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CHAPTER 12

EXPORTS

1. General.

(i) 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.

(ii) The Incoterms introduced by ICC for exports to provide a set of international rules to avoid uncertainty of different interpretation of the most commonly used trade terms in foreign trade may be adopted.¹

2. Exports exempted from Foreign Exchange Regulations.

The prohibition mentioned above does not apply to exports to Afghanistan (to the extent mentioned in subsequent paragraph 13), 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 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.

¹ FE Circular No. 15 Dated August 15, 2003

3. Export Control Regulations.

Exchange policies regarding exports cover all goods exported from Pakistan irrespective of whether they are subject to license 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 license wherever necessary. The Government of Pakistan has under the Export Trade Control Regulations banned exports to Israel.

4. Registration of Exporters not required.

In terms of S.R.O. No. 490(1)/2002 dated 5th August, 2002 the Ministry of Commerce, Government of Pakistan has rescinded the Registration (Importers and Exporters) Order 1993. As such exporters are no more required to get them registered with the Trade Development Authority of Pakistan (TDAP). With the elimination of registration number, Authorized Dealers may use GIR No. (NTN) and CNIC Nos. which are already present on Form 'E' as distinctive number for administrative purpose. In case, an exporter is not a tax payer, there is already a provision on Form 'E' for Income Tax Circle No. which may be used in combination with CNIC Nos. as distinctive number for administrative purpose.²

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-10). Form 'E' must be certified by the Authorized Dealer in a convertible foreign currency.

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

² FE Circular No. 11 Dated September 06, 2002

7. Retention period of Export Proceeds.

It is permissible for exporters to retain the export proceeds including 'Advance Payments' in foreign currency with an Authorized Dealer in Pakistan for three working days and to sell the same within this period to any Authorized Dealer. The foreign currency so retained shall be kept by the Authorized Dealers in 'Special Exporters' Account' outside their 'Exposure' limits. However, if an exporter does not conclude a transaction with an Authorized Dealer by end of the third working day, the Authorized Dealer that has received the export proceeds shall purchase the same at the 'buying' rate of weighted average customer exchange rate of that day as available on SBP website under advice to the concerned exporter.

8. Certification of Export Forms by Authorized 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 Authorized 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 realization 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-realization 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-realization. We further undertake that in the event of short realization, 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) Authorized Dealers shall not certify any export form unless they have satisfied themselves with regard to the following:

(a) Arrangements have been made for realization 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 Authorized Dealers in certifying the relative export forms. Where Authorized 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 Foreign Exchange Operations Department, SBP-Banking Services Corporation.

- (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 authorized 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 Authorized Dealers that he holds a valid legal power of attorney from the exporter and 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.

Authorized 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 Authorized 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.

Authorized 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 Authorized Dealers should

also indicate the date of realization 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 Authorized Dealers should immediately get in touch with the exporter concerned to ascertain whether or not the shipment has been effected. If the Authorized 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 Authorized Dealers should be reported to the Foreign Exchange Operations Department, SBP-Banking Services Corporation on monthly basis in the prescribed form (Appendix V-11).

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 Authorized Dealer designated for the purpose by the exporter. This restriction will not apply if the exporter produces a certificate to the carrier from the Authorized Dealer concerned in the prescribed form (Appendix V-12). The certificate will be issued by the Authorized 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 authorized representative of the Authorized Dealer concerned holding authority letter for collecting these documents.
- (b) A Seaway bill may be accepted by the Authorized 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 Authorized 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 Authorized Dealer concerned in the prescribed form (Appendix V-12). In all cases the airway bill and other documents of title to cargo will be delivered by the carriers to the authorized representative of the Authorized Dealer concerned holding authority letter for collecting these documents.

