CHAPTER II

AUTHORISED DEALERS AND MONEY CHANGERS

1. Authorisation to deal in Foreign Exchange.

(i) In terms of the powers vested in it by section 3 (1) & 3 (2) of the Act, the State Bank may on application authorise any person to deal in foreign exchange. An authorisation may authorise dealings in all foreign currencies or may be restricted to authorising dealings in specified foreign currencies only and may authorise transactions of all descriptions in foreign currencies or may be restricted to authorising specified transactions only.

(ii) Authorisations to deal in all foreign currencies and in approved transactions of all descriptions are issued to those scheduled banks which conduct all types of banking transactions. Authorisations limited to specified transactions are issued to those Non-bank financial institutions which undertake limited banking transactions.

2. Application for Authorised Dealers Licence.

(i) Applications for grant of Authorised Dealers Licence should be made by the Head Office of the bank/NBFI or the Principal Office in Pakistan in the case of a foreign bank, to the Director, Exchange Policy Department, stating the nature of transactions that are desired to be dealt with and it should be confirmed that trained staff and the required systems and equipments to handle foreign currency transactions are available.

(ii) Once the Head Office/Principal Office of a bank or NBFI has obtained an authorisation to deal in foreign exchange, it would be free to decide the names of those of its branches, which would conduct foreign exchange business. In case it is decided that a branch which was not previously authorised to deal in foreign exchange, is to be allowed to start such business, its name and address shall be communicated to the Director, Exchange Policy Department, who will allocate a code number to the branch for statistical purpose. The branch can, thereafter start dealing in foreign exchange.

(iii) Every Branch of a bank authorised to deal in foreign exchange, is however authorised to purchase foreign currency notes, coins, travellers cheques and demand drafts. Such transactions should be reported to a branch designated by its head office/controlling office for consolidation and reporting to the State Bank through the prescribed returns.

(iv) The State Bank may, without assigning any reason, refuse to grant an authorisation to deal in foreign exchange. It may also withdraw an authorisation already granted or prohibit dealings in foreign exchange by any branch of an Authorised Dealer in accordance with the powers vested vide section 3B of the Act.

(v) A list of Authorised Dealers in Foreign Exchange is given in Appendix IV.

3. Authorised Dealers to engage in Transactions within the Scope of their Authorisations.

An Authorised Dealer shall, in all its dealings in foreign exchange, comply with such general or special instructions which the State Bank may give from time to time and shall not engage in any transaction involving foreign exchange which is not in conformity with the terms of its authorisation.

4. Authorised Dealers should satisfy that no Contravention or Evasion of the Provisions of the Act is contemplated.

An Authorised Dealer shall, before undertaking any transaction in foreign exchange within the scope of its authorisation, on behalf of any person, require that person to make such declarations and to give such information as will reasonably satisfy it that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Act or of any rules, directions or orders made thereunder. If any person refuses to comply with any such requirement or makes only unsatisfactory compliance therewith, the Authorised Dealer should refuse to undertake the transaction and should, if it has reason to believe that contravention or evasion of the provision of the Act is contemplated, report the matter to the State Bank.

5. Authorised Money Changers (AMCs).

In terms of the powers vested by Section 3A of the Act the following terms and conditions are laid down for grant of AMCs Licence to Pakistani nationals and resident Pakistani firms and companies: -

i) Application for grant of licence to act as an AMC should be made to the area office of the Exchange Policy Department where the applicants business is located. The application should contain full particulars as regards business conducted by the applicant, location of business premises, name and address of the proprietor/partners/directors of the applicant and the same may be routed through an Authorised Dealer/applicants banker who should enclose a confidential report on the financial standing and creditworthiness of the applicant and its suitability for grant of AMCs licence. The grant of AMCs Licence will be subject to the following terms and conditions: -

a) Applicant will be required to pay application-processing fee (non-refundable) through pay order in favour of State Bank for grant of fresh licence and for renewal upto 30th June of each year. Fee for the purpose will be as under: -

aa) (Single office)

- Fresh licence Rs.100,000/-
- Renewal of licence Rs.12,000/-

bb) (Multi Branches)

Fresh licence

- Head office Rs.200,000/-
- Branch Rs.100,000/- each

Renewal of licence

- Head office Rs.60,000/-
- Branch Rs.12,000/-each

b) An applicant for grant of fresh licence will also produce the following documents: -

aa)Police verification report to the effect that the applicant was not involved in any illegal activities. However, this will not be applicable in case of existing Money Changers. AMC licence will not be issued to a person who was found involved in illegal activities or was convicted by a Court of Law.

bb)Copies of National Identity Card and NTN Certificates of proprietor/partners/ directors.

cc)Wealth Statement and evidence of being a taxpayer as detailed in the following sub-paragraphs (ii) and (iii).

dd)Evidence to the effect that the applicant possesses a suitable business space built on an area of not less than 10' x 10' in size in which no other business activity of whatsoever nature will take place. Proper counter(s) shall be installed for public convenience. However, this requirement will not be applicable for hotels, curio shops, and booths at airports/departmental stores or where specially permitted by the State Bank on the merit of each case. The State Bank of Pakistan will have the right to declare any premises un-suitable for the conduct of money changers business, if it is not suitably located in a public place.

