# REGULATORY FRAMEWORK

# FOR

# EXCHANGE COMPANIES

EXCHANGE POLICY DEPARTMENT

STATE BANK OF PAKISTAN

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# CHAPTER 1
# INTRODUCTION

This set of regulations for Exchange Companies called "Regulatory Framework for Exchange Companies (RFEC)" replaces the previously issued Exchange Companies Manual (ECM). For the purpose of this Framework, various terms used mean the following:

**Board:** Board of Directors of the Exchange Company.

**BSD:** Banking Supervision Department, SBP.

**Chief Executive Officer (CEO):** means an individual who, subject to control and directions of the Board, is entrusted with whole, or substantially whole, of the powers of management of affairs of the Exchange Company and includes a shareholder/director or any other person occupying the position of a chief executive, by whatever name called.

**Company:** means an Exchange Company authorized under Section 3AA of Foreign Exchange Regulation Act, 1947.

**Director:** includes any individual occupying the position of a director on the Board of an Exchange Company and includes sponsor director, nominee and alternate director or by whatever name called which shall be reviewed by SBP from time to time.

**EPD:** Exchange Policy Department, SBP.

**FEOD:** Foreign Exchange Operations Department, SBP-BSC.

**FERA:** Foreign Exchange Regulation Act, 1947.

**Financial Institution:** as defined under Companies Act, 2017.

**Framework:** means "Regulatory Framework for Exchange Companies".

**Key Executives:** shall mean employees of an Exchange Company having functional responsibilities as:

a) Any executive, acting as second to CEO including Chief Operating Officer, Deputy Managing Director or by whatever name called.
b) Chief Financial Officer/Head of Finance/ Head of Accounts/ Head of Internal Audit/ Head of Compliance/ Head of Operations/ Head of Human Resource/ Head of Information Technology/ Head of Risk Management.
c) Any other executive with direct reporting to CEO.

**Money Transfer Operator (MTO):** mean any foreign money transfer operator, bank, financial intuition, exchange company and other similar entity, authorized to deal in foreign remittances by its respective foreign regulator.

**Outlet:** means the Branch, Currency Exchange Booth, Payment Booth and includes any other type as allowed by the State Bank of Pakistan from time to time.

**Paid-up Capital:** means such aggregate amount of money received in cash and credited as paid-up capital against the ordinary shares issued by the Company.

**SBP:** State Bank of Pakistan.

**SBP-BSC:** State Bank of Pakistan, Banking Services Corporation.

**SDSD:** Statistics & Data Services Department, SBP.

# CHAPTER 2
# AUTHORIZATION

A company desirous of obtaining an authorization in terms of section 3AA of FERA, to operate as an Exchange Company, may approach SBP for the purpose. The process of authorization would consist of the following three stages:

a. No Objection Certificate for formation of a Company

b. In-principle approval for operationalization of a Company

c. Issuance of an authorization for commencement of business

## 1. Process of Authorization

The application process to be followed by an applicant is outlined below:

a) The applicant will submit an application to Director, EPD via surface mail as per proforma given at **Annexure-A1** along with the required documents and prescribed fee as given in Table-I: Schedule of Fees.
b) While submitting the application, the applicant will ensure that the proposed trade name of the Company shall not include the word 'Bank' or any other similar description that indicates activities other than the exchange business.
c) The application evaluation process at SBP for NOC will be based on the factors including, but not limited to, the following:

   i) The Fitness and Propriety Test (FPT) of the proposed directors, shareholders, and CEO, in terms of **Annexure-B** of the Framework.
   ii) FPT of the ultimate beneficial owner.
   iii) Feedback from the relevant stakeholders.
   iv) Legitimacy of source(s) of funds, adequacy of capital, earning prospects, and business plans of the proposed Company.
   v) Any other relevant information, which might affect the decision with respect to granting an NOC.

d) After receiving NOC from SBP, the applicant will get the Company incorporated under the Companies Act, 2017 and submit an application to SBP for seeking in-principle approval for operationalization of the Company on the prescribed form given at **Annexure-A2**. At this stage, SBP would evaluate that the incorporation of the Company and funding sources for capital injection are as per initial declarations submitted to SBP.
e) After receipt of in-principle approval, the Company shall initiate the process of operationalization. Once it is ready, the Company shall apply to SBP on the prescribed form given at **Annexure-A3** for issuance of an authorization for commencement of business.
f) The Company shall commence its business within three (03) months from the date of issuance of authorization by SBP, failing which SBP may reconsider its decision regarding such authorization.

g) SBP, before issuance of an authorization, shall conduct assessment of preparedness of the Company to commence operations. Any gaps and observations identified during this assessment process shall be notified to the applicant for rectification. The authorization would only be granted upon complete satisfaction of SBP.

h) The authorization of the Company or any of its outlets, shall not be transferable to any other entity/person of whatsoever nature, through any means, except in cases of merger/acquisition as approved by SBP.

**2. Rejection of Application**

a) SBP reserves the right to reject an application by an applicant at any stage of the application review process.

b) In case of refusal, SBP would intimate to the applicant the reasons for such rejection.

c) In case of decline of request of an applicant, the person aggrieved with the decision of the SBP may file an appeal before the Deputy Governor, SBP within thirty (30) days of issuance of such decision. The Deputy Governor, after giving an opportunity of hearing to the applicant, shall decide the appeal within ninety (90) days from the date of appeal submission and any decision issued by the Deputy Governor shall be final.

**3. Suspension / Cancellation / Revocation of the Authorization**

a) SBP may suspend/ cancel or allow revocation of an authorization of the Company or any of its outlets or limit the scope of business activity of the Company or any of its outlets after following the procedure provided in **Chapter 8** of this Framework. Further, any Company intending to close its business operations voluntarily may apply for revocation of authorization to the SBP as per **Annexure-A4.**

b) Upon cancellation / revocation of authorization of a Company, it shall approach the EPD for release of Regulatory Reserves (RR) within sixty (60) days of cancellation/ revocation of authorization. The foreign currencies held by the Company at the time of cancellation/ revocation of authorization shall be surrendered to a Company or an Authorized Dealer and documentary evidence in this respect, shall be submitted to SBP within thirty (30) days. SBP, after applicable deductions, if any, shall release the RR to the Company or to the person authorized by its Board.

# CHAPTER 3
# CAPITAL AND REGULATORY RESERVE REQUIREMENT

## 1. Capital

a) The minimum paid-up capital of the Company shall be PKR one (01) billion.
b) A capital deficient Company is required to meet the shortfall as per the following timelines:

   i) PKR 600 million by December 31, 2025
   ii) PKR 800 million by December 31, 2026
   iii) PKR one (01) billion by December 31, 2027

c) The Company shall also meet the Minimum Capital Requirement (MCR) of PKR one (01) billion, on an ongoing basis. The MCR is calculated as under:

MCR = Paid-up Capital +/- Shares related Reserves (if any) +/- Unappropriated Profit/ Accumulated Losses

d) The Shareholders and Directors of the Company shall neither, at any point in time, withdraw any funds from the Company as loan or credit under deferred payment arrangement, nor shall they extend any loan including subordinated loan to the Company unless specific approval, in writing, from SBP has been obtained.
e) The Company shall not avail any kind of financing facility, except leasing of vehicles required for business needs, from any bank/entity/person for its business activities without prior approval from SBP.
f) Shareholders shall not divest any part of their capital without prior approval from SBP.

## 2. Regulatory Reserve

The Company shall maintain fifteen (15) percent of its paid-up Capital as Regulatory Reserve (RR) with SBP in the form of cash and/or unencumbered approved government securities. For the purpose of maintaining RR, the company shall open the current account with SBP-BSC and maintain Securities General Ledger Account (SGLA) facility (if required).

## 3. Enhancement of Capital

a) Prior approval of SBP regarding enhancement of authorized and paid-up capital by the existing Directors/Shareholders will not be required. The Company may directly approach SECP for fulfillment of applicable formalities to increase its authorized or paid-up capital.
b) In case of an increase in the paid-up capital, the Company shall immediately inform SBP by providing evidence of relevant SECP returns, deposit of differential RR requirement, and documents regarding the source of funds.

# CHAPTER 4
# CORPORATE GOVERNANCE

## 1. Board

The Company shall have a Board of Directors, which shall be collectively responsible for effective oversight of its affairs. The Board shall collectively have adequate knowledge, expertise and skill-mix commensurate with the business model, overall size, complexity and risk profile of the Company.

## 2. Composition of the Board

The Board shall have the required minimum members as per Section 154 of the Companies Act 2017. The Company is encouraged to have a balance of executive and non-executive directors (including independent non-executive directors) to ensure effective and objective decision making and oversight mechanism.

## 3. Orientation and Learning of the Board Members

The Company shall arrange annual training/knowledge sessions for its Directors about its business model regarding foreign currency operations, legal and regulatory environment, standards of probity and accountability as well as their duties as Directors.

## 4. Chairperson of the Board

The Board may elect a Chairperson, responsible for its leadership, ensuring its effectiveness in all aspects of functioning and responsibilities.

## 5. Functioning of the Board

a) The Chairperson shall preside over the meetings of Board. The Directors shall exercise their powers and carry out their duties with a sense of objectivity and independence in the best interest of the Company.
b) The decisions of the Board shall be reached through a consultative process with consensus or through a majority decision, if required.

## 6. Responsibilities and powers of the Board

a) The Board shall focus on policy making and general direction, oversight and supervision of the affairs and business of the Company.
b) The Board shall approve and monitor the objectives, strategies, overall business plans and annual budget of the Company and shall oversee that the affairs of the Company are carried out prudently within the Framework, applicable laws and regulations; and high moral and business ethics.
c) The Board shall approve and ensure implementation of policies, including but not limited to, in areas of risk management, internal control, audit, IT Security, human resources, and any other operational area which the Board and/or the Management may deem appropriate from time to time. The Board shall also be responsible to review and update existing policies periodically and whenever circumstances require.

d) The Board shall clearly define the authorities and responsibilities of Key Executives of the Company and shall ensure that the management of the Company is in the hands of qualified persons.
e) The Board shall also approve policy guidelines to conduct internal audit of the Company including the head office and outlets, at least on yearly basis.
f) The Board will ensure that the functions of Internal Audit and Compliance are headed by different individuals and they shall be independent of other operational functions.
g) The Board shall carry out its responsibilities in such a way that the external auditors and regulators can see and form judgment on the quality of Board's work and its contributions through proper and detailed minutes of the deliberations held and decisions taken during the Board meetings.
h) The Board shall ensure that it receives management letter from the external auditors without delay. The Board shall ensure that appropriate remedial action is taken to mitigate the weaknesses identified in the management letter. A copy of that management letter shall be submitted to the BSD-1 within four (04) months of closure of financial year so that it can monitor follow-up actions.
i) The Board shall also ensure that any change in the Memorandum or Articles of Association and shareholding pattern of the Company shall not be made without prior approval from SBP.

**7. Meetings of the Board**

a) The Board shall meet at least once in each quarter and the directors shall attend at least half of the meetings held in a financial year.
b) Subject to the provisions of Articles of Association of the Company, the quorum for meetings of the Board shall be, at least, one third of the number of directors or two directors as the case may be. Participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum.
c) The Board must ensure accurate recording of minutes of the meetings reflecting the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. Further, minutes of the Board meetings shall include details of matters decided/resolved through circulation if any.
d) The minutes of meetings shall be circulated to directors and officers entitled to attend Board meetings within thirty days of the date of meeting for confirmation.

**8. Remuneration of the Board**

a) The Company shall develop fair, transparent and sound remuneration policy for its board following the due process provided in the Companies Act 2017.
b) Directors' remunerations shall be appropriate and commensurate with the level of responsibilities assigned and their expertise so that value addition for the Company is ensured. However, it shall not be at a level that could be perceived to compromise their independence.

**9. Induction of Shareholder or Director**

a) The induction of Shareholder and Director will require prior approval from SBP.

b) The Company will conduct prior self-assessment of the FPT of the Shareholder(s) and Director(s) in accordance with criteria given in **Annexure-B**.
c) Subject to (b) above, the Company will submit the request, to seek approval from SBP, along with relevant information, documents and affidavit as per **Annexure-B1 & B2**.
d) Subject to receipt of approval from SBP, the Company will induct new Shareholder(s) and appoint member on the Board as Director(s). Further, the Company will ensure that the funds invested by new shareholder are legitimate under related laws and keep the record of the respective documents and evidence of sources of funds, brought in by the shareholder.
e) On the assumption of charge by the Director or Chairperson, as the case may be, the Company will share the copy of charge assumption report with SBP immediately.

**10. Appointment of CEO**

a) The Board will appoint the CEO and also determine the terms and conditions of his/her appointment.
b) The CEO, subject to directions and control of the Board, will be entrusted with the powers of management of the affairs of the Company.
c) The Company will be responsible to conduct prior self-assessment of the FPT of the CEO in accordance with criteria given in **Annexure-B**.
d) Subsequent to above self-assessment, the Company will seek SBP's approval for appointment of CEO, submitting documents as per **Annexure-B1 & B2**.
e) Subject to receipt of approval from SBP, the CEO will assume the charge and the Company will share copy of charge assumption report with SBP immediately.
f) The Company can appoint an Acting CEO, for a period not exceeding three (03) months in case of vacation of the office of CEO due to any plausible reason (including resignation, removal, etc.). The Company can assign acting charge of CEO Office to any existing Key Executive, whose FPT has been cleared by SBP previously or who meets the FPT Criteria prescribed for the CEO.
g) The Company will inform SBP within three working days of the assumption of charge by Acting CEO. Further, during the three (03) months' period of acting charge, the Company will initiate process for appointment of CEO and seek approval of SBP, as mentioned in (a) to (d), above.

**11. Appointment of Key Executives**

a) The Company will ensure appointment of well qualified persons for all key executive positions including Chief Compliance Officer, Head of Operations etc.
b) The Company will conduct prior self-assessment of FPT of the all Key Executives as per criteria given in **Annexure-B** to ensure they meet the relevant FPT criteria in letter and spirit and keep this assessment on record for review of SBP inspection.
c) The appointment of all Key Executives will not require prior approval of SBP.
d) The Company will inform SBP within seven (07) working days of assumption of the charge of the post by the incumbent and submit the information as per **Annexure-B1 & B2**.

**12. Screening of Shareholders, Directors, CEO and Key Executives**

a) The Company will institute a proper mechanism for screening of the Shareholders, Directors, CEO and Key Executives, on an ongoing basis, as per criteria set under relevant resolutions of the United Nations Security Council Resolutions and Anti-Terrorism Act, 1997 for designated/proscribed entities/persons.
b) The Shareholder, Director, CEO or Key Executive will become disqualified if they become designated/proscribed or found associated directly or indirectly with any designated/proscribed entity or person.
c) The Company will maintain proper record of such screening.
d) The Company shall obtain annually a declaration from all Shareholders, Directors, CEO and Key Executives as per **Annexure-B3** that the information previously provided has not undergone change and where there is any change, requisite details have been furnished to SBP within fifteen (15) days of the change.

**13. Appointment of External Auditor**

a) For the purpose of annual statutory audit, the Company will appoint reputed audit firm from within the panel of auditors enlisted by SBP.
b) The Company will change their external auditors every three (03) years. The Company will not remove its external auditors during the period of appointment without the prior approval of SBP.
c) The Company that is a subsidiary /associate of a Bank/Microfinance Bank may continue with the same auditor that is appointed by its respective Bank/Microfinance Bank.

**14. Disclosures**

a) The Board members and Key Executives shall disclose to the Board, whenever they directly, indirectly, or on behalf of third parties have a material interest in any transaction or matter directly affecting the Company.
b) The Board will review all transactions with related parties to ensure that these are carried out on normal terms and conditions and on arm's length basis.
c) The Company will disclose, in financial statements or otherwise, all material transactions and matters regarding the organization, including financial position, performance, and governance of the Company.

# CHAPTER 5
# INTERNAL CONTROLS AND IT SYSTEMS

## 1. Internal Controls

a) The Company shall develop policies, plans and procedures to ensure operational efficiency, accurate financial reporting and compliance of applicable laws and regulations.
b) While developing the internal controls framework, the Company should adopt widely accepted 'Control Principles'.
c) The Company shall integrate internal controls into daily operations, ensuring that the internal control system includes the following key components:

i) **Control Environment:**

(a) The Company shall periodically review and update internal control policies and procedures (at least annually) and ensure compliance.
(b) The Company shall ensure clear roles and responsibilities for all functions at every level to maintain a strong control environment.

ii) **Risk Assessment and Management:**

(a) The Company shall assess risks emanating from all the activities and document such risks.
(b) The Company shall implement effective controls to mitigate identified risks.

iii) **Implementing Controls:**

(a) The Company shall implement clear segregation of duties to prevent errors and frauds.
(b) The Company shall ensure appropriate approvals and authorizations for all transactions.

iv) **Accounting, Information and Communication System:**

(a) The Company shall implement effective communication channels for reporting issues and disseminating policies and maintain proper record of all the routine transactions and reversed/ cancelled transactions.
(b) The Company shall reconcile accounts to detect discrepancies. Specifically, the local and foreign currency ledgers and intra-company outlet accounts must be reconciled on daily basis, whereas bank account ledgers must be reconciled on monthly basis.
(c) The Company shall perform periodic testing and verification of accounting, information and communication systems for ensuring adequacy and functionality.

v) **Monitoring:**

(a) The Company shall develop internal mechanisms to monitor the activities of all functions and ensure prompt reporting of non-compliance issues.
(b) The Company shall provide regular training to employees on internal control procedures and compliance requirements particularly latest regulations issued by SBP.

