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## **PRIVATE FOREIGN CURRENCY ACCOUNTS**

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## **CHAPTER 6**

### **PRIVATE FOREIGN CURRENCY ACCOUNTS**

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

(i) Authorized 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.
- k) Exchange Companies licensed by the State Bank in terms of FE Circular No. 9 dated the 30th July, 2002.

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 Authorized Dealer in Pakistan for any purpose.

(iii) Corporate Bodies/Legal entities cannot generate funds from the Kerb 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 9 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, personal foreign currency accounts of any nature should not be used for commercial and business purposes. Further, in case of any deposit of foreign currency notes of more than USD 10,000 (or equivalent in other currencies) in a single day, the account holder shall be required to present the original receipt of acquisition. The Authorized Dealer shall keep on record the copy of such receipt. A restriction was placed on withdrawal in foreign currency from some categories of foreign currency accounts existing as on 28<sup>th</sup> 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 Authorized 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 Authorized Dealers in their daily exchange position.

(viii) Authorized 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 Authorized Dealers will send to the State Bank such returns in respect of these foreign currency accounts as may be prescribed from time to time.

## **2. Local US Dollar Instruments Collection and Settlement System.**

With the liberalization of the foreign currency regime in the country, and to facilitate operations for maintaining Foreign Currency Accounts under FE-25, Local US Dollar Instruments Collection and Settlement System has been introduced in Pakistan with effect from March 11, 2004.

Scope and Salient Features of Local US Dollar Instruments Collection and Settlement System are given in Appendix VI-2:

## **3. Different Schemes for Foreign Currency Accounts.**

Foreign currency accounts covered by paragraph (1) could be opened by the Authorized Dealers upto 28<sup>th</sup> 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 Authorized 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.

## **4. State Bank's Forward Cover Scheme.**

(i) Under the State Bank's forward cover scheme, the Authorized 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, Authorized 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) Authorized 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 Authorized 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.

#### **5. Acceptance of Deposits from foreign banks operating abroad and overseas branches.**

As an exception to the rules set out in paragraph 1(i) (j) of this chapter, Authorized 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 Authorized 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.

#### **6. 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 Authorized Dealers. For the purpose of claiming reimbursement of the differential, Authorized Dealers should furnish to the Chief Managers' Offices of the SBP-Banking Services Corporation, details of individual foreign currency Term Deposits in the prescribed form (Appendix V-2) 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 Authorized Dealers with the Chief Managers' Offices of the SBP-Banking Services Corporation in the form given at Appendix V-3.

#### **7. 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 Authorized 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) Authorized Dealers are free to decide the rate of return offered on such deposits.

(iii) Authorized Dealers may open foreign currency accounts and extend trade loans under FE-25 Scheme in US Dollar (USD), Pound Sterling (GBP), Euro (EUR), Japanese Yen (JPY), Canadian Dollar (CAD), UAE Dirham (AED), Saudi Riyal (SAR), Chinese Yuan (CNY), Swiss Franc (CHF) and Turkish Lira (TRY).

(iv) Authorized Dealers may use the interbank placements and interbank SWAPs or any other source of foreign currency liquidity that is permitted under SBP Rules/Regulations to extend trade loans in the above foreign currencies. However, currency of the trade loan should be the same as that of the underlying LC/ Firm Trade Contract.

(v) In terms of BSD Circular No. 18 dated the 31st March, 2001, Banks have been allowed to use/invest their deposits mobilized under FE 25 for financing of Import/Exports. The Authorized Dealers must follow the guidelines on the subject which are available at Appendix VI-3.

## **8. Special Foreign Currency Accounts of Private Power Projects.**

(i) Authorized 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 Authorized 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.**

(i) 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-4 will be submitted for each account separately alongwith 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) Authorized 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) Authorized 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.

## **9. 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 Authorized Dealers to open foreign currency accounts under the Scheme described in paragraph 7 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 Authorized 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 Authorized Dealer will be required to submit monthly statements in the prescribed proforma (Appendix V-4) alongwith the related import documents, invoices, agreements etc.

## **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 Authorized 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 8 & 9 *ibid*. Similarly payments out of the foreign currency accounts should be reported by the Authorized 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 7 are not required to be reported in the summary statements.

## **11. Reporting of local disbursements from foreign currency accounts.**



Authorized 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 Authorized Dealers on Foreign Currency Accounts should be reported as "Sale" on Schedule E - 4 of the monthly foreign exchange returns under Code 1226.

**13. 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.

**14. Foreign Exchange received by Residents in Pakistan.**

Payments in foreign exchange received by an Authorized 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.

**Local US Dollar Instruments Collection and Settlement System**

- (i) **Instruments:** All financial instruments (cheques, drafts etc.) denominated in US\$ drawn on bank branches (in cities as appear in the coverage list below) in Pakistan will be acceptable for this settlement system.
- (ii) **Coverage:** The bank branches in the following cities will participate in the Local US Dollar Instruments Collection and Settlement System:

(a) Karachi (b) Lahore (c) Islamabad (d) Rawalpindi (e) Faisalabad  
(f) Multan (g) Sialkot (h) Peshawar (i) Quetta (j) Mirpur  
(k) Hyderabad.