In addition to the above, it shall also be permissible for Authorized Dealers to release the export documents etc. to the concerned exporter for dispatch directly to the foreign buyer in such cases where

advance payment in full (100%) has been realized from the consignee abroad against the export of goods from Pakistan.³

(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, Authorized 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 realization of the proceeds of such exports:

- (a) The Software houses/companies will get themselves registered with the concerned area office of the Foreign Exchange Operations Department, SBP-Banking Services Corporation.
- (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-13) alongwith the Export Proceeds Realization Certificates issued by the Authorized 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 Authorized 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.

³ FE Circular No. 09 Dated July 01, 2004

13. Exports to Afghanistan.

(i) In respect of export to Afghanistan, the SRO 805(1)/2015 dated the 17th August, 2015 issued by Ministry of Commerce stipulates that subject to provisions of sub-paragraph (1) of paragraph-4 of the Export Policy Order, 2013, export of the following perishable goods shall only be allowed against Pak currency on filing of regular shipping bills without the requirement of “E-Form”, namely:-

- (a) fruits;
- (b) vegetables;
- (c) dairy products; and
- (d) meat.

Export of the above items shall not be entitled to:-

- a) Zero rating of sales tax;
- b) Rebate of Central excise duty; and
- c) Payment of drawback of customs duty.

The reporting procedure will be the same as is being adopted for other countries except that the column “Serial No. of ‘E’ Form” on Export Schedule A-1/O-1 (covering realized export receipts of Pakistan) would be left blank.

(ii) However, in case convertible currency is involved for export to Afghanistan, the requirement of Form ‘E’ will be applicable as per normal procedure as is applicable for exports to other countries.

(iii) As per FE Regulations, the export made against convertible currencies is subject to Form ‘E’ certification by the Authorized Dealers. Accordingly, the export proceeds received as per sales terms are required to be surrendered in the inter-bank market for which the concerned Authorized Dealer will issue Proceeds Realization Certificate (PRC) at the prevailing buying exchange rate and credit the equivalent rupees in the PKR account of the concerned exporter.

(iv) In view of peculiar nature of trade with Afghanistan, the Authorized Dealers will accept cash convertible currencies brought over their counter by the exporters and convert the same at the prevailing buying rate applicable for normal export proceeds for credit to the PKR account of the exporter.

Further, cash (foreign currency notes) received in the bank against export to Afghanistan is required to be reported under Summary Statement S-6 (An Abstract of Authorized Dealer’s Ledger Account which consists of transaction in foreign currency notes). As there is no export schedule available under S-6, a new row with the words “Cash Exports (Schedule A-2)” will be added in S-6 which will refer to Schedule A-2. The schedules are available as Appendix V-106 and Appendix V-108. The same will remain effective till establishment of a banking system in Afghanistan.

Further, the banks will ensure that the said proceeds are backed by proper export documents as per prescribed procedure and terms and conditions issued from time to time.

14. Scheme for Warehousing in Kenya – Facilitation to the Exporters ⁴

In order to encourage exports to Kenya through TDAP's Warehousing Scheme in Kenya, the exporters utilizing the said scheme are facilitated as under: -

- i) Exporters are allowed enhancement in period for repatriation of export proceeds from existing 180 days to 270 days.
- ii) It is permissible for the exporters to reduce prices on the unsold stock. General permission is granted up to a discount of 15%, if the goods are not sold. Beyond this limit, SBP's approval is required on a case-to-case basis.
- iii) Present retention percentage of 10% of FOB value of goods realized in terms of para 35 (iii) *ibid*, is enhanced to 25% in case of export through the Warehousing Scheme.

15. Endorsement of Shipping Documents by Authorized Dealers.

The Authorized 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 Authorized 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.