**2. Anti-Money Laundering, Combating the Financing of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) Related Controls**

a) The Company shall comply with the Anti-Money Laundering, Combating the Financing of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) Regulations issued by SBP vide BPRD Circular No. 05 of 2020 dated September 30, 2020, and amendments thereto as well as any rules issued by Government of Pakistan in the matter. The (AML/CFT/CPF) Regulations are available at https://www.sbp.org.pk/l_frame/aml.htm. While the relevant rules can be accessed at http://www.fmu.gov.pk/docs/Counter-measures-for-High-Risk-Jurisdictions-Rules-2020.pdf.
b) Any violation of AML/ CFT/ CPF Regulations shall attract penal as well as administrative action under the applicable laws/rules/regulations.

**3. Internal Audit**

a) The Company shall establish an internal audit function, which shall be headed by an individual with relevant experience.
b) The internal audit function of the Company shall be performed in accordance with the internal audit charter duly approved by the Board. Further, the internal audit scope, shall cover all functions of Head Office and Outlets, including but not limited to the Company's books of accounts, IT infrastructure, foreign exchange exposure, operations, AML/ CFT/ CPF policies, procedures, controls and compliance etc.
c) The Company, with the prior approval of SBP, can also outsource its internal audit function to audit firms that are on the panel of auditors maintained by SBP. However, the ultimate responsibility regarding the audit coverage and quality of internal audit deliverables shall remain with the Company. The outsourcing of internal audit function shall be subject to the following conditions:

i) The audit firm, to whom, the internal audit function is outsourced must not be the external auditor of the Company for the current or previous two years.
ii) The firm shall also not work as the Company's external auditor for at least the next two years, after leaving the relationship of internal audit.
iii) The firm shall not be the external auditor of the parent company.

d) The internal audit function shall report directly to Board or BAC (if exists) to ensure the independence of internal audit function.

## 4. Accounts and Financial Reporting

a) The Company shall maintain proper accounting records and submit the same in such form as may be required by SBP.
b) The Company shall prepare financial statements in accordance with relevant provision of Companies Act, 2017, applicable financial reporting standards, and directives issued by SBP.
c) Financial year of the Company will be from 1st January to 31st December.
d) Besides preparing annual financial statements, the Company shall also be required to prepare financial statements on half-yearly basis. The applicable timeline for preparation and submission of half-yearly and duly audited annual financial statements to BSD-1 is as under:

   i) Annual: Within ninety (90) days of the close of the financial year.
   ii) Half Yearly: Within sixty (60) days of the close of the half-year of its financial year.

e) The Company shall post audited annual financial statements on its website within the timelines prescribed in Para 4(d) above.
f) In addition to the disclosure requirements of the Companies Act, 2017, the Company shall also disclose the following in the notes to the financial statements:

   i) Details of its outlets.
   ii) Particulars of MTOs and/or Home Remittance Tie-Ups arrangements.
   iii) Name of Financial Institutions on whose behalf the Company is providing branchless banking services, if any.
   iv) Details of Shareholders/ Directors with their shareholding status.

g) The Company shall also disclose any transactions involving related parties, such as shareholder/ directors/ CEO/ key Executive and their family members.

## 5. IT Infrastructure

The company shall follow the below mentioned minimum set of best practices to develop Information Systems' policies for establishing and implementing effective IT systems and infrastructures:

a) The Company shall develop comprehensive IT and Information security policy.
b) The Company shall deploy a centralized Core Business Application (CBA) to support daily operations. Further, the Company's CBA shall support integration with allied applications (e.g. Accounting System, Name Screening Solution (NSS) and Transaction Monitoring System (TMS) and Application Programming Interfaces (APIs).
c) The Company shall implement automated TMS and NSS. The TMS shall be capable of producing meaningful alerts based on pre-defined parameters/thresholds and customer profile, for analysis and possible reporting of suspicious transactions.
d) The Company must ensure that both their primary and secondary data centers are situated within Pakistan. Further, the Company shall establish redundant network connections to

primary and secondary sites through Virtual Private Network (VPN) or dedicated links i.e. internet access must be restricted.

e) The Company may outsource its workload to local Cloud Service Providers (CSPs) in the manner as prescribed in **Annexure-C**.

f) The Company shall put in place following minimum security requirements to safeguard operating systems, software, network, security devices and databases:

   i) The Company shall set monitoring control procedures to allow access to the users and vendors on sensitive data/information and systems. Further, the Company must ensure that its CBA vendors do not have complete access to customer data under any circumstances.
   ii) The Company shall ensure adequate measures for information security of all IT infrastructure including people, process and technology.
   iii) The company shall not install unlicensed software(s).
   iv) The Company shall install updated versions of software(s).
   v) There should be adequate logging and monitoring of systems and user activities to detect irregularities and secure protection of logs from manipulation.

g) The Company shall establish procedures for patch management and install updated patches on all IT systems.

h) The Company is encouraged to maintain their functional website wherein information such as profile of the Company, its Directors and CEO; authorized locations/places of business along with their address; performance of the Company including latest financials and details of person(s) to contact in case of customers' complaints may be provided.

i) The Company shall develop a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) as part of the business continuity planning process. The goal of the BCP shall be to minimize financial losses to the institution, serve customers with minimal disruptions and mitigate the negative effects of disruptions on business operations.

**6. Transaction Related Control Requirements:**

a) The company shall implement system-based controls on input and authorization of transactions keeping in view the amount and risk level; however, for all reversal/ cancellation of transactions, four eye principle shall be implemented.

b) The Company shall grant access of CBA to its users on a need-to-know basis. Staff at the head office shall not have the access to post transactions of individual customers.

c) The Company must integrate Biometric Verification System for Pakistani nationals with CBA and ensure that the biometric data are accurately captured and automatically fetched in CBA without any manual intervention.

d) The Company must implement control in the system to ensure that biometric verification of customer is used only once. The Company must perform a new biometric verification for every subsequent sales/outward transaction.

e) The Company must develop alert generation mechanism for multiple transactions of a single customer across the Company's network to ensure compliance of regulatory requirements.

f) For inter-outlet transactions, the Company shall develop a mechanism where, the transaction details are only entered by the transaction initiating outlet, while there should be no option available to the counterparty outlet to manually enter/amend the transaction details.

g) The Company must restrict its CBA from performing backdated cash-related adjustments. All entries involving physical cash (PKR and FCY) must be performed on real time basis.

**7. Standardization of Monitoring through Close Circuit Television (CCTV) Cameras**

a) The following instructions shall be applicable for compliance by all the outlets (including Head Office) of the Company:

i) Each outlet shall be equipped with high resolution CCTV cameras having zoom functionality in order to monitor and clearly capture all activities taking place in the respective outlet.

ii) The CCTV cameras shall be installed at appropriate locations of each outlet for proper monitoring in such a manner that each area and activity taking place in the outlet must be captured in the recording in particular cash counters, customer area, vault, printers, computer systems, manager cabin etc. Besides, entrance/exit of the outlet shall also be adequately covered.

iii) The time of CCTV camera and Digital Video Recording (DVR) system installed at outlets shall be synchronized with the time of the CBA. Furthermore, all CCTV cameras of the Company shall be accessible at Head Office on real-time basis. Further, the Company is encouraged to set up a unit, in their Head Office, for centralized monitoring of CCTV cameras.

iv) The arrangement for recording of CCTV shall be functional on 24 hours 7 days' basis with necessary lighting facility for clarity in video recording. Further, proper electricity back-up shall also be arranged for the purpose. In cases, where CCTV system is non-functional at an outlet for any reason, including technical faults, the Company shall not carry out any business activities in the said outlet during such time, until the functionality of the CCTV system is restored.

v) The video recording through CCTV cameras shall be preserved for at least six months. However, in case of any dispute/incident within the business premises, the related recording shall be preserved till the resolution of the matter. In case the matter is under investigation or is sub judice before a court of law, the related recordings shall be preserved for a period as may be required in terms of applicable laws/regulations and/or the Court's orders.

vi) The Company shall ensure continuous recording even if no movement takes place at its outlets. It shall also be ensured that all vantage points are covered through CCTV cameras and their recordings are clearly visible.

vii) The backup of recording shall be maintained at an appropriate place in case the Company keeps the original recording in the same outlet to avoid loss of recording in case of any untoward incident taking place at the outlet e.g. earthquake, fire breakout etc.

viii) In case of any technical issue in installed CCTV cameras/ DVR system, the same shall immediately be communicated to the Head Office of the Company by respective outlet.

All correspondence among outlets, Head Office and vendor shall be preserved and made available to SBP's inspection team for their review during the course of inspection.

ix) The staff of the outlets shall be provided training to operate CCTV camera/DVR system.

b) The Company shall ensure meticulous compliance of above instructions in letter and spirit. Any intentional effort to circumvent these instructions, such as deleting videos or tampering with DVR, misplacing direction of cameras, purposefully disabling DVR, etc. will result in strict enforcement action against the delinquent Company.

# CHAPTER 6
# OUTLET NETWORK

## 1. Type of Outlets

The outlets of the Company may be divided into the following categories:

a) **Branch**

A Branch is an outlet of the Company which offers all types of services such as buying and selling of foreign currency notes and coins, inward home remittances, outward remittances, branchless banking and Collection of utility bills.

b) **Payment Booth**

The Payment Booth (PB) is an outlet of the Company where payments of inward home remittances can be made to the beneficiaries in PKR only.

c) **Currency Exchange Booth**

The Currency Exchange Booth (CEB) is an outlet of the Company where buying/selling of foreign currencies including notes, coins etc. from/or to its customers can be made.

d) **Any other type as specified by SBP**

All the Outlets of the Company shall operate under the name and style of the Company, having a separate and identifiable set up, appropriate signboards displaying the type of Outlet i.e. Head Office, Branch, Payment Booth, Currency Exchange Booth etc. as the case may be. Prominent signboards should be placed clearly indicating the service that the Company is offering.

## 2. Outlet Network Expansion

a) The Company desirous of opening new outlets shall be required to meet the following minimum terms and conditions:

i) The Minimum Capital Requirement (MCR).
ii) Capital Adequacy for each new outlet, as below:

| | |
|---|---|
| Branch | PKR 10,000,000/- per branch |
| Payment Booth/Currency Exchange Booth | PKR 5,000,000/- per PB/CEB |

The above criteria are for the purpose of calculation of capital adequacy of the Company in relation to its entire network. It shall be free to assign any amount of capital to any of its outlets based upon the business activity.

b) The Company desirous of opening new outlets is required to submit an Annual Network Expansion Plan (ANEP) duly approved by its Board by 31st October of each year for the

next calendar year (January-December) as per **Annexure-D** addressed to the Director, EPD.

c) In-principle approval of ANEP shall be valid for one year only, which shall be granted by SBP keeping in view the following, but not limited to:

   i) Compliance to SBP's regulatory requirements;
   ii) Composite Risk Rating of the Company;
   iii) Financial health, corporate governance, anti-money laundering issues, current and estimated future earnings etc.;
   iv) Performance in terms of opening of outlets as per ANEP of previous year;
   v) The outlets to be opened in underserved/remote areas;
   vi) Other requirements as per applicable rules and regulations.

d) The Company shall ensure that the location of new outlet(s) is at least **one (1) kilometer** from any of its existing outlet(s).
e) The Company shall seek authorization of SBP before commencement of operations at each outlet, as approved in ANEP, along with documents as mentioned at **Annexure-E**.
f) It will be the discretion of SBP to refuse or grant, fully or partially, the number of outlets requested by the Company at the time of making a decision about ANEP.

## 3. Special Authorization

### I. Temporary Currency Exchange Booth (TCEB)

The Company may establish TCEB(s) for a limited time period only where currency exchange business (buy/sell of FCY only) can be carried out after approval of SBP. Process of establishment of TCEB(s) is mentioned at **Annexure-E**.

### II. Outlets at Airports

a) The Company desirous of participating in Pakistan Airports Authority (PAA) tender(s) for award / renewal of authorization of outlets (e.g. currency exchange booth(s) / branch(es)) at any Pakistani airport(s) shall obtain in-principle approval from SBP before participating in each PAA tender.
b) In this regard, application(s) complete in all respects must reach EPD at least seven (07) working days prior to the last date of application submission in PAA tender(s).
c) In-principle approval for participation in PAA tender(s) shall be given by SBP to that Company which has better compliance ratings, financial health, corporate governance etc.
d) The outlet(s) at airports shall be treated independent of ANEP.

## 4. Relocation of Outlets

The Company may relocate any of its outlet(s) during the year within city/town or any of the underserved areas after seeking prior approval of SBP. For the purpose, before commencement of operations at the new location, the Company shall submit an application to SBP along with required documents as mentioned in **Annexure–E**. Further, the Company shall surrender original authorization/permission letter of previous location for issuance of revised authorization/permission of new location.

## 5. Change in Category of Outlet

The Company may change the category of any of its outlet(s) with the prior approval of SBP and subject to submission of related documents as mentioned in **Annexure–E**. The Company shall also surrender original authorization/permission letter for issuance of revised authorization.

## 6. Closure of Outlets

a) The Company shall be free to close any of its existing outlets after informing SBP. The original authorization/permission letter of the outlet must be surrendered to SBP within fifteen (15) days from the date of closure.
b) The Company may also temporarily close / suspend the operations of any of their existing outlets. Information regarding temporary closure of an outlet as well as its subsequent re-opening/restoration shall be reported to EPD. However, if an outlet of the Company remains temporarily closed continuously for a period of six (06) months, the authorization for such outlet shall stand cancelled immediately after the lapse of the aforesaid time period.
c) The Company shall inform the general public through display of notice outside the premises of the outlet about the closure/suspension of operations.

# CHAPTER 7
# OPERATIONS

## 1. Scope of Business Operations

a) Subject to the provisions of FERA and authorization granted by SBP, the Company may deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travelers' cheques, transfers/remittances and other similar businesses through its counters or digital means.
b) The Company can conduct transactions, or establish legal arrangements with Authorized Dealers, other Companies, SBP's regulated entities, and other resident & non-resident entities as specifically allowed by SBP.
c) The business operations of the Company are subject to the compliance of all applicable laws, rules, regulations and terms & conditions specified by SBP.

## 2. Recording of Transactions

a) The Company will record all transactions in its centralized Core Business Application (CBA) on real time basis and no manual transaction will be executed with any customer. Further, any transaction not recorded in the CBA would be treated as out of books transaction.
b) The Company will issue system generated receipt of each transaction carried out with the customer.
c) The system generated receipt could be kept as record in physical or digital form.

## 3. Purchase of Foreign Currency from Individuals

a) The Company may purchase foreign currency from individuals in "Ready" value date only.
b) Where the transaction is equivalent to USD 2,500/- or above, the Company will retain copy of identification document i.e. Computerized National Identity Card (CNIC), National Identity Card for Overseas Pakistanis (NICOP), Pakistan Origin Card (POC), Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan), as the case may be.

## 4. Purchase of Foreign Currency from Authorized Dealer or Exchange Company

The Company may purchase foreign currency from another Company or an Authorized Dealer, subject to compliance of the following:

a) The Company can purchase foreign exchange in "Ready", "Tom" and "Spot" value dates.
b) In case of purchase of foreign currency notes from an Authorized Dealer, the Company will provide contra credit in the Nostro Account of the Authorized Dealer, as per mutually agreed terms.
c) In case of purchase of foreign currency form any other Company, the transaction will be settled in PKR only, by crediting the amount in the bank account of the seller Company.
d) Settlement of any transaction in cash is strictly prohibited.

## 5. Sale of Foreign Currency to Individuals

The Company may sell foreign currency to individuals' subject to compliance of the following:

a) Sell foreign currency in "Ready" value date only.
b) For all transactions, the Company will retain copy of identification document (in physical or digital form) i.e. Computerized National Identity Card (CNIC), National Identity Card for Overseas Pakistanis (NICOP), Pakistan Origin Card (POC), Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan) as the case may be; after having seen the original document.
c) For all transactions equivalent to USD 500 or above, the Company will carry out biometric verification of Pakistani Nationals and maintain the record thereof.
d) The company shall obtain original online Verisys slip issued by NADRA, in case biometrics of any individual cannot be verified from NADRA due to:

    i) Customer's permanent physical disability, e.g. limbs disability, uneven texture/ erased / unclear fingerprints, etc.
    ii) Customer's temporary issue e.g. wounded/ bandaged hands/ mehndi, etc.
    iii) NADRA system/data/connectivity or technical issue beyond a reasonable time.

e) For all transactions equivalent to USD 1,000 or above, the Company will record the purpose of the transaction and obtain supporting documents. The company shall also record the source of funds.
f) For all transactions equivalent to USD 2,000 or above, the Company will receive contra credit in PKR through bank transfer or cheque from the personal account of the customer. The transaction or instrument reference number and the name of the bank transferring funds or issuing the instrument will be mentioned on the transaction receipt along with identification document number of the customer.
g) In addition to the above requirements, the sale of foreign currency to individuals will be subject to the following:

    i) Maximum limit per person per day (in the form of cash or outward remittance) from all Companies, is USD 10,000 or equivalent in other foreign currencies.
    ii) Maximum limit per person per calendar year (in the form of cash or outward remittance) from all Companies, is USD 100,000 or equivalent in other foreign currencies.
    iii) While selling the foreign currency to the individuals the Company will also adhere to purpose specific limits under the applicable regulations.
    iv) In order to ensure compliance of limits mentioned under serial no (i & ii), the Company will obtain an undertaking from the customer, at the time of each transaction, that the customer has not already reached the daily and yearly limits and these limits will not be breached after the current transaction. The Company will ensure, through placement of appropriate checks in their information systems, that the above limits are not breached at their Company's level.

