" form certified by the Chambers of Commerce/Trade Organizations, ticket, passport and National Identity Card. Foreign exchange should be released for the number of days recommended by the Chambers of Commerce/Trade Organizations subject to a maximum of thirty (30) days. The passport and ticket of the traveller should be endorsed with the amount of foreign exchange released. "T-2" form should also be endorsed with the date and amount of foreign exchange released and the form submitted to the State Bank with the monthly foreign exchange returns.

(iv) Authorised Dealers/Airlines/Shipping Companies/Travel Agents will satisfy themselves that the "T-2" form recommended by the respective Chambers of Commerce/Trade Organizations and produced to them for issue of tickets/release of foreign exchange are genuine and complete in all respects. To verify the genuineness of the "T-2" form Authorised Dealers/Airlines/Shipping Companies/Travel Agents should obtain specimen signatures of the officials authorised by the respective Chambers of Commerce/Trade Organizations to sign the prescribed certificate.

(v) This facility is available only to Directors/Proprietors/Working Partners and whole-time employees of the applicant firm and not to part-time employees, advisors and non-executive partners.

(vi) Payment for the cost of ticket issued and cost of foreign exchange released will be received by the Airlines/Travel Agents/Shipping Companies/Authorised Dealers through cheques drawn on the bank account of the company/firm concerned.

30. Booking of passage/Release of foreign exchange to representatives of Consultancy/Constructions companies and firms.

Airlines/Shipping Companies/Travel Agents and Authorised Dealers may issue tickets/release foreign exchange at the rates specified in paragraph 28 without prior approval of the State Bank to the representatives of Consultancy/Construction firms/companies whose Bid Bonds/Performance Bonds have been accepted by foreign beneficiaries. For this purpose, such persons/firms, if they are not members of any Chamber of Commerce and Industry or Trade Organization, will be required to fill in Form 'T-2' in triplicate and submit it to the Offices of the Export Promotion Bureau for certification. Other instructions for issue of tickets, release of foreign exchange, admissibility of travel facility and the mode of payment for cost of passage/exchange etc. will remain the same as prescribed in paragraph 29 (i) to (vi) for business travel on the recommendations of the Chambers of Commerce/Trade Organizations on Form 'T-2'. However, in case the Consultancy /Construction firm/company is a public sector company, passage/exchange facility will be available only with the prior approval of State Bank of Pakistan.

31. Release of Exchange to Pakistani exporters for participation in International Trade Fairs/Exhibitions in Private Capacity.

Authorised Dealers may extend, subject to fulfillment of the drill prescribed herein for each category, following facilities to Pakistani registered exporters for participation in International Trade Fairs/Exhibitions in their private capacity as and when approached:

Category 'A' where sample goods are taken for display.

(i) Remittance of space rent direct to Fair/Exhibition authorities against their debit note and undertaking from the exporter's firm/company on the form appearing at Appendix V-72. Remittance will be reported on Form 'M'.

(ii) Release of exchange for construction of pavilion against estimate subject to rendition of account for expenses incurred and undertaking on the form appearing at Appendix V-72. Remittance will be reported on Form 'M'.

(iii) Issue of an authority letter to the airline/travel agents for issue of ticket to and from the country where the Trade Fair/Exhibition is being held, for the representative of the firm/company on whose behalf foreign exchange for space rent/construction of pavilion already released, not exceeding two persons, on the form appearing at Appendix V-73 on production of documents showing confirmation for booking of space and credit note/receipt for foreign exchange already released. This authority letter will be retained by the airline for submission through passage statements.

(iv) Release of foreign exchange on production of return ticket purchased against Authorised Dealer's authority mentioned in preceding sub-para (iii) at the rate not exceeding Business Travel Quota for the number of days of the fair plus another seven days for setting up stall and winding up of affairs but not exceeding 30 days. Release of exchange will be reported on T-1 Form under this authority.

(v) Payment for the cost of ticket and foreign exchange to be released for payment of rent for stalls, booking of space, construction of pavilion, advance deposits etc. and for the expenses of the representative of the firm/company participating in international trade fairs / exhibitions will be received by the Airlines/Travel Agents/Shipping Companies and Authorised Dealers through cheques drawn on the bank account of the firm/company concerned.

Category 'B' – Trade Fairs/Exhibitions organized by the Chambers of Commerce and Industries (of Pakistan) or where exporter is participating in individual capacity where goods are taken for sale under Form 'E' procedure.

(i) Remittance of Advance space rent by the Chamber of Commerce and Industry direct to Fair authorities against Debit Note supported by (a) list of participating members with their share of space rent and (b) undertaking in (Appendix V-72) from each member participating in the fair. Remittance will be reported to State Bank on Form 'M'.

(ii) Certification of Form 'E' on self consignment basis or otherwise as recommended by the organizing Chamber of Commerce and Industry.

(iii) Issue of an authority letter to airline/travel agent for the issue of ticket to and from the country where the Fair is being held, for not more than two persons of the participating firm on

whose behalf Form 'E' has already been certified, on Appendix V-73. This authority letter will be retained by the airline for submission through passage statements.

(iv) Issue of authority letter to airline/travel agent for issue of tickets to the Pavilion Officer(s) nominated by the organizing Chamber on Appendix V-73. This authority letter will be retained by the airline for submission through passage statements.

(v) Release of foreign exchange for Duty/Sales tax to the participating members on repatriable basis as per undertaking furnished on Form Appendix V-72. This will be reported on T-1 Form alongwith Business Travel Quota.

(vi) Release of foreign exchange to the representative(s) of the participating firm/Pavilion Officer(s) on production of return air tickets purchased against Authorised Dealer's authority mentioned in preceding sub-paragraphs (iii) and (iv), at a rate not exceeding the Business Travel Quota for the number of days of the Fair plus 7 days extra for setting up stall and winding up of affairs but not exceeding 30 days. This will be reported on T-1 Form under this authority.

(vii) Issue of authority letter for re-import of unsold goods exported under Form 'E' procedure as per preceding sub-paragraph (ii) on freight-to-pay basis. Original will be retained by the airline/shipping company and photo-copy will be produced to Customs for release of the goods.

(viii) Payment for the cost of ticket and foreign exchange to be released for payment of rent for stalls, booking of space, construction of pavilion, advance deposits etc. and for the expenses of the representative(s) of the firm/company participating in international trade fairs/exhibitions will be received by the Airlines/Travel Agents/Shipping Companies and Authorised Dealers through cheques drawn on the bank account of the firm/company concerned.

Authorised Dealers should carefully note that in case of failure of the participants to submit evidence of having brought back the sample goods taken for display or encashment certificate of the samples sold and for failure to repatriate the foreign exchange released for space rent/duty etc., alongwith the sale proceeds (Category B) the Authorised Dealers will report the matter to the area office of the Exchange Policy Department of the State Bank for suitable action. The Authorised Dealers will also report the outstanding sale proceeds including the amount released on account of space rent/duty etc. in their monthly overdue statement prescribed in App.V-16 of the Manual with specific remarks "Exhibition case".

32. Business Travel abroad with the approval of State Bank.

Persons desirous of proceeding abroad on business visits are free to approach the State Bank for approval of passage facility and release of exchange for such visits. Applications for this purpose should be made to the State Bank on Form "T" (Appendix V-74). At the time of forwarding such applications, which should be duly completed, Authorised Dealers should ensure that the requisite documents including a Confidential Report on the financial standing of the party are enclosed with the application.

33. Blanket permission for business travel abroad to exporters of Commodities, services etc.

(i) State Bank also issues blanket permission for purchase of ticket and release of foreign exchange for business travel abroad to exporters of commodities, services etc. whose export earnings during the preceding calendar year or the year immediately preceding the month of the application are Rs 2.5 million or more in the case of exporters of commodities and Rs 0.25 million or more in the case of exporters of services like Indenting/Recruiting Agents, Construction Companies, Trade Marks and Patent Attorneys etc.

(ii) Request for issue of blanket permission should be made to the State Bank on Form "BT" (Appendix V-75) in duplicate. Names of the Directors/Executives/Officials who would undertake business travel on behalf of the applicant firm against the blanket permission will be specified in the application. Not more than 3 persons can be nominated at a time for this purpose.

(iii) State Bank will issue blanket permission on the original 'BT' form, which will be valid for a period of one year only. Only two representatives of the export houses/firms/companies can travel at a time against the blanket permission provided both of them are not travelling in one and the same direction and their destinations are distinctly separate. As an exception, two representatives can travel at a time against the blanket permission in one direction and for the same destination provided one of them is a technical representative of the firm / company and his visit is necessary. On expiry of the blanket permission, it should be surrendered to the issuing office of the State Bank by the holders thereof alongwith one detailed achievement report in respect of all the business trips undertaken under the blanket permission. The renewal of blanket permission will be allowed by the State Bank only in those cases where they are satisfied about the bonafides of the business visits undertaken and of the concrete results achieved by way of increased foreign exchange earnings for the country.

34. Booking of passage against blanket permission.

Airlines/Travel Agents may issue ticket for travel abroad of the persons named in the blanket permission issued by the State Bank. The Airlines/Travel Agents will make endorsement in token of having issued the ticket on the blanket permission in the space provided for the purpose under their stamp and signature. A copy of the blanket permission will be retained by the Airline/Travel Agent which will be submitted in support of the booking reported in their monthly "Return of Passage Bookings". The aforesaid copy of the blanket permission shall be certified by the Airlines / Travel Agents in the following manner :-

"Payment received through Cheque No. _____ dated _____ drawn on the bank account of firm / company concerned.

Stamp & Signature"

35. Release of Foreign Exchange against blanket permission.

Authorised Dealers may release foreign exchange at the rates prescribed in para 28 of this chapter on the strength of the following documents:

(i) Blanket Permission of the State Bank.

(ii) Airline ticket.

(iii) Letter from the export house/firm/company detailing the purpose and duration of the proposed visit.

(iv) 'T-1' Form.

(v) Passport.

In addition to the endorsement of foreign exchange released on the airline ticket and passport as required under the rules, the Authorised Dealer will also make endorsement of the foreign exchange released on the blanket permission in the space provided therein under its stamp and signature. A photo-copy of the blanket permission, duly certified by the Authorised Dealer in the manner indicated in the preceding paragraph, alongwith the letter of export house/firm/company mentioned at (iii) above, will be enclosed while reporting the sale to the Exchange Policy Department in their monthly exchange return.

36. Release of Foreign Exchange against Credit Cards to exporters.

Bonafide exporters can also draw exchange quota against credit card for business visits to countries other than Afghanistan. The following procedure will be followed in this regard:

(i) Exporters desirous of availing the facility of credit card for business travel abroad, will make an application to the concerned Authorised Dealers (Credit Card Issuing Agencies) in the form appearing at Appendix V-76 duly certified by a Chamber of Commerce/Trade Organizations listed in Appendix V-70. While issuing credit card, the Authorised Dealers (Credit Card Issuing Agencies) shall make the endorsement on the face of blanket permission in the following format:

Name of Authorised Dealer (Credit Card Issuing Agency)

Credit Card No. _____

Issued to Mr. _____

Signature _____

Dated _____

(ii) The limit upto which the persons concerned may utilize the credit card facility shall be the maximum Business Travel Quota admissible under the rules for the time being in force less any amount of foreign currency notes/travellers cheques issued to them in Pakistan.

(iii) When proceeding abroad on business visit, persons concerned will submit to the Authorised Dealers (Credit Card Issuing Agencies) original blanket permission granted by the State Bank or T-2 form duly certified by Federation of Pakistan Chamber of Commerce & Industry/Chamber of Commerce & Industry/concerned Trade Organization.

(iv) All remittances made by Authorised Dealers (Credit Card Issuing Agencies) in reimbursement of expenses incurred abroad by the holders of credit card will be reported in the monthly foreign exchange returns by them under the code relating to business travel.

(v) If so desired by the persons concerned, initial release in the shape of either foreign currency notes or travellers cheques, can be obtained by them but only from the Authorised Dealer which has issued the credit card and from no other Authorised Dealer. Such sales will be reported to the Exchange Policy Department under the code relating to business travel on T-1 form with which a photocopy of Blanket Permission/T-2 form duly endorsed by the Authorised Dealers (Credit Card Issuing Agencies) will be attached. In the case of business travel against Blanket Permission a photo-copy of the letter submitted by exporting firm under para 35(iii) of this chapter will also be attached with the returns.

(vi) Subsequent remittance made by the Authorised Dealers (Credit Card Issuing Agencies) in reimbursement of the amount utilized abroad by the credit card holders will be reported on Form 'M' and endorsed on the photocopy of the relative Blanket Permission/T-2 form which will be attached with Form 'M'. In the case of business travel against Blanket Permission a photocopy of the exporting firm's letter referred to in preceding sub-para (v) will also be attached.

(vii) A photocopy of Blanket Permission/Original T-2 form bearing Authorised Dealer's (Credit Card Issuing Agency's) endorsement regarding release of initial amount of foreign exchange as well as subsequent remittances made by the Authorised Dealers (Credit Card Issuing Agencies) will be submitted to the Exchange Policy Department alongwith a monthly statement in the form appearing at Appendix V-77. This statement should reach the area office of the Exchange Policy Department by the 10th of the month following the month to which it relates. In the case of business travel against Blanket Permission the original letter submitted by the exporting firm in terms of para 35(iii) of this chapter will also be attached with the return.

(viii) Initial release/all subsequent remittances shall also be endorsed by the Authorised Dealer on original Blanket Permission which on expiry of its validity will be surrendered to the Issuing Office in accordance with the instructions laid down in para 33(iii) of this chapter.

37. Release of Foreign Exchange to business executives of firms/companies other than exporters against Credit Cards.

The Credit Card facility as admissible to the bonafide exporters in terms of para 36 ibid can also be availed of by business executives of firms/companies other than exporters provided the firm/company is paying minimum income tax of one million rupees a year, after obtaining necessary approval from the area office of the Exchange Policy Department on production of the following documents through their bankers:

(i) Formal request of the firm/company for credit card facility to their executives.

(ii) Valid passports of the concerned persons together with original National Identity Cards.

(iii) Attested copy of the latest Income Tax Assessment Order of the firm/company.

(iv) Attested copy of the receipted challan evidencing payment of Income Tax during the preceding income year.

After obtaining State Bank's approval, the following procedure will be followed:

(a) Firms/companies other than exporters will approach the concerned Authorised Dealers (Credit Card Issuing Agencies) alongwith the approval letter of State Bank of Pakistan and form "T-2" duly certified by the respective Chamber of Commerce and Industry/Trade Association. While issuing credit cards, the Authorised Dealers (Credit Card Issuing Agencies) shall make endorsement on the face of duplicate "T-2" form and on the back of State Bank's approval letter in the following format:

Name of Authorised Dealer (Credit Card Issuing Agency)

Credit Card No.....

Issued to Mr.....

against S.B.P. Approval No.....

dated.....

Date:.....

Signature:

Authorised Dealers (Credit Card Issuing Agencies) will retain a photo-stat copy of State Bank's approval letter and return the original to the applicant.

(b) The limit upto which the persons concerned may utilize the credit card facility shall be the maximum Business Travel Quota admissible under the rules for the time being in force less any amount of foreign currency notes/travellers cheques issued to them in Pakistan.

(c) All remittances made by Authorised Dealers (Credit Card Issuing Agencies) in reimbursement of expenses incurred abroad by the holders of credit card will be reported in the monthly foreign exchange returns under the code relating to business travel.

(d) If so desired by the persons concerned, initial release in the shape of either foreign currency notes or travellers cheques, can be obtained by them but only from the Authorised Dealer which has issued the credit card and from no other Authorised Dealer. Such sales will be reported to the Issuing Office under the code relating to business travel on "T-1" form with which a photo copy of State Bank's approval letter and "T-2" form duly endorsed by the Authorised Dealers (Credit Card Issuing Agencies) will be attached.

(e) Subsequent remittances made by the Authorised Dealers (Credit Card Issuing Agencies) in reimbursement of the amount utilized abroad by the Credit Card holders will be reported on Form 'M' and endorsed on the photo copy of the relative 'T-2' form which will be attached with Form 'M' alongwith photostat copy of State Bank's approval letter.

(f) A photo copy of State Bank's approval letter and Duplicate "T-2" form bearing Authorised Dealer's (Credit Card Issuing Agency's) endorsement regarding release of initial amount of foreign exchange as well as subsequent remittances made by the Authorised Dealer (Credit Card Issuing Agency) will be submitted to the Exchange Policy Department alongwith a monthly statement in the form appearing at Appendix V-77. This statement should reach the area office of the Exchange Policy Department by the 10th of the month following the month to which it relates.

38. Combination of two exchange facilities.

Authorised Dealers should not release foreign exchange for two different purposes at a time. In other words combination of two exchange facilities is not allowed.

39. Foreign Exchange facilities for studies abroad.

Authorised Dealers may release foreign exchange without the prior approval of the State Bank to students desirous of studying abroad in accordance with the procedure set out below. It will, however, be ensured by the Authorised Dealers that no foreign exchange for studies abroad is released to a student whose financier/guardian/parents is/are residing and earning abroad.

(I) Procedure to apply for release of exchange for studies abroad.

Students will fill in the prescribed Application Form (Appendix V-78) in triplicate and present it to their bankers alongwith their passports and the following documents in original together with 3 sets of photo copies thereof:

(a) National Identity Card, if over 18 years of age.

(b) Certificate of academic qualification.

(c) Letter of admission from educational institution abroad indicating nature of course and its duration or Form I-20 in the case of studies in U.S.A.

(d) Letter from the educational institution abroad showing break-up of the expenses like tuition fee, cost of books and other fees etc. payable to the institution and estimated living expenses.

(e) Evidence of scholarship/assistantship, if any, which the student will be receiving.

(II) Courses of study and educational institutions which qualify for exchange facility for studies abroad.

Authorised Dealers will scrutinize the Student Application Form in the light of the following rules in order to determine whether the course of study proposed to be undertaken by the student and the educational institution in which admission has been secured, qualify for foreign exchange facility for studies abroad: -

(a) Diploma or under-graduate studies in all subjects.

Exchange facility for studies at diploma or under-graduate level is permitted in all subjects in any university/institution abroad. Minimum educational qualification for the purpose is Matriculation or as acceptable to the university / institution abroad where admission is desired to be obtained.

(b) Post-graduate studies.

Exchange facility for post-graduate studies is permitted in technical as well as general fields only to graduates in first and second divisions. The field of post-graduate study should be in line with the subjects in which the students have graduated.

(c) Studies in U.S.A.

Exchange facility for undertaking approved studies as mentioned at (a) and (b) above in U.S.A. is allowed only when admission is taken in an accredited institution as listed in the booklet published by the American Council on Education for the Council on Post-Secondary Accreditation, Washington D.C.. Authorised Dealers should ensure that the latest copy of the above Booklet remains available with them.

(d) Primary and Secondary Education.

No exchange facility should be allowed for primary or secondary education abroad.

(III) Rates of exchange quota for studies abroad.

If the scrutiny of the application by the Authorised Dealers reveals that the student is eligible for the grant of foreign exchange facility for studies abroad and that the student has the prescribed qualification, foreign exchange on account of the following may be released by the Authorised Dealers at actuals: -

1

Tuition Fee

At actuals, as demanded by the institution concerned.

2

Maintenance Allowance

-do-

3

Book Allowance

-do-

4

Voyage and Installation Allowance

(on departure from Pakistan)

At actuals, once only

5

Thesis charges (To be allowed only when recommended by the institution concerned)
At actuals.

6

Study Tour Allowance (To be allowed only when recommended by the institution concerned)
-do-

7

Excess Baggage Allowance (At the time of return of the students to Pakistan after completion of their studies)
At actuals, once only.

(IV) Working of exchange entitlement.

Foreign exchange entitlement of the student for one year will be worked out by the Authorised Dealer on the basis of letter of the educational institution indicating break-up of expenses as indicated above. Amounts of tuition and other fees and living expenses so worked out will be entered in the space provided for the purpose in the Application Form (Appendix V-78).

(V) Calculation of exchange entitlement in the case of foreign scholarships/ stipends/grants.