15A. Issuance of Electronic Form-E through WeBOC.⁵

At present, majority of goods exported from Pakistan are handled through WeBOC. However, a small percentage of goods such as those exported through land route or categorized as bulk cargo are currently being exported through Pakistan Customs' previous goods clearance system called 'One Customs'. Efforts are underway by Pakistan Customs to extend WeBOC system to export of such goods as well, in a phased manner throughout Pakistan. Form-E with effect from November 02, 2015, is being issued in following two formats:

a) Electronic Form-E (EFE)

For exports taking place through WeBOC, EFE will be issued through WeBOC. The request for EFE will be submitted electronically by the exporter in WeBOC and Authorized Dealer will approve or reject EFE electronically in WeBOC. User Manuals for issuance of EFE through WeBOC for exporters and Authorized Dealers are attached as Annexure-I & Annexure-II respectively.

b) Manual Form-E

For exports taking place through One Customs, manual Form-E will be issued by Authorized Dealers at the request of exporters as per instructions contained in the following paragraphs.

⁴ FE Circular No. 16 Dated December 27, 2005

⁵ FE Circular No. 10 Dated October 26, 2015.

i. Forms Prescribed for Declaring Exports

As per Federal Government Notifications No. I(6)-ECS/48 and I(7)ECS/48 both dated the 1st July, 1948, exporters are required to declare their exports to Customs/Postal authorities on Form-E. In case of exports through WeBOC, electronic Form-E has also been prescribed by the State Bank, which will be generated through WeBOC. For exports other than WeBOC, manual Form-E will continue to be issued by Authorized Dealers at the request of the exporters as per instructions contained in the following paragraphs.

ii. Registration of the Exporters in WeBOC

Registration and deletion of the exporters in WeBOC shall be carried out by Pakistan Customs as per their procedure.

iii. Exporter's Due Diligence by Authorized Dealers

Authorized Dealers shall continue to perform Customer Due Diligence (CDD)/Know Your Customer (KYC) of the exporters, being their account holders/customers, as per applicable instructions. The Managers/Proprietor/ Partners/Directors etc. of the concerned company/firm etc. (exporter) submitting EFE request, will be held responsible severally and jointly for repatriation of export proceeds into Pakistan.

iv. Addition and Deletion of Authorized Dealers and their Branches in WeBOC

- a) Authorized Dealers shall request for addition or deletion of their authorized branches in WeBOC through their respective Group/Business Heads to the Director, Foreign Exchange Operations Department (FEOD), State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Head Office, Karachi.
- b) If a new bank is issued license of Authorized Dealer by Exchange Policy Department, SBP, it may also request for its addition in WeBOC and its authorized branches by submitting request through bank's Group/Business Head to the Director, FEOD, SBP-BSC, Head Office, Karachi.

v. User IDs and Passwords for Authorized Dealers in WeBOC

- a) Authorized Dealers shall submit request for issuance of User ID and Password by providing required information as per Annexure-III to the Director, FEOD, SBP-BSC, Head Office, Karachi, who will forward the same to Pakistan Customs. User ID and Password will be issued and provided to Authorized Dealers directly by Pakistan Customs under intimation to FEOD.
- b) For cancellation of User ID and Password, Authorized Dealers shall submit cancellation request signed by their respective Group/Business Heads to the Director, FEOD, SBP-BSC, Head Office, Karachi, who will forward the same to Pakistan Customs for necessary action.
- c) All concerned employees and Authorized Dealers shall maintain confidentiality of WeBOC User IDs and Passwords. They shall be responsible for any un-authorized use of their User IDs as per provisions of Chapter XVI-A of the Customs Act, 1969 and rules made thereunder. Further, for all foreign exchange related purposes, all functions performed in WeBOC through User ID of an Authorized Dealer will be construed to have been performed by the Authorized Dealer itself.