## 6. Sale of Foreign Currency to Authorized Dealer or Exchange Company

The Company may sell foreign currency to an Authorized Dealer or to another Company subject to compliance of the following:

a) The Company can sell foreign exchange in "Ready", "Tom" and "Spot" value dates to an Authorized Dealer. The Company will receive contra credit in PKR, in its bank account, against sale of foreign currency notes to an Authorized Dealer.
b) The Company can sell foreign exchange in "Ready", "Tom" and "Spot" to any other Company. The Company will settle the transaction in PKR only, and receive the sale proceeds in its bank account from the bank account of the buyer Company.
c) Settlement of transactions in cash is strictly prohibited.

## 7. Inward Home Remittances

### I. General

a) The Company will seek prior approval of SBP before commencing inward home remittances operations.
b) After obtaining the approval from SBP, the Company may engage with foreign MTOs on non-exclusive basis.
c) Subject to compliance of due diligence and other requirements as given hereunder, the Company will approach EPD along with draft agreements for seeking regulatory input on such agreements. However, overall responsibility of safeguarding interest of the Company and mitigation of all related legal, regulatory and commercial risks would rest with the Company.
d) The Company will surrender 100% of FCY, received on account of inward home remittances, in equivalent US Dollars, in the interbank market on the same day.

### II. Due Diligence Requirement for Engagement with Foreign MTOs

The Company will consider the following while selecting any foreign MTO for agency arrangements:

a) The MTO should be a registered entity, that is supervised/regulated by the relevant authorities.
b) The MTO shall have proper KYC/CDD policies in place and have sufficient customer base.
c) Particular attention may be paid when continuing the relationships with MTOs located in jurisdictions, which have been identified by Financial Action Task Force (FATF) as having deficiencies in their AML/ CFT/ CPF regimes.
d) The Company will consider the following at *Pre-Agreement stage* for the agency arrangements:

    i) Develop a general understanding of legal & regulatory framework of the jurisdiction involved with respect to the following:

        (a) Rules related to licensing/authorization requirements.
        (b) Rules regarding opening/closing/shifting of business locations.
        (c) Rules governing remittances transactions.

(d) Anti-Money Laundering & Know Your Customer requirements.
(e) Laws & regulations related to overseas agency arrangements.

ii) Obtain a copy of license/authorization issued by concerned regulatory body to the MTO and confirm that the MTO has power to enter into or execute such arrangements.
iii) Obtain brief introduction of sponsors of the MTO and thoroughly investigate their credentials and market repute.
iv) Obtain and periodically update the details of network of the MTO.
v) Obtain the list of existing agency arrangements of the MTO.
vi) Institute all agreements with the principal MTO/entity and not with any of its agent or sub-agent. Further, all negotiations and communications shall be made/addressed to authorized person of the MTO.

e) The Company will consider the following as *essentials of the agreement* with MTO:

i) The agreement will be for payment of home remittances in PKR only.
ii) All funds against home remittances shall be received in advance in the Company's FCY Account(s) maintained with banks in Pakistan.
iii) For transactions greater than USD 1,000 the agreement should require the MTO to provide address of sender in addition to his/her name. However, address may be substituted with any unique Identification Number/ National Identity Number/ Customer Identification Number/Date & Place of Birth.
iv) The agreement shall be non-exclusive meaning thereby that it should not restrict the Company, directly or indirectly, to offer similar competing services under other arrangements.
v) The agreement shall give ownership rights of all related accounting/book-keeping and other record to the Company and the same will be maintained for at least five years.
vi) The agreement shall not contain clauses, which give blanket approval to MTO to assign or transfer part of the agreement or any right or duty thereof, to any third party without prior approval of SBP.
vii) The agreement shall be in compliance with all the regulations, instructions, directives, circulars and other communications issued by SBP and contains provision of incorporating any amendments made therein from time to time.
viii) The agreement shall ensure compliance of prudent practices and standard policies related to Internal Controls, Information Technology, Anti Money Laundering and Know Your Customer etc.
ix) The agreement shall not compromise SBP's right to terminate it at any time.

f) The Company will adopt the following as *post agreement* follow up actions:

i) The Company will continuously monitor market repute and financial condition of the MTO to ensure that it is capable to meet its financial obligations under the agreement.
ii) MTO shall be made bound to immediately bring into notice of the Company any change in laws, rules and regulations, which may affect the arrangements.

iii) For any subsequent amendment in the agreement, prior approval of SBP shall be ensured.
iv) MTO will also be required to keep the Company updated about any change in its network.
v) The funds/cover payments accompanying message needs to contain accurate and meaningful originator(s) (including beneficial owner(s)) information which should remain with the wire transfer or related message throughout the payment chain. In case of any suspicion, the Company shall file an STR with Financial Monitoring Unit.

**III. Disbursement of Home Remittance as Sub-Agent**

a) The Company may enter into agreements with the Authorized Dealers to act as their sub-agents for disbursement of home remittances in PKR to beneficiaries, received by Authorized Dealers through their international tie-ups.
b) As home remittance disbursement sub-agent of the Authorized Dealers, the Company will ensure the following:

i) Not recover any charges from the beneficiaries of the remittances. However, the Company can receive share of incentive or fee from Authorized Dealer.
ii) Record all such transactions in the Core Business Application on real time basis. However, the Company is not required to report such disbursements to SBP, as the Authorized Dealer will report such transactions to SBP under ITRS reporting.
iii) The amount disbursed under such agreement will not be accounted for the calculation of outward remittance limit of the Company.

**8. Outward Remittances Transactions**

a) The Company is authorized to effect outward remittances only on personal account of individuals i.e. personal financial transactions.
b) The Company is not allowed to effect any outward remittances on account of trade and commercial transactions of any nature including payments against services, commission etc., whether on account of individuals or on behalf of corporate clients.
c) The Company can effect outward remittances up to 75% of the inward home remittances mobilized by it during the preceding month.
d) The Company will retain copy of identification document i.e. Computerized National Identity Card (CNIC), National Identity Card for Overseas Pakistanis (NICOP), Pakistan Origin Card (POC), Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan) as the case may be; after having seen the original document.
e) The Company will carry out biometric verification of Pakistani Nationals for all transactions and maintain the record thereof.
f) For all transactions of equivalent to USD 1,000 or above, the Company will record the purpose and obtain supporting documents thereof.
g) For all transactions of equivalent to USD 2,000 or above, the Company will receive contra credit in PKR through bank transfer or cheque from the personal account of the customer. The transaction or instrument reference number and the name of the bank, transferring funds or issuing the instrument, will be mentioned on the transaction receipt along with identification document number of the customer.

h) The Company will route all outward transactions through its foreign currency accounts maintained, in Pakistan, with an Authorized Dealer.
i) The outward remittance transactions shall be treated as a separate transaction, and under no circumstances, a Company should resort to netting-off the inflows with outflows.
j) The Company will issue system generated receipt of the transaction, regardless of the amount, the receipt should contain the names, addresses and other particulars of the remitter and beneficiary.

**9. Branchless Banking Agent of Financial Institutions**

a) The Company may conduct branchless banking activities as an agent of banks and Microfinance banks who offer these services under Branchless Banking Regulations issued by SBP.
b) The Company may approach respective bank/ MFB to extend branchless banking services on its behalf. The respective bank/ MFB will seek approval from the Banking Policy & Regulations Department, SBP to appoint the Company as its branchless banking agent. Thereafter the Company will be able to start providing these services on behalf of the authorized financial institution as and when the financial institution has been approved by the Banking Policy & Regulations Department, SBP for appointing that Company as the agent.
c) The Company shall not portray itself as banking company or Authorized Financial Institution as defined in Branchless Banking Regulations.
d) The Company shall intimate such arrangement and submit related agreement to the Director, EPD for information.

**10. Collection of Utility Bills**

a) The Company may enter into agreements with utility companies like WAPDA, KE, PTCL, SSGC etc. for collection of utility bills in PKR on their behalf.
b) The Company shall submit a copy of the final agreement with a utility company to the Director, EPD for information.

**11. Installation of ATMs**

The Company may install banks' ATMs for PKR at their outlets as per the terms and conditions agreed upon between the respective bank and the Company without getting prior approval of SBP.

**12. Business Limitations**

a) The Company is prohibited to engage in any other activity such as deposit taking, lending etc., directly or indirectly.
b) Prior approval of SBP is required for the Company to enter into any business agreement(s) with another Company/entity.
c) The Company is not allowed to open/maintain any Nostro account(s).
d) The Company is not allowed to deal in Virtual Currencies, Tokens etc.
e) The Company will not conduct any transaction with their customers on an authority letter.

f) The Company shall perform transactions only from its authorized outlets and shall not provide delivery services to the customers without prior approval of SBP.
g) In case of foreign currency 'Buy' transactions conducted through account transfer; i.e., where the company transfers the exchanged amount in PKR to customer's own bank account, the following procedure may be followed:

   i) The customer would need to make a prior request to the company, which will be properly recorded.
   ii) For cash pick-up from the customer, the company may authorize any of its employees to visit the customer's location. The employee shall have proper system generated authorization for the cash-collection transaction, containing at the minimum, employee's details, customer identification and address, and FCY amount to be purchased from the customer.
   iii) Such transactions shall be properly recorded/captured in the system of the company for review by SBP inspection.

**13. Dealing with Legal Persons and Legal Arrangements**

a) The Company is authorized to deal with individuals (natural persons that are walk-in customers) only, without establishing permanent/on-going relationship.
b) The Company shall not carry out any transactions with legal persons or under any legal arrangements, except with banks and the companies for permissible businesses under this framework, within and outside Pakistan.
c) For entering into any type of relationship with banks and exchange companies outside Pakistan, the Company is required to ensure the following:

   i) Determine the identity of the natural person(s) (if any) who ultimately has a controlling ownership interest in a Bank/Company;
   ii) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, determine the identity of the natural person(s) (if any) exercising control of the bank/Company through other means; and
   iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official shall be determined.
   iv) Gather sufficient information about banks and exchange companies to understand fully the nature of their business, and to determine from publicly available information about their reputation and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action.
   v) Assess bank/company AML/CFT controls, obtain approval from Board before establishing relationship and ensure clarity in respective AML/CFT responsibilities of each entity.
   vi) The Company shall not establish any type of relationship with shell banks.

**14. Handling of Currency Notes**

a) The Company shall observe the following instructions for Pak Rupee notes as well as foreign currency notes:

i) Notes of any denominations shall not be stapled.
ii) Only authentic notes shall be exchanged.
iii) Demonetized notes shall not be sold.

b) The Company shall also develop detailed Standard Operating Procedures for cash handling after taking into consideration the above instructions and get the same approved by its Board.

**15. Foreign Exchange Exposure Limit (FEEL)**

The Company shall limit its foreign exchange exposure at the close of business each day at a level not higher than 50% of its MCR as per the latest available audited financial statements. The instructions for calculation of FEEL are placed at **Annexure-F**. In case the Company has enhanced its paid-up capital and completed all regulatory requirements, it may use new capital base for calculation of FEEL for the interim period until availability of subsequent audited financial statements.

**16. Spread Between Buying/Selling Rates**

The Company is free to determine the exchange rates for buying and selling of foreign currencies, while maintaining a fair, reasonable and competitive spread between these rates. Further, it must be ensured that prevailing exchange rates applicable for sale/purchase of major foreign currencies are displayed through notice/display board at a prominent place in each of their outlets.

**17. Display of Schedule of Charges**

The Company must ensure compliance of the following instructions pertaining to display of Schedule of Charges:

a) The Company shall display updated and detailed Schedule of Charges through a notice/display board, both in English and Urdu, at a prominent place in each outlet as per their authorized scope of business.
b) The Company shall display prominently through a notice/display board, both in English and Urdu, that no charges are levied/deducted for payment of inward remittances and collection of utility bills.
c) Admissible charges recovered against any service from customer must be separately disclosed on the system generated receipt issued for the purpose.

**18. Documentation of Inland Currency Transportation**

a) For carrying out transactions requiring movement of Pakistani Rupee (PKR) and Foreign Currency (FCY) within the Company's authorized network, with other Companies and Banks, the Company shall ensure as under:

i) Each outlet of Company shall be allocated working capital keeping in view the business needs by the Head Office of the respective Company. Allocation of working capital to each outlet shall be documented at Head Office level with trail of any change therein.

ii) The purpose for the movement of cash PKR and FCY shall be properly documented and recorded, after necessary authorization in the system by the Head Office.
iii) Only bank accounts shall be used for movement of PKR between the cities.
iv) The movement of cash PKR (within a city) and FCY (across Pakistan) shall be undertaken only by the authorized employee(s) in the Company's owned vehicles, through air transit or by Cash-in-Transit Company. Proper record shall be maintained by the Company regarding all cash in transit activities including vault services obtained from Cash-in-Transit companies. While recording cash in transit activities, the Company shall inter-alia capture the name of security company (if any), city of departure and arrival, date of transaction, amount of FCY and its equivalent PKR, details about transit locations or vault locations and time period for which cash remained in transit and in vaults.

b) During the movement of cash PKR and FCY, the system generated vouchers or receipts along with the authority letter shall be available with authorized employee (s) or Cash-in-Transit Company.
c) The Company shall develop and implement Standard Operating Procedures (SOPs), duly approved by its Board, in light of Para 18(a) above. The SOPs shall, at the minimum, cover all the guidelines attached at **Annexure–G.**

**19. Export of Foreign Currencies**

**I. General**

a) The Company may export all foreign currencies other than US Dollars on consignment basis through cargo/security companies. Prior approval from SBP is mandatory before starting the foreign currency export business.
b) The Company shall ensure that a minimum of 10% of US Dollars received against export of foreign currencies are sold in the interbank market against each consignment.
c) The Company shall comply with the terms and conditions as specified in **Annexure-H1** for export of permissible foreign currencies.

**II. Designated Airports**

a) All foreign currencies other than US Dollars can be exported by the Company through SBP-Customs Joint Booths located at Jinnah International Airport (JIAP) - Karachi, Allama Iqbal International Airport (AIIAP) - Lahore, Islamabad International Airport (IIAP) – Islamabad, Bacha Khan International Airport (BKIAP) – Peshawar or any other airport decided by the SBP from time to time.
b) The timings of SBP-Customs Joint Booths at designated locations shall be followed as per the schedule issued by FEOD from time to time.

**III. Forward Sale of Foreign Currency to Authorized Dealer**

a) The Company may forward sale of the export proceeds from abroad in US Dollars against the export of permissible foreign currencies.

b) Forward sale transaction can be booked before or after the export shipment.
c) Forward sale can be booked for full or partial value of export proceeds against export shipment.
d) Forward sale facility may be availed up to a maximum five working days (including both transaction and settlement days).
e) In case the forward sell transaction is for less than five working days, forward sale period can be extended provided that the total period, including the extended period, does not exceed five working days (including both transaction and settlement days). However, such extensions will be made by closing out the original contract and booking of a fresh contract at the new rate.
f) The Company is required to bring export proceeds within five working days from the date of shipment. In case forward sale is booked on or after the shipment date, maximum maturity date of forward sale facility may be up to 5$^{th}$ working day of shipment date.
g) Forward sale will be booked based on specific export shipment. For this, the Company will submit a copy of export documents including confirmed deal ticket with foreign importer/buyer to the Authorized Dealer. In case of advance booking, the Company will submit copy of deal ticket confirmed with foreign buyer to the Authorized Dealer, while copy of other export documents will be submitted subsequent to the shipment.
h) No substitution is allowed for settlement of export proceeds.
i) Forward contracts, which are not taken up, may be closed out on the date of maturity at prevailing spot rate in accordance with the terms and conditions as may be agreed between the Company and the Authorized Dealer.

**20. Import of Cash US Dollars through Cargo/Security Companies**

a) The Company, on need basis, may import cash US Dollars against the value of its export consignments of permissible foreign currencies within five working days, through reputed cargo/security companies. This arrangement shall be subject to the condition that total cash US Dollars imported by the Company during any financial year shall not exceed 50% of the value of its export consignments, or as allowed by SBP from time to time.
b) The Company shall include such arrangement in its deal with the overseas entity. The system generated deal ticket shall also include particulars of the amount to be imported as cash US Dollars, if any, out of the total export consignment, in addition to those mentioned in Para 19 above.
c) The Company, at the time of import of US Dollars Cash through their cargo/security companies, shall give prior written intimation to the Director, FEOD, and copy the same to the SBP-BSC staff at SBP-Customs Joint Booth at the designated airports. The Company will also provide original deal ticket of foreign bank/company clearly showing the amount of cash US Dollars imported, along with **Annexure-H3**, which shall be signed and stamped by SBP-BSC officials at the booth after verification.
d) The foreign government's customs and/or other export documents in original must also be submitted at SBP-Customs Joint Booth, which shall also be stamped by SBP-BSC officials. A copy of these signed and stamped documents must be kept in record by the Company for on-site inspection by SBP inspection team.

e) The import consignment shall be verified as per procedure laid down for export of foreign currencies. After verifications, the consignment shall be packed again, sealed and handed over to the cargo/security company for onward delivery to the Company.
f) The Company must ensure compliance of all relevant laws and regulations including those of the jurisdiction from where US Dollars cash is being imported.
g) The Company shall ensure that all transactions related to import of cash shall be properly reflected in its books of accounts.