Collection from all other cities will be arranged/managed by each bank, by making internal arrangements, through any one of the above cities.

(iii) **Collection & Settlement Schedule:**

- (a) There are two collection and settlement days per week, i.e. Monday and Thursday.
- (b) If a collection / settlement day happens to be a bank holiday, then it will be skipped till the next collection/ settlement day.

(iv) **Designated Office:**

- (a) Each bank will designate a branch/Regional/ Head office in Karachi for presenting outward and receiving inward instruments for collection and settlement through M/s National Institutional Facilitation Technologies (Pvt.) Ltd. (NIFT).
- (b) NIFT will deal with only one designated office of each bank in Karachi for settlement of Karachi and upcountry branches.
- (c) Each bank may also designate one branch in each city (i.e. from the coverage list) with whom NIFT and the designated branch of that bank in Karachi, if required, would liaise for issues regarding collection & settlement relating to other branches in that city.

(v) **Mandatory Settlement:** It will be mandatory for the banks operating in Pakistan, whose Head Offices or branch offices are located in Karachi:

- (a) To be a member of this system.

(b) To open US\$ settlement account with a minimum balance of US\$ 10,000/- for settlement with SBP-Banking Services Corporation (Bank) Karachi and thereafter to maintain sufficient balance to cater to the requirements keeping in view their business volume. The said account will be remunerated on the same interest rate as for SCRR for FE-25.

(c) To settle payment of US\$ instruments drawn on them through this system or to return unpaid instruments on settlement date.

(d) In case the paying bank does not return the original instrument on the settlement date to the presenting bank, it will be assumed that the instrument has been accepted for payment and will be settled through this system accordingly.

**(vi) Processing Cycle:**

- (a) The collection/settlement will be centralized at Karachi. NIFT will interface with one designated branch of each bank in Karachi only.
- (b) Banks will route all inward/outward instruments from their branches in Pakistan through their designated branch in Karachi.
- (c) NIFT will collect/deliver all instruments for inward/outward settlement from the designated branches of Banks in Karachi, process the collection/settlement and deliver a consolidated statement to the respective designated branch of the bank.
- (d) Each designated branch in Karachi will forward the instruments received in inward collection to the payee branch of their bank directly for 'Acceptance' or 'Return unpaid'.
- (e) The payee branch will settle or return the original instrument, if any, to the designated branch in Karachi. NIFT will collect all return instruments from the designated branches in Karachi, process them alongwith inward collection and then route them to the related designated presenting Bank branch in Karachi.
- (f) The Settlement proceeds of the instruments would be communicated to the concerned branch immediately by electronic or any other means on the same day for crediting to the concerned depositor's account.

**(vii) Date Stamp:** The Collecting Bank will affix the stamp of the date on which outward instruments would be sent to NIFT for collection.

**(viii) Settlement:** The net settlement will take place by debiting or crediting the respective banks' US Dollar clearing accounts on settlement date.

**(ix) Settlement Statements:** NIFT will provide a statement of collection / settlement statistics on monthly basis to ascertain the expenses payable by the lodging bank to paying bank at the rate of Rs. 100/- per instrument (for cheques drawn on cities other than Karachi) irrespective of whether the instruments are paid or returned unpaid. All other reports and information will be produced and provided on the existing pattern as for rupee clearing. NIFT will provide stationery and usual

collection / settlement preparation material to the branches as is being done for PKR clearing systems.

- (x) **Forced Retention:** If for some unavoidable reasons the relevant bank is unable to provide a returned cheque on the specific collection/settlement date due to any reason beyond control, the designated bank office in Karachi will provide to the concerned bank alongwith inward clearing instruments, with a copy to NIFT, a document on prescribed format (agreed between the banks and NIFT) giving details of the instrument, undertaking that the said instrument will be provided to the lodging bank directly on availability but not later than the subsequent collection / settlement date, that instrument will be considered as returned unpaid.

This process may function in a manner such that the designated bank will furnish the prescribed document in duplicate to NIFT in place of the returned document and NIFT will send the first copy to the lodging bank along with other returns, if any, as a return instrument.

- (xi) **Settlement in case of insufficient balances:**

At any point in time when the net debit (inward & outward) cannot be paid out of a bank's US Dollar clearing account (due to insufficient balance) held with SBP-Banking Services Corporation (Bank), Karachi, the State Bank reserves the right to adopt a suitable alternate. This will primarily take the shape of payment through an appropriate overnight SWAP from the Pak Rupees clearing account balance of the bank with SBP to the extent of such shortfall in US Dollar account.

- (xii) SWAP Limit for every Bank is advised to each bank individually.

- (xiii) **Settlement Charges:**

NIFT will charge the presenting bank Rs.100/- per instrument for its services and Rs.100/- for processing a return instrument.