vi. Issuance of Electronic Form-E

- a) The exporter will submit Form-E request electronically through WeBOC to an Authorized Dealer at a branch of its choice. The Authorized Dealer/branch, as chosen by the exporter, will electronically approve or reject Form-E request as per instructions contained in Para 8, Chapter XII of FE Manual. After electronic approval of Form-E by the Authorized Dealer, the exporter will attach EFE in WeBOC with Goods Declaration (GD) Form to carry out export of goods for which Form-E has been approved. The detailed procedure to be followed for issuance of EFE and its attachment with GD Form is explained in attached User Manuals for Exporters (Annexure-I) and Authorized Dealers (Annexure-II).
- b) The serial number of EFE for each Authorized Dealer will be generated by WeBOC. Typical format of EFE number will comprise of three components i.e. alpha acronym of Authorized Dealer, calendar year of issuance and system generated serial number. For example, first EFE number for XYZ bank issued in year 2015 will be XYZ-2015-0000000001. At the beginning of each calendar year, serial number for each bank will reset to 0000000001.

vii. Amendment in Electronic Form-E

- a) The exporter can amend EFE before it is approved or rejected by the Authorized Dealer. Once Authorized Dealer has approved or rejected Form-E, it cannot be amended by the exporter.
- b) Authorized Dealer cannot amend EFE at any stage.

viii. Cancellation of Electronic Form-E

- a) Authorized Dealer can cancel EFE after it is submitted by the exporter.
- b) Authorized Dealer can also cancel approved EFE before it is attached to GD Form by the exporter.

ix. Expiry of Electronic Form-E

- a) If no action is taken by Authorized Dealer on EFE request submitted by the exporter within 15 days, it will automatically expire in WeBOC.
- b) If shipment is not effected by the exporter within 45 days from date of approval of EFE by Authorized Dealer, it will automatically expire in WeBOC.

x. Maintenance of Record of approved Electronic Form-E

- a) Complete record of EFE approved by Authorized Dealer through WeBOC shall be kept by respective branches and Head/Principal Office of Authorized Dealers in electronic form. This should be done preferably on weekly basis through acquisition and updation of data from WeBOC.
- b) Authorized Dealer can also take print-out of EFE from WeBOC. Format of printed EFE is attached as Annexure-IV.

xi. Submission of Export Documents to Authorized Dealers

- a) Authorized Dealer shall fill in relevant sections of Bank Credit Advice (BCA) for each EFE in WeBOC, including date of lodgment of shipping documents with Authorized Dealer, acceptance received from importer's bank and realization of export proceeds wherever documents are negotiated or collected through them.
- b) In cases where shipping documents are not received by Authorized Dealer within 14 days from the date of shipment, Authorized Dealer shall immediately ensure that shipping documents are submitted to it by the exporter. Where an Authorized Dealer fails to obtain shipping documents from the exporters within 30 days of shipment, it shall report such cases to area office of FEOD, SBP-BSC, Head Office, Karachi on monthly basis latest by 15th of each month in the prescribed form (Appendix V-11).

xii. Bank to Bank BCA Transfer

- a) If payment is being received through an Authorized Dealer other than the one which has approved EFE, the Authorized Dealer which has approved EFE may transfer it to the Authorized Dealer negotiating or collecting export documents through Bank to Bank BCA transfer module in WeBOC.
- b) Proper record of EFEs which are transferred as per (a) above shall be maintained by both the Authorized Dealers.
- c) If found necessary, the Director, FEOD, SBP-BSC, Karachi may also transfer EFE from one Authorized Dealer to another Authorized Dealer through Bank to Bank BCA transfer module in WeBOC.

xiii. Realization against Electronic Form-E

Authorized Dealer will record proceeds realization against each EFE through BCA module in WeBOC. In case of remittance received in advance for goods to be exported from Pakistan, the same may initially be recorded in remarks column of EFE while approving it and after shipment, advance payment details shall be filled in BCA module in WeBOC for each EFE.

xiv. Submission of Returns

Authorized Dealer shall send a printed copy of EFE to respective area office of FEOD, SBP-BSC, Head Office, Karachi along with monthly returns in which realization of export proceeds is reported. In case of Advance Payment, copy of EFE will be submitted with Advance Payment Voucher (APV) and shipping documents as per existing instructions.