**21. Record Preservation Requirement**

a) All dealings between the Company and its customers shall be supported by system generated / official receipts. Such receipts shall be prepared for every transaction in duplicate, one of which shall be provided to the customer.
b) Every receipt provided to the customer shall be sequentially numbered and also bear the name of the Company, date, nature of transaction i.e. sale/purchase/transfer, currency dealt in, exchange rate and initials of dealer/authorized employee.
c) Apart from record keeping requirement mentioned in AML/CFT/CPF regulation the Company shall also maintain all business record, including transactions, reports, policies, procedures, correspondence files and legal documents and any other official record, in hard copies and digitally (as applicable) for 10 years. This retention period may be extended if mandated by other laws, rules & regulations, or court orders, on the event of litigation. Further all information/record should be maintained in such a manner that the same may be made readily available to SBP or any other relevant Law Enforcement Agency as and when required as per related laws.
d) Any information/record requisitioned by any law enforcement agency during their investigation/prosecution process should also be provided in timely manner as per the governing laws.

**22. Customer Support & Complaint Handling**

The Company shall put in place Customer Support and Complaint Handling Mechanism for efficient resolution of consumers' queries and complaints/grievances. The complaint handling mechanism of the Company should at least consist of following guidelines:

a) The Company shall define procedures to deal with complaints. The procedures should clearly spell out the complaint resolution process, roles and responsibilities of people involved from the receipt of a complaint to its resolution or disposal.
b) The Company shall make sure that all complaints are properly recorded and resolved and communicated to complainant.
c) The Company is required to resolve expeditiously all the complaints within 7 working days.
d) The Company shall display placard in outlets at prominent places briefly describing the procedure to lodge a complaint. The text (English and Urdu) must include the address, phone & fax numbers and email address where a complaint can be lodged.

# CHAPTER 8
# SUPERVISION AND ENFORCEMENT

## 1. Assessment & Monitoring

a) SBP may inspect the activities of a Company at any time and may call for necessary data/ information/ record during the course of inspection or otherwise, for conducting supervisory assessments.

b) The Company shall ensure accuracy and correctness of all data/ information/ record submitted to SBP during the course of inspection or in their foreign exchange returns, submitted through the Data Acquisition Portal (DAP) or otherwise.

## 2. Enforcement Actions

a) SBP may take enforcement actions (pecuniary and/ or administrative) against the Company in respect of non-compliance of regulatory instructions provided in this Framework or otherwise. An indicative list of regulatory violations that may attract administrative actions, in addition to pecuniary actions, is given below:

i) Subletting of the Company, its outlets and/or function(s).
ii) Change in the shareholding pattern/ beneficial ownership of the Company, without prior approval of SBP.
iii) Carrying out business at places other than those approved by SBP.
iv) Conducting out of books transactions.
v) Conducting/ facilitating any unauthorized foreign exchange business.
vi) Mismatch of Physical cash with stock reports generated by core business application.
vii) Manipulation of books of accounts/financial statements by passing bogus entries, etc.
viii) Breach of Foreign Exchange Exposure Limit (FEEL).
ix) Violation of SBP's instructions on monitoring through CCTV cameras.
x) Obstruction in supervisory processes.
xi) Provision of false, misleading, or inaccurate information.
xii) Failure to meet the minimum capital requirement.
xiii) Violations of applicable laws and rules/regulations.

b) An indicative list of enforcement actions that SBP could take against the Company are as under:

i) Imposing monetary penalties.
ii) Imposing restriction on operations or business activities.
iii) Reducing exposure limit.
iv) Placing moratorium/restriction on network expansion.
v) Imposing restriction on export/outward remittance business.
vi) Increasing foreign exchange surrendering requirement in interbank market.
vii) Increasing Regulatory Reserve requirement.
viii) Removal of Directors, Shareholders, CEO or Key Executives.
ix) Suspension of authorization.

x) Cancelation of authorization.
xi) Any other measure as deemed appropriate by SBP.

c) SBP may also take administrative action against the director(s)/ shareholder(s) and employees of the Company if they knowingly commit a violation or consent to or fail to prevent a violation.

**3. Execution of Enforcement Actions**

a) While initiating any enforcement action, SBP shall serve a show-cause notice to the concerned Company and/or its director(s)/ shareholder(s)/ employee(s) mentioning therein the regulatory violations observed during the course of inspection/ offsite monitoring. The Company shall explain its position in writing to SBP within the specified time period.
b) In case, the Company fails to provide the response to the showcase notice within the specified time period or the response against the show cause is found unsatisfactory, SBP shall take appropriate enforcement action against the Company after providing an opportunity of being heard.

**4. Suspension or Cancellation / Revocation of Authorization**

a) SBP may suspend or cancel/ revoke an authorization of the Company or any of its outlets and/or suspend any business activity or limit the scope of business of the Company, if it is inter alia observed that:

i) The Company or any of its outlets have violated these or any other regulations, instructions or circulars issued by SBP or if any of the conditions of authorization has not been fulfilled or is incapable of fulfillment.
ii) The interests of the customers of the Company are in any way threatened, whether by the manner in which the Company is conducting or intends to conduct its affairs or for any other reason.
iii) The Company or any of its officials engage in deliberate obstruction of SBP inspection team in the performance of their duties.
iv) Any other reason that in the opinion of SBP disqualifies the Company or any of its outlets to hold the authorization.

b) SBP, while suspending the authorization of a Company or any of its outlets and/ or business activities, may prescribe an action plan with specific timelines, the compliance of which shall be essential for restoration of authorization or business activities. Once the Company has complied with the action plan, it shall submit a compliance report to BSD. BSD shall review the compliance report and decide about complete or partial restoration of authorization/ business activities or otherwise.

**5. Appeal against Enforcement Action(s)**

The Company/ person aggrieved by an order passed by SBP may, within thirty days of the order, prefer an appeal to the Deputy Governor, SBP who shall decide the appeal within ninety (90) days. Any order in this respect passed by the Deputy Governor shall be final.

# CHAPTER 9
# REPORTING

## Reporting Requirements

| S. No. | Description | Frequency | Timeline | Department | Annexure |
|---|---|---|---|---|---|
| 1 | Reconciliation of Export of Permissible Foreign Currencies and Import of US Dollars | Fortnightly | Two working days of end of each reporting period | BSD-1 | Annexure–H4 |
| 2 | Statement A, B | Fortnightly | Within two working days of end of each reporting period | BSD-1 | Annexure–I |
| 4 | Statement C | Quarterly | Within two working days of end of each reporting period | BSD-1 | Annexure–J |
| 5 | Outward Remittances made against Inward Home Remittances | Monthly | 5th of the following month | BSD-1 | Annexure–K |
| 6 | Details of Company's Bank accounts | Annually | Within thirty days of close of each financial year | EPD | Annexure–L |
| 7 | Details of Directors/ Shareholders | Annually | Within thirty days of close of each financial year | EPD | Annexure–L |
| 8 | Details of Employees | Annually | Within thirty days of close of each financial year | EPD | Annexure–L |
| 9 | Copy of the management letters issued by the external auditor | Annually | Within a period not exceeding three months from the date of closing of the financial year | BSD-1 | – |
| 10 | A signed copy of year end Audited Accounts | Annually | Within a period not exceeding three months from the date of closing of the financial year | BSD-1 | – |

- The statements/returns to BSD-1 will be submitted through email: ec.epd@sbp.org.pk
- The statements/returns to EPD will be submitted through Regulatory Approval System (RAS).

### 1. Reporting Mechanism:

The Company shall also submit data according to its scope of business and as per the specific reporting codes, in the CSV format, at Data Acquisition Portal (DAP). The data will be submitted by the Company on daily basis by next working day. For transactions conducted on Saturday & Sunday, the Company will submit data on next working day i.e. Monday. While submitting the data under this reporting system, the Company shall ensure daily matching of opening/closing balances of Summary Statements of head office and each outlet. The Summary Statements and Descriptions are given at **Annexure-M**.

### 2. Contingent Reporting

a) Besides submission of regular reports, the Company shall report, to SBP, upon the occurrence of any of the following:

   i) Breach of Exposure Limit along with reasons;
   ii) Incident of fraud, dacoity or theft;

iii) Lodgment of F.I.R. by or against the Company;
iv) Bankruptcy or default of foreign associates and the stake of the Company at risk;
v) Any investigation or law enforcement action by FIA or any other agency;
vi) Raid by FIA or any other law enforcement agency at any outlet;
vii) Seizure of record, equipment, foreign currency, local currency or any other valuable by FIA or any other law enforcement agency;
viii) Prolong malfunctioning of IT Systems, core business application or cyber-attack;
ix) Temporary or permanent closure of any outlet;
x) Non-receipt of proceeds within the stipulated time, against export of foreign currency or payment of Home Remittances;
xi) Any other important information, data or happening of any event.

b) The Company shall submit the report, required as (a) above, to BSD-1 before 10:00AM on next working day via surface mail, fax or email at ec.epd@sbp.org.pk.
c) Failure to submit the contingent reports may attract punitive action.

**3. Availability of Requisite Capability**

The Company shall equip themselves with necessary IT systems, data processing tools and qualified staff to ensure accurate and timely reporting to SBP.

# TABLE I
# SCHEDULE OF FEES

The Company is required to deposit following fees for processing of their requests in RTGS Clearing Account Number/Title 020139999990047 (427517)/ RTGS CLR PROCESS FEE-NON REFUND-EXC through bank(s):

| S.N. | Description | Fee (PKR) |
|---|---|---|
| 1 | Application for Authorization as a Company* | 2,000,000 |
| 2 | Approval/Authorization of a new outlet | 50,000 |
| 3 | Substitution/Relocation of an Outlet | 50,000 |

* A pay order/ bank draft of applicable fee will be provided.

**Annexure – A1**

**Application Form for Issuance of No Objection Certificate (NOC) to Exchange Company**

The Director,
Exchange Policy Department,
State Bank of Pakistan,
I.I. Chundrigar Road,
**Karachi.**

Dear Sir,

We M/s. <Name of proposed exchange company>, hereby apply for issuance of NOC to our proposed Exchange Company. We understand that misreporting, concealment of facts or submission of incomplete information shall attract outright disqualification/rejection of the application. Further, we hereby certify that the undersigned is authorized to sign and pursue application on behalf of sponsor(s). As desired, please find attached the following documents:

**(List of documents to be attached with the application)**

a) A pay order or a bank draft of PKR 2,000,000/- being amount of non-refundable application processing fee in favor of State Bank.
b) Copy of name availability certificate from Securities & Exchange Commission of Pakistan (SECP).
c) Draft Memorandum & Articles of Association of proposed Exchange Company.
d) Duly completed forms and undertakings from shareholders, directors, CEO on the prescribed formats as given in **Annexure-B1 & B2** respectively.
e) Complete resume along with details of experience of the proposed directors/shareholders related to foreign exchange business.
f) Copies of CNICs (or Passport) and latest passport size colored photographs of proposed directors, shareholders and CEO.
g) Proposed shareholding pattern of the Exchange Company.
h) In case, the proposed director(s) and shareholder(s) are the owner(s) of other businesses, a brief about each of such business along with their audited financial statements for the last three years.
i) Details of proposed place/location of Registered Office & Head Office.
j) Business plan & feasibility study of the proposed Exchange Company, which, inter-alia, include the followings:

    i) Corporate structure/Organogram of the company;
    ii) Proposed share capital;
    iii) Market analysis and Proposed Business plan of the company;
    iv) Proposed network expansion plan for the first and subsequent two years.

v) Complete description of information systems acquired/to be acquired for functioning of proposed Exchange Company;
vi) Detailed analysis about financial viability of the proposed company. Such analysis should include at least projected financial statements of the company for the next 3 years with underlying assumptions.

k) Copies of income tax returns of all the proposed directors and shareholders, filed with Federal Board of Revenue (FBR) for the last three years.
l) Bank account statements of all the proposed directors and shareholders for the last 3 years.
m) If the applicant is a financial institution/company:

i) Board Resolution passed by the Board of Directors of respective financial institution/company for establishment of proposed Exchange Company;
ii) Audited Financial Statements of applicant financial institution/company for last three years;
iii) Nomination of Chief Executive Officer for the proposed Exchange Company who is not an employee of the parent financial institution/company.

n) Any other relevant document.

Yours faithfully,

Signature: _____
Name: _____
Proposed Designation (Sponsor/CEO): _____
Name of the proposed Exchange Company: _____
_____
Proposed Registered/Head Office Address: _____
_____
Date: _____

**Annexure - A2**

**Application Form for Issuance of In-Principle Approval for Operationalization of Exchange Company**

The Director,
Exchange Policy Department,
State Bank of Pakistan,
I.I. Chundrigar Road,
**Karachi.**

Dear Sir,

We M/s. <Name of the Company>, have been granted NOC by State Bank for establishment of an Exchange Company vide letter No. _____ dated _____. In line with the devised procedure, we have registered our company with SECP. Moreover, we have injected the required capital in the company and have made our Board of Directors functional. We are enclosing following documents for your consideration, please:

**(List of documents to be attached with the application)**

a) Statement of bank account(s) of Exchange Company showing injection of required capital.
b) Relevant SECP return(s) related to appointment of directors, i.e. Company Profile, etc.
c) Certified true copy of Certificate of Incorporation.
d) Certified true copies of Memorandum and Article of Association.
e) Any other relevant document(s).

Yours faithfully,

Signature: _____
Name: _____
Designation (Sponsor/CEO): _____
Name of the Company: _____
_____
Registered/Head Office Address: _____
_____
Date: _____

**Annexure - A3**

**Application Form for Issuance of Authorization to the Exchange Company**

The Director,
Exchange Policy Department,
State Bank of Pakistan,
I.I. Chundrigar Road,
**Karachi.**

Dear Sir,

We M/s. <Name of the Company>, have been granted in-principle approval by State Bank for operationalization of our Company vide letter No. _____ dated _____. In line with the devised procedure and after completion of due formalities, we convey our readiness to operate as a Company. Further, we are enclosing the following documents for your consideration and issuance of authorization:

**(List of documents to be attached with the application)**

a) Confirmation to the effect that Company has completed all the formalities related to its operationalization including but not limited to setting up Head Office and Outlets, devising policies and procedures related to Governance, Compliance, Operations, Internal Control and Audit, Human Resource, AML/CFT, IT Systems and Infrastructure, etc.
b) Certified copy of Form-29 (Induction/Change of Officials).
c) Any other relevant document(s).

Yours faithfully,

Signature: _____
Name: _____
Designation (CEO): _____
Name of the Company: _____
_____
Registered/Head Office Address: _____
_____

Date: _____

**Annexure – A4**

**Application for Voluntary Closure of Business Operations**

The Director,
Exchange Policy Department,
State Bank of Pakistan,
I.I. Chundrigar Road,
**Karachi.**

Dear Sir,

We, M/s. ----------, holding authorization No. ---------- issued on ---------- and valid till ---------- hereby voluntarily surrender original authorization along with relevant documents, as mentioned below, due to ----------. In this regard, it is requested to please cancel our authorization and release the RR amount.

**(List of documents to be attached with the application)**

a) Board Resolution signed by all shareholders/directors;
b) Copy of CNICs of all shareholders/directors;
c) Application of all shareholders/directors of the company regarding closure of the foreign exchange business of the company;
d) News publication in leading newspaper (Urdu & English) regarding closure of the business operations of the company's head office/branches;
e) Latest submission of returns with SECP;
f) Original authorization card and SBP's permission letters, where applicable, of the outlets of the company;
g) Certificate from external auditor providing details of total outstanding liabilities of the company as on the date of closure of the company operations;
h) No objection certificate from foreign tie-up(s)/MTOs for revocation of home remittance arrangement;
i) Original SBP's permission letter, where applicable, for export of foreign currencies other than US dollar.
j) Documentary evidence of surrendering foreign currencies available with the company.
k) Any other relevant document.

Yours faithfully,

Signature: _____
Name: _____

Designation: _____

Head Office Address: _____

Date: _____

**Annexure-B**

## Fitness and Propriety Test (FPT) Criteria

**Assessment of Fitness and Propriety**

The FPT of Shareholder, Director, CEO, and Key Executive of the Company shall be assessed based on the following:

**a) Reputation, Integrity & Honesty**

The person is expected to have a clean reputation and meet the highest standards of integrity and honesty. The person has not been;

i) linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
ii) convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
iii) convicted of any offence involving moral turpitude,
iv) declared bankrupt or subjected to attachment of his/her assets by any court.
v) associated as executive director/sponsor director/nominee of the sponsor and/or President/CEO of the Company or any other financial institution/organization that has been refused authorization/license to carry out foreign exchange business based on his/her non-adherence to FPT criteria.
vi) associated as executive director/sponsor director/nominee of the sponsor and/or President/CEO of the Company or any other financial institution/organization, the authorization/license of which has been revoked/ cancelled or the entity has gone into liquidation, due to financial or regulatory misconduct, mismanagement of affairs, or malpractices.
vii) debarred from becoming an executive director/sponsor director/nominee of the sponsor/ President or CEO/ key executive or similar position in the Company/ or any other financial institution.

**b) Track Record**

i) The person must have an impeccable track record in the companies served either as executive director/sponsor director/nominee of the sponsor/ President or CEO or as an employee.
ii) The person has not been demoted, dismissed or forced to resign from employment by the Company / any other financial institution, or has been removed by any regulator or government body, in the capacity of an employee, director, chairman of the Board of the Company / any financial institution or any other position of trust.