In cases where a student is in receipt of a Scholarship/Grant from abroad his exchange entitlement may be worked out in the following manner:

(a) Where the amount or financial aid being provided by the foreign institution is equivalent to or exceeds the total of the living allowance, tuition fees and other admissible items of expenditure to which the student would have otherwise been entitled in the country of studies, no additional foreign exchange should be released except an amount not exceeding U.S.\$50/- (U. S. Dollar fifty) for enroute expenses.

(b) Where the amount of financial aid being provided by the foreign institution is less than the exchange entitlement as worked out at (a) above, difference between the aid received abroad and the exchange entitlement may be released.

(c) Where the Scholarship/Grant has been offered by a foreign Government or its agency directly, under a Technical Assistance Programme, the student should be asked to produce NOC from the Economic Affairs Division, Government of Pakistan. In other cases of scholarship/grants offered by a foreign government or its agency NOC from Ministry of Education, Government of Pakistan should be required to be produced by the student.

(VI) Remittance of Tuition and Other Fees.

Tuition fee and other dues (Health, Insurance, Union, sports fees etc.) which are payable to the educational institution, should be remitted direct to the institution and not released to the student himself. Living expenses are to be remitted on monthly basis for a period up to 4 months in advance, at the option of parents/financier, on submission of an undertaking that in case the studies are discontinued earlier, the excess remittance will be brought back to Pakistan

by the remitter. Lapsed monthly quota for 3 consecutive months can also be remitted with the subsequent monthly remittance.

(VII) Method of Release of foreign exchange for living expenses etc./renewal of exchange permits.

Students should initially be released foreign exchange for 3 months either in monthly instalments or in lump sum and advised by the Authorised Dealers that on their arrival in the country of their studies they should request their institutions for sending their recommendations to the Authorised Dealers in Pakistan well in time for continuation/extension of exchange facility to the students in the prescribed format (App. V-79). On receipt of the recommendations, the Authorised Dealers may renew the facility for the balance period of the first academic year. The renewal of the facility covering the full duration of the course will also be allowed by the Authorised Dealers on yearly basis on receipt of recommendations from the educational institutions concerned. Renewal of the facility in case of change of subject or change of institution may also be allowed subject to the following documents/conditions:

(a) Conditions mentioned in paragraph 39 (II).

(b) Self-explanatory letter from the student giving full justification for change of course/institution.

(c) A letter from the new institution certifying that the previous credits will be accepted/amalgamated in the student's new course.

(d) A letter of admission or I-20 Form from the new institution in case of change of institution.

(e) Fresh break-up of expenses including tuition fees etc. in case of change of institution.

In cases where recommendations for renewal of the exchange facility from the concerned institution are not received in time, Authorised Dealers may release foreign exchange for further two months only on an adhoc basis on approach by the financier/guardian provided he confirms that the student is continuing his studies. No further renewal should be allowed unless recommendations of the institution are received by the Authorised Dealers.

(VIII) Advance remittances for registration on a course or reservation of accommodation etc.

In cases where students are required to make advance remittance of tuition fees to the educational institutions in which they obtain admission for registration of a place on the course or make an advance deposit for reservation of accommodation in a dormitory or hostel, Authorised Dealers may approve remittance on production of documentary evidence in support of the requirement of advance remittance provided the financier/guardian of the student gives an undertaking to the effect that if the student does not proceed abroad for studies, the amount being remitted in advance will be repatriated to Pakistan. However, before approving remittances for the above purposes Authorised Dealers should ensure, through a scrutiny of the original documents, that the applicant is otherwise entitled to the exchange facility for studies abroad as admissible under the rules. Such remittances should be adjusted from the future

entitlement of the student on account of "tuition and other fees" and living expenses, as the case may be.

(IX) Remittance of application money for admission.

In cases where students are required to remit certain amount alongwith their application for admission in the foreign institution, Authorised Dealers may approve such remittances on production of documentary evidence showing the amount of application/admission fee. There is no restriction on the number of institutions to which a student can apply for admission.

(X) Allotment of Registration Number of the Students.

Each student application which qualifies for exchange facility will be given a distinctive Registration Number in the space provided in the Student Application Form. The Registration Number will invariably be quoted by the Authorised Dealer in all its correspondence in respect of the student concerned. While reporting remittances for education in their monthly exchange returns, Authorised Dealers will give Registration Number of the Student on Form 'M'.

(XI) Functional utility of Student Application Forms.

A copy each of the Application Form (Appendix V-78) with one set of photo copies of the relative documents will be sent by the Authorised Dealers to the Incharge (F.S.II) Section, Ministry of Education, Secretariat Block 'D', Government of Pakistan, Islamabad and the Pakistan Embassy concerned. The original application alongwith photo copy of the documents will be retained by the Authorised Dealers for their own record. Original documents will be returned to the student.

(XII) Drawal of exchange quota during vacations.

Airlines, Travel Agents/Shipping Companies have been given general permission to book passage of students who wish to come to Pakistan on vacation or for any other reasons on production of a simple declaration by the parents/guardian countersigned by the Authorised Dealers through whom remittances are made for educational expenses abroad. During the period a student remains on vacation in Pakistan, he may be allowed to draw full monthly student quota upto two months only. No maintenance quota should be allowed during the student's stay in Pakistan beyond two months. For this purpose the Authorised Dealers should obtain from the parents/guardian the probable dates of arrival and departure of the student, when approached for counter-signing the aforesaid declaration.

(XIII) Release of Foreign Exchange for FRCS/MRCP/MPCOG Examinations.

(a) Authorised Dealers may release foreign exchange to the medical graduates on account of examination / tuition fees at actuals for appearing in FRCS/MRCP/MRCOG Examinations conducted by the Royal College of Physicians and Surgeons and Royal College of Gynaecology, United Kingdom and Ireland and other examinations of similar nature conducted by Medical Councils of U.S.A. and Canada. They are further authorised to release foreign exchange for living expenses at actuals as recommended by the Royal College of Physicians/Surgeons/Obstetricians & Gynaecologists etc. abroad to the medical graduates who

intend to go abroad for attending postgraduate short preparatory courses of 6 to 14 weeks' duration in connection with the above examinations. The medical graduates proceeding abroad only for taking the above examinations will not be entitled to any foreign exchange and they can utilize their Private Travel Exchange Quota for the purpose where available. Authorised Dealers are also hereby authorised to release foreign exchange at the rates normally admissible for short preparatory courses mentioned above for studies abroad to the medical graduates for the period of the unpaid clinical attachment (not exceeding 8 months) in connection with the above examinations, remittances being made on monthly basis.

(b) The following documents will be required for the release of foreign exchange for the above purpose:

(i) Photocopy of the M.B.B.S. Degree.

(ii) Photocopy of Membership Certificate of Pakistan Medical Council.

(iii) Demand Note/Letter for Examination Fees, in original, from General Medical Council U.K./Ireland/U.S.A./Canada indicating the amount of examination fees and the schedule of examination dates.

(iv) An undertaking from those candidates who intend to proceed abroad for examination only that they will not claim any exchange facility from Pakistan except the PTEQ as admissible to them.

(v) Where applicable, Admission Letter/Letter from the Royal College of Physicians/Surgeons/Obstetricians and Gynaecologists detailing short preparatory post-graduate courses viz. duration of course, tuition fee, break up of living expenses for the duration of the course, etc.

(vi) Where applicable, an undertaking from the student that he will not claim any exchange facility from Pakistan in addition to one allowed to him for short preparatory courses before his departure from Pakistan.

40. Freight on Personal Baggage.

(i) Airlines and Shipping Companies are authorised to accept freight at actuals in rupees on personal baggage, whether accompanied or un-accompanied, both in respect of outward and inward journeys originating from Pakistan and terminating abroad, or originating from abroad and terminating in Pakistan, from travellers other than those who are covered by succeeding sub-paragraph (iii). Airlines/Shipping Companies can also accept outward excess baggage, whether accompanied or un-accompanied, on freight-to-pay basis without limit. However, it will be the responsibility of the Airlines to ensure that in respect of accompanied baggage, Excess Baggage Tickets are issued at actual weight basis and passengers are not provided with Miscellaneous Charges Orders for the purpose.

(ii) Shipping Companies/Airlines may accept payment of freight in rupees upto Rs 500 per packet in connection with the export of gift parcels and actual freight in connection with the export of bonafide free trade samples covered by paragraph 2 of Chapter XII. The Shipping

Companies/Airlines while reporting such collections in their monthly returns of passage and freight collections should enclose a copy of the Airway Bill/Bill of Lading in support of the relative freight collections.

(iii) In respect of categories of travellers mentioned in sub-paragraphs (i), (ii)(a) and (iv)(a) of paragraph 8 of this chapter, Airlines/ Shipping Companies can accept freight without limit for transportation of personal effects whether accompanied or un-accompanied on outward journey subject to the same conditions as laid down in the said sub-paragraphs for booking of passage.

41. Release of Foreign Exchange for travel, education, medical treatment etc.

Amounts of foreign exchange in excess of the limits on payments for invisibles specified in paragraph 17 to 40 shall be released by the Authorised Dealers after prior verification of submitted documentary evidence demonstrating that the additional amount is needed in order to make a bonafide payment for purposes specified in the aforementioned paragraphs under advice to the Exchange Policy Department, Central Directorate, Karachi.

42. Conversion of Unspent Balance of Rupees by Foreign Nationals.

Authorised Dealers may allow conversion into foreign exchange of the unspent amount, without any limit, left with the foreign tourists out of proceeds of foreign exchange encashed by them in Pakistan with an Authorised Dealer. Re-conversion facility will be provided on production of encashment certificate (App. V-10) by the foreign tourist or on the basis of endorsement recorded on his passport by an Authorised Dealer at the time of purchase of foreign exchange. The relative encashment certificate or copy of the relevant pages of passport shall be submitted to the State Bank alongwith the monthly returns.

43. Endorsement on Passports and Tickets.

The amount of exchange sold by the Authorised Dealers together with the date on which the sale is made must be recorded on the traveller's passport under the stamp and signature of the Authorised Dealer at the time the sale is made. The endorsement should be made on the special pages provided for the purpose. The exchange issued should also be endorsed on the first page of ticket jacket as also back side of the passengers' coupon and a hole punched in the upper right hand corner of the passengers air/steamer ticket. Authorised Dealers should not sell any exchange unless a person holds a ticket for departure on a definite date and that such a date is not later than two weeks from the date on which the exchange is issued. No exchange should be sold against tickets which do not specify the date of departure provided that these instructions do not apply if a person is travelling by land route where only the passport will be endorsed.

44. Form in which Exchange may be issued.

(i) Exchange granted for travel purposes should be issued only in the form of travellers cheques or circular letters of credit or in foreign currency notes or coins. It may be issued in the form of T.T. or M.T. also or Draft but in such cases, it should be expressly provided that payment by the drawee bank shall be made only on the personal application and identification of the traveller. When issuing travellers cheques or circular letters of credit, the Authorised Dealers

should invariably mention therein, the place and date of issue. The travellers cheques or circular letters of credit must be signed personally by the applicant in the presence of the Authorised Dealer. The travellers cheques issued against the admissible Private Travel Exchange Quota will be branded by the Authorised Dealers with a rubber stamp containing the narration "Good for encashment outside Pakistan and in case of encashment in Pakistan, proceeds will be paid in Pakistan rupees only." The Authorised Dealers will maintain record of travellers cheques sold by them in a register with the prescribed ruling (Appendix V-80).

(ii) The release of admissible Private Travel Exchange Quota to the travellers proceeding abroad in the shape of foreign currency notes will be restricted to US\$100 only. The balance amount of admissible quota will be released in the shape of travellers cheques duly branded with rubber stamp as stipulated in the preceding sub-para.

45. Surrender by Travelers of Unspent Foreign Exchange.

Attention of the all persons granted foreign exchange for travel abroad should be drawn by the Authorised Dealer to sub section (3) of Section 4 of the Act. No person who acquires foreign exchange for travel can use it for a purpose other than for his living or travelling expenses in the country for which exchange is issued. In the case of special allotment made by the State Bank, the exchange can be utilised only for the purpose for which it is sanctioned. All unspent amounts of foreign exchange should be sold to an Authorised Dealer by the traveller immediately on his return to Pakistan. If so desired by the person concerned, the amount of foreign exchange thus surrendered may be endorsed on his/her passport.

46. Exchange for Hajj.

The Government of Pakistan announces each year the scale on which foreign exchange will be released to intending pilgrims to Saudi Arabia. Foreign exchange may be released by the designated Authorised Dealers to intending pilgrims in the form and on the scales and in accordance with the special instructions and conditions laid down by the Government for different categories of pilgrims.

47. Remittances for maintenance expenses of the families of Pakistanis living abroad temporarily.

State Bank considers requests for allowing remittances in foreign exchange on account of living expenses of families of Pakistani nationals living abroad temporarily for some genuine personal reasons and whose cases are not covered by para 24 and 39 of this chapter provided the following documents are submitted:-

(i) Application from Pakistan national resident in Pakistan indicating the purpose for which the family went abroad and the reason for its continued residence abroad and the probable period of stay abroad.

(ii) A certificate from Pakistan Embassy/High Commission in the concerned country confirming the reason of stay abroad of the family, expected period of stay, the number of persons in the family and the amount required per month for maintenance. The certificate should confirm that the concerned persons hold Pakistani passports.

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CHAPTER XVIII

IMPORT AND EXPORT OF CURRENCY NOTES AND COIN, FOREIGN EXCHANGE, JEWELLERY, GOLD AND SILVER

1. General.
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1. General.

In exercise of the powers conferred by sub-section (1) of Section 8 of the Act, the Federal Government has issued Notification No.F1(8)/EF/49 dated the 2nd May, 1949 and No.1(2)ECS/48 dated the 1st July, 1948 as amended by Notification No.1(14)-EF/49 dated 5th November, 1949, prohibiting the bringing or sending into Pakistan from any place outside Pakistan, of Pakistan and foreign currency notes or bank notes, un-issued or in circulation, or coin, except with the general or special permission of the State Bank.

2. Import of Pakistan Currency Notes.

However, under Notification No.FE.5/92-SB dated the 28th December, 1992 State Bank has granted general permission for bringing into Pakistan notes legal tender in Pakistan not exceeding Rs 500 from India and Rs 3000 from any country other than India, in value, in all per person at any one time.

3. Import of Foreign Currency Notes and Coin.

The State Bank has also granted under Notification No.F.E.30/49-SB dated the 5th November, 1949 and Notification No.FE. 5/92-SB dated the 28th December, 1992 general permission to the travellers to Pakistan, to bring with them without limit foreign currency notes except un-issued notes and coin, except coin which is legal tender in India, which can be brought only upto Rs.5/- in value per person at any one time.

4. Ban on sending Pakistan and Foreign Currency Notes or Coin by Post.

The permission contained in preceding paragraphs 2 and 3 is valid only for bringing in of Pakistan or foreign currency notes or coin by travellers personally with them, but not for sending them into Pakistan by post or otherwise which is illegal. Currency notes and coin sent by post to Pakistan are liable to be confiscated, which is besides the legal action that will be taken under the Act in such cases.

5. Export of Pakistan Currency Notes.

State Bank has granted general permission vide Notification No.FE.4/92-SB dated the 28th December, 1992 for taking out from Pakistan currency notes of the Government of Pakistan and State Bank of Pakistan notes not exceeding Rs 500 and Rs 3000 in value to India and any country other than India respectively, in all per person at any one time.

6. Export of Currency on Steamers and Aircrafts.

The State Bank has granted general permission for export of currency which has been brought into Pakistan in the safes of vessels or aircrafts, or which has been taken on board a vessel or aircraft with the permission of the State Bank.

7. Prohibition to sell Pakistan Currency Notes abroad.

Pakistan currency notes upto Rs 500 and Rs 3000, which the persons leaving Pakistan are permitted to take with them to India and to any country other than India respectively, are not intended for expenditure in foreign countries, but are meant for immediate expense on their

return to Pakistan. Authorised Dealers should bring this to the notice of travellers when issuing exchange to them for travel purposes.

8. Ban on Export of Foreign Exchange Instruments and Pakistan and Foreign Currency Notes and Coin by Post.

The permission contained in paragraphs 5 and 10 (d), (e) and (f) is valid only for taking out foreign exchange instruments and currency notes and coin by the travellers themselves, but not for sending them out by post or otherwise, which is illegal and renders the foreign currency instruments and currency notes and coins so sent liable for confiscation, besides any legal action that may be taken against the sender under the Act.

9. Import of Foreign Exchange Instruments.

The term 'foreign exchange' as defined in Section 2 of the Act means foreign currency and inter alia includes any instrument drawn, accepted, made or issued under clause (8) of Section 17 of the State Bank of Pakistan Act, 1956 and any drafts, travellers cheques, letters of credit and bills of exchange expressed or drawn in foreign currency or in Pakistan currency but payable in any foreign currency. There are no restrictions on the import of foreign exchange instruments either personally or by post or otherwise. Such restriction applies only to foreign currency notes and coin in respect of which para 4 ibid may be referred.

10. Export of Foreign Exchange.

In pursuance of sub-section (2) of Section 8 of the Act, the State Bank has issued Notification No. F.E.2/98-SB dated July 21st, 1998 granting general permission to: -

(a) Authorised Dealers to send out of Pakistan, cheques, drafts or bills of exchange which have been acquired by them in the normal course of their business and within the terms of their authorisation.

(b) Any person maintaining an account expressed in a foreign currency, and held under any permission, general or otherwise, granted by the State Bank of Pakistan to take or send out of Pakistan, cheques or drafts drawn on such account.

(c) Any person, other than a person to whom foreign exchange is issued for travelling purposes only, to send out of Pakistan foreign exchange issued to him by an Authorised Dealer.

(d) Any person to take out of Pakistan foreign exchange issued to him by an Authorised Dealer in Pakistan and endorsed on his passport.

(e) Any person not ordinarily resident in Pakistan, to take out of Pakistan the unspent amount of foreign currency brought by him into Pakistan, provided the period of his continuous stay in Pakistan does not exceed three months, and

(f) Any person to take out of Pakistan US\$ 10,000/- or equivalent thereof in other foreign currencies.

11. Definition of Jewellery and Precious Stones.

The terms "jewellery" and "precious stones" are deemed to include all articles made wholly or mainly of gold, platinum, diamonds of all kinds, precious or semi-precious stones, pearls whether or not mounted, set or strung and articles set or mounted with diamonds, precious or semi-precious stones or pearls.

12. Import of Jewellery and Precious Stones.

Under the Act there are no restrictions on the import of jewellery and precious stones, but their import is regulated by the Import Trade Control Regulations. Import of jewellery, precious metals, precious stones, etc., by incoming passengers is regulated by the Rules made under the Customs Act.

13. Export of Jewellery and Precious Stones.

Sub-section (2) of Section 8 of the Act prohibits export from Pakistan of jewellery or precious stones except with the general or special permission of the State Bank. The State Bank has granted general permission vide its Notification No.F.E.3/85-SB dated the 15th August, 1985, under which any person can take out of Pakistan at any one time to any country outside Pakistan, precious stones or jewellery other than articles made wholly or mainly of gold as under:

(a) India. Nil.

(b) Afghanistan, Bangladesh and Iran. upto Rs.1,000/- in value

(c) Any other country or place not upto Rs.2,000/- in value

mentioned in (b) above

No person is allowed to take any jewellery to India without the approval of the State Bank.

14. Taking out of Precious Stones and Jewellery.

(i) Under the State Bank Notification No.FE.3/85-SB dated the 15th August, 1985, any person other than a person domiciled in Pakistan or India, who is returning to his/her own country, may take with him/her any precious stones or jewellery brought by him/her into Pakistan without limit if the same had been declared to the Customs Authorities on the prescribed form at the time of his/her arrival in Pakistan, and precious stones and jewellery, other than articles made wholly or mainly of gold purchased in Pakistan upto a further Rs.10,000/- in value. The intention is that this facility will be available only to the families of foreign nationals who are working in Pakistan with the permission of the concerned authorities. Foreign nationals and overseas Pakistanis can also take out gold, jewellery, precious/semi precious stones upto the value of \$10,000/- in all provided the same have been purchased against encashment of foreign exchange brought by them from abroad.

