

Foreign Exchange Adjudication



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Foreign Exchange Adjudication Department (FEAD) adjudicates cases relating to violation of different Sections of Foreign Exchange Regulation Act (FERA), 1947 as per powers vested in it under Section 23B of FERA. The Adjudicating Officers are appointed by SBP Governor through a Gazette Notification in terms of powers vested in him under Section 19 of SBP BSC Ordinance, 2001.

5.1 Foreign Exchange Adjudication Department

Foreign Exchange Operations Department is authorized to lodge complaints against defaulting exporters, importers and Authorized Dealers (ADs) to adjudicate cases relating to specified Sections of FERA, 1947 and instructions issued by State Bank of Pakistan (SBP). Therefore, the Adjudicating Officers are empowered to impose penalties, if the accused are found guilty. The proceedings are conducted as per Adjudication Proceedings and Appeal Rules, 1988. Presently, eight courts are functioning which include 3 at Karachi, 2 at Lahore and one each at Multan, Sialkot and Faisalabad.

The courts are empowered to impose penalties, if the prosecution (FEOD) proves that the contravention was willful, and subsequently directs the relevant institution for recovery of these penalties as per Section 23-J of FERA, 1947.

Since establishment of the Foreign Exchange Adjudication mechanism in 1990 till end of June, 2016, the FEAD has managed repatriation of US\$ 465 million from exporters who had failed to realize the export proceeds within due dates as per instructions of SBP.

5.1.1 Performance Highlights

The FEA Courts have managed to arrange repatriation of a sizeable amount of foreign exchange in recent years through realization of overdue export proceeds. During FY16, stuck up export proceeds equivalent to US\$ 57.8 million (highest ever in a year) were realized as compared to US\$ 49.4 million in FY15 (**Table 5.1**).

Table 5.1: Realization of Export Proceeds (Million US \$)			
Adjudication Courts	Export Proceeds Realized		% Change
	FY15	FY16	
Karachi	25.6	24.3	-5%
Lahore	13.6	13.5	-1%
Faisalabad	3.3	14.8	348%
Multan	0.6	0.8	33%
Sialkot	6.3	4.4	-30%
Total	49.4	57.8	17%

It is pertinent to mention here that US \$ 107 million were repatriated during the last two fiscal years. The share of three Adjudicating Courts at Karachi stood at 42 percent in overall realization of stuck up export proceeds during FY16.

The total number of complaints pertaining to the delinquent exporters/ Authorized Dealers processed on a country-wide basis stood at 3,718; out of which 2,806 complaints were disposed off during FY16 as compared to 2,087 in FY15, showing an increase of 34% (**Table 5.2**).

During the year under review, FEAD has further strengthened its Recovery Units and for the purpose finalized Standard Operating Procedures (SOPs) for recovery as per Section 23-J of FERA, 1947. The new initiative has succeeded in significantly enhancing the recovery i.e. Rs 1.8 million recovered during the last quarter of FY16, as against a much lesser amount of Rs 0.8 million recovered during the entire FY15.

- A 3-day comprehensive training of adjudication and allied staff was arranged by FEAD in coordination with Training and Development Department and Punjab Judicial Academy, Lahore during the year under review.
- A project regarding “Development of Electronic Complaint Lodgment & Management System” is under preparation, which will facilitate SBP BSC in exercising efficient and effective monitoring of complaints so as to move forward to the paperless environment in adjudication proceedings.

Table 5.2: Decision on Complaints			
Adjudication Courts	Number of cases		% Change
	FY15	FY16	
Karachi	932	1355	45%
Lahore	640	667	4%
Faisalabad	172	537	212%
Multan	73	30	-59%
Sialkot	270	217	-20%
Total	2087	2806	34%