**c) Financial Conduct**

The person has not been:

i) involved in any illegal activity concerning foreign exchange business, financial dealings and other business activities within and outside Pakistan.
ii) in default of payment of dues owed to any financial institution and/ or default in payment of any taxes in individual capacity or as proprietary concern or any partnership firm or in any private unlisted/listed company.

**d) Qualification and Experience**

This section shall apply separately for directors, CEO and key executives as under:

i) The Directors on the board must have appropriate knowledge and management/business experience of at least five (05) years at senior level in an active capacity.

ii) CEO should have appropriate qualification (at least graduation from HEC recognized institutions) and at least five (05) years of management experience at senior level in the Company or any other financial institution.

iii) Key executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

**e) Conflict of Interest**

i) The CEO must not be the Chairman of the Board of Directors of the same or any other Company.

ii) The Directors on the Board should avoid conflict of interest in their activities with, and commitments to, other organizations.

iii) No person can become a shareholder/director/employee of the Company if he/she is shareholder/director/employee of any other Company.

**f) Others**

i) The shareholder should be the beneficial owner and able to exercise his/her control without any outside influence/interference.

ii) No serving member of Senate, National/ Provincial Assembly, Local bodies shall be appointed/ recommended for appointment as Member of Board of Directors and/or Chief Executive Officer/Key Executive of any Company.

**Annexure-B1**

**PROFORMA – FIT & PROPRIETY TEST**

(To be Filled by Every Shareholder/Director/CEO/Key Executive/UBO)

| | |
|---|---|
| Full Name: | |
| Father's Name | |
| Date of Birth | Place of Birth (City and Country) |
| Nationality (ies)-Current | NTN Number |
| Nationality (ies)-Previous | |
| C.N.I.C. No | Passport Number |
| Present Residential Address in Full | |
| Permanent Residential Address in Full | |
| Residential Telephone Number(s) | Mobile Number |
| If you have changed your name, state previous name and reason for change | |

| Academic | | |
|---|---|---|
| **Qualification** | **Name & Address of Degree Awarding Institution** | **Date of Completion** |
| | | |

| Professional | | |
|---|---|---|
| **Qualification** | **Name & Address of Institution/ Professional Body** | **Date of Completion** |
| | | |

Please provide complete employment details with current & previous employer(s)

| **Name & Address of Organization / Employer** | **Nature of Business** | **Position Held** | **From (mm/yyyy)** | **To (mm/yyyy)** | **Department / Division** | **Contact Number & Email** |
|---|---|---|---|---|---|---|
| | | | | | | |

Please provide complete and true particulars of all businesses (both within and outside Pakistan), including proprietary concern/partnership firms, companies, in which you have been associated as a proprietor, partner or a director thereof during the last ten years and the accounts maintained by them:

| **Name of the Proprietary Concern/Partnership Firm/ Company** | **Name of Bank and/or NBFIs Together with Name of Branches** | **Account Number(s)** |
|---|---|---|
| | | |
| Please provide complete and true particular of bank accounts (if any) maintained outside Pakistan: | | |
| **Country and Bank Name** | **Account Number** | **Purpose of Account** |
| | | |
| Please provide list of relatives, if any, who are connected with the Companies in Pakistan and Money Services Business (MSB)/ Company outside Pakistan. | | |
| **Name** | **Relationship** | **Entity** |
| | | |
| Please provide details of any current/previous criminal/civil proceedings against yourself in the court (s). | | |

**(Signature of the Company Secretary)** **(Signature of concerned official)**

**Annexure-B2**

**Fit and Propriety Declaration**
(On Stamp Paper)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC No. _____ do hereby state on oath and solemnly affirm as under:

a) that the deponent hereby confirms that the statement made and the information supplied through **M/s Company Name** are correct and true.
b) that the deponent undertakes that the State Bank of Pakistan may seek additional information from any third party it deems necessary for assessing the information supplied or any additional information required.
c) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
d) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
e) that the deponent has not been convicted of any offence involving moral turpitude and has not failed to honor his/her liabilities towards banks, tax authorities or other government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.
f) that the deponent undertakes to bring to the attention of the State Bank of Pakistan promptly any matter which may potentially affect his/her eligibility as shareholder/director/ CEO/UBO of the Company; and
g) that the deponent will perform in true letter and spirit deeds of covenants required as Shareholder/Director/CEO/UBO of **M/s Company Name.**
h) that whatever is stated above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

**DEPONENT**

Verified on oath and solemnly affirmed on _____ day of_____, 20** at _____ that the contents of this Affidavit are true and correct to the best of my knowledge and belief.

**DEPONENT**

Sworn/ solemnly affirmed before me on this day_____.

**Signature_____**
**OATH COMMISSIONER**
**FOR TAKING AFFIDAVIT**
**(Name and Seal)**

**Annexure-B3**

**Fit and Propriety Declaration**
(to be submitted annually on Stamp Paper)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC No. _____ do hereby state on oath and solemnly affirm as under:

a) that the deponent hereby confirms that the statement made and the information supplied to **M/s Company Name** are correct and true.
b) that the deponent undertakes that **M/s Company Name** may seek additional information from any third party it deems necessary for assessing the information supplied or any additional information required.
c) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
d) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
e) that the deponent has not been convicted of any offence involving moral turpitude and has not failed to honor his/her liabilities towards banks, tax authorities or other government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.
f) that the deponent undertakes to bring to the attention of the **M/s Company Name** promptly any matter which may potentially affect his/her eligibility as shareholder/director/ CEO/ key executive/UBO of the Company; and
g) that the deponent will perform in true letter and spirit deeds of covenants required as shareholder/director/CEO/key executive/UBO of **M/s Company Name.**
h) that whatever is stated above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

**DEPONENT**

Verified on oath and solemnly affirmed on _____ day of_____, 20** at _____ that the contents of this Affidavit are true and correct to the best of my knowledge and belief.

**DEPONENT**

Sworn/ solemnly affirmed before me on this day_____.

**Signature_____**
**OATH COMMISSIONER**
**FOR TAKING AFFIDAVIT**
**(Name and Seal)**

**Annexure - C**

**Guidelines for Company for Outsourcing Workload to Cloud Service Providers (CSPs)**

**a) Scope and Applicability**

i) This framework sets out minimum requirements for the Company to outsource its material and non-material workloads to Cloud Service Providers (CSPs). Further, the Company is encouraged to put in place control measures over and above the specified requirements.
ii) This framework shall:

(a) Apply to all Companies;
(b) Cover all types of cloud service models (i.e. SaaS, PaaS and IaaS);
(c) Be applicable on all types of cloud deployment models (i.e. public, private, community, and hybrid).

**b) Permissible Cloud Outsourcing Arrangement**

i) For the purpose of these regulations, material workload means all systems, applications, and services that are fundamental for carrying out business of the Company, and if disrupted, have the potential to significantly impact an institution's business operations, reputation or profitability.
ii) The Company may outsource all type of its workloads (i.e. material and non-material) outsourced to reputable onshore (i.e. domestic) CSPs.
iii) Outsourcing of services to CSPs does not absolve the Company from its prime responsibilities including managing and running the business operations effectively, legal and regulatory compliance, and protection of customers' data.
iv) SBP may instruct any Company to restrict outsourcing of its workloads to CSPs due to its systemic impact, unacceptable risks and any other concerns.
v) The Company shall submit details of its Cloud Outsourcing (CO) arrangements to SBP, as and when required.
vi) SBP may instruct the Company to shift its cloud-based workloads to SBP designated onshore community cloud as and when the same is available.

**c) Governance**

i) Develop a comprehensive policy for CO duly approved by its BoD. The policy shall encompass all services that can be outsourced to CSP.
ii) Conduct appropriate due diligence of CSPs and proactively identify any risks emanating from its CO arrangements including risks associated with sub-contracting by CSPs.
iii) Undertake all CO arrangements through legally binding SLAs covering all the critical areas.

**d) Right to audit, access and information**

The Company shall ensure that CO does not hinder SBP in conducting its supervisory functions. In this regard, the Company shall comply with the following requirements:

i) Ensure that its internal & external auditors/ independent assessors and SBP have right to conduct audits and onsite assessments of the CSP and its sub-contractors, if required. Further, there should be no restriction or prohibition on access to the Company's cloud related information assets and services for the Company, its auditors, independent assessors or SBP's authorized staff or such visits are otherwise not impractical.
ii) Ensure that access, audit and information rights provided through the contractual arrangement include where relevant:

   (a) Premises, data, devices, information, systems, and networks used for providing the cloud services or monitoring its performance. These may include CSP's (and its subcontractors) policies, processes, and controls;
   (b) Results of security testing carried out by CSP or on its behalf, on its applications, data, and systems to assess the effectiveness of the implemented cybersecurity processes and controls;
   (c) Results of security testing carried out by the sub-contractors or on its behalf, on its applications, data, and systems, where applicable, to ascertain effectiveness of the cybersecurity processes and controls;
   (d) Company and financial information;
   (e) CSPs' external auditors, personnel, and premises.

iii) In case, where audit/onsite assessment cannot be conducted for a valid reason(s), REs may rely on internationally recognized third party certifications, and reports made available by the CSP.

**e) Exit Planning**

The Company shall develop an exit plan by considering the materiality and impact of its workloads outsourced to CSPs. In this regard, the company shall comply with the following requirements:

i) Ensure that the exit plan covers scenarios for stressed and non-stressed exit circumstances.
ii) Ensure that the exit plan has defined trigger events, alternative solutions, transition plans, and roles and responsibilities including responsibility for signing off, updating and activating the plan.
iii) Implement measures including but not limited to contractual or escrow arrangements, to ensure continuity of critical business services in case of exit.
iv) Ensure complete removal of data including logs from all locations of CSP in case of exit to avoid the lock-in and dependency risks.

**Annexure – D**

| **Name of the Company** |
|---|
| Application for Seeking In-Principle Approval of Annual Network Expansion Plan<br>January – December (20…) |

Details of Proposed Network

| Sr. No. | Nature of Business (Branch/ Payment Booth/Currency Exchange Booth/Other) | Proposed Location |
|---|---|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

**Annexure - E**

**A: Documents Required for Formal Approval for Opening of Outlets**

a) Complete address of the proposed location including building/property number.
b) Copy of Property purchase documents or lease/tenancy agreement.
c) Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.
d) Undertaking to run the outlet under the control of the Company.
e) Copy of SBP approval letter.
f) Documentary evidence for payment of applicable fee.

**B: Documents Required for Relocation of Outlets**

a) Complete address of the proposed location including building/property number.
b) Copy of Property purchase documents or lease/tenancy agreement.
c) Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.
d) Board Resolution for relocation of outlet.
e) Undertaking to run the outlet under the control of the Company.
f) Copy of SBP approval letter.
g) Documentary evidence for payment of applicable fee.

**C: Process of establishment of Temporary Currency Exchange Booths (TCEBs) Including Hajj Camps**

a) The Company shall approach SBP with an application for specifying the locations where TCEBs are to be established.
b) The Company shall have to obtain approval from relevant Ministry prior to approaching SBP for approval.
c) The TCEB shall be authorized to only Buy/Sell of FCY as specified by SBP, all related details/documents and record of transactions will be maintained by the Company and will be produced for SBP inspection as and when required.
d) The purpose of transactions carried out through such TCEBs will be recorded as 'Religious Travel' in case of Hajj or as specified by SBP and the transactions will become an integral part of the overall transaction record of the Company and will be reported to SBP in related returns accordingly.
e) Transactions shall be conducted as per applicable exchange rates, displayed through digital screen linked with the system of the Company. Further the digital screen should be placed at prominent place.
f) No business other than specified above will be undertaken at the said TCEB.

**Annexure – F**

## Instructions for Calculation and Observance of FEEL of the Company

This annexure provides a framework for calculating foreign currency exposure limit for the Company.

### A. Overall Concept and Definitions

1. The open position must first be measured separately for each foreign currency (FCY) in which the Company is performing transactions or has assets/liabilities. The open position in a single currency is the sum of (a) spot positions and (b) off balance sheet positions. Definitions of spot and off-balance sheet potions are as follow:

   a) **Spot position:**
   The spot position in a currency is the difference between assets and liabilities denominated in that currency, as they appear in the balance sheet. In particular, this includes cash in hand, cash at bank, cash in transit within Pakistan, advances received from foreign correspondents, advance received/security deposit from Money Transfer Operators (MTOs) as they appear in the relevant accounts of the Company.

   For any other spot positions, which are not specified, exchange companies are advised to specify the procedure based on prudent approach, in line with the spirit of above instructions, provided that it is fully documented and applied by the Company in a consistent way. Such procedure should be considered as acceptable for determination of the Company's spot position.

   b) **Off-Balance sheet position:**
   Off-balance sheet items include all foreign currency-denominated assets and liabilities not included in the balance sheet. The off-Balance sheet position includes all amounts to be received less all amounts to be paid at a future value date as a result of foreign exchange transactions that shall take place in future according to the agreed terms, as they appear in the off-balance sheet items. These transactions are recorded in the off-balance sheet section of the Company's books. For the purpose of clarity, off-balance sheet items include:

      i) Tom and Spot foreign exchange transactions, which have not been settled yet for example spot sale to banks, PKR received for outward telegraphic transfer but foreign currency (FCY) not transferred abroad, currency export receivable (FCY in transit and USD against export is not received yet) etc. When a day's deals are done, the Company must record the amount of the bought currency to be received and the amount of the sold currency to be delivered in specific off-balance sheet accounts. When the deal is actually settled (usually two working days), the off-balance sheet accounts are purged and the relevant accounts of the balance sheet are incremented. However, following the best international practice of clearly separating the interest

rate risk from the foreign exchange risk, the position should be valued by using the ready exchange rate rather than the forward rate.

ii) Forward foreign exchange transactions, a procedure identical to the one for outstanding spot transactions should be used with the difference that the delay between transaction and settlement dates will be longer, for example, forward contract with bank for sale of export proceeds. However, the position should be valued by using the ready exchange rate rather than the forward rate.

2. The long and short position of spot/off balance sheet positions must be analyzed separately before netting off (open position). The short and long positions in particular scenario are defined as:

   a) A long position is the buying of specific amount of FCY against payment in PKR at a fixed future date, known as the value date, at a specified exchange rate.
   b) A short position is the selling (or borrowing the foreign currency) of specific amount of FCY against payment in PKR at a fixed future date, known as the value date, at a specified exchange rate.

3. The net open position in each currency is calculated by netting off the long and short positions of spot/net off-balance sheet position for each currency separately. For example, a USD position in the Company's bank account (long position) matched by forward sale to bank (short position) of equal amount would translate to zero net open foreign exchange position in USD.

4. Once the net open position in FCY has been determined in each individual currency, the following steps would be followed by the Company for calculating overall exposure to foreign exchange risk:

   a) Conversion of the net open position in each foreign currency into the equivalent amount of domestic currency (PKR) by using open market closing exchange rates published by State Bank, upon provision of the same by Exchange Companies Association of Pakistan(ECAP), available at https://www.sbp.org.pk/ecodata/rates/ECAP/ECAP-Current.asp. If open market closing exchange rates are not published by State Bank on any day, the last available open market closing exchange rates would be used for conversion. For currencies of which open market closing exchange rates are not published by SBP, the Company may use its respective daily weighted average selling rate of that currency or mid-rate in case no sale transaction took place during that day;
   b) Aggregation of the domestic currency equivalent values of all foreign currencies net open short and long positions separately;
   c) The overall foreign exchange exposure would be sum of equivalent domestic currency amounts of all foreign currencies net open short and net open long positions (whichever is higher).

**B. Other Principles**

1. Limit to Overall foreign exchange exposure:

   a) The Company shall limit its exposure at the close of business each day at a level not higher than 50% of their MCR.

b) For the purpose of this calculation, the MCR as per the latest available audited financial statement shall be used.

c) In addition, each Company shall maintain its intraday overall foreign exchange exposure within prudent boundaries/limits.

2. No foreign currency-denominated assets or liabilities can be deleted from the exposure calculations, unless it has been explicitly agreed by SBP not to include that item. Furthermore, the calculation shall also include the net off-balance sheet position in each currency.

3. Besides the specific limitations, Company shall set up an internal system for:

   a) The immediate entry of foreign exchange operations, continuous measurement of positions and their results;

   b) The monitoring of risks, implementation of internal limits, and designation of a high-ranking officer in charge of clearly defined responsibilities to oversee the Company's exposure.

4. The Company is advised to apply the following treatment for spot positions and off balance sheet positions:

| Sr. No. | Accounts | | Treatment |
|---|---|---|---|
| i. | FCY Cash | At Head Office | Treated as long position against their respective currency |
| | | At Branches | |
| | | In transit within Pakistan | |
| | | seized by LEAs | |
| ii. | FCY Balances at Banks in Pakistan | | Treated as long position |
| iii. | Export Receivable | | Treated as long position |
| iv. | Spot Purchase<br>(Off balance sheet item) | | Treated as long position |
| v. | Advance received from Foreign Correspondent e.g. ABC Exchange Dubai, against which export is to be made | | Treated as short position |
| vi. | Accounts Payable<br>(Outward TT/DD Payable etc. PKR received but instrument not issued) | | Treated as short position |
| vii. | Interbank Sale<br>(Payable to bank on account of interbank sale) | | Treated as short position |
| viii. | Advance received from MTOs e.g. Money Gram etc. against inward Remittances | | Treated as short position |
| ix. | Outward remittance through MTOs (Payable) | | Treated as short position |
| x. | Forward sale of export proceeds to Bank<br>(Off balance sheet item) | | Treated as short position |
| xi. | Others items (if any) | | Treat accordingly |

5. Further, the Company is advised to follow the following format for calculation of Company's overall exposure:

**(Table-I)**

| *Sr. No.* | *Date* | *Currency* | *Open Position (Spot & Off-Balance Sheet)* | | *Net Open Position in FCY* | | *Rate* | *Net open Position in PKR* | |
|---|---|---|---|---|---|---|---|---|---|
| | | | *Long* | *Short* | *Long* | *Short* | | *Long* | *Short* |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* |

## C. Sample Calculation of FEEL

Example for calculation of Foreign Exchange Exposure for the Company having paid up capital of *Rs. 1,100 million and Rs. 100 million losses*.