(ii) Applications to carry jewellery to India or to other countries in excess of the limit prescribed in para 13 *ibid*, should be made to the State Bank in duplicate on Form 'J' (AppendixV-81). The application should be accompanied by an undertaking from the traveller that should the State Bank accede to his/her request, he/she will bring back the jewellery to Pakistan within the specified period, declare it to the Customs and produce proof thereof to the State Bank. Where such requests are allowed by the State Bank, it will issue a licence for the Customs in duplicate. While the original copy of the licence will be surrendered to the Customs at the time of taking out the jewellery, the duplicate thereof will be retained by the traveller. On his/her return to Pakistan, the jewellery brought back by the traveller will be declared to the Customs who will endorse the duplicate copy of the licence. The duplicate copy of the licence endorsed by the Customs will be produced by the travellers to the State Bank within the specified period in pursuance of the undertaking given by him/her at the time of departure.

15. Definition of Gold and Silver.

'Gold' as defined in Section 2 of the Act includes gold in the form of coin, whether legal tender or not, or in the form of bullion or ingot, whether refined or not. 'Silver' means silver bullion or ingot, silver sheets and plates which have undergone no process of manufacture subsequent to rolling and uncurrent silver coin which is not legal tender in Pakistan or elsewhere.

16. Import of Gold and Silver.

(i) The Federal Government by their Notification No.1(2) ECS/48 dated the 1st July, 1948 issued pursuant to sub-section (1) of Section 8 of the Act have prohibited, except with the general or special permission of the State Bank, the import into Pakistan from any place outside Pakistan of:

(a) any gold coin, gold bullion, gold sheets or gold ingot whether refined or not, and

(b) any silver bullion, any silver sheets or plates which have undergone no process of manufacture subsequent to rolling or any uncurrent silver coin.

Import of gold and silver into Pakistan is, therefore, subject to State Bank's authorisation.

(ii) Import of pure gold/silver and rough/uncut precious and semiprecious stones will be allowed against export of gold/silver jewellery and cut and polished precious/semi-precious stones in accordance with the procedure notified by the Government of Pakistan and the instructions issued by the State Bank from time to time.

(iii) The State Bank vide its Notification No. F.E.1/94-SB dated the 20th March, 1994 has granted general permission for import of gold into Pakistan from any place outside Pakistan as accompanied baggage provided such imports are made in accordance with the existing import policy.

17. Export of Gold and Silver.

Sub-section (2) of Section 8 of the Act prohibits the export of gold except with the general or special permission of the State Bank. The State Bank, however, does not allow the export of gold.

Under the Act, there are no restrictions on the export of silver. Its export when allowed requires to be declared on form 'E' prescribed for export by the State Bank and the export proceeds are required to be repatriated within the stipulated period.

18. Declaration to Customs by Outgoing Passengers.

In terms of State Bank's Notification No.FE.4/91-SB dated the 26th February, 1991, all persons are required to declare to the Custom authorities at the time of leaving Pakistan, jewellery and precious stones carried by them in prescribed declaration Form 'CD' (Appendix V-82).

In order to ensure that the outgoing passengers do not face any difficulty in obtaining 'CD' forms and filling them at the time of their departure, airlines/shipping companies, travel agents are required to supply these forms to the intending passengers at the time of issuing the tickets so that the completed forms are with them before they enter the Custom Lounge.

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CHAPTER XIX

LOANS, OVERDRAFTS AND GUARANTEES

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Part A – Rupee Loans

1. Regulations governing Loans and Guarantees.

Extension of loans, overdrafts and credit facilities to companies (other than Banking Companies) which are by any means controlled directly or indirectly by persons resident outside Pakistan and to residents against guarantees or collaterals lodged outside Pakistan, obtaining of loans and overdrafts in foreign currencies and giving of guarantees on behalf of residents of Pakistan in favour of non-residents or on behalf of non-residents in favour of residents, are regulated under sub-section (2) of Section 18 and Sections 4 and 5 of the Act. This chapter contains the general regulations covering grant of such loans, overdrafts, credit facilities and guarantees.

2. Definition of Foreign Controlled Companies.

Section 18(2) of the Act imposes restrictions on lendings to any company, not being a banking company, which is by any means controlled, whether directly or indirectly, by persons resident outside Pakistan. For the purposes of this section a company, which term includes a firm, branch or office of a company or firm, is deemed to be controlled directly or indirectly by persons resident outside Pakistan, if

(i) it is a branch office of a company incorporated outside Pakistan, or

(ii) in the case of partnerships, if

(a) 50% or more of the capital of the partnership is owned by foreign nationals, or

(b) the majority of the partners are foreign nationals, and

(iii) in the case of companies incorporated in Pakistan, if

(a) 50% of the shares or more are subscribed by foreign nationals, or

(b) 50% of the Directors on the Board of Directors or more, are foreign nationals. In the case of equal share-holding, a company is deemed to be a Pakistani controlled company, if its Chief Executive is a Pakistan National.

3. 3. General permission for lending to Foreign Controlled Companies for working capital.

Authorised Dealers are authorised to grant rupee loans and credits to foreign controlled companies for meeting their working capital requirements subject to observance of Prudential Regulations prescribed under the Banking Companies Ordinance.

4. Local Borrowings for Capital Expenditure.

Foreign Controlled Companies are normally required to meet their requirements of capital expenditure out of their Rupee resources or from loans raised abroad with the permission of the Federal Government/State Bank. In special circumstances such companies are allowed to raise Rupee resources through medium and long term local borrowings. As an exception, foreign controlled companies engaged in manufacturing are permitted to meet their requirements of capital expenditure by taking loans from banks, Development Financial Institutions and other financial institutions or by issuing Participation Term Certificates etc.

5. Borrowings by Individual Foreign Nationals.

Authorised Dealers have general permission to grant Rupee loans/overdrafts to foreign nationals upto the extent of their two months salary. Request for advances in excess of this should be referred to the State Bank.

6. Loans and Overdrafts to Non-Residents including Loans for Purchase of Residential Plots/Houses/Flats by Overseas Pakistanis.

(i) Authorised Dealers may grant purely short term Rupee loans or overdrafts to their overseas branches and correspondents, in the normal course of their business, without reference to the State Bank, provided such loans or overdrafts are created as a result of negotiations under Rupee Letters of Credit, established by the overseas banks to finance exports from Pakistan, and are liquidated within a period not exceeding two weeks.

(ii) Authorised Dealers may grant Rupee loans to those Pakistan nationals resident outside Pakistan, who are maintaining Foreign Currency Accounts with them, against the security of the balances held in such accounts.

(iii) Authorised Dealers/Development Financial Institutions/Housing Finance Institutions may grant rupee loans to those Pakistan nationals who are working outside Pakistan, for purchase of residential flats/plots/houses in Pakistan up to 90% of the cost/price of the flat/plot/house subject to the condition that the loan will be liquidated by the borrowers through remittances from abroad in foreign exchange through normal banking channel or by debit to their Foreign Currency Accounts. The initial down payment of the purchase price of the flat/plot/house up to 10% of the total price can be financed by the purchaser/borrower from his savings in Pak rupees.

The above permission is, however, subject to the following terms and conditions:-

- a. The rupee loan shall be extended to those non-resident Pakistanis only who are working abroad and do not own immovable property outside Pakistan, for the purpose of purchasing a residential plot or house/flat and not for any commercial purposes.
- b. Loans will be extended by the banks/DFIs/Housing Finance Institutions subject to observation of the normal rules and Prudential Regulations.
- c. Sale proceeds of the residential plot/flat/house on dis-investment shall not be eligible for repatriation in foreign exchange or for credit to a Foreign Currency Account/Convertible Rupee Account of the purchaser/owner.

7. Loans and Overdrafts against Guarantees of Non-Residents or against Collateral held outside Pakistan.

Authorised Dealers are given general permission under the Foreign Exchange Regulation Act, 1947 to grant rupee loans to their clients (including foreign controlled companies) against guarantees of non-residents/guarantees received from banks functioning abroad, subject to

compliance with the credit restrictions imposed by the Banking Supervision Department, State Bank of Pakistan.

Part B- Foreign Private Loans

8. Private Foreign Currency Loans.

In terms of section 4(1) of the Foreign Exchange Regulation Act, borrowing from abroad without the previous general or special permission of the State Bank is prohibited. The State Bank has given general permission to Private Sector entrepreneurs to obtain foreign currency loans from banks/financial institutions abroad, parent companies of the multinationals and as suppliers credit including credits under PAYE Scheme, not involving government guarantee, for financing foreign currency cost of the projects covered by the government's Industrial/Investment Policy and the instructions issued by SBP from time to time. The loans should be contracted on the best possible terms. The repayment period of such loans/credits, however, should not be less than five years.

9. Pay-As-You-Earn (PAYE) Scheme.

Since February, 1973 the Government has instituted a scheme of Suppliers Credit called PAY-AS-YOU-EARN (PAYE) Scheme under which entrepreneurs in the private sector can negotiate foreign currency loans for import of plant and equipment for export oriented industries either for establishment of new industrial units or for balancing, modernization, replacement and expansion of the existing export oriented units. The industries covered by the Scheme are:

(i) Export oriented industries which include:

(a) Industries such as fish processing and modern rice milling, the bulk of whose production is exported, and

(b) Industrial units set up for export market within industrial sub-sectors which serve both the local market and the export market, such as textiles, carpets, leather, fruits and vegetables. Units, to qualify under this category, must give a guarantee to export 50% or more of their total output. In special cases such as engineering goods, the limit may be reduced to 25% in the first three years and 33% thereafter.

(ii) Sub-contracting arrangements for exports under which manufacturing units are established in response to specific orders, which are received from the foreign non-resident firms by local manufacturers as a sub-contractor, and

(iii) Service industry like hotels etc.

10. Features of the Scheme.

The main features of the PAYE Scheme, 1973 are as under:

(a) Advance payment upto 15% of the C & F value of the machinery may be allowed provided the sponsors give an undertaking that in case machinery is not imported by the stipulated date,

they will repatriate the foreign exchange to Pakistan or pay to the Government penalty amounting to 27% of the advance payment or any portion thereof which remains unrepatriated plus interest on it at the rate of 9% from the date of the remittance.

(b) Projects established under the PAYE Scheme will be allowed a maximum of 50% of the F.O.B. value of their foreign exchange earnings in respect of goods manufactured and exported by the concerned units established or expanded under the Scheme for meeting their debt liability and other foreign exchange payments on account of royalty, technical fee and incidental charges.

(c) If in any financial year, the debt servicing liability cannot be met out of the prescribed percentage of earnings in that year, the sponsors will have to pay to the Government penalty to the extent of 27% of the Rupee equivalent of the short-fall.

(d) If a project has been established against a loan in convertible currency, it will be required to meet its obligations in convertible currency. Where a project has been set up on the basis of a loan repayable in commodities, export of commodities to the lending country will count towards repayment of the loan. Export against convertible currency made by the units concerned from the new capacity created under the Scheme to countries other than the lending country, will also count towards repayment of the loan.

11. Procedure for import of machinery and registration of repayment schedule.

(i) Foreign currency private loan agreements and suppliers credit agreements including credit agreements under PAYE Scheme as permitted under para 8 *ibid* will be submitted to the State Bank for registration through the Authorised Dealer designated for the purpose within 30 days of the date of Agreement.

(ii) The Authorised Dealer will furnish the original loan/credit agreement alongwith five copies, a list of the company's Directors, project report showing the details of the project including its cost (broken into local cost and foreign exchange cost), location of the project and copy of Certificate of Incorporation of the company to the Investment Division, Exchange Policy Department, State Bank of Pakistan, Central Directorate, Karachi. In the case of Buyer's Credit, three copies of the purchase contract will also be furnished.

(iii) Approval of the Government of Pakistan will also be furnished where the loan/credit is provided at concessional rates by the banks/financial institutions under the instructions or policy of the foreign Governments.

(iv) A copy of the loan/credit Agreement registered by the State Bank will be returned to the Authorised Dealer.

(v) The loan amount from foreign banks/financial institutions can be deposited in a foreign currency account to be opened under the general permission given vide paragraph 8 of Chapter VI.

(vi) After registration of the agreement with the State Bank, remittance of down payment may be made by the Authorised Dealers to the extent provided in the agreement. Such remittances

shall be reported to the concerned area office of Exchange Policy Department, State Bank of Pakistan, on Form 'I' which, for statistical purpose is to be coded by them with appropriate commodity code on Schedule E-2 with Department code as 750.

(vii) Alternatively, the sponsors may arrange a loan for financing down-payment to the suppliers of plant and machinery. Such a loan will be subject to registration in accordance with the above procedure.

(viii) In order to establish the value of plant and machinery imported under the loan/Supplier's Credit, including credits obtained under PAYE Scheme, the sponsors will, immediately on receipt of the consignment, submit to the area office of Exchange Policy Department through the designated Authorised Dealer, the relative import documents viz. Exchange Control copy of Bill of Entry, original invoice and a copy of letter of credit.

(ix) After the liability to the foreign lender/supplier of plant and machinery as mentioned in subparagraph (viii) has been established, the repayment schedule as per specimen given at Appendix V- 83 should be submitted for registration to the Investment Division, Exchange Policy Department, at Karachi in sextuplicate through the Authorised Dealer which has submitted the loan agreement.

12. Repayment under Pay-As-You-Earn Scheme.

(i) After the repayment schedule has been registered by the State Bank, the remittances on account of principal and interest will be allowed by the Authorised Dealer subject to compliance with the requirements set out herein and after deduction of tax if payable. In case of exemption from income tax, a copy of the exemption certificate should be attached with the relative 'M' form. The application for remittance towards repayment of cost of plant and machinery and interest accrued thereon (instalment) will be submitted on the prescribed form (Appendix V- 84) to the Authorised Dealer whose name appears on the related repayment schedule. The application should be signed by the applicant and certified by the bankers and must be accompanied by Export Realisation Certificate in the prescribed form (Appendix V- 85). The application will be accompanied by two forms 'M' i.e. one for the amount of principal and the other for the amount of interest. Remittances on account of repayment of principal and payment of interest should be coded by the Authorised Dealers as 1830 and 1220 respectively, on Schedule E-4 with Departmental Code as 775 in each case. Where the amount of 50% of the FOB value of export earnings of an industrial unit or enterprise in any financial year, upto the date on which the instalment has fallen due, is not sufficient to cover the debt liability and other liabilities as laid down in Clause 7 of the Scheme, the remittance may be allowed by the Authorised Dealer concerned on submission of an undertaking by the applicant to the effect that he will submit evidence of having repatriated sufficient export earnings during the financial year concerned, to cover the remittance and that in case there is any shortfall, a penalty amounting to 27% of Rupee equivalent of the excess remittance plus interest thereon @ 9% per annum from the date of remittance, shall be paid to the State Bank on account of the Federal Government by the 8th July of the next financial year. This undertaking should be countersigned by the Authorised Dealer concerned, who should assume responsibility for the payment of the penalty and interest and forward the undertaking to the State Bank alongwith the form 'M' covering the remittance.

(ii) In respect of remittances made under the PAYE Scheme, the Authorised Dealers will send to the State Bank every month statements in triplicate in the prescribed forms (Appendices V- 86 & V- 87).

(iii) In case any discrepancy is found in the information contained in an application (V- 84) or export realisation certificate (V- 85) on the basis of which an Authorised Dealer has allowed remittance of principal and interest, the applicant will be required to arrange for repatriation to Pakistan of the amount, if any, remitted in excess or alternatively on demand by the State Bank, pay to it on account of the Federal Government penalty amounting to 27% of Rupee equivalent of the excess remittance plus interest thereon @ 9% per annum from the date of remittance. The Authorised Dealer who has allowed the remittance shall be responsible for compliance with the above requirements including payment of penalty and interest.

13. Payment of Penalty-Head of Account.

The penalty of 27% recoverable from the applicants under the above Scheme should be deposited with the State Bank by the concerned project or its bankers on challans filled in quadruplicate for credit to Federal Government's account with the State Bank under the head "1000 Non-Tax Receipts-1300 Miscellaneous Receipts-1390 others-Fees, Fines and Forfeitures".

14. Repayments under loans/credits other than PAYE Loans.

(i) After the repayment schedule has been registered by the State Bank, the remittance on account of principal, interest and other charges will be allowed by the Authorised Dealers strictly in accordance with the approved schedule. Remittance of interest will be effected after deduction of tax, if payable. In case of exemption from income tax, a copy of the exemption certificate should be attached with the relative 'M' form. Remittances on account of repayment of principal and interest shall be reported separately on forms 'M' and coded as 1952 and 1212 respectively with Department code 121. Such 'M' forms should be prominently marked at the top as under:

"Remittance of Principal/Interest under Loan/Supplier's Credit vide Repayment Schedule Registered with the State Bank under Registration No"

(ii) In some cases of Loans/Supplier's Credits, interest is payable at a varying rate linked with LIBOR. In such cases, it would not be possible for the borrowers to show in advance the exact amount of interest payable with future instalments. It would be in order for the Authorised Dealers in such cases to remit the actual amount of interest calculated on the basis of the formula appearing in the approved contract. They should, however, show the number of days, the applicable rate and the principal amount on which interest has been paid in the 'M' form.

15. Repatriable Foreign Currency Loans by Foreign Controlled Companies.

(i) Foreign controlled companies are permitted to contract foreign currency loans from banks/financial institutions abroad or from their Head Offices/or from other overseas branches/associates for meeting their working capital requirements. The repayment period should not exceed twelve months and the rate of interest should not exceed 1% over LIBOR. Such loans can however be rolled over for further periods not exceeding twelve months each.

(ii) Foreign controlled companies, as defined in paragraph 2 *ibid*, desirous of availing this facility may approach their bankers (Authorised Dealers), who will satisfy themselves that the applicant is a foreign controlled company. Once such a confirmation is obtained, the concerned company may contract the loan and repatriate the amount for credit to their Rupee account with the Authorised Dealer.

(iii) The concerned Authorised Dealer will issue a proceeds realisation certificate, and record the particulars of the loan. On maturity, the Authorised Dealer having received the inward remittance, will allow payment of interest minus taxes and repayment of principal. While reporting remittance of interest, a certificate confirming the applicable LIBOR and a certificate confirming payment of income tax will be attached with the Form 'M'. If tax is not payable, a copy of the exemption certificate issued by the Revenue authorities will be submitted. While reporting repayment of the principal, a copy of the proceeds realisation certificate will be attached with the Form 'M'.

(iv) Branches in Pakistan of foreign companies are not allowed to pay interest on such loans.

(v) Foreign contractors are not allowed to pay interest on such loans, and they can repay the loans only after they have completed the contracted work/project and have submitted clearance certificate from the tax authorities, which should be attached with the Form 'M'.

16. Foreign Currency Loans for Financing Exports.

(i) Those exporters who have valid firm commitments with the overseas buyers for export of goods from Pakistan, may obtain short term loans in foreign currencies from abroad or through an Authorised Dealer, to the extent of the value of such firm commitment, to enable them to finance the export of goods from Pakistan. It is permissible to obtain one consolidated loan for all LCs/contracts received in a month or covering shipment required to be made during a month. The Authorised Dealers may issue guarantees to the lenders subject to compliance with Prudential Regulations in force.

(ii) The Authorised Dealers and borrowers will be free to negotiate the interest rates on such loans. The maximum tenure of such loans will be the period generally fixed for repatriation of export proceeds plus a further period of sixty days. The exchange risk will be borne by the borrower.

(iii) The foreign currency amount of loan will be required to be repatriated to Pakistan and encashed with an Authorised Dealer. Such inward remittances will be reported on form 'R' Schedule 'J' with Code No. 9711.

(iv) In case an exporter utilizes this facility, he will not be eligible to obtain export finance in local currency from a bank in Pakistan and the facility under the 'Foreign Currency Export Finance Scheme' for the same export commitment.

(v) The foreign currency loan will be required to be repaid, along with interest, out of the related export proceeds. Where an exporter is unable to export goods against a firm contract/letter of credit against which a foreign currency loan was obtained, he may repay the loan from the proceeds of export of the same or other commodity to the same or a different

buyer in any country against another firm contract/letter of credit provided no foreign currency loan has been obtained against the substituted contract/letter of credit. The exporter will instruct the Authorised Dealer, through which the loan was received, and which is negotiating/handling the export documents, to arrange to repay the foreign currency loan and interest accrued thereon, less tax if payable, to the lending institution out of the proceeds of the bill. It is not necessary to repatriate the proceeds of the export bills to Pakistan first and then to arrange remittance in repayment of the debt. The amounts of the export bills realised abroad can straight-away be used for repayment of the amount of the relative debt and net interest. The concerned Authorised Dealer will however, report the realisation of foreign exchange proceeds of the exports as a 'purchase' on Schedule A-1 and the amount of loan and interest paid as 'sale'. At the time of reporting sale, the Authorised Dealer will attach with the relative form 'M':

(a) Proceeds Realisation Certificate.

