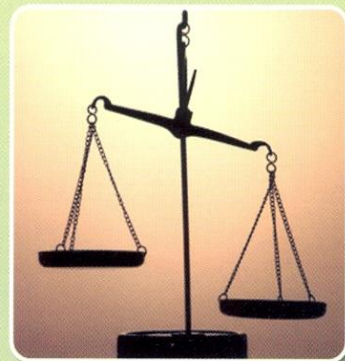
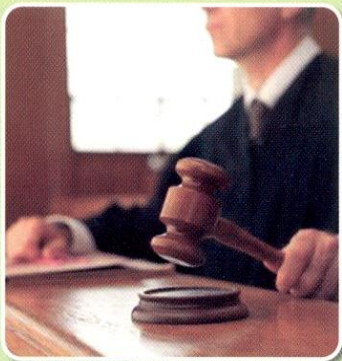


Foreign Exchange Adjudication



5 Foreign Exchange Adjudication

Foreign Exchange Adjudication Department of SBP BSC runs nine Adjudicating Courts countrywide under section 23-B of Foreign Exchange Regulations Act, 1947. These courts adjudicate cases of delinquent Exporters, Importers and Authorized Dealers for contraventions of provisions of Foreign Exchange Regulations Act (FERA), 1947 and rules and regulations under Section 3 Sub-sections (2), (3) and (5), Section 4 Sub-section (3), Section 10, Section 12 Sub-section (1) and Section 20 Sub-section (3) and impose penalties if accused are found guilty. The proceedings are conducted as per the Adjudication Proceedings and Appeal Rules, 1988.

5.1 Foreign Exchange Adjudication Department

Foreign Exchange Adjudication Department (FEAD) adjudicates through FEA Courts, the complaints received from FEOD against the delinquent exporters for non-realization of export proceeds and ensures realization of stuck up export proceeds. The FEA Courts were established in 1990 under Section 23B of Foreign Exchange Regulation Act (FERA), 1947. Presently, nine courts are functioning (4 at Karachi, 2 at Lahore and 01 each at Multan, Sialkot and Faisalabad). In case of willful default, Adjudicating Officers impose penalties on exporters, importers and Authorized Dealers for violation of different provisions of FERA 1947 as mentioned under Section 3 Sub-sections (2), (3) and (5), Section 4 Sub-section (3), Section 10, Section 12 Sub-section (1) and Section 20 Sub-section (3) of the said Act. FEA Courts follow the procedure of proceedings as defined in Rule 4 of Adjudication Proceedings and Appeal Rules, 1988.

5.1.1 Performance Highlights

The FEA Courts have managed to arrange repatriation of sizeable amounts of foreign exchange in recent years through realization of overdue export proceeds. During FY15, stuck up export proceeds equivalent to US\$ 49.4 million were realized (**Table 5.1**), while repatriation since inception of Courts stood at US\$ 407.2 million of which US\$ 225 million (55%) were realized during the last 5 years. Courts also imposed penalties of Rs 4.02 billion during FY15. At present 11,845 cases are outstanding against exporters, out of which only 1,105 complaints have been lodged within one year of shipment. Nine FEA courts took up 4,669 complaints against delinquent exporters / Authorized Dealers, out of which 2,087 complaints were disposed of till June 30, 2015 (**Table 5.2**).

Table 5.1: Realization of Export Proceeds
(million US Dollar)

| Adjudication Courts | Export Proceeds Realized | |
|---------------------|--------------------------|-------------|
| | FY14 | FY15 |
| Karachi | 31.2 | 25.6 |
| Lahore | 12.0 | 13.6 |
| Faisalabad | 4.1 | 3.3 |
| Multan | 0.7 | 0.6 |
| Sialkot | 1.4 | 6.3 |
| Total | 49.4 | 49.4 |

Table 5.2: Decision on Complaints

| Adjudication Courts | Number of cases | |
|---------------------|-----------------|--------------|
| | FY14 | FY15 |
| Karachi | 1,057 | 932 |
| Lahore | 546 | 640 |
| Faisalabad | 250 | 172 |
| Multan | 39 | 73 |
| Sialkot | 207 | 270 |
| Total | 2,099 | 2,087 |

5.1.2 Improvement in Recovery of Export Overdue Cases

The FEA Courts are working independently and endeavoring to adjudicate on merit within a reasonable time. To further improve the process, FEAD has started e-mailing Cause Lists to FEOD on weekly basis, for upcoming cases and monthly statement showing ageing of delay in lodging complaints for effective prosecution. FEAD is also preparing a plan for resolution of old cases and enhancing efficiency for timely repatriation of stuck up export proceeds. FEA courts are now also seeking assistance from FIA, Ministry of Commerce etc., under Section 23D of FERA. The department has been preparing a database of all the defaulting exporters since 2005, which will be made available for due diligence, for all stakeholders after seeking necessary approvals. Also, one Recovery Unit each has been established in Karachi and Lahore to accelerate recovery of penalty. Additionally, a 5-day specialized training course was arranged by FEAD during FY15, where learned retired Judges and attorneys shared their expertise and insight. Moreover, the process of issuance of Show Cause Notice was re-engineered at FEAD, which has enhanced the efficiency significantly. Show Cause Notices to banks are now being delivered to their central locations, which has resulted in cost cutting.