1. **Suppose, a Company's Foreign Currency Position as on 15-10-2024 as follows:**

(- sign indicates a short position)

| Account | Currency | Amount |
|---|---|---|
| FCY Cash at Head Office | AED | 287,290 |
| | AUD | 4,070 |
| | BHD | 1,608 |
| | CAD | 2,655 |
| | EUR | 77,270 |
| FCY Cash at Branches | GBP | 89,275 |
| | HKD | 27,800 |
| | JPY | 3,971,000 |
| | USD | 318,640 |
| | ZAR | 11,860 |
| FCY Cash in Transit | CAD | 15,700 |
| | EUR | 190 |
| | GBP | 40,440 |
| | JPY | 1,784,000 |
| FCY Balances at Bank(s) in Pakistan | USD | 2,055,665 |
| Export Receivable | AED | 1,095,950 |
| Advance received from Foreign Correspondence e.g. ABC Exchange Dubai, against which export is to be made | USD | -990,537 |
| On account of TT payable (Outward Telegraphic Transfer) | AED | -40,640 |
| | AUD | -3,790 |
| | BHD | -7,381 |
| Accounts Payable (TT/DD Payable etc. PKR received but instrument not issued) | AED | -38,506 |
| | AUD | -73,920 |
| | BHD | -912 |
| | CAD | -9,844 |
| | EUR | -2,500 |
| | GBP | -12,527 |
| | USD | -3,470 |
| Interbank Sale (Payable to bank on account of interbank sale) | USD | -200,000 |
| Advance received from MTOs e.g. Money Gram etc. against inward Remittances | USD | -500,000 |
| Outward remittance through MTO | AED | -15,000 |
| Forward sale to Bank against export | USD | -500,000 |
| Any other item | USD | 0000 |

2. **Calculation Process of a Company's overall Foreign Exchange Exposure Limit:**

a) As a first step for exposure calculation, the sum of all long and short positions against both spot and off-balance sheet position of each respective currency would be placed at columns 4 and 5 of the **Table-I**. Short positions would be subtracted from long position to calculate the net long (column 6) or net short position (Column 7), whichever the case may be.

b) The net long or short position would then be converted to local currency equivalent by multiplying it with *Mid-Rate of ECAP open market closing exchange rate*. In our above example, we take following *Mid-Rates of ECAP*:

| **Currency** | USD | AED | AUD | BHD | CAD | EUR | GBP | HKD | JPY | ZAR |
|---|---|---|---|---|---|---|---|---|---|---|
| **Mid-Rate on Oct 15,2024** | 278.55 | 75.62 | 186.51 | 736.69 | 201.17 | 302.15 | 362.86 | 35.75 | 1.855 | 15.75 |

c) Multiplication with *Mid-Rate of ECAP open market closing exchange rate* would yield local currency long or short positions in columns 9 and 10, respectively. The same process would be repeated for all currencies' positions at day end. The final step in calculation would be summing up column 9 and column 10 separately. The greater of the sum of all values in column 9 or column 10 would be considered exposure for that day.

***(Table –I)***

| **Sr. No.** | **Date** | **FCY** | **Open Position** | | **Net Open Position in FCY** | | **Rate[1]** | **Net open Position in PKR** | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **Long** | **Short** | **Long** | **Short** | | **Long** | **Short** |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| 1 | 15-10-2024 | AED | 1,383,240 | -94,146 | 1,289,094 | | 75.62 | 100,915,435 | |
| 2 | 15-10-2024 | AUD | 4,070 | -77,710 | | -73,640 | 186.51 | | -13,734,596 |
| 3 | 15-10-2024 | BHD | 1,608 | -8,293 | | -6,685 | 736.69 | | -4,924,773 |
| 4 | 15-10-2024 | CAD | 18,355 | -9,844 | 8,511 | | 201.17 | 1,845,328 | |
| 5 | 15-10-2024 | EUR | 77,460 | -2,500 | 74,960 | | 302.15 | 23,670,801 | |
| 6 | 15-10-2024 | GBP | 129,715 | -12,527 | 117,188 | | 362.86 | 43,151,762 | |
| 7 | 15-10-2024 | HKD | 27,800 | | 27,800 | | 35.75 | 1,025,625 | |
| 8 | 15-10-2024 | JPY | 5,755,000 | | 5,755,000 | | 1.855 | 11,593,448 | |
| 9 | 15-10-2024 | USD | 2,374,305 | -2,194,007 | 180,298 | | 278.5 | 51,843,248 | |
| 10 | 15-10-2024 | ZAR | 11,860 | | 11,860 | | 15.75 | 189,092 | |
| | | | | | | | **Total** | **226,434,611** | **-18,659,369** |

d) In the above example, exposure of the Company will be Rs. **226,434,611**/- i.e. higher of the aggregate net long or net short position in PKR, which is 22.64% of 1,000 million [MCR].

[1] Mid- Rate of ECAP Open Market Closing Exchange Rate Published End of Each Day.

**Annexure – G**

## Guidelines for the Standard Operating Procedure (SOPs) regarding Inland Currency Transportation

The Company shall develop the SOPs for movement of Pakistan Rupee (PKR) and Foreign Currencies (FCY) which should, *inter alia*, include the following:

a) Each outlet shall restrict its business activities within the assigned working capital.
b) Reasons for the movement of cash PKR/FCY should be documented and approved.
c) Mode of the transportation, for each scenario, including the means of such transport should be documented and approved e.g. through company's owned vehicles, Cash-in-Transit Company, through airline etc.
d) The purpose for the movement of cash PKR and FCY shall be properly documented and recorded, after necessary authorization in system on real time basis by the head office.
e) Authority Letter should be issued to the persons authorized to carry the cash PKR / FCY. The letter should be available with such cash carriers during movement of cash PKR and FCY. The letter should contain, inter alia, name of the bearer, his/her designation, date and time along with the details of currency(ies), amount, origin/destination, purpose etc. supported by the system generated vouchers / receipts.
f) ECs should develop mechanism and system to record the following information pertaining to the movement of cash PKR and FCY:

    i) Date and Time of Cash Movement;
    ii) Currency and Amount of Cash Movement;
    iii) Value in PKR for FCY Cash Movement;
    iv) Invoice (s) No./Voucher (s) No./Bill (s) No./Cheque No.;
    v) Place of Origination (EC outlet / Head Office/Bank etc.);
    vi) Destination (EC outlet/Head Office/Banks/Other EC etc.);
    vii) Purpose of Movement;
    viii) Mode of Currency Movement;
    ix) Name of Authorized Employee / Cash-in-Transit Company;
    x) Ticket No. / Vehicle details/Vehicle Logs;
    xi) Date and Time of Cash Delivery.

**Annexure – H1**

**Terms and Conditions for export of permissible foreign currencies**

a) Export of permissible foreign currencies may be made only on consignment basis through a reputable cargo/security company having satisfactory track record and registered in Pakistan.
b) The Company intending to export permissible foreign currencies must ensure that such currency notes are exported in round figures.
c) It would be compulsory for Company to finalize the deal with overseas entity before the shipment of each export consignment. The system generated deal ticket (specifying consignee name, address, contract details, amount, exchange rate etc.) must be accompanied with each request for exporting permissible foreign currencies.
d) Each Company desirous of export of permissible foreign currencies will be required to report to the SBP-Customs Joint Booth at least 4-hours prior to the scheduled departure time of the flight through which export of currency is intended to be made or 02 hours prior to the closure time of the SBP-Customs Joint booth, whichever is earlier.
e) All currencies presented at SBP-Customs Joint Booths should be in packets of 100 notes each of the same currency and denomination. Loose notes below hundred (100) pieces would not ordinarily be entertained for export on daily basis, however, for the sake of convenience of the Companies, export of such loose pieces is allowed twice in a week i.e. on Wednesday and Saturday.
f) The Company shall approach the SBP-Customs Joint Booth with the permissible foreign currencies' consignment (other than US Dollars) intended to be exported along with the covering letter/export declaration in triplicate jointly addressed to the Customs and SBP containing particulars of the export transaction placed at **Annexure-H2**. One copy of the covering letter each shall be retained by SBP and Customs whereas the third copy shall be retained by the concerned Company.
g) For each export consignment a Unique Transaction Number (UTN) will be mentioned on the covering letter **(Annexure-H2)**. UTN shall be combination of alpha initials of name of Company **(Annexure-H2)**, transaction number, and financial year. UTN for export of currencies will be centrally maintained by the Company and issued by its Head Office for export of foreign currency allowed from designated airports. UTN will be the reference number for future reconciliation of export settlement. A specimen of UTN to be used by the Company for the purpose of record keeping and related instructions is explained in **Annexure-H2**.
h) The Company shall provide the above information on prescribed form (hard copy). However, they should ensure that a soft copy of each of the above documents for each transaction is maintained at their end.
i) The foreign currency brought to SBP-Customs Joint Booth along with the documents as indicated above shall be opened and counted in the presence of Company's representative and Customs Official and verified by SBP-BSC officials as to details from the accompanying documents filed by the Company as above.

j) Customs Officer during or after the process may at his/her discretion verify the actual count made by SBP-BSC Officers against declared foreign currencies as per **Annexure-H2**.

k) Once the foreign currencies are counted and verified on the declaration given at **Annexure-H2**, same shall be packed by SBP-BSC staff with suitably sized transparent white tap. It may be noted that packed bundles shall be signed and stamped by the verifying officer(s) of SBP-BSC and Customs and handed over to the authorized representative of the Company. Thereafter, packed bundle(s) shall be put in bag by the Company official provided by cargo/security company. Each bag shall be sealed before handing over to cargo/security company and seal number imposed thereon shall be recorded by the SBP-BSC staff. Subsequently, AWB number would also be stamped on sealed bag.

l) Concurrently all verifying officers shall also sign and stamp the Company's declaration **(Annexure-H2)**. The consignment duly packed, sealed and signed shall be handed over to the Cargo/Security company in the presence of SBP-BSC and Customs officials. Thereafter, the consignment shall be treated as cleared for export for the purposes of SBP & Customs.

m) It will be the Custom's prerogative to check or verify the foreign currencies being carried by the Cargo/Security company at any stage during and after clearance of the foreign currency consignment. It is the responsibility of the Customs to check and verify the seal number at the time of cargo loading.

n) The Company exporting permissible foreign currencies shall repatriate equivalent US Dollars in its foreign currency accounts maintained with banks in Pakistan within five working days from the date of export of foreign currencies.

o) The Company shall also open and/or maintain separate foreign currency accounts for receiving proceeds against export of permissible foreign currencies for reconciliation purpose. No other remittances and foreign currency cash shall be deposited in these accounts.

p) The Company shall satisfy itself before entering into contract/agreement with cargo/security companies registered in Pakistan.

q) The Company shall ensure that the contract/agreement with cargo/security companies is at "Arm's Length Basis".

r) The cost and risk of transactions for export of permissible foreign currencies shall rest upon the Company and Security/Cargo companies as per the underlying contract/agreement.

s) The Company shall ensure carrying out due diligence of the cargo/security company prior to execution of the contract/agreement and ensure its periodical updation/review.

t) The Cargo/Security company is required to undertake in its agreement with the Company that it shall only act as a transportation carrier for export of foreign currencies on behalf the Companies authorized by SBP.

u) The Company must ensure due diligence and compliance to all relevant Anti-Money Laundering laws in respect of cross-border transfers, which may be enforced from time to time in Pakistan and also in the respective jurisdiction.

v) List of authorized signatories, duly approved by CEO of the Company shall be communicated to the Director, FEOD. Any subsequent change in the authorized signatory's list shall be brought into the knowledge of the Director, FEOD.

w) Any unauthorized attempt (direct or indirect), during or after the clearance, by the Company to temper/change the documents, consignment, bundles or value of the overall shipment

may result in immediate cease of Export and Import business for the Company. Further, regulatory action including cancellation of the Authorization may also be considered under the provisions of the Act.

x) In case of cancellation of export shipment, due to any reason, cleared consignment shall be brought back to the designated location, during booth timing, by cargo/security company. SBP-BSC officials in presence of Customs and Companies' representatives will verify the currency as per **Annexure-H2** of that shipment before handing it over to the Company.

y) There must be no conflict of interest between officials of the Company (including President, CEO, Directors, Members or Executives) and the Cargo/ Security company. If any of the aforementioned official is having a share, employment, relation or any kind of benefit in/from Cargo/ Security Company same must be brought into the knowledge of EPD.

z) Copy of the document declaring currency at foreign airport (i.e. Import Declaration) shall also be kept in record with export documents by the Company. The Onsite inspection teams of SBP will verify the values and other details of such import declarations. Further, in view of the prevailing AML/CFT regulations, the Company is not allowed to export FCY to the countries where declaration of importing currencies is not mandatory/ required.

**Annexure – H2**

## Export of Permissible Foreign Currency Notes

(Exchange Company's Letter Head)

(i) The Collector of Customs

(ii) The Director, Foreign Exchange Operations Department, SBP-BSC, Karachi

**Sub: Export of Permissible Foreign Currency Notes**

1. It is hereby declared that we are exporting Foreign Currency(ies) equivalent to USD _____ under export consignment No. ___(UTN) ___/2021-22_____ as per the following details:

   i) Cargo/Security Company Name: _____

   ii) Airport Name:_____

   iii) Contract/Agreement No_____ dated _____

   iv) Foreign Supplier Name & Address: _____

   v) Foreign Agent Name & Address: _____

   vi) Airline Name: _____, Flight No._____,

   Flight Departure Time: _____, Flight Arrival Time at Destination_____

   and Airway bill number: _____.

2. Details of export consignment packets are given below.

   **Packet # 1:** FCYs equivalent to U.S. Dollars (in figures / in words) _____

   **Packet # 2:** FCYs equivalent to U.S. Dollars (in figures / in words) _____

   **Packet # 3:** FCYs equivalent to U.S. Dollars (in figures / in words) _____

   Total FCYs being exported equivalent to U.S. Dollars (in figures / in words)

   _____

In terms of the procedure laid down by State Bank of Pakistan for export of FCYs other than U.S. Dollars, we request you to kindly grant us permission for export of the above mentioned FCYs as per details enclosed at Annexure-H2.

3. Deal Ticket Number for the export consignment is _____.

4. Proceeds of the export consignment will be brought to Pakistan in cash USD _____ at _____ Airport, _____ (City) and/or through credit of USD _____ to our Foreign Currency Account No. _____ maintained in _____(Bank)_____.

