

5th June, 2004

**STATE BANK RELAXES SOME CONDITIONS FOR THE SETTING UP OF
'B' CATEGORY EXCHANGE COMPANIES.**

The State Bank of Pakistan has decided to give some relaxations to the existing Authorized Money Changers for the setting up of 'B' category Exchange Companies. According to relaxations allowed, the minimum paid up capital requirement for the establishment of this kind of exchange companies has been reduced to Rs.20 million from Rs.25 million. However, they will have to raise their paid up capital to Rs.25 million by 30th June, 2005. 'B' category Exchange Companies will have to keep 10% (instead of 15%) of their paid up capital as Reserve Requirement with the State Bank.

The State Bank has also withdrawn the clause which required that at least 80% of the existing Authorized Money Changers to opt for forming the 'B' category Exchange Companies.

These relaxations have been allowed by the State Bank after a detailed meeting held between representatives of Authorized Money Changers and the State Bank officials in Karachi today.

The Executive Director, State Bank of Pakistan, Mr. Farhat Saeed chaired the meeting.

It may be recalled that the State Bank, in principle, had decided to establish 'B' Category Exchange Companies in order to bring the existing Authorized Money Changers business within the realm of Exchange Companies so that smooth transition of their existing business is achieved. It is reiterated that the Licences of the existing Money Changers would stand expired as on 30th June 2004 and they would cease to function as Money Changers w.e.f. July 01, 2004. They would be allowed sale and purchase of foreign currency notes and coins only. Other salient features of this scheme are as follows:-

- a) 'B' category Exchange Company will be required to be incorporated with SECP as a Private Limited Company.
- b) Only Authorized Money Changers will be allowed to form 'B' category Exchange Companies.
- c) Application processing fee of Rs.100, 000/- will be payable to SBP, which would include permission to open upto 5 branches. For additional branches, the company will be required to pay an additional fee of Rs.25, 000/- for each branch.
- d) It will be mandatory for an E.C. (B) to accommodate at least 5 existing Authorized Money Changers to join hands to form an E.C. (B). Once an E.C. (B) is allowed to commence its operations, Authorized Money Changers who have forwarded the request for establishment of said E.C. (B) will have to surrender their Authorized Money Changers Licences at the time of issuance of Licences for the E.C. (B).
- e) All applications submitted to Exchange Policy Department of SBP directly or through SBP BSC's offices should contain copies of individual Money Changer Licences, proposing to form an E.C. (B).

These steps would also ensure documentation of the Money Changing business in the country while also assuring that various types of risks associated with Money Changing business are properly addressed and covered.

Detailed F.E. Circular incorporating mechanism for application of the NOC/Licence and Rules & Regulations pertaining to 'B' category Exchange Companies E.C. (B) will be issued on 7th June, 2004.