(b) Income Tax Officer's/Auditor's certificate indicating the amount of tax due on the interest accrued on the foreign currency loan.

It will be the responsibility of the Authorised Dealer to ensure while arranging payment/remittance of interest that the payment is made after deduction of tax leviable thereon.

(vi) In case the loan matures after the export proceeds have been realised, the export proceeds to the extent required for repayment of the loan and net interest on the due date, may be retained in a foreign currency account temporarily opened for this purpose, repayment made on the due date and the account closed.

(vii) Notwithstanding the utilization of export proceeds for repayment of the loan, the Authorised Dealers will continue to be liable to deduct income tax as required by the Tax laws.

(viii) In case the exporter fails to fulfil the export obligations or there is a delay in realisation of export proceeds, repayment of loan and interest accruing thereon less taxes, will be made by him from his own resources or from a foreign currency account.

(ix) In the case of exports to ACU member countries where export proceeds are not realised in convertible currencies, Authorised Dealers may remit the amounts of principal/interest from their Nostro balances at the current exchange rate subject to compliance of the drill laid down in preceding sub-para (v).

17. Foreign Currency Loans for Working Capital and other purposes.

(i) Pakistani firms and companies functioning in Pakistan excluding banks may obtain foreign private loans on non-repatriable or repatriable basis for their working capital subject to the following terms and conditions:

(A) NON-REPATRIABLE BASIS:

The loans are contracted on non-repatriable basis on the clear understanding that such loans would be treated as rupee loans to the extent of rupees generated out of the inward remittance, neither the principal nor interest/profit would be remittable abroad at any time and repayment of the loan and payment of interest/profit would be made in Pakistan.

(B) REPATRIABLE BASIS:

- (a) The loan is interest free and for a period not less than one year.
- (b) No bank guarantee for securing such loans would be provided from Pakistan.
- (c) No forward cover shall be provided.
- (d) The Government of Pakistan will not provide the facility of absorption of exchange risk in such cases.

Agreement for foreign private loans on repatriable basis should be submitted to the State Bank for registration. After the State Bank has registered the agreement and the loan amount has been remitted to Pakistan, the repayment schedule (Appendix V- 83) should be submitted to the State Bank for registration alongwith proceeds realisation certificate. After the repayment schedule has been registered, the Authorised Dealers would be free to remit the instalments of principal on the due dates quoting reference of the repayment schedule, in accordance with the procedure laid down in paragraph 14 *ibid*. No pre-payments would be permissible.

(ii) Individuals/firms/companies resident in Pakistan, including foreign controlled companies and branches of foreign companies operating in Pakistan, but excluding banks are also permitted to obtain loans from abroad in foreign currencies on repatriable basis for any purpose on the following terms and conditions: -

- (a) There shall be no ceiling on the amount of loan. The repayment period should not, however, be less than five years, and the repayments should be made in equal instalments.
- (b) Interest will be payable in arrears on half yearly/yearly basis at a rate not exceeding the relevant LIBOR + 1.5% and will be subject to deduction of Pakistan taxes as may be leviable under the law. The borrowers shall be free to pay interest according to the above formula at a fixed or floating rate.
- (c) Exchange rate fluctuation risk will be borne by the borrowers and no forward cover would be provided by the Authorised Dealers in Pakistan.
- (d) No bank guarantee for securing such loans would be provided from Pakistan.
- (e) The borrower will get the agreement with foreign lenders registered with an Authorised Dealer who will handle all transactions thereunder and intimate the details after completion of the disbursements, to the Investment Division at Karachi in the prescribed proforma (Appendix V- 88) in triplicate alongwith Proceeds Realisation Certificate(s) in original showing encashment of the loan amount into Pak Rupees. Thereafter the Authorised Dealer would be free to remit the instalment(s) of principal and interest, as the case may be, on due dates strictly in

accordance with the terms of repayment intimated to the State Bank. Prepayments would not be permissible. Remittance of interest will be effected after deduction of tax, if leviable thereon.

(f) (A) The inward remittances on account of loan disbursement from foreign lenders may be reported under Code-9821.

(B) Likewise the outward remittance on account of repayment of principal shall be reported on Form 'M' and Coded as 1821.

(C) Remittance of interest will be reported under Code- 1224.

18. Short term Borrowings in Foreign Currency by Authorised Dealers.

Authorised Dealers may, if it becomes necessary in the normal course of their business but not for the purpose of carrying speculative exchange position etc., obtain short-term loans and overdrafts from overseas branches and correspondents for periods not exceeding seven days at a time. If such loans or overdrafts are required to be secured by collateral to be lodged in Pakistan or else where, full details of the proposed arrangements should be furnished to the State Bank for prior approval.

Interest on short-term loans and overdrafts taken under this para may be remitted by Authorised Dealers without the prior approval of the State Bank.

19. Long Term Loans by Authorised Dealers.

It is not permissible for Authorised Dealers to obtain long-term loans in foreign currencies without the prior approval of the State Bank. Application for this purpose should be made to the State Bank, giving the terms of the proposed loan and the reasons why it is considered necessary to contract such a loan.

20. Loans and Advances by Authorised Dealers in Foreign Currency.

Authorised Dealers will not grant any loans or overdrafts in foreign currencies, whether secured or unsecured, without the prior approval of the State Bank. Applications for this purpose should be made by letter, giving full details of the purpose for which such loans or overdrafts are required as also the particulars of the guarantee or collateral, if any, and the manner in which the loans or overdrafts are expected to be liquidated.

Part C- Guarantees etc.

21. Guarantees on behalf of Foreign Controlled companies.

For the purposes of Section 18(2) of the Act, guarantees that are issued in lieu of earnest money, security or other cash deposits are treated as extension of credit to the extent these are not backed by 100% cash deposit. Authorised Dealers may issue such guarantees on behalf of foreign controlled companies only by adjustment of the amount from their borrowing entitlement as per Prudential Regulations. This, however, would not be necessary where guarantee required to be issued are not in lieu of cash deposit but are either in the nature of

performance bond etc., or are required to be given alongwith the tender documents in lieu of earnest money deposit. In the latter case, the validity of the guarantee would be restricted to the period upto which decision about acceptance or rejection of the relative tender is taken. The State Bank's prior approval will become necessary if the guarantee is to remain valid even after the decision on the tender has been taken.

22. Guarantees on behalf of Residents of Pakistan in favour of Non-residents.

(i) Except in cases covered by paragraphs 24 and 26 *ibid*, prior approval of the State Bank is required for giving any guarantee or undertaking or opening of a letter of credit, the implementation of which may involve payment to a non-resident either in foreign currency or Rupees. Applications seeking permission for giving such guarantee or undertaking should be made by letter giving full particulars of the guarantee or under-taking viz., the amount, the period and the purpose of the guarantee and the terms of payment in the event of the guarantee being implemented. These restrictions also apply to renewal of such guarantees, undertakings, letters of credit etc. While forwarding applications for renewal to the State Bank, Authorised Dealers should state the extent upto which the facilities covered by the guarantees were utilised during the previous twelve months or during the validity of the guarantees etc., if the period involved is less than 12 months.

(ii) Authorised Dealers may, however, issue guarantees in favour of foreign suppliers/lenders to cover repayment of loan and payment of interest under Foreign Private Loan/Suppliers Credit including credits under PAYE Scheme in accordance with the terms and conditions of the agreement as registered by State Bank, under intimation to Investment Division at Karachi.

23. Guarantees on behalf of Non-Residents in favour of Residents of Pakistan.

Prior approval of the State Bank is required for giving guarantees or undertakings in favour of residents in Pakistan either on behalf of non-residents or against overseas guarantees or collaterals lodged outside Pakistan. This restriction does not, however, apply to cases covered under paras 27 and 28 or where the guarantee is being extended by the Authorised Dealer on the basis of a back-to-back guarantee from its overseas branch or correspondent. Applications for this purpose should be made by letter giving full particulars including the amount, the period and the purpose of the guarantee and the manner in which the Authorised Dealer will be reimbursed in the event of the guarantee being implemented. Renewal of such guarantees also requires the prior permission of the State Bank. While forwarding applications, Authorised Dealers should state the extent to which the facilities covered by the guarantee or undertaking etc., have been utilized during the previous 12 months or such shorter period for which the facilities have been available.

24. Performance/Bid Bond Guarantees.

Authorised Dealers, National Insurance Company Limited, Pakistan Insurance Corporation and those Insurance Companies whose exposure limits have been fixed by the Controller of Insurance for the above purpose (particulars of Insurance Companies could be obtained from the Controller of Insurance) may issue Performance or Bid Bond Guarantees on behalf of exporters, members of recognized Consultancy/Construction Associations and Companies approved by Pakistan Engineering Council (PEC) in Pakistan subject to the following conditions:

- a. Tenders specifically call for furnishing of such guarantees.
- b. The beneficiary abroad is a foreign Government or a Government sponsored Organization or private company or a firm.
- c. The tenderer is a bonafide exporter or a manufacturer of the commodity which is specified in the tender and there is no restriction on its export from Pakistan.
- d. In case of Consultancy/Construction firms and Engineering firms recognized by Pakistan Engineering Council, the organization issuing the performance or bid bond must satisfy itself that the tenderer is a bonafide Consultancy/Engineering firm, having the requisite financial and technical resources and there are reasonable prospects of their being able to successfully execute the contract. Companies with poor track record will not be eligible.

25. Remittances under Guarantees or Performance Bonds and their Reporting to the State Bank.

Authorised Dealers may make remittances against the Performance Guarantees or bonds issued by them or the Pakistan Insurance Corporation or National Insurance Company Limited or those Insurance Companies whose exposure limits have been fixed by the Controller of Insurance in terms of Para 24 *ibid*, if remittances become necessary for the implementation of such Performance Guarantees or bonds. In these cases, Authorised Dealers should minutely scrutinize the terms of the Performance Guarantees or bonds and satisfy themselves that the amount has become payable to the beneficiaries due to the default of the party in Pakistan. While reporting remittances made against such Performance Guarantees/Bonds to the Exchange Policy Department in their monthly foreign exchange returns, the Authorised Dealers will bunch Forms 'M' with the documents given below alongwith the covering statement in duplicate as per Form (Appendix V- 89):

- i) Photocopy of the Guarantee or Performance Bond.
- ii) Photocopy of the claim received by the foreign bank from the concerned Government or the Government institutions or a private company or a firm demanding such payment.
- iii) Copies of correspondence, if any, exchanged between the foreign bank and foreign government or Government Institution or a private company or a firm.
- iv) Copies of correspondence exchanged by the firm in Pakistan on whose behalf Guarantee/Bond was issued with the concerned foreign Government or Government Institution or a private company or a firm about invoking of the Guarantee/Bond by the latter.

26. Opening of Letters of Credit and Advising of Negotiations under Export Letters of Credit.

Restrictions imposed under para 22 of this chapter shall not apply to the establishment of letters of credit or similar undertakings by the Authorised Dealers to finance imports into Pakistan in accordance with the provisions of Chapter-XIII. Similarly restrictions imposed under para 23 shall not apply to advising of export letters of credit established by non-resident banks nor to negotiation of documents thereunder.

27. Guarantees which may be given without Prior Approval.

The restrictions in paragraphs 22 and 23 do not apply to guarantees given by Authorised Dealers in favour of non-residents on behalf of their customers in the ordinary course of their business in respect of missing documents, authentication of signatures, release of goods on Trust Receipts and defects in documents negotiated by them under letters of credit etc.

28. Guarantees and Collaterals in favour of Overseas Bank Branches and Correspondents.

Authorised Dealers should not, without the prior approval of the State Bank, furnish guarantees to the overseas bank branches or correspondents or hold collaterals on their behalf in respect of any credit facilities or guarantees the latter may give or for any other purpose. All applications for this purpose should be made to the State Bank by letter giving full details of the guarantees or collaterals, as the case may be, and of the transaction in cover of which guarantee is proposed to be given or collaterals deposited.

29. Renewal of Loans and overdrafts.

In cases where the grant of any loans or overdrafts or issue of guarantees requires the prior approval of the State Bank, the renewal of such loans, overdrafts or guarantees shall also require the prior approval of the State Bank.

Back

CHAPTER XX

SECURITIES

Definitions.

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1. Definitions.

Section 2 of the Act defines "security" as shares, stocks, bonds, debentures, debenture stock and Government securities as defined in the Securities Act, 1920, deposit receipts in respect of deposit of securities and units or sub-units of unit trusts but does not include bills of exchange or promissory notes other than Government promissory notes. A "foreign security" is defined as a security issued elsewhere than in Pakistan and any security the principal of or interest on which is payable in any foreign currency or elsewhere than in Pakistan. For the purpose of Section 13 of the Act, the term "security" also includes coupons or warrants representing dividends or interest and life or endowment insurance policies.

For the purposes of Section 13 of the Act, the term "a person resident outside Pakistan" covers a foreign national including a foreign national of Indo-Pakistan origin as also a Pakistani holding dual nationality for the time being resident in Pakistan and a company registered in Pakistan which is controlled directly or indirectly by a person resident outside Pakistan. In this connection a reference is also invited to para 2 of Chapter-XIX.

2. Import of Securities.

There are no restrictions under the Act on import into Pakistan of any securities whether Pakistani or foreign.

3. Export of Foreign Securities.

A Pakistan national resident in Pakistan who is, or becomes owner of foreign securities is permitted to hold or retain such securities provided he has acquired them in a manner not involving a breach or violation of the Foreign Exchange regulations. In terms of clause (a) of sub-section 1 of Section 13 of the Act, the taking or sending of any securities to any place outside Pakistan except with the general or special permission of the State Bank, is prohibited.

Persons in Pakistan who are holders of foreign securities and who wish to send such securities to banks, brokers or agents abroad for purpose of sale, transfer, etc., should apply to the State Bank through an Authorised Dealer for necessary export licence.

Permission for export of such securities will be granted provided the securities are sent through an Authorised Dealer who should give an undertaking that the securities will be received back in Pakistan within a specified period or in the case of sale, the sale proceeds in foreign currency will be repatriated to Pakistan. State Bank may also consider applications for exchange of foreign shares and/or securities held by residents of Pakistan with Pakistan shares and/or securities held by residents abroad. Applications for this purpose should be made to the State Bank through an Authorised Dealer or stock and share broker.

4. Export of Pakistani Securities.

Pakistan nationals as also "persons resident outside Pakistan" holding Pakistani securities desirous of sending or taking out the Pakistani securities not covered under the succeeding paragraphs 6 & 7 are required to obtain prior permission of the State Bank. Application for the purpose should be made to the State Bank through an Authorised Dealer.

5. Transfer of Securities to Non-Residents.

In terms of clause (b) of sub-section 1 of Section 13 of the Act, transfer of any security or creation or transfer of any interest in a security to, or in favour of "a person resident outside Pakistan" is prohibited except with the general or special permission of the State Bank. The above prohibition applies to transfer of (i) all Pakistani securities (i.e. securities expressed to be payable in Pakistan currency or registered in Pakistan) whether held by persons resident in or outside Pakistan and (ii) all foreign securities held by Pakistan nationals. Pledging or hypothecation of securities to or in favour of non-residents e.g., as collateral or security for credit facilities abroad, (see Chapter XIX) or utilizing them for forming trusts or settlements of which a non-resident is the beneficiary is also prohibited under Section 13 of the Act. In the case of securities registered in Pakistan, the companies concerned must obtain permission of the State Bank before registering its transfer in the name of "persons resident outside Pakistan". In terms of Section 13 of the Act, Authorised Dealers are required to obtain permission of the State Bank before purchasing shares or securities registered in Pakistan on behalf of "persons resident outside Pakistan".

6. General Exemption.

The State Bank has granted general exemption from the provision of section 13(1) of the Act in connection with the issue, transfer and export of securities on repatriation basis as mentioned in sub para (B) to those non residents who are covered by sub para (A) provided:

i) the issue price or purchase price as applicable, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan, except in case of issue of bonus shares and transfer of shares as stated in sub-paragraph B(v).

ii) The purchase price (whether negotiated privately or otherwise) is not less than the price quoted on the stock exchanges of the country, in the case of listed securities, and the break up value of shares, as certified by a practicing Chartered Accountant, in the case of unlisted securities.

(A) (I) A Pakistan national resident outside Pakistan.

(II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan.

(III) A foreign national, whether living in or outside Pakistan.

(IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.

(B) The above exemption applies in the following cases: -

(I) Issue of shares including Modaraba Certificates/Trust and Fund Units out of new public offers, irrespective of the nature of business of the company.

(II) Transfer of shares quoted on Stock Exchanges of the country, irrespective of the nature of business of the company.

(III) Private placement of new/initial shares with foreign investors by a public or private limited company, which is,

(a) a manufacturing company (for this purpose, power generation companies/energy related infrastructure companies, producers of computer software and companies established to set up software technology parks i.e. technology centres for developing computer Software packages/programs are treated as manufacturing concerns).

(b) engaged in those activities in Service, Infrastructure, Social and Agriculture etc. Sectors which are open to foreign investors as per prevalent Investment Policy of the Government provided the conditions prescribed therein have been fulfilled and 'Entitlement Certificate' certifying the value of foreign investment obtained from the State Bank of Pakistan.

(IV) Transfer of shares of companies covered by sub para (III).

(V) Transfer of Pakistani securities held by a " person resident outside Pakistan" on repatriable basis to other eligible 'persons resident outside Pakistan' on the same basis against payment outside Pakistan, provided a certificate to this effect is given by the transferee to the company concerned.

(VI) Issue of rights shares and bonus shares in all those cases where shares are held on repatriable basis by 'persons resident outside Pakistan' in accordance with the general or special permission of the State Bank.

(VII) Issue of Government securities to persons mentioned in sub-para (A) (III).

(VIII) Issue/transfer of rupee denominated corporate debt instruments viz. Participation Term Certificates/Term Finance Certificates etc. and Registered WAPDA Bonds as permitted under the relevant SRO governing issue and sale of such bonds.

(IX) Issue of NIT Units to persons mentioned in sub para (A) (I, II & III).

(C) Companies issuing shares to a person resident outside Pakistan/registering transfer of shares in favour of such persons, in accordance with the exemptions provided in sub paragraphs (A) and (B) and the buyers and the sellers of the shares so issued or transferred are exempted from the operation of restrictions contained in Section 18(1) of the Foreign Exchange Regulation Act, 1947.

7. Procedure for issue of Shares.

(i) Companies issuing shares out of new public offers on repatriable basis, as permitted under sub para (B) (I) of preceding paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to unsuccessful applicants. The amount subscribed by the successful applicants should be repatriated to Pakistan and foreign currency accounts closed within a week of allotment of shares. Proceeds Realisation Certificate in evidence of subscription money having been repatriated to Pakistan shall be obtained by the company from the concerned Authorised Dealer for submission in original to the designated Authorised Dealer with the form prescribed at Appendix V- 90.

(ii) In the case of remittance of subscription money directly to Pakistan and its payment to the company's rupee account, shares may be issued for the rupee equivalent paid by the concerned Authorised Dealer as shown in the Proceeds Realisation Certificate (s).

(iii) In case shares are to be issued to non-resident sponsors against the value of plant and machinery supplied by them, an application should be submitted to the area office of the Exchange Policy Department for issue of an Exchange Entitlement Certificate along with the relative import documents viz. original invoices, original bills of entry, copies of bills of lading or airway bills and import permit/import authorisation from Export Promotion Bureau, if applicable. The Exchange Entitlement Certificate will be issued by the State Bank at the average of selected Authorised Dealers' buying and selling rates on the dates of filing of bills of entry with the Customs. Once the Exchange Entitlement Certificate has been issued by the State Bank, the company may issue the shares upto the value mentioned in the Certificate to the non-resident sponsors.

