

# 4 Foreign Exchange Operations

*The Foreign Exchange Operations Department acts as an operational arm of the Exchange Policy Department of SBP, and besides processing the requests from commercial banks for commercial remittances and release of payments under different incentives announced by the Governments, it also facilitates operations of Part-II of the SBP's Export Finance Scheme. Prosecution of defaulter exporters, who fail to repatriate foreign exchange within the stipulated time frame, is a core function of FEOD which ultimately provides input to Foreign Exchange Adjudication Department to prosecute and impose penalty, if needed, under the related Para of FER Act, 1947.*

## 4.1 Overview

Being an operational arm of Exchange Policy Department (EPD) of SBP, Foreign Exchange Operations Department (FEOD) is mainly responsible for monitoring and repatriation of export proceeds, granting approvals for commercial, private and Government foreign exchange remittances, processing of applications under various Subsidy Schemes introduced by the Government for exporters, etc. and collection & analysis of various returns/data on foreign exchange-related transactions. FEOD operates under the ambit of Foreign Exchange Regulations Act 1947, Foreign Exchange Manual 2002 and various instructions/circulars issued by the Exchange Policy Department (EPD). The organizational setup comprises of FEOD located at SBP-BSC Head Office, Karachi and FEO Units at different Field Offices of the Corporation.

## 4.2 Performance Review

Amongst its various activities, the main emphasis of FEOD has been on repatriation of stuck-up export proceeds as export earnings are a vital contributor in our Foreign Exchange reserves. The strategy adopted for this includes proactive monitoring of overdue export cases on priority, follow-up of fresh cases due to better chances of repatriation, sensitization and close liaison with the banks to impress upon exporters for repatriation of overdue proceeds, preference of recent overdue cases for filing cases in Adjudication Courts, etc. Administratively, efforts are being made to build organizational capacity in the FEO function at Head Office and Field Offices through technical trainings, enhanced coordination between Head Office and Field Offices and increased utilization of automation modules. Contacts have also been made with Customs Authorities and other stakeholders for better coordination and exchange of information on export and import activities related to FEOD/EPD. Brief highlights of FEOD performance in FY14 are given in **Box 4.1**.

**Box 4.1 Highlights**

1. Number of export overdue cases reduced to 5,165 till May 2014 from 10,643 as of July 2013.
2. In terms of value, export overdue as of May 2014 decreased to equivalent of US\$ 214 million as compared to US\$ 539 million in the beginning of FY14.
3. About Rs. 1.93 billion were paid on account of Drawback of Local Taxes and Levies against around 20,000 claims.
4. Permission for export of raw cotton was allowed to 1,663 applicants in FY14.
5. Around 491,000 entries of EE/EF statements submitted by exporters were verified for the purpose of Export Refinance Scheme.
6. Cases relating to approvals sought by the commercial banks i.e. authorized dealers (ADs) for matters not covered by existing instructions numbered 7,385 during FY14 as against 7,216 in FY13.