5. Import consignment of cash USD, if any, will be brought to Pakistan, through Cargo/ Security Company i.e. - _____ by Flight No. _____ dated _____ scheduled to arrive (Airport)_____ at _____ a.m./p.m.

| | |
|---|---|
| Signature of Declarant<br>SBP Stamp & Signature<br>Custom Stamp & Signature | Company Name<br>Authorized Signature<br>Date |

| Abbreviation of Company Name | Company's Authorization No. | City Abbreviation Khi/Lhr/Isb | Centralized Sequence Number of all transactions by the Company during financial year |
|---|---|---|---|
| | | | |

**Abbreviation for the Companies**

| Sr. No | Company Name | Abbreviation |
|---|---|---|
| 1 | AA Exchange Company (Pvt.) Ltd. | AAEC |
| 2 | ABL Exchange (Pvt.) Ltd | ABLE |
| 3 | Al Raj International Exchange Co. (Pvt.) Ltd. | ARIE |
| 4 | Al Habib Exchange Company (Pvt.) Ltd. | AHEC |
| 5 | Alfalah Currency Exchange (Pvt.) Ltd. | AFCE |
| 6 | Al-Rahim Exchange Company (Pvt.) Ltd. | AREC |
| 7 | Al-Sahara Exchange Company (Pvt.) Ltd. | ASEC |
| 8 | Askari Currency Exchange Co. (Pvt.) Ltd. | ACEPL |
| 9 | BOP Exchange (Pvt.) Ltd. | BOPEX |
| 10 | D.D Exchange Company (Pvt.) Ltd. | DDEC |
| 11 | Dollar East Exchange Company (Pvt.) Ltd. | DEEC |
| 12 | Dream Exchange Company (Pvt.) Ltd. | DREL |
| 13 | Fairdeal Exchange Company (Pvt.) Ltd. | FDEC |
| 14 | Faysal Islami Currency Exchange (Pvt.) Ltd. | FICE |
| 15 | Glaxy Exchange Company (Pvt.) Ltd. | GLEC |
| 16 | H & H Exchange Company (Pvt.) Ltd. | HHEC |
| 17 | HABIBMETRO Exchange Services Limited. | HMES |
| 18 | Habib Qatar Intl. Exchange Pak. (Pvt.) Ltd. | HQIE |
| 19 | HBL Currency Exchange (Pvt.) Ltd. | HBCE |
| 20 | Islamabad Exchange Company (Pvt.) Ltd. | ISEC |
| 21 | Link Intl. Exchange Company (Pvt.) Ltd. | LIEC |
| 22 | MCB Exchange Company (Pvt.) Ltd. | MCBE |
| 23 | Meezan Exchange Company (Pvt.) Ltd. | MZEC |
| 24 | Money Link Exchange Company (Pvt.) Ltd. | MLEC |
| 25 | Money Masters Currency Exch. Co.(Pvt.) Ltd. | MMEC |
| 26 | Muhammadi Exchange Company (Pvt.) Ltd. | MUEC |
| 27 | NBP Exchange Company Ltd. | NBEC |
| 28 | Pakistan Currency Exchange Co. (Pvt.) Ltd. | PCEC |
| 29 | Paracha International Exchange (Pvt.) Ltd. | PIEC |
| 30 | Paragon Exchange (Pvt.) Ltd. | PREC |
| 31 | Ravi Exchange Company (Pvt.) Ltd. | RVEC |
| 32 | Riaz Exchange Co. (Pvt.) Ltd. | RZEC |
| 33 | Royal International Exchange Co. (Pvt.) Ltd. | RIEC |
| 34 | Sadiq Exchange Company (Pvt.) Ltd. | SDEC |
| 35 | Sky Exchange Company (Pvt.) Ltd. | SKEC |
| 36 | Time Exchange Company (Pvt.) Ltd. | TIEC |
| 37 | UBL Currency Exchange (Pvt.) Ltd. | UBLE |
| 38 | Union Exchange Company (Pvt.) Ltd. | UECL |
| 39 | ZeeQue Exchange Company (Pvt.) Ltd. | ZQEC |

**Specimen of Unique Transaction Number for Export and Import of Foreign Currency through Airport Booth**.

**Example for transaction No. 1:**

1. Name of the Company — NBP Exchange Company
2. SBP Authorization No. — 02
3. Airport City from where currency is exported — Lahore *
4. Transaction No. — 1
5. Financial Year of Transaction — 2024-25

UTN for transaction No. 1 will be on the following format

| Abbreviation of Company Name | Company's Authorization No. | City Abbreviation KHI/LHR/ISB/PEW | Centralized Sequence Number of all transactions by the company during fiscal year |
|---|---|---|---|

**UTN for Transaction '1' mentioned in above example No. 1: NBEC/02/LHE/1/2024-25**

**Example for transaction No. 2:**

1. Name of the Company — NBP Exchange Company
2. SBP License No. — 02
3. Airport City from where currency is exported — Karachi *
4. Transaction No. — 2
5. Financial Year of Transaction — 2024-25

**UTN for Transaction '2' mentioned in example No. 2 will be: NBEC/02/KHI/2/2024-25**

Note:

1. *Airport code for Karachi is KHI, Lahore is LHE, Islamabad is ISB and Peshawar is PEW.
2. Alpha abbreviations for the name of each Company will be provided by EPD, SBP for the sake of standardization.
3. The numeric transaction number will be sequentially maintained and will be issued by the Head Office of each Company for future reconciliation of export and import of foreign currency transactions.

**Annexure – H3**

**Declaration Submitted to SBP Booth at Airport**

(i) The Collector of Customs

(ii) The Director, Foreign Exchange Operations Department, SBP-BSC, Karachi.

Made at:

- SBP Booth, _____ Airport, _____ (City)

1. It is hereby declared that we have imported cash USD _____ through flight No._____ at ____ a.m./ p.m. on ___(date)__in corresponding export consignment No. _____(UTN)_____ exported from _____ Airport.

2. The imported cash USD declared as above is submitted for counting and inspection for the clearance as per following;

| | | |
|---|---|---|
| No. of USD 100 Notes: | xxxxxx | Amount USD = _____ |
| No. of USD 50 Notes: | xxxxxx | Amount USD = _____ |
| _____ | _____ | _____ |

Name of the Company_____

Signature:

Authorized Person Name_____

Dated: _____

For State Bank of Pakistan (Banking Services Corporation):

Signature:

| | |
|---|---|
| Name of Officer: _____ | Name of Officer: _____ |
| Designation: _____ | Designation: _____ |
| Date: _____ | Date: _____ |

(Note prescribed stamp giving time, date and details of flight will be fixed on this declaration letter by SBP officials with their initials)

**Annexure – H4**

## Reconciliation of Export of Permissible Foreign Currencies and Import of US Dollars

(To be submitted every fortnightly to BSD)

| Export of Foreign Currency | | | | | | | Import of Foreign Currency | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | | | 1 | 2 | 3 | 4 | | 5 | | | | |
| Sr. No | Unique Transaction Number | USD Equivalent of the currency exported | Deal Ticket No. | Flight Details of Export Consignment | | | Unique Transaction Number | Denomination wise details of USD Imported | Deal Ticket No. | Total Amount of USD imported | | Import of USD Cash (Consignment Details) | | | | |
| | | | | No. | Date | Airport | | | | Cash | Bank Account | Flight No. | Date | Airport | AWB No. | Cargo/ Security Company Name |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |

**Annexure – I**

# Fortnightly Statements

**Statement-A**

**Name of the Company:**

| Date wise Fortnightly Position of Export of FCYs and Receipt of Funds there against for the Period from ----- to-------- | | | | | | | |
|---|---|---|---|---|---|---|---|
| Export of FCYs | | Details of Receipt of Funds in FCY Accounts Against Exported FCYs* | | | Details of Import of Cash USD | | |
| Date | Eqv. USD | Date* | Name and Branch of Bank | Account Title & No. | Amount in USD | Date | Amount in USD |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

* The date shows the date at which the funds against the exported FCYs were received / are expected to be received as per the deal tickets.

**Statement-B**

**Name of the Company:**

| Date wise Fortnightly Foreign Exchange Exposure Position at the close of Business each day for the Period from ----- to ----- | | | | |
|---|---|---|---|---|
| Date | MCR (A) | Exposure Limit (50% of A) | Over Bought | Over Sold |
| | | | | |
| | | | | |

**Annexure – J**

# Quarterly Statements

**Statement-C**

**Name Of the Company:**

| Consolidated Quarterly Report of Late / Non-Payment of Remittances during the Period from ------ to-------- | | | | | | |
|---|---|---|---|---|---|---|
| Date of Remittance Booked | Name of the Customer[2] | Type of Transaction i.e. Inward / Outward | Amount in Equivalent USD | Number of Days Delayed[1] | Status of Remittance i.e. Paid / Unpaid | Reason of Late / Non Payment |
| | | | | | | |
| | | | | | | |

[1] Remittances other than those of MTOs not paid / transferred within 3 days of receipt of funds / Payment Instructions.

[2] Customer: Sender in case of Outward Remittances and Beneficiary in case of Inward Remittances.

**Annexure – K**

**Reporting format (sample) for Outward remittances made against inward home remittances mobilized by the Companies**

Name of the Company: _____

Reporting date: November 5, 2024

For the month ended on October 31, 2024

Total Inward Home Remittances in equivalent USD (during the last month i.e., September 2024): ___

Total Permissible Outward Remittances in equivalent USD (75% of the above): _____

Total Outward Remittances in equivalent USD made during the month (October 2024): _____

**Annexure – L**

**Statement-I**
**Details of the Company's Bank Accounts**

| Sr No. | IBAN No. | Name of Bank | Branch | Currency (e.g. PKR, USD, etc.) |
|---|---|---|---|---|
| 1 | | | | |
| 2 | | | | |

**Statement-II**
**Details of Company's Directors/Shareholders/CEO**

| Sr. No. | Name | Designation | CNIC No. | No. of Shares | IBAN No. | Name of Bank/ Branch | SBP Approval Letter No. and Date |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | | | | | | | |

*Use Separate row in case of more the one account.

**Statement-III**
**Details of Company's Employees**

| Sr. No. | Name | CNIC No. | Designation | Date of appointment | Date of leaving |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |

## Annexure – M

| Summary–1 | |
|---|---|
| Book Transactions | |
| **INWARD REMITTANCES** | **OUTWARD REMITTANCES** |
| **2100 Transfers** | **3100 Transfers** |
| 2110 Workers' remittances | 3110 Workers' remittances |
| **2200 Services** | **3200 Service** |
| 2210 Travel | 3210 Travel |
| 2212 Religious Travel -Muslim | 3214 Health |
| 2213: Religious Travel-Non Muslim | 3215 Holidays/tourists |
| | 3216 Religious Travel-Muslim |
| 2214 Student | 3217 Religious Travel Non-Muslim |
| 2215 Trainees | 3218 Student |
| 2216 Health | 3219 Trainees |
| 2217 Holidays/tourists | |
| 2270 Financial services-Commission received for agency arrangements | 3270 Financial services – resident banks |
| | 3271 Financial services – non-resident financial institutions |
| | 3272 Financial charges related to export of currency |
| **2400 Receipts of security deposit for agency arrangement** | **3400 Repayment of security deposit** |
| **2500 Advance receipts from agency arrangement** | **3500 Remittances against advance receipts** |
| **2600 Exchange Transfer & Adjustments** | **3600 Exchange transfer & adjustments** |
| 2610 Contra for cash deposit in FCA | 3610 Contra FCA withdrawal |
| 2620 From exchange companies in Pakistan against PKR | 3620 To exchange companies in Pakistan against PKR |
| 2630 Receipt on account of export of foreign currency | 3630 Sale to other authorized dealer in Pakistan |
| | 3631 Sale to Authorized Dealer in Pakistan against Home Remittance |
| | 3632 Sale to Authorized Dealer in Pakistan against Export Proceeds |
| | 3633 Sale to Authorized Dealer in Pakistan against Credit Card/ Debit Card |
| | 3634 Sale to Authorized Dealer in Pakistan others |
| 2640 Purchase against sales of FCY | 3640 Sale against purchase of foreign currency |
| 2650 Branch transaction adjustment | 3650 Branch transaction adjustment |
| **2700 Refund / Reversal -Outward Remittance** | **3700 Refund / Reversal -inward remittance** |
| **2800 Realization of accounts receivable** | **3800 Less: Repayment/ purchase of accounts payable** |
| **1320 Opening Balance (Cr)** | **1330 Opening Balance (Dr)** |
| **8330 Closing Balance (Dr)** | **8320 Closing Balance (Cr)** |
| **Total** | **Total** |
| Note: The reporting variables do not imply permission for transaction | |

| Summary–2 | |
|---|---|
| **Accounts Receivable from/ Payable to Non-residents** | |
| **Accounts Receivable from Non-Residents** | **Accounts Payable to Non-Residents** |
| **Disbursement to Residents (Funds not received)** | **Disbursement to Non-Residents (Funds not remitted)** |
| **2100 Transfers** | **3100 Transfers** |
| 2110 Workers' remittances | 3110 Workers' remittances |
| **2200 Services** | **3200 Service** |
| 2210 Travel | 3210 Travel |
| 2212 Religious Travel -Muslim | 3214 Health |
| 2213 Religious Travel-Non-Muslim | 3215 Holidays/tourists |
| 2214 Student | 3216 Religious Travel-Muslim |
| 2215 Trainees | 3217 Religious Travel Non-Muslim |
| 2216 Health | 3218 Student |
| 2217 Holidays/tourists | 3219 Trainees |
| 2270 Financial Services-Commission received for agency arrangements | 3270 Financial services – resident banks |
| | 3271 Financial services – non-resident financial institutions |
| | 3272 Financial charges related to export of currency |
| **2600 Exchange Transfer & Adjustments** | **3600 Exchange transfer & adjustments** |
| 2650 Branch transaction adjustment | 3650 Branch transaction adjustment |
| **2800 Less: Realization of accounts receivable** | **3800 Less: Repayment/ purchase of accounts payable** |
| **1320 Opening Balance (Cr)** | **1330 Opening Balance (Dr)** |
| **8330 Closing Balance (Dr)** | **8320 Closing Balance (Cr)** |
| **Total** | **Total** |
| Note: The reporting variables do not imply permission for transaction | |

| **Summary–3** | |
|---|---|
| **Unpaid Inward and Outward Remittances** | |
| **Account Payable to Residents (Unpaid Outward Remittances)** | **Account Payable to Residents (Unpaid Inward Remittances)** |
| **Funds Received from Residents for Payment Abroad (Neither transmitted nor advised abroad for payment)** | **Funds Received for Residents and yet to be distributed** |
| **2100 Transfers** | **3100 Transfers** |
| 2110 Workers' remittances | 3110 Workers' remittances |
| **2200 Services** | **3200 Service** |
| 2210 Travel | 3210 Travel |
| 2212 Religious Travel-Muslim | 3214 Health |
| 2213 Religious Travel-Non Muslim | 3215 Holidays/tourists |
| 2214 Student | 3216 Religious Travel-Muslim |
| 2215 Trainees | 3217 Religious Travel Non-Muslim |
| 2216 Health | 3218 Student |
| 2217 Holidays/tourists | 3219 Trainees |
| 2270 Financial Services-Commission received for agency arrangements | 3270 Financial services – resident banks |
| | 3271 Financial services – non-resident financial institutions |
| | 3272 Financial charges related to export of currency |
| **2600 Exchange Transfer & Adjustments** | **3600 Exchange transfer & adjustments** |
| 2620 From exchange companies in Pakistan against PKR | 3620 To exchange companies in Pakistan against PKR |
| 2630 Receipt on account of export of foreign currency | 3630 Sale to other authorized dealer in Pakistan |
| 2640 Purchase against sales of FCY | 3631 Sale to Authorized Dealer in Pakistan against Home Remittance |
| 2650 Branch transaction adjustment | 3632 Sale to Authorized Dealer in Pakistan against Export Proceeds |
| | 3633 Sale to Authorized Dealer in Pakistan against Credit Card/ Debit Card |
| | 3634 Sale to Authorized Dealer in Pakistan others |
| | 3640 Sale against purchase of foreign currency |
| | 3650 Branch transaction adjustment |
| **2700 Refund / Reversal -outward remittance** | **3700 Refund / Reversal -inward remittance** |
| **2800 Less: Realization of accounts receivable** | **3800 Less: Repayment/ purchase of accounts payable** |
| **1320 Opening Balance (Cr)** | **1330 Opening Balance (Dr)** |
| **8330 Closing Balance (Dr)** | **8320 Closing Balance (Cr)** |
| **Total** | **Total** |
| Note: The reporting variables do not imply permission for transaction | |

| Summary–6 | |
|---|---|
| **Cash Transactions** | |
| **Purchases** | **Sales** |
| **2110 Foreign currency withdrawal from FCA with banks** | **3110 Deposits in FCA with banks in Pakistan** |
| **2200 Travel Non-resident** | **3200 Travel resident (for travel abroad)** |
| 2211 Religious Travel Muslim | 3211 Religious Travel Muslim |
| 2212 Religious Travel Non-Muslim | 3212 Religious Travel Non-Muslim |
| 2220 Business | 3220 Business |
| 2231 Student | 3231 Student |
| 2232 Trainees | 3232 Trainees |
| 2240 Health | 3240 Health |
| 2250 Holidays/ tourists | 3250 Holidays/ tourists |
| **2300 Un-spent foreign currency balance from resident travel:** | **3300 Un-spent rupee balance from non-resident travel:** |
| 2311 Religious Travel Muslim | 3311 Religious Travel Muslim |
| 2312 Religious Travel Non-Muslim | 3312 Religious Travel Non-Muslim |
| 2320 Business | 3320 Business |
| 2331 Student | 3331 Student |
| 2332 Trainees | 3332 Trainees |
| 2340 Health | 3340 Health |
| 2350 Holiday\ tourist | 3350 Holiday\ tourist |
| **2400 From residents** | **3400 To residents** |
| 2410 Withdrawal from FCA with banks | 3410 For deposit to FCA with banks |
| 2411 Holdings | 3420 For holdings |
| 2420 Earned from services provided abroad | |
| 2430 Purchase from other residents | |
| 2440 Purchase from non-residents | |
| 2450 Workers' remittances | |
| 2460 Private donation | |
| 2470 Gifts and other transfer | |
| **2510 From exchange companies in Pakistan against PKR** | **3510 To exchange companies in Pakistan against PKR** |
| **2520 From authorized hotels in Pakistan against PKR** | **3520 To banks (authorized dealers) against PKR** |
| | 3521 Sale to Authorized Dealer in Pakistan against Credit Card/ Debit Card |
| | 3522 Sale to Authorized Dealer in Pakistan others |
| **2530 Import of foreign currency** | **3530 Export of foreign currency** |
| **2540 Purchase From banks (authorized dealers) against PKR** | |
| **2550 Branch transaction adjustment** | **3550 Branch transaction adjustment** |
| **2560 Purchase from Bank (Authorized Dealer) against FCY** | **3560 Sale to Banks (Authorized Dealer) against FCY** |
| **2700 Reversal/Refund** | **3700 Reversal/Refund** |
| 2720 Reversal of Sale transaction with Individual | 3720 Reversal of Purchase transaction with Individual |
| 2730 Reversal of Sale transactions with Exchange Companies | 3730 Reversal of Purchase transaction with Exchange Companies |
| 2740 Reversal of Sale transactions with Authorized Dealers. | 3740 Reversal of Purchase transaction with Authorized Dealers |
| **1420 Opening Balance Total** | **8420 Closing Balance Total** |
| Note: The reporting variables do not imply permission for transaction | |

