

Following news published in The Nation, Karachi on July 6, 2018

Foreign currency account holders may face huge loss

The Nation

The foreign currency account holders may suffer a loss to the tune of Rs30244 million as banks have refused to pay them in international currency.

According to State Bank of Pakistan May 2018 figures the total deposit in all the banks of the country is around \$7560 million, however, bank officials denied having any data of exact number of foreign currency account holders in the country.

The banks have frozen foreign currency accounts of IT companies, business, and salaried employees, who receive their salaries from offshore companies and the banks are paying them in local currency only at inter-bank rates. The difference between open market and inter-bank rates is between 3-5 Rs per dollar.

The foreign currency holders rejected the decision and said it would kill their business.

"I am an IT professional and serving in international market since 2012. Since last five years, industry is facing several difficulties due to government policies, but the freezing of foreign currency accounts is worst," said Zahid, an entrepreneur based in federal capital. He accused the local banks of making huge money from the freezing of accounts.

"The banks are minting money as they sell international currency in open market, pay account holders at interbank rates and pocket the difference," he said.

Those exporting their services to international companies said they were having continuous loss in IT agreements, as they get dollars at lower rates but when they need international currency for business transactions, they buy from open market.

Demanding immediate unfreezing of all foreign currency accounts, the IT exporters said that the loss is so annoying that many of the exporters are considering shifting to international banks. Some pointed out that the banks were charging them \$ 25 on every transaction above \$1000 which was unjustified. They demanded State Bank to take immediate action. The State Bank of Pakistan officials denied freezing accounts but said export of services can only be paid in local currency.

"We have directed banks to pay all those foreign currency account holders in local currency who are doing business abroad, as it falls in export of services, a top official of the regulatory body told scribe. Many claim that the move is aimed at reforming banking system of the country. Pakistan is going through massive reforms after the international watchdog against money laundering and financing of terrorism, the FATF, has placed Pakistan on a list of countries having jurisdictions with strategic deficiencies.

SBP Clarification/Rebuttal issued on July 6, 2018 to The Nation for publication:

Apropos the news story entitled 'Foreign currency account holders may face huge loss' in your newspaper, it is strongly rebutted that foreign currency accounts held with banks in the country have been frozen in any way. The foreign currency account holders are free to use their accounts as per regulations and there is no bar in using them. The contents of the story are against facts and fabricated. The analysis provided is devoid of information about the rules and regulations governing

transactions in foreign currency. The story is thus not only incorrect but highly misleading. It is regretted that stories on such sensitive topics are printed without checking related facts, rules and regulations.