xv. Short Shipment

In cases where the exporter ships a quantity less than that declared on EFE, Authorized Dealer shall negotiate/collect the shipping documents on the basis of value declared in GD Form after verification from WeBOC.

xvi. Shipments Shut-out Entirely

- a) In case where a shipment to be made by a particular vessel is temporarily shut-out and reshipped by another vessel, approved EFE shall remain valid.
- b) In case where a shipment is entirely shut-out and is not being reshipped by another vessel, approved EFE will be detached by the Customs from the GD Form and can be reused within original validity period.

Annexure-I <http://www.sbp.org.pk/epd/2015/FEC10-Annex1.pdf>

Annexure-II <http://www.sbp.org.pk/epd/2015/FEC10-Annex2.pdf>

Annexure-III <http://www.sbp.org.pk/epd/2015/FEC10-Annex3.pdf>

Annexure-IV <http://www.sbp.org.pk/epd/2015/FEC10-Annex4.pdf>

16. Functional Utility of the Copies of Manual 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 Authorized Dealer for certification as described in paragraph 8 (i) *ibid* only after it has been completed and signed by the exporter himself or his authorized agent. While certifying Form 'E', Authorized Dealers should ensure that exporters give only one address in Form 'E'. After the form is certified by the Authorized 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 SBP-Banking Services Corporation. The Customs authorities will return the duplicate, triplicate and quadruplicate copies to the exporter or his authorized agent who will retain the quadruplicate for his own record and submit the duplicate and triplicate copies to the Authorized Dealer alongwith the shipping documents within 14 days from the date of shipment. The Authorized Dealer will forward the triplicate copies of the export forms to the SBP-Banking Services Corporation alongwith the monthly returns in which realization of export proceeds is reported, retaining the duplicate for his record. In cases where receipts of export proceeds are reported by an Authorized Dealer in respect of exporters residing in the jurisdiction of an area office of Foreign Exchange Operations 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 Foreign Exchange Operations Department. The name of the area office of Foreign Exchange Operations Department to which the schedules pertain will be prominently indicated on top thereof.

17. Exports exempted From 'E' form procedure.⁶

i) Export of educational course books for schools and colleges for Pakistani students and other running under respective Embassies abroad and literary, religious, educational and general books are exempt from 'E' form procedure, subject to the condition that the value of the individual shipment/export in respect of books other than educational course books does not exceed US\$ 10,000. Before undertaking such transactions, the exporters of above mentioned books would approach the Director, Foreign Exchange Operations Department, SBP-Banking Services Corporation who will issue a No Objection Certificate (NOC) with the condition that exporter will obtain an endorsement from the Customs Authorities on reverse of the NOC about name/title, number of books exported and their invoice value. The date of export would also be mentioned specifically. The exporter will submit a statement on monthly basis to Foreign Exchange Operations Department, showing the amount due and receipts on account of foreign exchange arising therefrom.

⁶ FE Circular No. 12 Dated June 16, 2003

The NOC issued in view of above exemption would be initially valid for a period of one year only which may be renewed subject to satisfactory performance of the exporter. However, if exporter fails to submit the required statement or keeps large balances abroad, the facility will not be renewed and the case would be referred to the Enforcement Section of Foreign Exchange Operations Department, for necessary action under the relevant regulations.

ii) While issuing NOC, Foreign Exchange Operations Department will advise the Customs Authorities about the items exempted from 'E' form procedure.

iii) The export of above-mentioned items being exempted from E-form procedure will be reported on schedule A-1/O-1 with authentication of exempted 'E-form'. The specified code for the same whichever is applicable, mentioned under Section X, Chapter 49 of HS Classification of coding system may be used.

18. Electronic Transmission of Export Information- Handling of Manual Form-E.⁷

Pakistan Customs has introduced, initially from Karachi International Container Terminal (KICT), a web based Goods Declaration Form (GDF) in place of the existing Form-E. For the present, GDF and Form-E will run in parallel.