(iv) In case the non-resident sponsors want to pay their contribution to the equity in foreign currency and such payments are retained in a foreign currency account opened with an Authorised Dealer in Pakistan, in terms of paragraph 8 (ii) of Chapter VI of this Manual, the Authorised Dealer concerned will issue a Certificate showing date-wise deposit of equity in the account and its buying exchange rate for the respective currency prevailing on the date on which the amount is credited to the company's foreign currency account. The company may issue shares after receipt of money in its account for the equivalent Rupee amount at the exchange rate shown in the Certificate.

(v) At the request of the company, the State Bank shall authorise an Authorised Dealer for the purpose of remittance of dividend to non-resident shareholders as per procedure outlined in para 14, Chapter XIV of the Manual.

(vi) The shares issued/transferred to non resident shareholders shall be intimated by the company to the designated Authorised Dealer within 30 days of issue/transfer on the form prescribed in App.V- 90 or App.V- 91, as the case may be, alongwith the following documents and other legal documents viz. Memorandum and Articles of Association, Certificate of Incorporation/Registration etc., if not already submitted :-

a) In case of issue of ordinary shares out of public offers under paragraph 6 (B) (I) Bank's Proceeds Realisation Certificate (PRCs) in original with copy of the consent/permission of the Securities & Exchange Commission of Pakistan (SECP).

b) In case of issue of ordinary shares through private placement against equity repatriated to Pakistan under paragraph 6 (B)(III)(a) PRCs in original.

c) In case of issuance of shares of companies other than manufacturing under paragraph 6 (B) (III) (b) Entitlement Certificate obtained from the State Bank of Pakistan (Investment Division, Exchange Policy Department) Central Directorate, Karachi by submitting the following through a nominated Authorised Dealer:-

1. Encashment Certificate (EC) and/or Proceeds Realisation Certificate (PRC) from an Authorised Dealer in original showing the amount of foreign currency received and its Rupee equivalent paid to the company. Where the whole or part of the foreign equity is retained in Special Foreign Currency Account the 'Entitlement Certificate' will be issued after the foreign equity contribution has been credited to the foreign currency account of the company.

2. Memorandum & Articles of Association and Certificate of Incorporation.

3. An attested copy of Board of Investment's Registration Letter, if applicable, alongwith confirmation of the company that all required formalities/approvals have since been completed/obtained.

4. Particulars of sponsor shareholders with name, address, nationality, proposed number and face value of shares to be issued.

d) In case of issue of rights shares under paragraph 6 (B) (VI) PRCs in original with copy of Board's Resolution.

e) In case of issue of bonus shares under paragraph 6 (B) (VI) App. V- 91, a copy of Board's Resolution, Auditor's certificate to the effect that issuance of bonus shares is in accordance with the existing applicable laws and the audited accounts for the respective year.

f) In case of issue of ordinary shares against equity contributed in the shape of plant and machinery under paragraph 7 (iii) Exchange Entitlement Certificate issued by the State Bank in original.

g) In case of issue of ordinary shares under paragraph 7 (iv) against equity deposited in a foreign currency account for import of plant & machinery, Account holding bank's certificate in original.

h) In case of transfer of listed shares under paragraph 6 (B) (II) Stock Broker's Memo and PRCs in respect of the cost of shares and transfer stamp money, both in original. Where the sale of shares is negotiated privately, documents establishing the deal and the price of the share on Stock Exchange on the date of deal, should be furnished.

i) In case of transfer of shares of un-listed companies under paragraph 6 (B) (IV) Auditor's certificate for break-up value in original, a copy of the audited accounts of the respective year, documentary evidence of the agreed sale price and original PRCs in respect of cost of shares and transfer stamp money.

j) In case of transfer of shares from one non-resident to another non-resident against payment outside Pakistan under paragraph 6 (B) (V), certificate from the transferee and PRCs for transfer stamp duty both in original.

k) In case of issue of Government Securities, issue/transfer of debt instruments and issue of NIT Units under paragraph 6 (B) (VII), (VIII) and (IX), PRCs in original with copies of related documents.

(vii) Subject to observance of the procedure outlined above, the companies issuing/registering transfer of shares in favour of non residents on repatriation basis, may export the share certificates through the designated Authorised Dealer to the shareholders. The designated Authorised Dealer shall also allow remittances in respect of the following:-

(I) Dividend, net of applicable taxes, as permitted under Chapter XIV.

(II) Disinvestment proceeds not exceeding the market value (in case of listed securities)/break up value (in case of unlisted securities) less brokerage/commission on submission of:

(a) Name and address of the non-resident share holder.

(b) Name and address of the company whose shares were sold by the non-resident beneficiary, indicating whether it is a listed or unlisted/private limited company and is covered under para 6 ibid. (This requirement may be waived by the Authorised Dealer in case of quoted shares).

(c) Name, address and residential status of the buyer of the shares in question.

(d) Copy of broker's memo in case of quoted shares/break up value certificate of a practicing Chartered Accountant in case of unlisted shares.

(viii) The designated Authorised Dealer shall maintain complete record of the shares held by non residents including proof of original investment in foreign exchange and other documents detailed above and shall produce the same for audit by the Inspection Team of the State Bank. No record shall be destroyed unless the same has been audited by the State Bank's inspectors.

8. Issue of Securities and NIT Units to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.

(i) It is permissible to issue Pakistani Securities of all types including NIT Units but excluding shares of companies not quoted on stock exchange, in favour of persons resident outside Pakistan, on non- repatriation basis, if payment is made either in foreign exchange or in Pakistan rupees provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is furnished by him that no repatriation of capital and profits/dividends accruing thereon will be claimed at any stage.

(ii) Such securities may also be transferred to a person, whether resident in or outside Pakistan, on the same basis, provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is given by him that no repatriation of capital and profit/dividend accruing thereon will be claimed at any stage.

(iii) A person resident outside Pakistan holding shares on non- repatriation basis may also be issued bonus/right shares as per his entitlement, on the basis of non-repatriation of capital and dividend.

9.(a) Trading of Quoted Shares by Non-Residents.

(i) Non-residents are allowed to trade freely in the shares quoted on the Stock Exchanges in Pakistan. For this purpose the non-residents will be required to open "Special Convertible Rupee Account" with any Authorised Dealer in Pakistan. Such accounts can be fed by remittances from abroad or by transfer from a foreign currency account maintained by the non-resident investor in Pakistan. The balance available therein can be used for purchase of any share quoted on the Stock Exchange. Payment for such purchases may be debited to the account on production of stock broker's memo showing sale of shares to the account holder and disinvestments proceeds may be credited provided evidence of the sale price in the shape of stock broker's memo is produced. The fund available in such special accounts can be transferred outside Pakistan or credited to a foreign currency account maintained in Pakistan at any time without prior approval of the State Bank. These accounts can also be credited with dividend income. Transfers from one such account to another may also be made in case of transfer of shares between the two account-holders.

(ii) The commission earned by the international brokers from their overseas clients and credited net of taxes to the broker's SCRA account may be remitted by the Authorised Dealers provided the funds so credited have emanated from inward remittances or paid out of SCRA of the investor.

(iii) Authorised Dealers will be required to submit to the Director, Statistics Department, State Bank of Pakistan, Central Directorate, Karachi a statement in the prescribed proforma (Appendix V- 92) on weekly basis showing the position in respect of SCRA accounts as on each Saturday. The statement should reach the State Bank within two working days from the close of the week to which it pertains.

(b) Trading of Federal Investment Bonds, Pakistan Investment Bonds, Treasury Bills, Registered Corporate Debt Instruments and WAPDA's Registered Bonds listed with Stock Exchange in the Secondary Market.

Non-residents are allowed to trade freely in Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Treasury Bills (TBs), Registered corporate debt instruments and WAPDA's Registered Bonds listed with stock exchanges if the relevant S.R.Os permit non-residents to hold the bonds in the secondary market, through Special Convertible Rupee Accounts subject to the instructions applicable to these accounts as contained in the preceding sub-paragraph (a).

10. Special Instructions regarding shares transferred under Central Depository System (CDS) of Central Depository Companies.

(i) General.

Separate account or sub-account will be opened & maintained at CDC for each non-resident investor eligible for investment in registered shares/securities quoted at stock exchange in Pakistan.

It must be ensured that all transactions at CDS i.e., deposit into or withdrawal from the account/sub-account of a non-resident is supported by actual movement of funds. In other words, there should not be any netting/adjustments and payment/receipt in respect of each purchase/sale should be settled independent of other transactions of the non-resident. In case the investment by the non-resident is made/routed through his Special Convertible Rupee Account (SCRA) maintained with an Authorised Dealer in Pakistan, the SCRA should never show an overdrawn position.

(ii) Initial transfer in the name of CDC.

While approving the initial/first-time transfer of shares/securities purchased/held by non-residents, in the name of CDC for deposit into CDS, the company concerned will ensure that the shares are already registered in its record on repatriation basis in the name of the non-resident concerned. If the shares are not already so registered, the company will obtain requisite documents issued in the name of investor concerned, i.e., broker's memo, proceeds realisation certificates (PRCs) for cost of shares purchased and transfer stamp duty, or where the shares have been purchased from another non-resident shareholder against payment outside Pakistan, the transferee's certificate alongwith PRC for transfer stamp duty.

(iii) Subsequent transactions i.e., deposit/withdrawal at CDS.

(a) Where investments are made through GDRs, the Authorised Dealer concerned will continue to ensure that complete/proper record of all transactions is kept at their end and the prescribed statements of SCRAs are furnished to the State Bank as usual, as at present documents involving such investment would not be required to be submitted to the company at any stage.

(b) In case of investments not involving SCRA, the original documents as listed at (ii) above will be submitted as usual to the respective company by the 'Participant' concerned alongwith a

certificate that the shares are in the name of CDS and have since been deposited into/withdrawn from the respective non-resident's account at CDS. The company after making necessary entry in its record to update CDC's non-resident holding, will furnish the same to the designated Authorised Dealer. The Authorised Dealer will keep these documents in its record for onward submission to State Bank in the prescribed manner alongwith returns pertaining to dividend/bonus or right issue and will as usual make the remittance of disinvestment proceeds of such shares subject to the prescribed drill/rules.

(iv) Dividend Payment/allotment of bonus or right shares.

CDC will issue to the respective company a list of beneficial non-resident shareholders certifying their individual holding as on Ex-date of dividend/bonus/right in the form appearing at Appendix V-93. Before issue of dividend warrant or allotment of bonus/right shares, the company will verify the holding of non-residents not involving SCRA's from its record including those as mentioned in sub-para (iii) (b) and for the non-residents investing through SCRA's, it will obtain an undertaking-cum-certificate from the Authorised Dealer concerned on the form appearing at Appendix V-94, and on the basis of this undertaking-cum certificate it will certify Appendix V-50 & V-90 and V-91 for such shares. The aforesaid list provided by CDS will invariably be attached by the company to the aforesaid returns.

11. Investment by branches of Foreign Banks and Foreign Controlled Investment Banks.

Branches of foreign banks in Pakistan and foreign controlled investment banks incorporated in Pakistan are permitted to invest in Pak. Rupee denominated registered listed corporate debt instruments issued in Pakistan, provided such investment is made through initial public offerings and secondary market purchases, and further provided that investment in those debt instruments which are convertible into shares does not exceed 30% of the paid-up capital of the issuing company or 30% of the paid-up capital and reserves of the investing institution, whichever is less. The profit/interest accruing on such investment will be treated as their income for the purpose of profit/dividend remittance.

12. Export and Transfer of Foreign Exchange Bearer Certificates/U.S. Dollar Bearer Certificates/Five Years Foreign Currency Bearer Certificates/Special U.S. Dollar Bonds.

State Bank of Pakistan vide its Notification No.F.E. 1/92-SB dated the 30th July, 1992 (App. III-10) has granted general permission for doing various acts referred to in Section 13 of the Foreign Exchange Regulation Act, 1947 in relation to Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rules 1985, U. S. Dollar Bearer Certificates issued under the U. S. Dollar Bearer Certificates Rules 1991 and Five Years Foreign Currency Bearer Certificates issued under Five Years Foreign Currency Bearer Certificates Rules 1992. . The Bank has also allowed vide FE Circular No 42 of 1998 read with FE Circular No 44 of 1998 the export of Special U. S. Dollar Bonds issued to the non-residents.

13. Transfers between Registers etc.

Clauses (c) and (d) of sub-section (1) of Section 13 of the Act prohibit, respectively, transfers of securities from registers in Pakistan to registers outside Pakistan and the issuing, whether in Pakistan or elsewhere, of securities which are registered or to be registered in Pakistan, to

“persons resident outside Pakistan” except with the general or special permission of the State Bank.

14. Investment Abroad by Residents.

Residents of Pakistan including firms and companies incorporated in Pakistan were allowed vide FE Circular No. 66 of 1993, to make investment in companies incorporated abroad on repatriable basis through Foreign Exchange Bearer Certificates (FEBCs) subject to the conditions laid down in the circular. Permission for investment in joint ventures other than incorporated companies abroad was also accorded vide FE Circular No. 11 of 1995 against FEBCs. These facilities stand suspended with effect from 29th May 1998 as encashment of FEBCs in foreign currency was stopped. Prior approval of the State Bank is now required for investment abroad by residents. Applications in this connection should be submitted on the prescribed form (App. V- 95) along with the documents mentioned therein to the Investment Division, Karachi through an Authorised Dealer.

15. Registration of Foreign Securities.

Under Section 19(I) of the Act, the Federal Government have issued Notification No.I(1)-2-FE/56 dated the 1st August, 1956, (Appendix II-7) requiring all persons resident in Pakistan who are or become the owners of any security in respect of which the principal, interest or dividends is or are payable in the currency of any foreign country or in respect of which the owner has the option to acquire the payment of principal, interest or dividends in such currencies, to make a return to the State Bank within one month of their acquiring the securities, giving particulars in respect of the said securities. The specimen of the form in which these particulars are required to be furnished in duplicate is given at Appendix V-96. Such a return is not required to be made in respect of the securities mentioned in paragraph 12 *ibid*. Foreign nationals residing in Pakistan are not required to submit the above returns.

16. Under-writing of shares, term certificates and Modaraba certificates by foreign banks.

Underwriting of shares, participation term certificates etc., by foreign banks' branches in Pakistan eventually involves holding of those shares/securities which are not taken up by the general public, and as such attracts the provisions of Section 13(1) of the Foreign Exchange Regulation Act, 1947. Foreign banks' branches in Pakistan have general permission to under-write the issue of shares to the extent of 30% of the public offering or 30% of its own paid-up capital and reserves, whichever is less. They are also permitted to under-write public issues of participation term certificates, term finance certificates and modaraba certificates, provided that where the terms and conditions of issue of such securities grant an option to the holders to convert the securities into ordinary shares, the restrictions of 30% as mentioned above would apply.

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CHAPTER XXI

REPATRIATION OF INVISIBLE EARNINGS OF FOREIGN EXCHANGE

Obligation to repatriate Foreign Exchange.

Information on Foreign Exchange Receipts.

Submission of Encashment Certificates.

1. Obligation to Repatriate Foreign Exchange.

Notification No.S.R.O.1016(I)/79 dated the 17th October, 1979 (Appendix II-8) issued by the Federal Government pursuant to Section 9 of the Act requires all citizens of Pakistan and other persons residing in Pakistan continuously for 6 months or more, who become the owner of any foreign exchange, whether held in Pakistan or abroad, to sell such foreign exchange to an Authorised Dealer within three months of the date of acquisition by them of such foreign exchange. In the case of foreign nationals or foreign business houses, however, the above provision is applicable only to the extent of their earnings abroad in respect of business conducted in Pakistan or services rendered while in Pakistan.

2. Information on Foreign Exchange Receipts.

Indenting Houses/Tour Operators and Trade Marks/Patent Agents and Attorneys are required to file with the State Bank, the following documents/ information in respect of their foreign exchange earnings:

(i) Indenting Houses/Agents.

Half yearly statement of their commission earnings in foreign exchange in the prescribed form (Appendix V-97) as on 30th June and 31st December each year along with a copy of each agency agreement entered into by them with foreign suppliers. This statement is required to be submitted only by those Indenting Houses / Agents whose indenting income exceeds US \$ 100,000/-, and should reach the State Bank within two months after each half year.

(ii) Tour Operators.

(a) Half yearly statement in the prescribed form (Appendix V-98) showing the amount of foreign exchange received by them on account of services rendered to foreign tourists. The aforesaid statement should show the position as of 30th June and 31st December each year and reach the State Bank within two months after each half year.

(b) A certified copy of each agency agreement entered into with foreign tour operators and airlines etc. In cases where the business is undertaken on the basis of special terms and conditions not covered by any agency agreement, authenticated copies of the relative correspondence on the basis of which the rates have been finalized, should accompany the above half yearly statement.

(c) Tour Operators who are earning foreign exchange on account of services rendered to foreign tourists and are reporting such invisible earnings to the State Bank in the manner prescribed in sub-para (a) above are allowed to retain upto 35% of their net foreign exchange earnings in foreign currency accounts, vide paragraph 33 Chapter XII of the Manual. Those

Tour Operators who intend to use these funds for opening of offices abroad may approach the Joint Director, Investment Division, Exchange Policy Department, State Bank of Pakistan, Central Directorate, Karachi in the matter.

(iii) Trade Marks/Patent Agents and Attorneys.

(a) Half yearly statement in the prescribed form (Appendix V- 99) showing the foreign exchange received by them on account of Government fees and their own professional charges. The statement should show the position as of 30th June and 31st December each year and reach the State Bank within two months after each half year.

(b) A certified copy of the agreement entered into by them with foreign clients. In case business is undertaken on the basis of special terms and conditions not covered by any standing agreement, authenticated copies of the relative correspondence exchanged between the foreign client and the Pakistani Patent Agent/Attorney should accompany the statement.

3. Submission of Encashment Certificates.

Encashment certificates from Authorised Dealers in support of foreign exchange received from abroad and shown in the half yearly statements mentioned in paragraph 2 should invariably be enclosed with the relative statement.

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CHAPTER XXII

RETURNS OF ALL FOREIGN EXCHANGE TRANSACTIONS

Maintenance of Record.

Submission of Returns to State Bank.

Basis and Procedure for Reporting of Transactions.

Coding of Transactions.

Returns of Foreign Exchange Transactions.

Compilation of Summary Statements.

Supporting Schedules and Forms of the Summary Statements.

Reporting of Imports under Loans, Credit and Grants.

Opening and Closing Balances.

Items without Schedules.

Foreign Currency Notes.

Method of Despatch of Statements "S-1", "S-4", "S-5" and "S-6" to the State Bank.

Operations on Private Non-Resident Rupee Accounts.

Record of Exchange Position.

Statement of Outstanding Import Commitments.

Returns of Blocked Accounts and Securities.

1. Maintenance of Record.

Authorised Dealers should maintain proper record of all dealings in foreign exchange in their books including transactions on non-resident accounts.

2. Submission of Returns to State Bank.

Authorised Dealers should take utmost care in compilation of various returns/statements prescribed in this as also other chapters so that all transactions are correctly and duly reported. They should also ensure that these returns/statements are invariably sent to the State Bank on due dates.

3. Basis and Procedure for Reporting of Transactions.

The system of reporting transactions is designed to compile figures on the basis of actual entries in the currency accounts so that there are no suspense items. Authorised Dealers should report transactions as per following procedure:

(i) EXPORTS

a) Export bills drawn under irrevocable letters of credit.

Transactions in respect of export bills negotiated by Authorised Dealers should be reported as purchases only at the time entries are made in the currency account duly supported by Schedule 'A' and Forms 'E'.

b) Export bills drawn on collection basis.

Sometimes Authorised Dealers also purchase export bills drawn on collection basis. Transactions relating to such export bills should be reported as an outright purchase against "Exports" in the summary statement after the transaction is put through the currency account on receipt of advice of realisation of the export proceeds.

(ii) OTHER RECEIPTS

The procedure indicated in sub-paragraph (i) (a) above should also be followed with regard to D.Ds. and M. Ts. etc. In other words, purchases in respect of D.Ds. and M.Ts. etc., should be reported only when the transactions are put through the currency accounts.