## Description of Summary–1, 2, 3

### Inward Remittances

| Invisible Receipts | | |
|---|---|---|
| **Purpose** | **Description** | **Code** |
| **Transfers** | | |
| **Workers' remittances** | Remittances made by migrant residing abroad to their family members in Pakistan for domestic use or family maintenance. (A resident of an economy is a person who stays or intends to stay for a year or more in that economy.) | **2110** |
| **Services** | | |
| **Travel** | | |
| **Religious travel-Muslim** | The remittances received from abroad for religious travel (Muslim) in Pakistan | **2212** |
| **Religious travel-Non Muslim** | The remittances received from abroad for religious travel (non- Muslim) in Pakistan | **2213** |
| **Student** | Receipts by educational institutions or non-resident individuals on account of education of non-resident students studying in Pakistan (including tuition, food, | **2214** |
| **Trainees** | Receipts on account of training expenditure of foreign trainees in Pakistan other than officials of government and semi-government organizations | **2215** |
| **Health** | Receipts from non -resident patients for medical / Health treatment in Pakistan (including expenses for acquiring medical services, other health care, food, accommodation and local transport) | **2216** |
| **Holidays /Tourists** | Remittances received from abroad in favor of tour operators and travel agents in Pakistan related to tourists who intend to visit Pakistan. | **2217** |
| **Financial services-Commission received for agency arrangements** | Remittances received for commission earned by exchange companies as agency under arrangement with foreign company for disbursement of remittances. | **2270** |
| **Receipts of security deposit for agency arrangement** | Remittances received by Residents of Pakistan exchange companies from non-resident company as security deposits for agency arrangement through banks. | **2400** |
| **Advance receipts from agency arrangement** | Remittances received in advance from non-resident company under agency arrangements for disbursement of remittances. | **2500** |
| **Exchange, transfers and adjustments** | | |
| **Contra for cash deposit in FCA** | Cash deposits made by exchange companies in foreign currency account maintained with authorized dealers in Pakistan would reflect an increase in the FCA balance of exchange companies and hence reported as contra. | **2610** |
| **From exchange companies in Pakistan** | Purchase of foreign currency from other exchange companies against Pak. rupee routed through FCA to maintain foreign exchange requirement. | **2620** |
| **Receipt on account of export of foreign currency** | Remittances received in equivalent US $ in FCA of exchange companies for export proceeds of permissible foreign currency cash/coins. | **2630** |
| **Purchase against sales of other currencies** | Purchase of one foreign currency against sale of another foreign currency through FCAs for maintaining long and short currency positions are meeting the liquidity requirements. | **2640** |
| **Branch transactions adjustments** | Intercompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here. | **2650** |
| **Realization/sale of accounts receivable** | The amount realized/ sold against accounts receivable generated through payments to residents for different purposes on advice of the non-resident entity (approved by SBP) for which funds were not received. | **2800** |
| **Refund / Reversal –outward remittance** | Refund/ reversal of remittances received on account of transactions related to Outward remittances | **2700** |

## Description of Summary–1, 2, 3

### Outward Remittances

| Invisible Payments | | |
|---|---|---|
| **Purpose** | **Description** | **Code** |
| **Transfers** | | |
| **Workers' remittances** | Remittances made by non-residents employed in Pakistan for maintenance of their families abroad. (A resident is a person who stays or expected to stay for a year or more in an economy.) | **3110** |
| **Services** | | |
| **Travel** | | |
| **Health** | Payments made to Residents of Pakistan patients for their medical treatment abroad including all related charges. | **3214** |
| **Holidays /Tourists** | Remittances made abroad in favor of resident tourists or in favor of hotels, tour operators and travel agents abroad related to tourists' expenses who intend to visit overseas. | **3215** |
| **Religious travel Muslim** | The remittances made for Muslim religious travel abroad. | **3216** |
| **Religious travel Non-Muslim** | The remittances made for Non-Muslim religious travel abroad | **3217** |
| **Student** | Remittances made to educational institutions or Pakistani individuals on account of studying abroad (including tuition, food, accommodation, local transport, health services' charges) | **3218** |
| **Trainees** | Remittances on account of training expenditure of resident trainees abroad other than officials of government and semi government organizations. | **3219** |
| **Financial services** | | |
| **Financial services – resident banks** | Payments made on account of financial services from resident banks. | **3270** |
| **Financial services – non-resident financial institutions** | Payments made on account of financial services from non-residents financial institutions/ exchange companies etc. such as Western Union, Money Gram etc. for disbursement of remittances. | **3271** |
| **Financial charges related to export of currency** | Financial charges related to export of currency | **3272** |
| **Repayment of security deposit** | Repayment of security deposits to foreign agency received earlier as agency arrangement for disbursement of remittances to Residents of Pakistan. | **3400** |
| **Remittances against advance receipts** | Contra on account of remittances disbursed out of advance receipts from non-resident companies under agency arrangement. | **3500** |
| **Exchange, transfers and adjustments** | | |
| **Contra FCA withdrawal** | Cash withdrawal made by exchange company from foreign currency account maintained with authorized dealers in Pakistan. | **3610** |
| **To exchange companies in Pakistan** | Sale of foreign currency made to other exchange companies against Pak. rupees to meet their foreign exchange requirement. | **3620** |
| **Sale to other authorized dealer in Pakistan** | | |
| **Sale to Authorized Dealer in Pakistan against Home Remittance.** | Foreign exchange surrendered/ sale to Authorized Dealer against Home Remittances by using banking channel i.e. the PKR received by EC in its Bank Account. | **3631** |
| **Sale to Authorized Dealer in Pakistan against Export Proceeds.** | Foreign exchange surrendered/ sale to Authorized Dealer against FCY export proceeds by using banking channel i.e. the PKR received by EC in its Bank Account. | **3632** |
| **Sale to Authorized Dealer in Pakistan against Credit Card/ Debit Card.** | Foreign exchange sold to Authorized Dealer against Credit Card/ Debit Card transactions of AD by using banking channel i.e. the PKR received by EC in its Bank Account. | **3633** |
| **Sale to Authorized Dealer in Pakistan others.** | Foreign exchange sold to Authorized Dealer for any other reason by using banking channel i.e. the PKR received by EC in its Bank Account. | **3634** |
| **Sale against purchase of foreign currency** | Sale of a foreign currency made against purchase of other foreign currency for maintaining liquidity or meeting particular currency requirement. | **3640** |
| **Branch transaction adjustments** | Intercompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here. | **3650** |

| | | |
|---|---|---|
| **Repayment/ purchase of accounts payable** | The amount paid/ purchased against accounts payable generated through disbursement by non-residents for different purposes on advice of the exchange company for which funds were yet to be transmitted. In Summary-3, the accounts payable represent to the amount i) that has been received from non-resident MTO, bank etc. and yet to be disbursed to the resident beneficiary,(ii) for which PKR or FX has been received from the resident remitter for payment abroad and held with exchange company for which neither advice for disbursement has been sent nor amount has been remitted. | **3800** |
| **Refund / Reversal -inward remittance** | Refund / Reversal of inward remittances on account of transactions related to inward remittance | **3700** |

## Description of Summary–6

### Inward Remittances

| Invisible Receipts | | |
|---|---|---|
| Summary-6 Transactions-Purchase side | | |
| **Purpose** | **Description** | **Code** |
| **Foreign currency withdrawal from FCA with banks** | Foreign currency withdrawn from foreign currency account maintained with authorized dealers in Pakistan to meet currency requirement. | **2110** |
| **Travel-Non-resident** | | |
| **Religious Travel Muslim** | Purchase of foreign currency cash from Muslim non-resident religious travelers against sale of Pak rupee. | **2211** |
| **Religious Travel Non-Muslim** | Purchase of foreign currency cash from non- Muslim non-resident religious travelers against sale of Pak rupee | **2212** |
| **Business** | Purchase of foreign currency cash from non-residents on business trip in Pakistan. | **2220** |
| **Student** | Purchase of foreign currency cash from non-resident students in Pakistan. | **2231** |
| **Trainees** | Purchase of foreign currency cash from non-resident trainees in Pakistan. | **2232** |
| **Health** | Purchase of foreign currency cash from non-resident patients for medical treatment in Pakistan. | **2240** |
| **Holiday / Tourist** | Purchase of foreign currency cash from non-resident tourists visiting Pakistan. | **2250** |
| **Un-spent foreign currency balance from resident travel** | | |
| **Religious Travel Muslim** | Purchase of unspent foreign currency cash from Muslim resident travelers returned to Pakistan | **2311** |
| **Religious Travel Non-Muslim** | Purchase of unspent foreign currency cash from Non-Muslim resident travelers returned to Pakistan. | **2312** |
| **Business** | Purchase of unspent foreign currency cash from residents of Pakistan who visited abroad for business trip. | **2320** |
| **Student** | Purchase of unspent foreign currency cash from residents of Pakistan students returned from abroad. | **2331** |
| **Trainees** | Purchase of unspent foreign currency cash from residents of Pakistan trainees returned from abroad. | **2332** |
| **Health** | Purchase of unspent foreign currency cash from residents of Pakistan patients who visited abroad for medical treatment. | **2340** |
| **Holiday / Tourist** | Purchase of foreign currency cash from residents of Pakistan tourists, who visited abroad for spending holidays or as tourists. | **2350** |
| **From residents** | | |
| **Withdrawal from FCA with authorized dealers** | Purchase of foreign currency cash from residents of Pakistan withdrawn from their foreign currency accounts with authorized dealer in Pakistan. | **2410** |
| **Holdings** | Purchase of foreign currency cash from residents of Pakistan out of foreign currency holdings. | **2411** |
| **Earned from services provided abroad** | Purchase of foreign currency cash from residents of Pakistan earned from any services rendered abroad. | **2420** |
| **Purchase from other resident** | Purchase of foreign currency cash from residents of Pakistan who obtained from any other resident of Pakistan. | **2430** |
| **Purchase from non-resident** | Purchase of foreign currency cash from residents of Pakistan who obtained from any non-resident. | **2440** |
| **Workers' remittances** | Purchase of foreign currency cash sent by the worker abroad through a person visiting Pakistan | **2450** |
| **Private donation** | Purchase of cash received for food, clothing, consumer goods, medicine supply etc for relieve of hardships due to natural disaster, war, regular contribution to charitable, religious, scientific, social & cultural research organization and other support remittances. Cash for Zakat by overseas residents of Pakistan to their origin can be included. These remittances are received through a person visiting Pakistan. | **2460** |
| **Gifts and other transfer** | Purchase of cash received for gifts, dowries, inheritances and lottery draws. These remittances are received through a person visiting Pakistan | **2470** |
| **From other exchange companies in Pakistan** | Purchase of foreign currency against Pak rupees from other exchange companies. | **2510** |

| | | |
|---|---|---|
| **against PKR** | | |
| **From authorized hotels in Pakistan against PKR** | Purchase of foreign currency against Pak rupees from authorized hotels. | **2520** |
| **Import of foreign currency** | Import of permissible foreign currencies by Exchange Company | **2530** |
| **From banks (authorized dealers) against PKR** | Purchase of foreign currency against Pak rupees from banks (authorized dealers). | **2540** |
| **Branch transaction adjustments** | Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here. | **2550** |
| **Purchase from Bank** | Purchase of Cash foreign currency from banks (authorized dealers) against credit in their Nostro Account. | **2560** |
| **Reversal/Refund** | | |
| **Reversal of Sale transaction with** | Reversed/ cancelled sale transactions with individual customer due to any reason. | **2720** |
| **Reversal of Sale transactions with Exchange Companies** | Reversed/ cancelled sale transactions with Exchange Companies due to any reason. | **2730** |
| **Reversal of Sale transactions with Authorized Dealers** | Reversed/ cancelled sale transactions with Authorized Dealers due to any reason. | **2740** |

## Description of Summary–6 Transactions

### Outward Remittances

| Invisible Payments | | |
|---|---|---|
| **Summary-6 Transactions-Sale side** | | |
| **Purpose** | **Description** | **Code** |
| **Deposits in FCA with banks in Pakistan** | Foreign currency deposited by exchange companies to their foreign currency accounts maintained with authorized dealers in Pakistan | **3110** |
| **Travel residents (for travel abroad)** | | |
| **Religious Travel Muslim** | Sale of foreign currency cash to Muslim residents of Pakistan for religious travel. | **3211** |
| **Religious Travel Non-Muslim** | Sale of foreign currency cash to Non-Muslim residents of Pakistan for religious travel. | **3212** |
| **Business** | Sale of foreign currency cash made to residents of Pakistan for business travel abroad. | **3220** |
| **Student** | Sale of foreign currency cash to Pakistani students studying abroad. | **3231** |
| **Trainees** | Sale of foreign currency cash to Pakistani trainees visiting abroad. | **3232** |
| **Health** | Sale of foreign currency cash made to residents of Pakistan patients visited abroad for medical treatment abroad. | **3240** |
| **Holiday/Tourist** | Sale of foreign currency cash made to residents of Pakistan for holiday / excursion visits abroad. | **3250** |
| **Un-spent rupee balance from non-resident travel** | | |
| **Religious Travel Muslim** | Sale of foreign currency cash to non-residents Muslims on religious travel in Pakistan. | **3311** |
| **Religious Travel Non-Muslim** | Sale of foreign currency cash to non-residents non-Muslims on religious travel in Pakistan. | **3312** |
| **Business** | Sale of foreign currency cash to non-residents on business travel in Pakistan | **3320** |
| **Student** | Sale of foreign currency cash to non-resident students on studying in Pakistan. | **3331** |
| **Trainees** | Sale of foreign currency cash to non-resident trainees visiting Pakistan. | **3332** |
| **Health** | Sale of foreign currency cash to non-resident patients on medical treatment visit in Pakistan | **3340** |
| **Holiday/Tourist** | Sale of foreign currency cash to non-resident tourists visited Pakistan | **3350** |
| **To residents** | | |
| **For deposit to FCA with banks** | Sale of foreign currency cash to residents of Pakistan against payment in Pak. rupees for deposits in their FCA with authorizes dealers in Pakistan | **3410** |
| **For holding as asset** | Sale of foreign currency cash to residents of Pakistan against payment in Pak. rupees for holding foreign currency cash for exchange rate gain | **3420** |
| **To exchange companies in Pakistan** | Sale made against Pak. rupees to other exchange companies as per business requirement. | **3510** |
| **To Banks (authorized dealers) against PKR** | | |
| **Sale to Authorized Dealer in Pakistan against Credit Card/ Debit Card.** | Foreign exchange sold to Authorized Dealer against Credit Card/ Debit Card transactions of AD on cash. | **3521** |
| **Sale to Authorized Dealer in Pakistan others.** | Foreign exchange sold to Authorized Dealer for any other reason on cash. | **3522** |
| **Export of foreign currency** | Export of permissible foreign currencies by Exchange Company. | **3530** |
| **Branch transaction adjustments** | Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here. | **3550** |
| **Sale to Banks (Authorized Dealer) against FCY** | Foreign exchange sold to Authorized Dealer against another FCY on cash. | **3560** |
| **Reversal/Refund** | | |
| **Reversal of Purchase transaction with Individual** | Reversed/ cancelled Purchase transactions with individual customer due to any reason. | **3720** |
| **Reversal of Purchase transaction with Exchange Companies** | Reversed/ cancelled Purchase transactions with Exchange Companies due to any reason. | **3730** |
| **Reversal of Purchase transaction with Authorized Dealers.** | Reversed/ cancelled Purchase transactions with Exchange Companies due to any reason. | **3740** |

## Memorandum items

| Purpose | Description | Code |
|---|---|---|
| **Outstanding security deposit received as Agency Arrangement** | The outstanding amount of security deposits received as agency arrangements from non-residents exchange companies/ money transfer operators etc.(approved by State Bank of Pakistan) | **8510** |
| **Stock of unpaid advance receipts from agency arrangement** | The stock of unpaid advance received from agency arrangement of non-residents exchange companies/ money transfer operators etc.(approved by State Bank of Pakistan) | **8520** |
| **Stock of remittances disbursed not received from agency arrangement** | The stock of remittances disbursed not received from agency arrangement of non-residents exchange companies/ money transfer operators etc.(approved by State Bank of Pakistan) generated through accounts receivable | **8530** |
| **Stock of accounts payable to MTO, banks etc.** | The stock of accounts payable to MTO, banks etc. for already amount disbursed abroad on behalf of the exchange company for which remittance are yet to be made. | **8540** |
| **Stock of unpaid inward remittances** | The stock of amount received from abroad for residents and yet to be distributed and is held with the exchange company | **8550** |
| **Stock of unpaid outward remittances** | The stock of funds received from residents in PKR or FX for payments abroad (neither transmitted nor advised abroad for payment). The amount would be shown in foreign currency intended to be remitted. | **8560** |
| **Paid-up capital** | The stock of paid-up capital required for formation of an exchange company. | **8570** |
| **Franchisee deposits** | The stock of franchisee deposits paid to the franchiser (Exchange Company). | **8580** |
| **Amount of SGLA with SBP** | The amount of Government securities held in SBP SGLA | **8590** |
| **Amount of Pak Rupee in SBP current account** | The amount of deposit in SBP current account as reserve requirement | **8600** |
| **Tom sale** | The foreign currency sale with one business day settlement from trade date (T+1) | **3010** |
| **Tom purchase** | The foreign currency purchase with one business day settlement from trade date (T+1) | **2010** |
| **Spot sale** | The foreign currency sale with two business day settlement from trade date (T+2) | **3020** |
| **Spot purchase** | The foreign currency purchase with two business day settlement from trade date (T+2) | **2020** |
| **Forward Sale** | The foreign currency sale with 5 business day settlement from trade date (T+5) | **3030** |
| **Security deposit (receivable)** | The outstanding amount of security deposits receivable as agency arrangements from non-residents exchange companies/money transfer operators etc.(approved by State Bank of Pakistan) | **2040** |

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