The following system/procedure will be followed in dealing with Form-E and GDF for exports to be made through KICT, Karachi:

The Authorized Dealers will certify Form-E in quadruplicate as usual. The exporter shall declare the Form-E number to Customs on the electronic shipping bill filled over the web for export of goods. Customs will verify the goods as declared in the shipping bill containing the Form-E number and will allow shipment for export. After the export of goods, the exporter shall print the electronically transmitted copy of the shipping bill (GDF) containing the number of the relevant Form-E and present it to the Authorized Dealer as a proof of export substituting Form-E verification by Customs. The bank will compare the GDF and Form-E and take up/sort out the difference, if any, with the exporter/Customs. Form-E and GDF will be submitted to the SBP-Banking Services Corporation by the Authorized Dealer. In case of ports where GDF is not being operational for the present, the existing procedure for handling Form-E will continue. Similarly, cases of Short Shipment and Shipments Shut-out entirely will be dealt and reported as usual. The head office of the Authorized Dealer/concerned branch may obtain user ID to log onto Pakistan Customs Computerized System (PACCS) and retrieve/verify the details of all exports.

Accordingly, as far as export transactions being routed through KICT, Karachi are concerned, certification/verification and affixation of seal by Customs authorities and returning of duplicate, triplicate and quadruplicate copies of Form-E to the exporter would not be required and the relevant paras of Chapter 12 of FE Manual to this extent may be treated as amended. In its place the copy of GDF obtained/retrieved through Customs Website (PACCS) should be treated as proof of Customs verification of exports. Other instructions on the subject will, however, remain unchanged and all the provisions of FE Manual will have to be complied with in respect of exports other than through KICT.

19. Submission of Export Documents to Authorized Dealers.

All shipping documents covering goods exported from Pakistan and declared on Form 'E' must be passed through the medium of an Authorized 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

⁷ FE Circular No. 2 Dated March 21, 2005

number) and triplicate copies of Form 'E' alongwith the shipping documents, invoices etc., to the Authorized 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 Authorized Dealer other than the one who had certified the export form, the Authorized Dealer negotiating or collecting the export documents should convey the particulars of the export form to the Authorized Dealer which had originally certified the export form to enable the latter to make a suitable note in the relative register.

20. Scrutiny of Documents.

On receipt of the bill of lading/airway bill/railway receipt etc., alongwith the Form 'E' and the export documents, the Authorized 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 Authorized 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 SBP-Banking Services Corporation. The Authorized 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 Authorized Dealers under their stamp and signature.

21. 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 Authorized 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.

22. 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 SBP-Banking Services Corporation through an Authorized 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 SBP-Banking Services Corporation 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 Authorized Dealers separately.

23. 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, Authorized 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. Authorized Dealers should report such part receipts on "Form 'E' not attached Voucher" on Schedule 'A-2'. It is the responsibility of the Authorized Dealers to follow up each such case and to ensure that the balance amount is also realized 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 Authorized 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 22).

(iii) In both the above cases the triplicate copy of the export form should be kept outstanding by the Authorized Dealer and submitted to the SBP-Banking Services Corporation only after the full value of the export has been received.

24. 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, Authorized Dealers should negotiate/collect the shipping documents on the basis of short shipment notice. The Authorized Dealer will forward the short shipment notice to the SBP-Banking Services Corporation alongwith triplicate copy of 'E' form while reporting the realization of full value of the goods shipped. If the exporter fails to produce the short shipment notice alongwith the export documents, the Authorized Dealer may negotiate/accept the documents for collection but report full particulars of the case to the SBP-Banking Services Corporation. The Authorized Dealer should, however, continue to follow up the case with the exporter for submission of short shipment notice.

25. 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 Authorized 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 Authorized Dealer should treat the relative export forms as cancelled and forward the shut-out notice to the SBP-Banking Services Corporation.