(iii) IMPORTS

a) In case of import bills drawn under letters of credit, the foreign currency accounts of the Authorised Dealers are debited at the time of negotiation of documents by their foreign correspondents. Accordingly, sales on account of import bills drawn under confirmed and irrevocable letters of credit should be reported when the transaction is put through the currency account on receipt of import documents and not on the basis of retirement of bills by the importers.

b) All sales on account of imports are required to be supported by the original copy of the Form 'I'. In view of the time-lag between the date of receipt of the import bills and the date of their retirement by the importers, it may not be possible to submit original copy of Form 'I' duly signed by the importers. In such cases, Authorised Dealers should fill in the quadruplicate copy of the Form 'I' and submit it alongwith the relevant schedule and the summary statement. The original copy of the Form 'I' should be submitted after it has been signed by the importer, which will be at the time of retirement of the bill.

c) Authorised Dealers will forward to the State Bank a monthly statement showing particulars of the Form 'I' originals of which have not been sent by them to the State Bank, giving reasons for their non-submission. These statements should reach the State Bank by the 7th of the following month and should bear running serial numbers.

d) With regard to import bills received on collection basis, the transactions will be reported on Schedule E-2 supported by original Form 'I'.

(iv) OTHER PAYMENTS

Transactions relating to D.Ds. and M.Ts. issued by the Authorised Dealers should also be reported only at the time entries are made in the currency accounts.

Non-resident Rupee accounts of foreign banks and correspondents including barter accounts should also be reported by Authorised Dealers in the manner indicated in this para.

4. Coding of Transactions.

Authorised Dealers are required to give code numbers for all transactions pertaining to receipts as well as payments whether under cash, loan, credits or barter on the relevant prescribed forms as also in the columns provided in the relevant schedules, excepting stubs given on the right hand top of the schedules relating to "Period", "Authorised Dealer" and "Currency" whose coding is done in the State Bank.

Separate code lists are provided for the following items:

Code-3
COUNTRY

Code-4
EXPORTS (Visible Receipts)

Code-5
INVISIBLE RECEIPTS

Code-6
IMPORTS(Visible Payments)

Code-7
INVISIBLE PAYMENTS

Code-8
DEPARTMENTS

For entering code numbers on various schedules, the code lists mentioned below against each schedule should be referred to :

Title of Schedule
Code lists to be used

A-1/0-1
Code-3 and Code-4

A-2/0-2
Code-3 and Code-4

A-3/0-3
Code-3 and Code-4

J/0-3
Code-3 and Code-5

E-2/P-2
Code-3 Code-6 & Code 8

EL-2/EL-3
Code-3 Code-6 & Code 8

E-3/P-3
Code-3 Code-7 & Code 8

E-4/P-4
Code-3 Code-7 & Code 8

The stubs earmarked for 'Department' are to be used in cases of transactions relating to imports and invisible payments. All payments by Government and Semi-Government agencies out of cash resources should be correctly co-related with those given in Code-8 and code number given accordingly. Where payments for imports or invisibles are made by private parties out of cash resources, the Code No.501 of Code-8 will be given under 'Department'.

Authorised Dealers should ensure that the description of transactions given in the relevant forms conforms to the nomenclature given in the Code Lists. Coding should be done with extreme care. It is advisable to entrust the Coding work to experienced and responsible members of the staff. To guard against any possible misclassification, coding should be got checked independently. For all amounts equivalent to Rs. 1 Lac and above, the checking of codes should be done by supervisory staff.

5. Returns of Foreign Exchange Transactions.

Authorised Dealers should report to the State Bank particulars of foreign exchange transactions effected by them i.e. all outward and inward remittances made whether through their accounts in foreign currencies or through the Rupee accounts of non-resident banks. For this purpose, Authorised Dealers should submit to the State Bank a summarized statement of their transactions in each currency in which a position is maintained by them and also summary statement of transactions effected on the Rupee accounts of non-resident banks maintained with them for each month, reaching the respective area office of the Exchange Policy Department by the 3rd of the following month from branches and by the 10th from Head/Principal Offices of Authorised Dealers.

These summary statements should be submitted on:

"S-1" statement for transactions in all foreign currencies (Appendix V- 100).

"S-4" statement for transactions on Rupee accounts of non-resident banks (Appendix V- 101).

"S-5" statement for transactions under Rupee barter (Appendix V- 102).

"S-6" statement for transactions in foreign currency notes (Appendix V- 103).

6. Compilation of Summary Statements.

i) Each summarized statement will be an abstract of the Authorised Dealer's ledger account and will consist of totals under specified heads. Opening and Closing balances should be added making each summary a complete and balanced statement.

ii) Authorised Dealers will complete one "S-4" statement for each period in which consolidated figures of all non-resident bank accounts maintained with them will be given. It will not be necessary to complete a separate "S-4" statement for each non-resident bank account.

iii) The Head/Principal Offices of the designated banks maintaining the barter accounts will incorporate their branch transactions against the respective heads provided in the summary statement. For this purpose, the branches of the designated banks will forward every month

copies of the related coded schedules, showing their transactions under each barter agreement to their Head/Principal Offices, which should prepare one consolidated statement and relative schedules for each barter agreement on the basis of entries passed through the respective barter accounts.

In the case of exports under barter arrangements, Authorised Dealers should affix rubber stamp on the relative Form 'E' with the following narration: -

"Commodity Exchange Agreement with (Name of the Country) _____ dated _____ "

The branches of the designated banks shall submit the relative forms and schedules alongwith "S-5" statement to the area offices of the Exchange Policy Department.

iv) Statement "S-6" is to be submitted in duplicate.

7. Supporting Schedules and Forms of the Summary Statements.

To support the details of the totals entered in the summarized statements, every statement must be accompanied by schedules and the relative forms as indicated in the summarized statements. The schedules should be compiled as under :

RECEIPTS & PAYMENTS SCHEDULES

Schedules "A-1", "A-2", "A-3", "J", "E-2", "E-3" and "E-4" are given combined heading as follows:

RECEIPTS
COMBINED HEADING
CHAPTER XX

SECURITIES

Definitions.

Import of Securities.

Export of Foreign Securities.

Export of Pakistani Securities.

Transfer of Securities to Non-Residents.

General Exemption.

Procedure for issue of Shares.

Issue of Securities and NIT Units to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.

(a) Trading of Quoted Shares by Non-Residents.

(b) Trading of Federal Investment Bonds, Treasury Bills, Registered Corporate Debt Instruments and WAPDA's Registered Bonds listed with Stock Exchanges in the Secondary Market.

Special Instructions regarding shares transferred under Central Depository System (CDS) of Central Depository Companies.

Investment by branches of Foreign Banks and Foreign Controlled Investment Banks.

Export and Transfer of Foreign Exchange Bearer Certificates/U. S. Dollar Bearer Certificates/Five Years Foreign Currency Bearer Certificates/Special U.S. Dollar Bonds.

Transfers between Registers etc.

Investment Abroad by Residents.

Registration of Foreign Securities.

Under-writing of shares, term certificates and Modaraba certificates by foreign banks.

1. Definitions.

Section 2 of the Act defines "security" as shares, stocks, bonds, debentures, debenture stock and Government securities as defined in the Securities Act, 1920, deposit receipts in respect of deposit of securities and units or sub-units of unit trusts but does not include bills of exchange or promissory notes other than Government promissory notes. A "foreign security" is defined as a security issued elsewhere than in Pakistan and any security the principal of or interest on which is payable in any foreign currency or elsewhere than in Pakistan. For the purpose of Section 13 of the Act, the term "security" also includes coupons or warrants representing dividends or interest and life or endowment insurance policies.

For the purposes of Section 13 of the Act, the term "a person resident outside Pakistan" covers a foreign national including a foreign national of Indo-Pakistan origin as also a Pakistani holding dual nationality for the time being resident in Pakistan and a company registered in Pakistan which is controlled directly or indirectly by a person resident outside Pakistan. In this connection a reference is also invited to para 2 of Chapter-XIX.

2. Import of Securities.

There are no restrictions under the Act on import into Pakistan of any securities whether Pakistani or foreign.

3. Export of Foreign Securities.

A Pakistan national resident in Pakistan who is, or becomes owner of foreign securities is permitted to hold or retain such securities provided he has acquired them in a manner not involving a breach or violation of the Foreign Exchange regulations. In terms of clause (a) of sub-section 1 of Section 13 of the Act, the taking or sending of any securities to any place outside Pakistan except with the general or special permission of the State Bank, is prohibited. Persons in Pakistan who are holders of foreign securities and who wish to send such securities to banks, brokers or agents abroad for purpose of sale, transfer, etc., should apply to the State Bank through an Authorised Dealer for necessary export licence.

Permission for export of such securities will be granted provided the securities are sent through an Authorised Dealer who should give an undertaking that the securities will be received back in Pakistan within a specified period or in the case of sale, the sale proceeds in foreign currency will be repatriated to Pakistan. State Bank may also consider applications for exchange of foreign shares and/or securities held by residents of Pakistan with Pakistan shares and/or securities held by residents abroad. Applications for this purpose should be made to the State Bank through an Authorised Dealer or stock and share broker.

4. Export of Pakistani Securities.

Pakistan nationals as also "persons resident outside Pakistan" holding Pakistani securities desirous of sending or taking out the Pakistani securities not covered under the succeeding paragraphs 6 & 7 are required to obtain prior permission of the State Bank. Application for the purpose should be made to the State Bank through an Authorised Dealer.

5. Transfer of Securities to Non-Residents.

In terms of clause (b) of sub-section 1 of Section 13 of the Act, transfer of any security or creation or transfer of any interest in a security to, or in favour of "a person resident outside Pakistan" is prohibited except with the general or special permission of the State Bank. The above prohibition applies to transfer of (i) all Pakistani securities (i.e. securities expressed to be payable in Pakistan currency or registered in Pakistan) whether held by persons resident in or outside Pakistan and (ii) all foreign securities held by Pakistan nationals. Pledging or hypothecation of securities to or in favour of non-residents e.g., as collateral or security for credit facilities abroad, (see Chapter XIX) or utilizing them for forming trusts or settlements of which a non-resident is the beneficiary is also prohibited under Section 13 of the Act. In the case of securities registered in Pakistan, the companies concerned must obtain permission of the State Bank before registering its transfer in the name of "persons resident outside Pakistan". In terms of Section 13 of the Act, Authorised Dealers are required to obtain permission of the State Bank before purchasing shares or securities registered in Pakistan on behalf of "persons resident outside Pakistan".

6. General Exemption.

The State Bank has granted general exemption from the provision of section 13(1) of the Act in connection with the issue, transfer and export of securities on repatriation basis as mentioned in sub para (B) to those non residents who are covered by sub para (A) provided:

i) the issue price or purchase price as applicable, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan, except in case of issue of bonus shares and transfer of shares as stated in sub-paragraph B(v).

ii) The purchase price (whether negotiated privately or otherwise) is not less than the price quoted on the stock exchanges of the country, in the case of listed securities, and the break up value of shares, as certified by a practicing Chartered Accountant, in the case of unlisted securities.

(A) (I) A Pakistan national resident outside Pakistan.

(II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan.

(III) A foreign national, whether living in or outside Pakistan.

(IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.

(B) The above exemption applies in the following cases: -

(I) Issue of shares including Modaraba Certificates/Trust and Fund Units out of new public offers, irrespective of the nature of business of the company.

(II) Transfer of shares quoted on Stock Exchanges of the country, irrespective of the nature of business of the company.

(III) Private placement of new/initial shares with foreign investors by a public or private limited company, which is,

(a) a manufacturing company (for this purpose, power generation companies/energy related infrastructure companies, producers of computer software and companies established to set up software technology parks i.e. technology centres for developing computer Software packages/programs are treated as manufacturing concerns).

(b) engaged in those activities in Service, Infrastructure, Social and Agriculture etc. Sectors which are open to foreign investors as per prevalent Investment Policy of the Government provided the conditions prescribed therein have been fulfilled and 'Entitlement Certificate' certifying the value of foreign investment obtained from the State Bank of Pakistan.

(IV) Transfer of shares of companies covered by sub para (III).

(V) Transfer of Pakistani securities held by a " person resident outside Pakistan" on repatriable basis to other eligible 'persons resident outside Pakistan' on the same basis against payment outside Pakistan, provided a certificate to this effect is given by the transferee to the company concerned.

(VI) Issue of rights shares and bonus shares in all those cases where shares are held on repatriable basis by 'persons resident outside Pakistan' in accordance with the general or special permission of the State Bank.

(VII) Issue of Government securities to persons mentioned in sub-para (A) (III).

(VIII) Issue/transfer of rupee denominated corporate debt instruments viz. Participation Term Certificates/Term Finance Certificates etc. and Registered WAPDA Bonds as permitted under the relevant SRO governing issue and sale of such bonds.

(IX) Issue of NIT Units to persons mentioned in sub para (A) (I, II & III).

(C) Companies issuing shares to a 'person resident outside Pakistan/registering transfer of shares in favour of such persons, in accordance with the exemptions provided in sub paragraphs (A) and (B) and the buyers and the sellers of the shares so issued or transferred are exempted from the operation of restrictions contained in Section 18(1) of the Foreign Exchange Regulation Act, 1947.

7. Procedure for issue of Shares.

(i) Companies issuing shares out of new public offers on repatriable basis, as permitted under sub para (B) (I) of preceding paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to unsuccessful applicants. The amount subscribed by the successful applicants should be repatriated to Pakistan and foreign currency accounts closed within a week of allotment of shares. Proceeds Realisation Certificate in evidence of subscription money having been repatriated to Pakistan shall be obtained by the company from the concerned Authorised Dealer for submission in original to the designated Authorised Dealer with the form prescribed at Appendix V- 90.

(ii) In the case of remittance of subscription money directly to Pakistan and its payment to the company's rupee account, shares may be issued for the rupee equivalent paid by the concerned Authorised Dealer as shown in the Proceeds Realisation Certificate (s).

(iii) In case shares are to be issued to non-resident sponsors against the value of plant and machinery supplied by them, an application should be submitted to the area office of the Exchange Policy Department for issue of an Exchange Entitlement Certificate along with the relative import documents viz. original invoices, original bills of entry, copies of bills of lading or airway bills and import permit/import authorisation from Export Promotion Bureau, if applicable. The Exchange Entitlement Certificate will be issued by the State Bank at the average of selected Authorised Dealers' buying and selling rates on the dates of filing of bills of entry with the Customs. Once the Exchange Entitlement Certificate has been issued by the State Bank, the company may issue the shares upto the value mentioned in the Certificate to the non-resident sponsors.

(iv) In case the non-resident sponsors want to pay their contribution to the equity in foreign currency and such payments are retained in a foreign currency account opened with an Authorised Dealer in Pakistan, in terms of paragraph 8 (ii) of Chapter VI of this Manual, the

Authorised Dealer concerned will issue a Certificate showing date-wise deposit of equity in the account and its buying exchange rate for the respective currency prevailing on the date on which the amount is credited to the company's foreign currency account. The company may issue shares after receipt of money in its account for the equivalent Rupee amount at the exchange rate shown in the Certificate.

(v) At the request of the company, the State Bank shall authorise an Authorised Dealer for the purpose of remittance of dividend to non-resident shareholders as per procedure outlined in para 14, Chapter XIV of the Manual.

(vi) The shares issued/transferred to non resident shareholders shall be intimated by the company to the designated Authorised Dealer within 30 days of issue/transfer on the form prescribed in App.V- 90 or App.V- 91, as the case may be, alongwith the following documents and other legal documents viz. Memorandum and Articles of Association, Certificate of Incorporation/Registration etc., if not already submitted :-

a) In case of issue of ordinary shares out of public offers under paragraph 6 (B) (I) Bank's Proceeds Realisation Certificate (PRCs) in original with copy of the consent/permission of the Securities & Exchange Commission of Pakistan (SECP).

b) In case of issue of ordinary shares through private placement against equity repatriated to Pakistan under paragraph 6 (B)(III)(a) PRCs in original.

c) In case of issuance of shares of companies other than manufacturing under paragraph 6 (B) (III) (b) Entitlement Certificate obtained from the State Bank of Pakistan (Investment Division, Exchange Policy Department) Central Directorate, Karachi by submitting the following through a nominated Authorised Dealer:-

1. Encashment Certificate (EC) and/or Proceeds Realisation Certificate (PRC) from an Authorised Dealer in original showing the amount of foreign currency received and its Rupee equivalent paid to the company. Where the whole or part of the foreign equity is retained in Special Foreign Currency Account the 'Entitlement Certificate' will be issued after the foreign equity contribution has been credited to the foreign currency account of the company.

2. Memorandum & Articles of Association and Certificate of Incorporation.

3. An attested copy of Board of Investment's Registration Letter, if applicable, alongwith confirmation of the company that all required formalities/approvals have since been completed/obtained.

4. Particulars of sponsor shareholders with name, address, nationality, proposed number and face value of shares to be issued.

d) In case of issue of rights shares under paragraph 6 (B) (VI) PRCs in original with copy of Board's Resolution.

e) In case of issue of bonus shares under paragraph 6 (B) (VI) App. V- 91, a copy of Board's Resolution, Auditor's certificate to the effect that issuance of bonus shares is in accordance with the existing applicable laws and the audited accounts for the respective year.

f) In case of issue of ordinary shares against equity contributed in the shape of plant and machinery under paragraph 7 (iii) Exchange Entitlement Certificate issued by the State Bank in original.

g) In case of issue of ordinary shares under paragraph 7 (iv) against equity deposited in a foreign currency account for import of plant & machinery, Account holding bank's certificate in original.

h) In case of transfer of listed shares under paragraph 6 (B) (II) Stock Broker's Memo and PRCs in respect of the cost of shares and transfer stamp money, both in original. Where the sale of shares is negotiated privately, documents establishing the deal and the price of the share on Stock Exchange on the date of deal, should be furnished.

i) In case of transfer of shares of un-listed companies under paragraph 6 (B) (IV) Auditor's certificate for break-up value in original, a copy of the audited accounts of the respective year, documentary evidence of the agreed sale price and original PRCs in respect of cost of shares and transfer stamp money.

j) In case of transfer of shares from one non-resident to another non-resident against payment outside Pakistan under paragraph 6 (B) (V), certificate from the transferee and PRCs for transfer stamp duty both in original.

k) In case of issue of Government Securities, issue/transfer of debt instruments and issue of NIT Units under paragraph 6 (B) (VII), (VIII) and (IX), PRCs in original with copies of related documents.

(vii) Subject to observance of the procedure outlined above, the companies issuing/registering transfer of shares in favour of non residents on repatriation basis, may export the share certificates through the designated Authorised Dealer to the shareholders. The designated Authorised Dealer shall also allow remittances in respect of the following:-

(I) Dividend, net of applicable taxes, as permitted under Chapter XIV.

(II) Disinvestment proceeds not exceeding the market value (in case of listed securities)/break up value (in case of unlisted securities) less brokerage/commission on submission of:

(a) Name and address of the non-resident share holder.

(b) Name and address of the company whose shares were sold by the non-resident beneficiary, indicating whether it is a listed or unlisted/private limited company and is covered under para 6 ibid. (This requirement may be waived by the Authorised Dealer in case of quoted shares).

(c) Name, address and residential status of the buyer of the shares in question.

(d) Copy of broker's memo in case of quoted shares/break up value certificate of a practicing Chartered Accountant in case of unlisted shares.

(viii) The designated Authorised Dealer shall maintain complete record of the shares held by non residents including proof of original investment in foreign exchange and other documents detailed above and shall produce the same for audit by the Inspection Team of the State Bank. No record shall be destroyed unless the same has been audited by the State Bank's inspectors.

8. Issue of Securities and NIT Units to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.

(i) It is permissible to issue Pakistani Securities of all types including NIT Units but excluding shares of companies not quoted on stock exchange, in favour of persons resident outside Pakistan, on non- repatriation basis, if payment is made either in foreign exchange or in Pakistan rupees provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is furnished by him that no repatriation of capital and profits/dividends accruing thereon will be claimed at any stage.

(ii) Such securities may also be transferred to a person, whether resident in or outside Pakistan, on the same basis, provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is given by him that no repatriation of capital and profit/dividend accruing thereon will be claimed at any stage.

(iii) A person resident outside Pakistan holding shares on non- repatriation basis may also be issued bonus/right shares as per his entitlement, on the basis of non-repatriation of capital and dividend.

9.(a) Trading of Quoted Shares by Non-Residents.

