
III. *Reporting procedure of transactions by Authorized Dealers*

Terminologies

40. *Authorized Dealers (ADs)*: State Bank of Pakistan grants authorization (Authorized Dealers License) to Banks/ NBFIs to deal in foreign exchange. Subsequently the Banks/NBFIs authorize their branches to deal in the foreign exchange. Under the guide all such Banks/NBFIs or their branches are named Authorized Dealers (ADs).

41. *Main types of transactions* in the returns can be classified as (i) Visible (Exports and Imports); (ii) Invisible (All services/ income except for visible); (iii) Capital transactions (i.e. liabilities to / claims on Pakistanis with the rest of the world); (iv) Others (transactions with affiliated branches, inter bank, and transaction with SBP).

42. *Coding system*: In order to describe the above foreign exchange transactions for balance of payments statistics, following particulars are required: -

- i) Authorized Dealer;
- ii) Country;
- iii) Currency;
- iv) Beneficiary / effective parties;
- v) Amount; etc.

The compilers can have millions of permutations/ combinations of the above variables. In order to facilitate the data handling / processing through computer/ error rectification/ accuracy, the coding system is inevitable. The updated / modified code lists are provided in the third section of the guide.

43. *Specimen of Schedules / Summaries* are provided in Annexure. The description of all such Schedules/ Summaries available under Chapter

XXII of Foreign Exchange Manual (Eighth Edition – 2002), is reproduced here briefly for the convenience of Banks.

44. *Balanced/ Unbalanced Authorized Dealer*: Every branch of a bank authorized to deal in foreign exchange may not be maintaining separate nostro position. The ADs maintaining separate nostro positions are called balanced ADs and are required to submit Summary Statements by taking into account the opening and closing nostro balances for each currency. For unbalanced Authorized Dealer i.e. those who are not maintaining separate nostro balances. The Head Offices/ Principal Offices have to adjust the branch transactions in their balanced summary statements.
45. *Inward Remittances*: means purchase of foreign currencies in any form including remittances by MT, TT, Draft etc.; purchase of travelers' cheques; drafts under travelers letters of credit; bills of exchange; currency notes and coins; and Debit to banks' non-resident Rupee accounts also constitutes an inward remittance.
46. *Outward Remittances*: means sale of foreign exchange in any form and including remittances by MT, TT, Draft etc.; sale of travelers cheques; travelers letters of credit; foreign currency notes and coins; and the outward remittances can also be made either by sale of foreign exchange or by credit to non-resident Rupee accounts of banks' overseas branches or correspondents.
47. *Export Receipts*: The proceeds of goods exported from Pakistan as per E-Form are called export receipts during the reporting month. This also includes the advance receipts and amount of re-export. All the other definitions are as per Manual.
48. *Form – E*: 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'.

49. *Import Payments:* The payments made through banking system for the settlement of import bills are called import payments.
50. *Form -I:* It is an application form for remittance against imports into Pakistan, which is signed by the importer or his authorized agents. This form is submitted to the Authorized Dealer who signs the certificate as prescribed therein. In cases where the Authorized Dealers are empowered to approve the remittances on behalf of the SBP, they will do so by recording their approval on the form. In all other cases, the forms together with the required supporting documents are forwarded to the SBP for approval.
51. *Invisible Receipts/ Payments:* Purchase and sale of foreign currencies by the Authorized Dealers related to invisible items like services e.g. transactions related to dividend, interest, loans, grants, workers' remittances etc. are called Invisible Receipts and Payments respectively.
52. *SCRA:* stands for Special Convertible Rupee Accounts, which are opened by the foreigners in Pak. Rupees. The amounts are credited to these accounts after converting of foreign currency into Pak. Rupees for the purpose of investment at Stock Exchange. The balance may be shifted any time to outside the country after conversion into foreign currency. The outstanding balance in these accounts is a foreign liability.
53. *Foreign Portfolio Investment:* Remittances received in country relating to equity (less than 10%), securities, shares, debentures, certificates and money market instruments etc. are treated as foreign portfolio investment.
54. *Foreign Direct Investment:* Remittances received in the country relating to equity more than 10% or for those firms whose management is in the hands of foreign investors and remittances received for the purpose of establishment of business is treated as foreign direct investment.

55. *Cash Transactions*: Physical movement of foreign currencies against exchange of goods & services transacted through Authorized Dealers are called cash transaction.
56. *Account Transaction*: Book entries, which are passed by the Authorized Dealers to debit or credit an account, are called account transactions.
57. *Capital Account*: It refers to the recording of capital movement in the business. In exchange accounts it is the recording of sale/ purchase of foreign exchange among the branches of same bank or among the other banks.
58. *Non Bank Financial Institutions NBFI's*: Financial institutions, which cannot undertake banking activities i.e. collect deposits or open current accounts but can extend loan by availing credit line from State Bank of Pakistan. Regarding foreign exchange transaction they can issue certificates of investment to the non-residents and are not allowed opening foreign currency accounts. In other words they have been issued restricted authorized dealers license.
59. *Trade Nostro Balances*: Nostro balance minus balance under FE25 because FE 25 deposits are banks' liability and are not surrendered to the SBP.
60. *Currency and deposits balances*: The nostro balances held by ADs and can be used freely by them i.e. nostro balance other than trade nostro are to be classified as Currency and Deposits. The sum of the two balances is the nostro position of respective balanced AD.
61. *Foreign Exchange Inter Bank Rate*: Foreign Exchange rate, which prevail for sale/purchase of foreign exchange among banks or the rate quoted by the banks to its customers.
62. *Floating Foreign Exchange Rate*: Foreign Exchange Rate that is changed with the change in demand & supply of the Foreign exchange in the market.