**Guidelines on use of deposits mobilized under FE-25 Scheme for financing of Imports/Exports**

**(i) Exports (For financing pre-shipment, discounting/purchase of documents):**

a) Trade loan facility under FE 25 scheme is entirely on self-liquidating basis from export proceeds.

b) At the time of allowing the facility, the foreign exchange component of such facilities should be surrendered to an Authorized Dealer at the buying rate.

c) Authorized Dealers are allowed to extend the pre-shipment finance after taking all necessary precautionary measures. Such facilities should be backed by an L/C or firm contract(s). In case of non-shipment/cancellation/partial shipment against such L/Cs or firm contract(s) and subsequent adjustment of foreign currency facilities, all FE-25 Loans against intended exports shall only be settled through realization of export proceeds or remittances from abroad.

d) Authorized Dealers are allowed to adjust foreign currency loan against pre-shipment finance from the proceeds of the post shipment facility, against which the pre-shipment facility was allowed earlier, like discounting of foreign bills in foreign currency.

e) On receipt of export proceeds, the Authorized Dealers would adjust the loan outstanding against that export bill and PRC can be issued to the extent of export proceeds at exchange rate on which original financing was allowed by converting into Pak Rupees accordingly. The reporting of 'E' forms would be done on the date of receipt of export proceeds.

f) All bank charges on exports and interest on such export loans would be recovered from inter-bank market against form 'M' that would be submitted alongwith the monthly foreign exchange returns.

g) For outstanding forward cover and subsequent financing of export bills in foreign currency, instructions contained in Para 11 Chapter 4 of FE Manual would apply.

h) The pre-shipment finance allowed against an L/C or firm contract would only be adjusted through discount of documents against the same L/C or firm contract.

In case, maturity of a pre-shipment export loan under FE-25 deposits falls prior to the date of realization of export proceeds, exporters have the option to convert the

pre-shipment loan into post-shipment loan, provided the maximum period of the loan (both pre-shipment & post-shipment) does not exceed 270 days.

**(ii) Imports (Financing against Import Bills)**

a) The facility for imports can be allowed only from the date of actual execution of import payments in foreign currency by creating a foreign currency loan against the importer. The maximum period of such loans should not exceed six (6) months from the date of disbursement.

b) For repayment of the loan, the Authorized Dealers are allowed to purchase foreign currency to the extent of loan from inter-bank market at the prevailing exchange rate on the date of repayment in order to adjust foreign currency loan outstanding against such importer(s).

c) Authorized Dealers are allowed to purchase foreign currency from inter-bank market to cover the interest amount on such loans against submitting 'M' forms alongwith monthly foreign exchange returns.

d) The reporting of forms 'I' would be on the date of actual payment against the documents.

e) No forward cover will be provided to importer(s) who avail foreign currency finance against FE-25. The forward cover facility is allowed only against outstanding import commitments.

The reporting procedure would be as under:

**(iii) Lending to Exporters.**

At the time of extending the loan, the transactions will be reported on Schedule 'J' as receipt of loan under the Code No.9711 (as the bank will purchase the foreign exchange component of the loan and disbursement will be made in equivalent Pak Rs.).

At the time of adjustment of loan at realization of foreign exchange proceeds of exports, the realization of export bill will be reported under relevant code vide code list No.4 on Schedule A-1 and the amount of loan and interest repaid as sale on Schedule E-4 under code No.1712 and 1224 respectively vide code list No.7.

**(iv) Lending to Importers.**

At the time of extending the loan, there will be two sides to the transaction, payment abroad against import will be reported on Schedule E-2 under relevant Code vide Code list No.6, while the loan will be reported on Schedule 'J' as receipt under Code No.9711.

At the time of adjustment of the loan, the amount of loan will be reported as sale on Schedule E-4 under Code No.1712 vide Code list No.7 of Circular No.52 of 1984. The amount of interest paid would be reported as sale on Schedule E-4 under code No. 1224 vide code list No. 7.

- Authorized Dealers are also allowed to utilize the funds under FE 25, generated through the following sources, for lending for trade related activities i.e. imports and exports:
  - a) Interbank placements
  - b) Interbank SWAPs (Buy/Sell \$)
- Foreign currency funds generated through SWAPs (Buy/Sell \$) from the State Bank would also be eligible for financing of above trade-related activities.
- Re-discounting of the export documents abroad in Foreign Currency is also permissible during normal course of business. Authorized Dealers are allowed to remit re-discounting charges according to para 18 Chapter 14 of the FE Manual.
- Substitution of the Contracts/LCs may be allowed upto a maximum period of six months from the date of disbursement of the loan. It means that settlement/execution of the last substituted Contract/LC should not extend beyond six months from the date of disbursement of loan.
- Authorized Dealers are required to submit FE-25 deposits & their utilization position on monthly basis to the Director, Statistics and Data Warehouse Department on the revised format showing currency wise position latest by the 7th of each month.