(i) Non-residents are allowed to trade freely in the shares quoted on the Stock Exchanges in Pakistan. For this purpose the non-residents will be required to open "Special Convertible Rupee Account" with any Authorised Dealer in Pakistan. Such accounts can be fed by remittances from abroad or by transfer from a foreign currency account maintained by the non-resident investor in Pakistan. The balance available therein can be used for purchase of any share quoted on the Stock Exchange. Payment for such purchases may be debited to the account on production of stock broker's memo showing sale of shares to the account holder and disinvestments proceeds may be credited provided evidence of the sale price in the shape of stock broker's memo is produced. The fund available in such special accounts can be transferred outside Pakistan or credited to a foreign currency account maintained in Pakistan at any time without prior approval of the State Bank. These accounts can also be credited with dividend income. Transfers from one such account to another may also be made in case of transfer of shares between the two account-holders.

(ii) The commission earned by the international brokers from their overseas clients and credited net of taxes to the broker's SCRA account may be remitted by the Authorised Dealers provided the funds so credited have emanated from inward remittances or paid out of SCRA of the investor.

(iii) Authorised Dealers will be required to submit to the Director, Statistics Department, State Bank of Pakistan, Central Directorate, Karachi a statement in the prescribed proforma (Appendix V- 92) on weekly basis showing the position in respect of SCRA accounts as on each Saturday. The statement should reach the State Bank within two working days from the close of the week to which it pertains.

(b) Trading of Federal Investment Bonds, Pakistan Investment Bonds, Treasury Bills, Registered Corporate Debt Instruments and WAPDA's Registered Bonds listed with Stock Exchange in the Secondary Market.

Non-residents are allowed to trade freely in Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Treasury Bills (TBs), Registered corporate debt instruments and WAPDA's Registered Bonds listed with stock exchanges if the relevant S.R.Os permit non-residents to hold the bonds in the secondary market, through Special Convertible Rupee Accounts subject to the instructions applicable to these accounts as contained in the preceding sub-paragraph (a).

10. Special Instructions regarding shares transferred under Central Depository System (CDS) of Central Depository Companies.

(i) General.

Separate account or sub-account will be opened & maintained at CDC for each non-resident investor eligible for investment in registered shares/securities quoted at stock exchange in Pakistan.

It must be ensured that all transactions at CDS i.e., deposit into or withdrawal from the account/sub-account of a non-resident is supported by actual movement of funds. In other words, there should not be any netting/adjustments and payment/receipt in respect of each purchase/sale should be settled independent of other transactions of the non-resident. In case the investment by the non-resident is made/routed through his Special Convertible Rupee Account (SCRA) maintained with an Authorised Dealer in Pakistan, the SCRA should never show an overdrawn position.

(ii) Initial transfer in the name of CDC.

While approving the initial/first-time transfer of shares/securities purchased/held by non-residents, in the name of CDC for deposit into CDS, the company concerned will ensure that the shares are already registered in its record on repatriation basis in the name of the non-resident concerned. If the shares are not already so registered, the company will obtain requisite documents issued in the name of investor concerned, i.e., broker's memo, proceeds realisation certificates (PRCs) for cost of shares purchased and transfer stamp duty, or where the shares have been purchased from another non-resident shareholder against payment outside Pakistan, the transferee's certificate alongwith PRC for transfer stamp duty.

(iii) Subsequent transactions i.e., deposit/withdrawal at CDS.

(a) Where investments are made through GDRs, the Authorised Dealer concerned will continue to ensure that complete/proper record of all transactions is kept at their end and the prescribed statements of SCRA's are furnished to the State Bank as usual, as at present documents involving such investment would not be required to be submitted to the company at any stage.

(b) In case of investments not involving SCRA, the original documents as listed at (ii) above will be submitted as usual to the respective company by the 'Participant' concerned along with a certificate that the shares are in the name of CDS and have since been deposited into/withdrawn from the respective non-resident's account at CDS. The company after making necessary entry in its record to update CDC's non-resident holding, will furnish the same to the designated Authorised Dealer. The Authorised Dealer will keep these documents in its record for onward submission to State Bank in the prescribed manner along with returns pertaining to dividend/bonus or right issue and will as usual make the remittance of disinvestment proceeds of such shares subject to the prescribed drill/rules.

(iv) Dividend Payment/allotment of bonus or right shares.

CDC will issue to the respective company a list of beneficial non-resident shareholders certifying their individual holding as on Ex-date of dividend/bonus/right in the form appearing at Appendix V-93. Before issue of dividend warrant or allotment of bonus/right shares, the company will verify the holding of non-residents not involving SCRA's from its record including those as mentioned in sub-para (iii) (b) and for the non-residents investing through SCRA's, it will obtain an undertaking-cum-certificate from the Authorised Dealer concerned on the form appearing at Appendix V-94, and on the basis of this undertaking-cum certificate it will certify Appendix V-50 & V-90 and V-91 for such shares. The aforesaid list provided by CDS will invariably be attached by the company to the aforesaid returns.

11. Investment by branches of Foreign Banks and Foreign Controlled Investment Banks.

Branches of foreign banks in Pakistan and foreign controlled investment banks incorporated in Pakistan are permitted to invest in Pak. Rupee denominated registered listed corporate debt instruments issued in Pakistan, provided such investment is made through initial public offerings and secondary market purchases, and further provided that investment in those debt instruments which are convertible into shares does not exceed 30% of the paid-up capital of the issuing company or 30% of the paid-up capital and reserves of the investing institution, whichever is less. The profit/interest accruing on such investment will be treated as their income for the purpose of profit/dividend remittance.

12. Export and Transfer of Foreign Exchange Bearer Certificates/U.S. Dollar Bearer Certificates/Five Years Foreign Currency Bearer Certificates/Special U.S. Dollar Bonds.

State Bank of Pakistan vide its Notification No.F.E. 1/92-SB dated the 30th July, 1992 (App. III-10) has granted general permission for doing various acts referred to in Section 13 of the Foreign Exchange Regulation Act, 1947 in relation to Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rules 1985, U. S. Dollar Bearer Certificates issued under the U. S. Dollar Bearer Certificates Rules 1991 and Five Years Foreign Currency Bearer Certificates issued under Five Years Foreign Currency Bearer Certificates Rules

1992. . The Bank has also allowed vide FE Circular No 42 of 1998 read with FE Circular No 44 of 1998 the export of Special U. S. Dollar Bonds issued to the non-residents.

13. Transfers between Registers etc.

Clauses (c) and (d) of sub-section (1) of Section 13 of the Act prohibit, respectively, transfers of securities from registers in Pakistan to registers outside Pakistan and the issuing, whether in Pakistan or elsewhere, of securities which are registered or to be registered in Pakistan, to "persons resident outside Pakistan" except with the general or special permission of the State Bank.

14. Investment Abroad by Residents.

Residents of Pakistan including firms and companies incorporated in Pakistan were allowed vide FE Circular No. 66 of 1993, to make investment in companies incorporated abroad on repatriable basis through Foreign Exchange Bearer Certificates (FEBCs) subject to the conditions laid down in the circular. Permission for investment in joint ventures other than incorporated companies abroad was also accorded vide FE Circular No. 11 of 1995 against FEBCs. These facilities stand suspended with effect from 29th May 1998 as encashment of FEBCs in foreign currency was stopped. Prior approval of the State Bank is now required for investment abroad by residents. Applications in this connection should be submitted on the prescribed form (App. V- 95) along with the documents mentioned therein to the Investment Division, Karachi through an Authorised Dealer.

15. Registration of Foreign Securities.

Under Section 19(I) of the Act, the Federal Government have issued Notification No.I(1)-2-FE/56 dated the 1st August, 1956, (Appendix II-7) requiring all persons resident in Pakistan who are or become the owners of any security in respect of which the principal, interest or dividends is or are payable in the currency of any foreign country or in respect of which the owner has the option to acquire the payment of principal, interest or dividends in such currencies, to make a return to the State Bank within one month of their acquiring the securities, giving particulars in respect of the said securities. The specimen of the form in which these particulars are required to be furnished in duplicate is given at Appendix V-96. Such a return is not required to be made in respect of the securities mentioned in paragraph 12 *ibid*. Foreign nationals residing in Pakistan are not required to submit the above returns.

16. Under-writing of shares, term certificates and Modaraba certificates by foreign banks.

Underwriting of shares, participation term certificates etc., by foreign banks' branches in Pakistan eventually involves holding of those shares/securities which are not taken up by the general public, and as such attracts the provisions of Section 13(1) of the Foreign Exchange Regulation Act, 1947. Foreign banks' branches in Pakistan have general permission to under-write the issue of shares to the extent of 30% of the public offering or 30% of its own paid-up capital and reserves, whichever is less. They are also permitted to under-write public issues of participation term certificates, term finance certificates and modaraba certificates, provided that where the terms and conditions of issue of such securities grant an option to the holders to

convert the securities into ordinary shares, the restrictions of 30% as mentioned above would apply.

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CHAPTER XXI

REPATRIATION OF INVISIBLE EARNINGS OF FOREIGN EXCHANGE

Obligation to repatriate Foreign Exchange.

Information on Foreign Exchange Receipts.

Submission of Encashment Certificates.

1. Obligation to Repatriate Foreign Exchange.

Notification No.S.R.O.1016(I)/79 dated the 17th October, 1979 (Appendix II-8) issued by the Federal Government pursuant to Section 9 of the Act requires all citizens of Pakistan and other persons residing in Pakistan continuously for 6 months or more, who become the owner of any foreign exchange, whether held in Pakistan or abroad, to sell such foreign exchange to an Authorised Dealer within three months of the date of acquisition by them of such foreign exchange. In the case of foreign nationals or foreign business houses, however, the above provision is applicable only to the extent of their earnings abroad in respect of business conducted in Pakistan or services rendered while in Pakistan.

2. Information on Foreign Exchange Receipts.

Indenting Houses/Tour Operators and Trade Marks/Patent Agents and Attorneys are required to file with the State Bank, the following documents/ information in respect of their foreign exchange earnings:

(i) Indenting Houses/Agents.

Half yearly statement of their commission earnings in foreign exchange in the prescribed form (Appendix V-97) as on 30th June and 31st December each year along with a copy of each agency agreement entered into by them with foreign suppliers. This statement is required to be submitted only by those Indenting Houses / Agents whose indenting income exceeds US \$ 100,000/-, and should reach the State Bank within two months after each half year.

(ii) Tour Operators.

(a) Half yearly statement in the prescribed form (Appendix V-98) showing the amount of foreign exchange received by them on account of services rendered to foreign tourists. The aforesaid statement should show the position as of 30th June and 31st December each year and reach the State Bank within two months after each half year.

(b) A certified copy of each agency agreement entered into with foreign tour operators and airlines etc. In cases where the business is undertaken on the basis of special terms and conditions not covered by any agency agreement, authenticated copies of the relative correspondence on the basis of which the rates have been finalized, should accompany the above half yearly statement.

(c) Tour Operators who are earning foreign exchange on account of services rendered to foreign tourists and are reporting such invisible earnings to the State Bank in the manner prescribed in sub-para (a) above are allowed to retain upto 35% of their net foreign exchange earnings in foreign currency accounts, vide paragraph 33 Chapter XII of the Manual. Those Tour Operators who intend to use these funds for opening of offices abroad may approach the Joint Director, Investment Division, Exchange Policy Department, State Bank of Pakistan, Central Directorate, Karachi in the matter.

(iii) Trade Marks/Patent Agents and Attorneys.

(a) Half yearly statement in the prescribed form (Appendix V- 99) showing the foreign exchange received by them on account of Government fees and their own professional charges. The statement should show the position as of 30th June and 31st December each year and reach the State Bank within two months after each half year.

(b) A certified copy of the agreement entered into by them with foreign clients. In case business is undertaken on the basis of special terms and conditions not covered by any standing agreement, authenticated copies of the relative correspondence exchanged between the foreign client and the Pakistani Patent Agent/Attorney should accompany the statement.

3. Submission of Encashment Certificates.

Encashment certificates from Authorised Dealers in support of foreign exchange received from abroad and shown in the half yearly statements mentioned in paragraph 2 should invariably be enclosed with the relative statement.

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CHAPTER XXII

RETURNS OF ALL FOREIGN EXCHANGE TRANSACTIONS

Maintenance of Record.

Submission of Returns to State Bank.

Basis and Procedure for Reporting of Transactions.

Coding of Transactions.

Returns of Foreign Exchange Transactions.

Compilation of Summary Statements.

Supporting Schedules and Forms of the Summary Statements.

Reporting of Imports under Loans, Credit and Grants.

Opening and Closing Balances.

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Method of Despatch of Statements "S-1", "S-4", "S-5" and "S-6" to the State Bank.

Operations on Private Non-Resident Rupee Accounts.

Record of Exchange Position.

Statement of Outstanding Import Commitments.

Returns of Blocked Accounts and Securities.

1. Maintenance of Record.

Authorised Dealers should maintain proper record of all dealings in foreign exchange in their books including transactions on non-resident accounts.

2. Submission of Returns to State Bank.

Authorised Dealers should take utmost care in compilation of various returns/statements prescribed in this as also other chapters so that all transactions are correctly and duly reported. They should also ensure that these returns/statements are invariably sent to the State Bank on due dates.

3. Basis and Procedure for Reporting of Transactions.

The system of reporting transactions is designed to compile figures on the basis of actual entries in the currency accounts so that there are no suspense items. Authorised Dealers should report transactions as per following procedure:

(i) EXPORTS

a) Export bills drawn under irrevocable letters of credit.

Transactions in respect of export bills negotiated by Authorised Dealers should be reported as purchases only at the time entries are made in the currency account duly supported by Schedule 'A' and Forms 'E'.

b) Export bills drawn on collection basis.

Sometimes Authorised Dealers also purchase export bills drawn on collection basis. Transactions relating to such export bills should be reported as an outright purchase against "Exports" in the summary statement after the transaction is put through the currency account on receipt of advice of realisation of the export proceeds.

(ii) OTHER RECEIPTS

The procedure indicated in sub-paragraph (i) (a) above should also be followed with regard to D.Ds. and M. Ts. etc. In other words, purchases in respect of D.Ds. and M.Ts. etc., should be reported only when the transactions are put through the currency accounts.

(iii) IMPORTS

a) In case of import bills drawn under letters of credit, the foreign currency accounts of the Authorised Dealers are debited at the time of negotiation of documents by their foreign correspondents. Accordingly, sales on account of import bills drawn under confirmed and irrevocable letters of credit should be reported when the transaction is put through the currency account on receipt of import documents and not on the basis of retirement of bills by the importers.

b) All sales on account of imports are required to be supported by the original copy of the Form 'I'. In view of the time-lag between the date of receipt of the import bills and the date of their retirement by the importers, it may not be possible to submit original copy of Form 'I' duly signed by the importers. In such cases, Authorised Dealers should fill in the quadruplicate copy of the Form 'I' and submit it alongwith the relevant schedule and the summary statement. The original copy of the Form 'I' should be submitted after it has been signed by the importer, which will be at the time of retirement of the bill.

c) Authorised Dealers will forward to the State Bank a monthly statement showing particulars of the Form 'I' originals of which have not been sent by them to the State Bank, giving reasons for their non-submission. These statements should reach the State Bank by the 7th of the following month and should bear running serial numbers.

d) With regard to import bills received on collection basis, the transactions will be reported on Schedule E-2 supported by original Form 'I'.

(iv) OTHER PAYMENTS

Transactions relating to D.Ds. and M.Ts. issued by the Authorised Dealers should also be reported only at the time entries are made in the currency accounts.

Non-resident Rupee accounts of foreign banks and correspondents including barter accounts should also be reported by Authorised Dealers in the manner indicated in this para.

4. Coding of Transactions.

Authorised Dealers are required to give code numbers for all transactions pertaining to receipts as well as payments whether under cash, loan, credits or barter on the relevant prescribed forms as also in the columns provided in the relevant schedules, excepting stubs given on the right hand top of the schedules relating to "Period", "Authorised Dealer" and "Currency" whose coding is done in the State Bank.

Separate code lists are provided for the following items:

Code-3
COUNTRY

Code-4
EXPORTS (Visible Receipts)

Code-5
INVISIBLE RECEIPTS

Code-6
IMPORTS(Visible Payments)

Code-7
INVISIBLE PAYMENTS

Code-8
DEPARTMENTS

For entering code numbers on various schedules, the code lists mentioned below against each schedule should be referred to :

Title of Schedule
Code lists to be used

A-1/0-1
Code-3 and Code-4

A-2/0-2
Code-3 and Code-4

A-3/0-3
Code-3 and Code-4

J/0-3
Code-3 and Code-5

E-2/P-2
Code-3 Code-6 & Code 8

EL-2/EL-3
Code-3 Code-6 & Code 8

E-3/P-3
Code-3 Code-7 & Code 8

E-4/P-4
Code-3 Code-7 & Code 8

The stubs earmarked for 'Department' are to be used in cases of transactions relating to imports and invisible payments. All payments by Government and Semi-Government agencies out of cash resources should be correctly co-related with those given in Code-8 and code number given accordingly. Where payments for imports or invisibles are made by private parties out of cash resources, the Code No.501 of Code-8 will be given under 'Department'.

Authorised Dealers should ensure that the description of transactions given in the relevant forms conforms to the nomenclature given in the Code Lists. Coding should be done with extreme care. It is advisable to entrust the Coding work to experienced and responsible members of the staff. To guard against any possible misclassification, coding should be got checked independently. For all amounts equivalent to Rs. 1 Lac and above, the checking of codes should be done by supervisory staff.

5. Returns of Foreign Exchange Transactions.

Authorised Dealers should report to the State Bank particulars of foreign exchange transactions effected by them i.e. all outward and inward remittances made whether through their accounts in foreign currencies or through the Rupee accounts of non-resident banks. For this purpose, Authorised Dealers should submit to the State Bank a summarized statement of their transactions in each currency in which a position is maintained by them and also summary statement of transactions effected on the Rupee accounts of non-resident banks maintained with them for each month, reaching the respective area office of the Exchange Policy Department by the 3rd of the following month from branches and by the 10th from Head/Principal Offices of Authorised Dealers.

These summary statements should be submitted on:

"S-1" statement for transactions in all foreign currencies (Appendix V- 100).

"S-4" statement for transactions on Rupee accounts of non-resident banks (Appendix V- 101).

"S-5" statement for transactions under Rupee barter (Appendix V- 102).

"S-6" statement for transactions in foreign currency notes (Appendix V- 103).

6. Compilation of Summary Statements.

i) Each summarized statement will be an abstract of the Authorised Dealer's ledger account and will consist of totals under specified heads. Opening and Closing balances should be added making each summary a complete and balanced statement.

ii) Authorised Dealers will complete one "S-4" statement for each period in which consolidated figures of all non-resident bank accounts maintained with them will be given. It will not be necessary to complete a separate "S-4" statement for each non-resident bank account.

iii) The Head/Principal Offices of the designated banks maintaining the barter accounts will incorporate their branch transactions against the respective heads provided in the summary statement. For this purpose, the branches of the designated banks will forward every month copies of the related coded schedules, showing their transactions under each barter agreement to their Head/Principal Offices, which should prepare one consolidated statement and relative schedules for each barter agreement on the basis of entries passed through the respective barter accounts.

In the case of exports under barter arrangements, Authorised Dealers should affix rubber stamp on the relative Form 'E' with the following narration: -

"Commodity Exchange Agreement with (Name of the Country) _____ dated _____ "

The branches of the designated banks shall submit the relative forms and schedules alongwith "S-5" statement to the area offices of the Exchange Policy Department.

iv) Statement "S-6" is to be submitted in duplicate.

7. Supporting Schedules and Forms of the Summary Statements.

To support the details of the totals entered in the summarized statements, every statement must be accompanied by schedules and the relative forms as indicated in the summarized statements. The schedules should be compiled as under :

RECEIPTS & PAYMENTS SCHEDULES

Schedules "A-1", "A-2", "A-3", "J", "E-2", "E-3" and "E-4" are given combined heading as follows:

RECEIPTS COMBINED HEADING

(i) A-1
A-1/0-1(Appendix V-104)

(ii) A-2
A-2/0-2(Appendix V- 105)

(iii) A-3
A-3/0-3(Appendix V- 106)

(iv) J
J/0-3(Appendix V- 107)

PAYMENT
COMBINED HEADING

(i) E-2
E-2/P-2(Appendix V- 108)

(ii) E-3
E-3/P-3(Appendix V- 109)

(iii) E-4
E-4/P-4 (Appendix V- 110)

Combined headings have been provided to facilitate preparation of Schedules 'O' & 'P' in respect of transactions of branches, which do not maintain independent currency positions, but operate on the foreign currency accounts of the Head/Principal Office/another branch and themselves submit unbalanced Summary Statements "S-1" and "S-4" to their area offices of the Exchange Policy Department. The procedure for preparation of these schedules by the branches, which do not maintain independent currency positions is given subsequently in this para.