Summary Statements

63. *Summary Statements*: These are the extract of authorized dealer's ledger in a summarized form showing all the foreign exchange transactions in all the currencies. These are supported by schedules. There are S1, S4, and S6 summary statements.
64. *Statement S-1*: An abstract of Authorized Dealer's ledger account in foreign currency, which contains totals under specified heads e.g. Exports, Imports, Invisible Receipts and Invisible Payments etc.
65. *Statement S-4*: An abstract of Authorized Dealer's ledgers account, which consists, consolidated figures of all non-resident bank branches and correspondents' Rupee accounts maintained with them e.g. Exports, Imports, Invisible Receipts and Invisible Payments etc.
66. *Statement S-6*: An abstract of Authorized Dealer's ledger account, which consists transactions in foreign currency notes.

Schedules:

- The details of transactions are provided on respective schedules. Every Schedule contains columns for currency code, country code, AD Code, purpose code and the period. Code lists for each are provided in the next section of the Guide.
67. *Schedule A-I/O-I*: Purchases of foreign currencies or debits to non-resident bank rupee accounts covering proceeds of 'EXPORTS' from Pakistan as per E-Form will be listed on this schedule.
68. *Schedule A-2*: is used for reporting the advance receipts from abroad for the goods to be exported.
69. *Schedule A-3/O-3*: Purchases of foreign currencies or debits of non-resident bank rupee accounts against 'RE-EXPORT' of imported goods are reported on this Schedule.

70. *Schedule J/O-3*: This Schedule represents purchases of foreign currencies or debits of non-resident bank rupee accounts against invisible items like services etc.
71. *Schedule H*: Purchases from overseas branches and correspondents for credit of the rupee equivalent to non-resident bank account (S-1) and credit against purchases of foreign currencies (S-4).
72. *Schedule B*: Purchases of a currency against sale of other currencies are reported on this Schedule.
73. *Schedule C*: This Schedule relates to the purchases of a currency from Authorized Dealers or branches in Pakistan maintaining a separate currency position.
74. *Schedule D*: This Schedule represents foreign currencies purchased from or sold to the State Bank of Pakistan and are reported by the Head Offices/ Principal Offices of the banks.
75. *Schedule O*: Head offices/ Principal Offices of the banks report adjustments of purchases of branches not maintaining separate currency position through this schedule so that the closing balance of the bank could be calculated.
76. *Schedule L*: This Schedule covers debit to non-resident bank rupee accounts covering the transfers to other non-resident rupee accounts (S-4).
77. *Schedule E-2/P-2*: Payments of foreign currency or credit to non-resident bank rupee accounts relating to 'IMPORTS' of goods are reported under this Schedule.
78. *Schedule E-3/P-3*: Travel payments of foreign currencies or credit to non-resident bank rupee accounts are covered through this Schedule.
79. *Schedule E-4/P-4*: This Schedule relates to payments of foreign currencies or credit to non-resident bank rupee accounts on account of invisible/miscellaneous items.

80. *Schedule M*: Debit to non-resident bank rupee accounts (S-4) against sale of foreign currencies (S-1) to overseas bank's branches and correspondents.
81. *Schedule F*: Currencies purchased against sale of other foreign currencies (S-1) are reported under this Schedule.
82. *Schedule G*: Sale of currencies to other Authorized Dealers or branches in Pakistan maintaining a separate currency position (S-1) is reported on this Schedule.
83. *Schedule P*: Head Offices/ Principal Offices of the banks report adjustment of sale of currencies of their branches not maintaining separate currency position under this Schedule.
84. *Schedule N*: The closing balances (S-4) of non-resident bank rupee accounts are to be reported on this schedule.
85. *Schedule R*: Credit to non-resident bank rupee accounts covering transfers (S-4) from other non-resident bank accounts are reported through this Schedule.
86. *Schedule LAC-NR*: This Schedule represents imports under loans/aids, credits & grants where no remittances are involved. At present no transactions are being reported under this Schedule.
87. *Schedule EL-2/EL-3*: This Schedule is used for imports under credit.

Forms:

- These are the supporting documents that are collected from the banks for checking suspected entries as these documents have detail of the transactions reported to us.
88. *Form R*: it is declaration in respect of receipts above Rs.10, 000 for purposes other than exports and family maintenance.
89. *Form M*: is an application form for permission to purchase foreign exchange for outward remittance other than imports and travel, which is approved by the Exchange Policy Department of State Bank of Pakistan.

90. *IRV*: Details of all inward remittances for family maintenance and other receipts up to Rs. 10,000/= for the purposes other than exports are reported at this voucher.
91. *Frequency*: data are collected on monthly basis.
92. *Mode of Data collection*: Floppy Diskettes and Hard Copy
93. *Receiving Date*: Floppy Diskette on or before 10th of the following month to which they relate. Hard Copies latest by 13th of the following month.