26. Shipment lost or damaged in Transit.

(i) If shipments from Pakistan are lost in transit for which payment has not already been received, the Authorized 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 Authorized Dealer and sent to the SBP-Banking Services Corporation 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 Authorized 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 Authorized Dealer to the SBP-Banking Services Corporation giving reference of relative export forms.

27. Advance Remittances against Exports.

i) In case of remittance received in advance for goods to be exported from Pakistan, Authorized Dealers should obtain a certificate in duplicate from the beneficiary on the Advance Payment Voucher (Appendix V-14) 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 Authorized Dealer. The original shall be surrendered to SBP-Banking Services Corporation 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 Authorized 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-utilized 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 SBP-Banking Services Corporation 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 Authorized 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 Authorized 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 Authorized Dealer alongwith the shipping documents and an invoice. The Authorized Dealer will compare the details of the 'Goods', 'Quantity' and 'Invoice Value' and process the case as indicated in sub-para (i).

In order to address the issues of exporters of fresh fruits/vegetables to bulk buying agents/agents aboard, the Advance Payments would be admissible for shipments to destinations other than the remittance originating country, subject to the following⁸ : -

- i) The original inward remittance representing Advance Payment clearly contains the name & full address of the remitter, export commodity covered and an indication that shipment destination shall be nominated later.
- ii) In case shipment is to be made to any destination other than the one from where the funds are received, there should be a clear written nomination/authorization for the same from the foreign buyer who had originally sent the Advance Payment.

Banks shall ensure to the extent possible, that the remitting party is a bonafide trader/buying agents/importer of the commodity concerned.

28. Exports against Payments Tendered by Buyers 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 Authorized Dealer while encashing foreign exchange will obtain an application in the prescribed form (Appendix V-15) 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 Authorized Dealer will make out the prescribed certificate (Appendix V- 16).
- iv) While reporting the receipt of foreign exchange as advance payment for export on Schedule A-2, the Authorized Dealer will attach the application and certificate (Appendices V-15 and V-16) with the "Advance Payment Voucher".

29. Export on D.A. /T.R. Basis - Non-Payment by Foreign Buyers.

In case of exports on firm contract on D.A. or T.R. basis, Authorized 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 SBP-Banking Services Corporation for instructions. Despite aforesaid precaution, if a foreign buyer refuses to accept the goods, the exporter should either

⁸ EPD Circular Letter No. 03/EPD1(51)Misc-2006 Dated January 20, 2006

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., Authorized Dealers shall consider the possibility of initiating legal action against the foreign buyers for recovery of export proceeds in consultation with the SBP-Banking Services Corporation. To this end, Authorized 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.

30. Verification of Export Proceeds Realization Certificate.

Sometimes exporters are required to produce to the Government Departments evidence of exports and the realization of their proceeds. In such cases proceeds realization certificates may be issued by the Authorized Dealers in the prescribed form (Appendix V-17) after getting them authenticated by the SBP-Banking Services Corporation. The SBP-Banking Services Corporation will authenticate such certificates on the strength of certification made by the Authorized Dealers. The transaction would be post-facto verified by the SBP-Banking Services Corporation with reference to the relative schedule/statement received from the concerned Authorized Dealer. To facilitate checking and verification of these transactions Authorized Dealers should quote the correct reference and the period of their schedule/statement in column 10 of the proforma at Appendix V-17.

31. Issue of Duplicate Export Proceeds Realization Certificate.

In case of loss of original export realization certificate, the SBP-Banking Services Corporation on application would authorize issuance of duplicate thereof on the basis of undertaking given by the Authorized Dealer in the prescribed form (Appendix V-18). The word "Duplicate" will be prominently marked in indelible ink at the top of such certificates.

32. 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 Authorized 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, Authorized 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 Authorized 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.