SCHEDULES "A-1", "A-2" and "A-3" (APPENDICES V- 104, V- 105 and V- 106):

Purchase of foreign currencies or debits to non-resident bank Rupee accounts covering proceeds of exports from Pakistan will be listed on Schedules "A-1", "A-2" and "A-3" as follows:

SCHEDULE "A-1": In cases where Form 'E' is certified against a purchase of foreign currencies or debit to non-resident Rupee account, the transaction must be listed on a relative Schedule "A-1" in triplicate showing the number of the Form 'E' and the amount.

SCHEDULE "A-2": In cases where no Form 'E' is certified at the time of purchase of foreign currency or debit to non-resident Rupee account, the particulars will be listed on Schedule "A-2" in triplicate. Such cases will fall into two categories:

- i) Advance payments for goods to be exported.
- ii) Part realisation where the triplicate of the Form 'E' will be lodged with the State Bank at the time when final proceeds are received.

If an advance payment is received for an export, the Authorised Dealer must make out an "Advance Payment Voucher" (Appendix V-18). When the Form 'E' is ultimately made out and a deduction shown for the advance payment, the date of the "Advance Payment Voucher" must be stated on the Form 'E'.

When proceeds of exports are received and the Form 'E' is not available or in case of part realisation, a voucher "Export Receipts: Form 'E' not attached" (Appendix V- 111) must be completed.

"Advance Payment" and "Export Receipts: Form 'E' not attached" voucher must be listed on Schedule "A-2".

SCHEDULE "A-3": In cases where 'E' Form is certified against purchase of foreign currencies or debit to non-resident Rupee account for re-export of imported goods the transaction will be listed on Schedule A-3 in triplicate.

Totals of Schedules "A-1", "A-2" and "A-3" must be cast and the total of "A-2" and "A-3" brought forward to "A-1" and grand total shown on "A-1" which must agree with the amount entered on the summary statement. Even in cases where there are no certified Forms 'E' to be submitted with the return, an "A-1" Schedule should be completed showing a nil figure and giving the total figure of "A-2", making up the grand total on "A-1".

For every item on Schedules "A-1", "A-2" and "A-3" a certified copy of Forms 'E' or a voucher, as applicable, must be enclosed. Conversely, for every voucher or Forms 'E' enclosed, there must be an item on the appropriate schedule. No Forms 'E' should be enclosed with the returns against which no receipt is being reported on the return. The forms and vouchers must be sorted in the order they are listed. If more than one schedule sheet is used, the sheets must be serially numbered and pinned together.

While reporting export receipts, separate schedules ("A-1", "A-2" and "A-3") should be prepared for receipts on account of exporters residing in the jurisdiction of area offices of the Exchange Policy Department other than the area office to which the 'Returns' are being submitted. Such schedules should be prepared area-wise with one additional copy. The name of the area office to which the schedules pertain should be prominently written on the top thereof. Separate Schedules "A-1", "A-2" and "A-3" must be attached to the summary statement relating to each currency. It is not permitted, for example, to enter the Forms 'E' in U.S. dollars and Pound Sterling on the same summary statement.

SCHEDULE "B" (APPENDIX V- 112)

Purchases of a currency against sale of other foreign currencies are to be listed on Schedule "B". Separate schedule should be used for each currency purchased. Exchange Policy Department area from where the currency is purchased must be mentioned in specified column. The schedule will be attached with relevant Summary Statement "S-1" and total of the currency purchased must agree with the amount shown against item 'Purchases against sale of other foreign currencies' on receipt side of the Statement "S-1".

SCHEDULE "C" (APPENDIX V- 113)

The currencies purchased from Authorised Dealers or branches in Pakistan maintaining a separate currency position must be listed on Schedule 'C'. A separate schedule should be made out for each currency with its name written on the schedule and must be attached to the relative "S-1" statements.

SCHEDULE "D" (APPENDIX V- 114)

Foreign currencies purchased from and sold to the State Bank must be entered on Schedule "D" and totals entered on the "S-I" statements.

SCHEDULES "E-2", "E-3" and "E-4" (APPENDICES V- 108, V- 109 and V- 110).

Forms relating to sales of foreign currencies to the public must be listed as under:

- i) "I" Forms on "E-2".
- ii) "T-1" Forms on "E-3".
- iii) "M" Forms on "E-4".

As with Schedules "A-1" and "A-2", separate schedule must be made out for each currency and attached to the respective "S-1", "S-4", "S-5" or "S-6" statement. For every item listed in the schedule there must be a payment Form "I", "T-1" or "M" as appropriate to the transaction and these forms must accompany the relative schedules. No forms should be submitted which are not listed on the schedules.

SCHEDULE "F" (APPENDIX V- 115)

The sale of a currency against purchase of other foreign currencies is to be listed on Schedule 'F'. A separate schedule should be used for each currency sold and the Exchange Policy Department area to which the currency is sold must be mentioned in the specified column. The schedule will be attached with relevant Summary Statement "S-1" and total of sales in the schedule must agree with the amount entered against item "Sales against purchase of other Foreign Currency" on the sales side of "S-1" statement.

SCHEDULE "G" (APPENDIX V- 116)

The currencies sold to Authorised Dealers or branches in Pakistan maintaining a separate currency position must be listed on Schedule "G". A separate schedule must be made out for each currency with its name written on the schedule and must be attached to the relative "S-1" statements.

SCHEDULE "H" (APPENDIX V- 117)

Currencies bought against credit to non-resident bank Rupee accounts must be entered on Schedule "H". A separate schedule must be made out for each currency and attached in duplicate to the relative summarized Statement "S-1" and total amount of currency shown on the schedule must agree with item 4 on the purchases side of the relative summary statement, while total of Rupees must agree with the total of items on credit side of "S-4" statement.

SCHEDULE "J" (APPENDIX V- 107)

All Forms "R" and "IRV" must be listed on Schedule "J" and a separate list should be made for each currency. The schedules must be attached to the relative "S-1", "S-4", "S-5" or "S-6" statement and the totals on the schedule must agree with those entered in the statements. For

every item appearing in the schedule, a "R" Form/"IRV" must be attached. In the case of encashment of foreign currency instruments of foreign missions in Pakistan, the name of the mission concerned, should invariably be mentioned in Form "R"/"IRV" (Appendix V-118/Appendix V-119). Authorised Dealers must carefully note that Schedule 'J' is to cover all receipts OTHER THAN EXPORTS. Export receipts are to be reported on Schedules 'A-1' and 'A-2' and not on Schedule 'J'. "R" Form is to be used for amounts over Rs.10,000/- or equivalent, for purposes other than Family Maintenance Remittances and Exports. For amounts of Rs.10,000/- and less received for purposes other than 'Family Maintenance Remittances' and all amounts received as 'Family Maintenance Remittances', Authorised Dealer will prepare one IRV for same currency, country and purpose for one reporting period i.e. for the whole month. The item will be listed individually and the total thereof will be entered on relevant schedule 'J' of same currency. In case the number of entries are large and more pages for IRV are required, continuation sheets may be used. All inward remittances sent by individuals from abroad in favour of individuals in Pakistan may be treated as "Un-requested Transfers-Family Maintenance" unless voluntarily disclosed by the beneficiary to be for some other purpose.

SCHEDULE "K" (APPENDIX V- 120)

The Schedule "K" is not related to the Summary Statements "S-1", "S-4", "S-5" or "S-6" (See paragraph 13 *ibid*).

SCHEDULE "L" (APPENDIX V- 121)

Debits to non-resident bank Rupee account covering transfers to other non-resident bank Rupee accounts must be listed on Schedule "L" and the total amounts of Rupees should agree with the total on "S-4" statement. The schedule should be submitted to the State Bank in duplicate with relative summary statements.

SCHEDULE "M" (APPENDIX V-122)

Debits to non-resident bank Rupee accounts against sales of foreign currencies must be listed on Schedule "M" and the total should agree with the amount entered on "S-4" statement. For example, if U.S. dollars are sold to a U.S. bank against debit to that bank's non-resident Rupee account, the U.S. dollar will be reported against item No.4 on the sales side of the "S-1" statement for U.S. dollars. The schedule should be submitted to the State Bank in duplicate with the relative summary statements.

SCHEDULE "N" (APPENDIX V-123)

The closing balance of the non-resident bank Rupee accounts must be listed on Schedule "N". They should be grouped according to countries or currency groups. The final total must agree with the amount entered for closing balance on the "S-4" statement.

SCHEDULE "O" & "P" (APPENDICES V-124 & V-125)

The branches operating on Head/Principal Office/another branch account shall prepare the summary statements with the supporting schedules i.e. A-1/O-1, A-2/ O-2, J/ O-3, E-2/P-2, EL2/EL3-P-2, E-3/P-3 & E-4/P-4 in quadruplicate. The originals, duplicates and triplicates of

these schedules, after deleting O-1, O-2, O-3 and similarly after deleting P-2, P-3 & P-4 respectively, will be sent along with the summary statements and relevant forms to the area office of the Exchange Policy Department. The quadruplicates, after deleting A-1, A-2, J, EL2/EL3, E-2, E-3 and E-4 from the heading, will be sent to the office of the Authorised Dealer whose foreign currency account has been operated. The Authorised Dealer whose currency account has been operated upon will amend the Schedules O-1, O-2, O-3, P-2, P-3 and P-4 received from the branch by deleting such entries which have not been booked during the reporting period and adding those of the previous period which have been booked during this period. Particulars of such entries must be listed in full i.e. relevant form number, code number etc. The total of the amended Schedules O-1, O-2, O-3 will be listed on Schedule "O" and the total of Schedules P-2, P-3 and P-4 listed on Schedule "P" for each branch. The aggregates of Schedules "O" and "P" should respectively match with item 7 of the purchases and item 8 of sales side of the Summary Statements "S-1" and item 6 of purchases and item 7 of sales side of the Summary Statement "S-4". In view of the extra work involved in preparation of the supporting schedules in respect of branch transactions, the Head/Principal Office may submit them to the State Bank within seven days from the date of submission of the summary statement/schedules. In other words, summary statements along with all schedules, other than "O" and "P" and their supporting Schedules O-1, O-2, O-3, P-2, P-3 and P-4 should be submitted within the existing time limit viz. 10th followed by Schedules "O" and "P" by the 17th.

SCHEDULE "R" (APPENDIX V-126)

Credits to non-resident bank Rupee accounts covering transfers from other non-resident bank Rupee accounts must be listed on Schedule "R" and the total amounts of Rupees must agree with the total on "S-4" Statement. The schedule should be submitted to the State Bank in duplicate with the relative summary statement.

8. Reporting of Imports under Loans, Credit and Grants.

SCHEDULE "LAC-NR" (APPENDIX V-127)

This schedule is to be used in respect of imports under loans/aid, credits & grants where no remittances are involved. Branches of Authorised Dealers through whom transactions are processed, would submit Schedule "LAC-NR" to the respective area office of the Exchange Policy Department along with the monthly Exchange returns. In addition to the Schedule "LAC-NR" a summary statement styled "Summary Statement-LAC-NR" (Appendix V-128) which will be an abstract of the amount allocated, opening balance, payments i.e. utilisation and closing balance at the end of each month shall be submitted by Head/Principal Offices duly supported by Schedule "LAC-NR" wherein they will incorporate transactions of their branches as also their own. There may be instances where payments for invisible items such as bank charges, service charges etc., out of the loans/aid, credits and grants may also be involved. Such transactions shall also be incorporated in Schedule "LAC-NR". Invisible items should, however, be listed at the end of the schedule.

SCHEDULES "EL2"/"EL3" (APPENDIX V-129)

These schedules will be prepared in duplicate in the following manner:

(i) Form 'I' in respect of imports under reimbursable loans and credits under which payments are first made out of Pakistan's cash resources and subsequently reimbursed by Loan/Aid giving agency shall be listed on Schedule "EL2".

(ii) In cases of suppliers credit under which remittance of down payment is involved, Schedule "EL3" will be used.

As the transactions in cover of the items (i) and (ii) above effect the currency accounts, the same will be reported in the relative "S-1" statements but shall be listed separately on Schedule "EL-2" or "EL3", as the case may be. Care should be taken to ensure that items listed on Schedule "EL-2" or "EL3" are not listed on Schedule "E-2".

Separate schedule should be used for each loan or credit. The name of the loan should be clearly described on the schedule in the space provided therefor.

9. Opening and Closing Balances.

The opening and closing balances are to be taken from the currency accounts in the books of the Authorised Dealer. The abbreviations "Cr." or "Dr." on the summarized statements are intended to signify:

"Cr." Credit balances with agents or correspondents abroad as shown by debit balances in own books.

"Dr." Debit balances with agents or correspondents abroad as shown by credit balances in own books.

Balances of customer's foreign currency accounts should be excluded from the Authorised Dealer's balance.

10. Items without Schedules.

No schedules are needed for the following items on the various statements viz.

Purchase Side

(Item No.)

Sales Side

(Item No.)

"S-1"

NIL

4

"S-4"

NIL

5

"S-5"
NIL
5

"S-6"
3
3

All that is necessary is to insert one total covering the relative period.

11. Foreign Currency Notes.

Authorised Dealers must not include their holdings of foreign currency notes in the balances reported on the "S-1" statement and they are to omit their transactions in currency notes completely except where such transactions result directly in entries in their currency accounts. Examples of these are when an Authorised Dealer imports bank or currency notes from abroad paying for them by drawing on the currency account and alternatively when an Authorised Dealer sends a bunch of currency notes abroad to be credited to its account. In the first instance the transaction should be treated as the sale of currency and reported on Form 'M', which will be included in Schedule "E-3". In the second case, the Authorised Dealer will report the purchase of the currency on Form "R"/"IRV"-Schedule " J" attached with Statement "S-I". As a consequence of this, if a traveller obtains US\$900/- in travellers cheques and US\$100/- in currency notes as his travel quota, the transaction must be included in Statement "S-I" as the sale of US\$900/- & the transaction of US\$100/- in notes will be reported on Statement "S-6".

Authorised Dealers must report to the State Bank purchases and sales of foreign currency notes on the prescribed Statement "S-6" which should be sent in duplicate duly supported with relative schedules/forms.

12. Method of Dispatch of Statements "S-1", "S-4", "S-5" and "S-6" to the State Bank.

When the statements are being dispatched to the State Bank, they should be put in separate envelopes or packages i.e. the "S-1", "S-4" and "S-6" statements each separately. On the outside of the envelopes or covers preferably on the back on the top left corner, the name of the Authorised Dealer, the last date of the respective period, the type of statement enclosed and the currency should be shown. Example: XYZ Bank, Period ended 31-10-2001 "S-1", U.S. \$. As regards "S-5" statement, the Authorised Dealers should report transactions under Rupee barter agreements on relevant "S-5" statements separately for each agreement. Thus, if there are four barter commodity exchange agreements with (say) Poland, "S-5" statements should be submitted separately for each one of them. Each such statement should be sent to the area office of the Exchange Policy Department in duplicate and clearly marked on the top right hand corner to the following effect:

TRANSACTIONS UNDER BARTER/COMMODITY EXCHANGE AGREEMENT

WITH.....

DATED

Transactions under barter agreement expressed in foreign currencies will be reported on "S-1" statement.

The statements "S-1", "S-4", "S-5" and "S-6" should be made as on the last day of each month. They should reach the State Bank at the latest by the 3rd of the following month to which they relate from the branches and by the 10th from the Head Offices of Authorised Dealers. However, as the various statements are to be sent in separate covers, those statements which are completed earlier may be sent immediately without waiting for others which may still be under preparation.

13. Operations on Private Non-Resident Rupee Accounts.

Authorised Dealers must submit on Schedule "K" a return of operations on private non-resident Rupee accounts (i.e. other than Rupee accounts of non-resident banks which are reported on "S-4" statement) on quarterly basis reaching the area office of the Exchange Policy Department by the 12th April, 12th July, 12th October & 12th January. Only totals for all such accounts of credits and debits passed during the period and of the balances are required. Total amounts of debits and credits given on Schedule "K" must agree with the aggregate amounts of Forms A-7 enclosed with the schedule. Schedule "K" consists of following categories:

- i) Private Non-Resident Rupee Account of Indian nationals other than Banks Branches and Correspondents.
- ii) Private Non-Resident Rupee Account of Non-Indian nationals excluding Banks Branches and Correspondents.

14. Record of Exchange Position.

Authorised Dealers are required to maintain record of their exchange position in each currency in which they maintain an account as at the close of business in the prescribed form (Appendix V-130). The Exchange position proforma has been drawn up to suit the different types of book keeping used in different banks and in some cases some of the items will not be required. The main items which may cause some difficulty are explained below. In the event of any further difficulty being encountered, the Authorised Dealers should refer the matter to the State Bank.

(i) OUTWARD BILLS PURCHASED (TEMPORARY ACCOUNT).

Banks have different methods of entering bills purchased. Some banks enter these immediately into their currency account, in which case this item will not be required. On the other hand some banks debit their bills purchased to a temporary suspense account and transfer to their currency account at the estimated time when the bill is payable. In the Exchange position, the total in the suspense account must be entered under this heading.

(ii) BILLS NEGOTIATED ABROAD CHARGED TO ACCOUNT AND RESPONDED TO BUT NO SALES SHOWN IN EXCHANGE POSITION.

This is intended to cover bills which have been received after negotiation abroad, entered into the currency account but not taken up by the customers, when the person who has had the

relative credit opened covers the requirements by a forward purchase of currency. The amount of such bills should be shown under the heading in order to off-set the effect of outstanding forward sales included on the sales side on the final position.

(iii) PROCEEDS OF BILLS: SALES BOOKED BUT NOT CREDITED IN LOCAL BOOKS.

This item is intended for those banks who have to remit currency to their agents and who have booked the sale but have not entered the amount in their currency accounts. For example suppose that a bank in Karachi has to remit the proceeds of a Sterling bill to its London correspondent; if the sale has been booked but owing to one reason or the other it has not been able to pass entries in its books or issue the advice, then the amount must be shown here. Again some banks if they issue drafts do not credit their currency accounts until such estimated time as their correspondents will receive the advice of issue, the amount is held in a suspense account in the interval. Such amounts must be shown under this heading.

(iv) FOREIGN CURRENCY BILLS, MAIL TRANSFERS AND TELEGRAPHIC TRANSFERS PAYABLE.

Banks receive from their correspondents advices of drafts in foreign currency issued on them or Mail and Telegraphic Transfers to pay foreign currency or its equivalent. This in fact will ultimately be a purchase of the currency from the beneficiary of the transaction. If the Authorised Dealer does not enter into its currency position the amount of draft or transfer until it is actually paid, this heading will not be required. If, however, it enters the amount in its currency account immediately on the receipt of the advice with a contra entry to a suspense account, the amount outstanding in the suspense account must be entered here.

15. Statement of Outstanding Import Commitments.

Authorised Dealers are required to submit to the State Bank fortnightly statements of outstanding commitments against cash resources in the prescribed forms (Appendices V-131, V-132, V-133, V-134) as on 15th and last day of each month reaching the Joint Director (General), Exchange Policy Department, State Bank of Pakistan, Central Directorate, Karachi by the 22nd and 7th showing breakdown of figures with month-wise maturity thereof classified allocation-wise as under:

(i) Specific allocation.

(ii) Private Sector imports.

16. Returns of Blocked Accounts and Securities.

Authorised Dealers are required to furnish a yearly return in the prescribed form (Appendix V-135) to the State Bank at the end of each year ending 31st December, showing the balance held by them in blocked accounts. This return should show the country of residence of each account holder separately. Similarly, a yearly return in the prescribed form (Appendix V-136) showing the securities held by them on blocked accounts should also be furnished. These returns should include the balance and securities held in non-resident accounts blocked by orders of the State Bank. Where there are no accounts or securities to report, "NIL" return

should be sent. The returns should be made as on the 31st December, each year and should reach the State Bank not later than 7th January.