ee)An undertaking to the effect that the request is being made for single office/multi branches, as the case may be, and the applicant has thoroughly studied the Code of Conduct for AMCs and will abide by all rules and regulations mentioned therein or issued from time to time.

ff) Evidence to the effect that the applicant has reasonable knowledge and experience in the field of foreign exchange business.

c) Application for renewal of licence should be made to the State Bank through an Authorised Dealer/applicants banker at least two weeks before the expiry date of relative licence alongwith the following documents:

aa) Original AMCs Licence

bb) Application processing fee as laid down in sub-para 5 (i) (a).

cc) Tax Paid Challan/No Demand Certificate issued from Income Tax Department.

ii) Where an applicant wishes to establish more than one branch, its net worth capital should not be less than Rs 5 million, whereas in case of a single office it should not be less than Rs 2 million as per wealth statement filed with the Income Tax Department.

iii) AMCs licence shall be granted only to Pakistan nationals and resident Pakistani firms and companies who are paying Income Tax. An applicant for more than one branch should be a taxpayer of at least Rs 70,000/- per annum and for single branch licence Rs 25,000/- per annum. Tax and bank loan defaulters will not be eligible for grant of licence.

6. Code of Conduct for Authorised Money Changers.

i) AMCs activities will be restricted to purchase/sale of foreign currency notes/coins only.

ii) AMCs commercial name should not include words such as bank, financial institution, investment company, trading company, real estate or any other word indicative of activities other than money changing business. However, hotels, curio shops, departmental stores or any other premises specially permitted by the State Bank can use their original name.

iii) An AMC shall not be permitted to deal in transfers i.e. T.Ts, D.Ds etc. However, there will be no restriction on bringing in foreign currency through banking channels from outside the country. Further, the money changers shall be prohibited to undertake any other banking activity such as acceptance of deposits, advancing of loans, issuance of letters of credit, discounting bills of exchange, purchases/sales of travellers cheques and stocks/securities, release of foreign exchange for travel abroad on various accounts as defined in Chapter XVII of Foreign Exchange Manual as modified through F.E. Circulars from time to time or purchase/sale of gold and silver in any form or of other precious metals.

iv) Dealings between AMCs and customers should be supported by receipts/ vouchers for all transactions. Every receipt provided to the customer shall bear the name of Money Changer in printed form, date, nature of transaction i.e. sale/purchase, currency dealt, rate, amount and signature of dealer. Further, a notice, advising customers of the necessity of obtaining receipts for all purchases/sales of foreign currencies, shall be prominently displayed by AMCs. AMCs will also display at a prominent place in the business premises, rates of foreign currencies applicable to purchases and sales daily at their counter, in the prescribed format of Exchange Rate Chart (Appendix V-1) and all deals must be carried out at the rates specified in the Rate Chart. However, AMCs may negotiate different rates for large transactions.

v) All purchases and sales made by AMCs in terms of their licence will be at their own risk and responsibility. They will make their own arrangements to procure the stock of various currency notes and coins for meeting their daily requirements and also to dispose of their surplus holdings. They should also make arrangement to ensure that the foreign currency notes handled by them are genuine. The AMCs will not be entitled to make any purchases of foreign currency notes/coins from any Authorised Dealer against payment in rupees.

vi) AMCs shall maintain proper books of accounts and upon State Bank's directive, provide all data, information, books of accounts and other record relating to their business.

vii) Any change in the business premises/partners/directors of an AMC which has been granted licence will require prior approval of the State Bank. Separate fee for each new branch at the scale prescribed in item (i)(a) above will be required to be paid.

viii) The name/title of the business shall be displayed clearly and in a bold face outside the business premises.

ix) The business premises should be equipped with Telephone, Fax and Electronic Cash Registers or some other electronic device for printing serially numbered receipts of their sales/purchases transactions.

x) AMCs will ensure that an effective system of internal controls and checks and balance is in place.

xi) AMCs will follow same opening hours as prescribed for the banks. However, they may observe extended business hours.

xii) AMCs will be free to trade between themselves domestically with proper accounting procedure as laid down above.

xiii) AMCs will submit a weekly statement of sales and purchases, for weeks ending on 8th, 15th, 22nd and last day of each month to area office of the Exchange Policy Department within 3 days in the prescribed proforma (Appendix V-2).

xiv) AMCs shall be bound by the rules and regulations prescribed by the State Bank from time to time. Any violation of such rules may result in penalty, suspension or cancellation of licence.

7. Inspection of Authorised Money Changers.

The State Bank shall have the right to visit the premises and inspect the records and books of accounts of the AMCs. The State Bank may withdraw the licence of any such AMC who:

does not apply for renewal of licence before its expiry,

does not commence its activities within three months from the date of grant of licence,

stops its activities for a period of three consecutive months,

does not submit weekly statement of sales and purchases of foreign currencies for eight consecutive weeks and,

is declared bankrupt or whose liquidity or solvency is endangered.