

25th May, 2004

**State Bank allows Authorised Money Changers to set-up
'B' Category Exchange Companies**

The State Bank of Pakistan has in principle decided that the existing Authorized Money Changers may be allowed to establish 'B' Category Exchange Companies [E.C.(B)]. The main objective behind establishment of E.C. (B) is 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. E.C. (B) would be allowed sale and purchase of foreign currency notes and coins only and would function under the following broad outlines:-

- a) E. C. (B) will be required to be incorporated with SECP as Private Limited Company.
- b) Only Authorized Money Changers may be allowed to form E.C. (B)
- c) Application processing fee of Rs.100, 000/- will be payable to SBP, which would include permission to open up to 5 branches. For additional branches, the company will be required to pay an additional fee of Rs.25, 000/- for each branch.
- d) The minimum paid-up capital requirement for E.C. (B) will be Rs.25 million.
- e) E.C. (B) will have to keep 15% of its paid-up capital as Reserve Requirement with SBP.
- f) 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).
- g) All applications submitted to EPD directly or through SBP BSC's offices should contain copies of individual Money Changer Licences, proposing to form an E.C. (B).

The step 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 procedure for application for E.C. (B)'s Licence and applicable rules & regulations shall soon be conveyed through an FE Circular.