33. Reporting of Overdue Cases.

(i) The State Bank has prescribed the period within which full foreign exchange value of the exports must be realized. Non-realization or delay in realization 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 Authorized Dealers will furnish to the SBP-Banking Services Corporation every month the following statements:

- (a) Statement showing the total figures of all export bills outstanding (including partly unrealized) relating to all their branches, at the end of each month in the prescribed form (Appendix V-19).
- (b) Statement in the prescribed form (Appendix V-20) containing particulars of those export bills which have become overdue during the month under report. This statement will be prepared in respect of Authorized Dealer's branches according to the area office of the Foreign Exchange Operations 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-21 showing particulars of those cases which were reported by Authorized Dealers as overdue in the previous statements but the items are deleted from their books during the month under report either due to realization of the proceeds or under instructions from the State Bank/SBP-Banking Services Corporation.

The above statements in Appendices V-19, V-20 and V-21 should reach the Foreign Exchange Operations Department (Central & Statistics Section), SBP-Banking Services Corporation, Head Office, Karachi by the 15th of the month following that to which they relate. It will be the responsibility of the Authorized Dealers to see that the above statements are submitted to the SBP-Banking Services Corporation 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-20 and V-21 will additionally be submitted on floppy diskettes.

34. 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.

35. Remittance of Export Commission, Brokerage and Discount.

(i) Authorized Dealers are permitted to allow payment of commission/brokerage/discount due to foreign importers/or agents by exporters in Pakistan at the following rates ¹ :

	Maximum rate of commission etc.
(a) Books, journals and magazines.	Upto 33 $\frac{1}{3}$ %
(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 10 %
(d) Pharmaceutical products	Upto 15%
(e) Cotton.	Upto 2 %
(f) All other goods except cement.	Upto 10%
(g) Cement	Upto 5%

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

(ii) Authorized 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 realized 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 Authorized 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 Authorized 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 9 of Chapter 14 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 for commission, such amounts of commission/differential not exceeding the limits as stated in paras 35(i) and 36 of the FOB value of goods realized and net foreign exchange earnings respectively can be retained in foreign currency account with Authorized

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, shortfall in realization of export proceeds and any other legitimate purpose, without any approval from the State Bank. The foreign currency accounts so opened will be fed exclusively with the maximum allowable/differential for commission from export proceeds/net foreign exchange earnings and no other deposits, whatsoever the nature, will be accepted for credit to such foreign currency accounts. The facility is also available where export proceeds are realized under ACU Arrangement.¹

(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.

36. 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 authorized to retain 35% of their net foreign exchange earnings in foreign currency accounts with Authorized Dealers in Pakistan. The Authorized 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.

37. 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 Authorized 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-22) 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) to the Foreign Exchange Operations 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 35 (iii) *ibid*.

38. 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 CEA may be submitted to the Exchange Policy Department (Policy Division) through banks authorized to deal in foreign exchange, for approval alongwith 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 CEA. 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-24)

(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 Authorized Dealer in case of export, and it can also receive the import documents from the counter-party direct. Authorized Dealers shall also be required to certify Form “E” in the modified form as indicated in the Appendix V-24. 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 Authorized 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 CEA. The concerned Authorized Dealer will be required to submit a monthly statement in duplicate in the prescribed form (Appendix V-25) 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 SBP-Banking Services Corporation, the Authorized 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 Federal Board of Revenue from time to time will be recovered by the Authorized Dealers at the time of passing the entry in the account in respect of exports from Pakistan.

39. 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) 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-Banking Services Corporation. Each 'E' form for the aforesaid accounts should specifically indicate the words "E-Commerce" on the upper left corner.

(e) 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 Surveillance Department, SBP, Karachi.

(f) The banks shall be responsible for reporting business through the Internet Merchant Accounts to the Foreign Exchange Operations Department, SBP-Banking Services Corporation on monthly basis as per proforma appearing at Appendix V-26.

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