CHAPTER v

OREIGN CURRENCY ACCOUNTS OF AUTHORISED DEALERS AND SALE OF FOREIGN CURRENCIES

1. Introduction.
2. Accounts in Foreign Currencies.
3. Foreign Currency held at the disposal of the State Bank.
4. Exposure Limits and Nostro Limits.
5. Calculation of Exposure Limits.
6. Exchange Exposure Position.
7. Purchase and sale of Foreign Currencies.
8. Inter-bank transactions.
9. Purchase of U.S. Dollars from and their sale to the Authorised Dealers by the State Bank.
10. Purchase and sale of Foreign Currency from and to Banks Overseas Branches and Correspondents.

1. Introduction.

This chapter sets out the regulations governing purchase and sale of foreign currencies by Authorised Dealers in the inter-bank market in Pakistan as well as their purchase from and sale to the State Bank and overseas branches and correspondents.

2. Accounts in Foreign Currencies.

Authorised Dealers are permitted to open and maintain accounts in all fully convertible currencies with their branches and correspondents abroad, subject to the condition that opening of every new account should be reported to the Director, Exchange Policy Department by a letter giving the name and address of the foreign branch or correspondent with whom the account has been opened and the currency of the account.

3. Foreign Currency held at the disposal of the State Bank.

Foreign currency balances of Authorised Dealers, whether operated by their Head/Principal Offices or branch offices, shall at all times be held at the disposal of the State Bank which may give such directions for their disposal as it may consider necessary and expedient. The

State Bank may direct Authorised Dealers at any time to sell either ready or for forward delivery, foreign currency or currencies held by them to the State Bank or to such other person or persons as the State Bank may direct.

4. Exposure Limits and Nostro Limits.

i) The State Bank fixes from time to time limits for foreign exchange exposure on an verall basis for all currencies for each bank authorised to deal in foreign exchange. These limits are intended to cover the positions of all the branches in Pakistan of banks incorporated abroad, and all the branches, including overseas branches, if any, of banks incorporated in Pakistan. Head/ Principal Offices of Authorised Dealers should ensure on day to day basis that these limits are not exceeded. It is advisable that Authorised Dealers maintain square or near square exposure.

ii) There are no Nostro Limits for balances held abroad.

5. Calculation of Exposure Limits.

The guidelines for calculating the exposure appear as a Memorandum at the end of Appendix III.

6. Exchange Exposure Position.

Authorised Dealers are required to report to the Exchange & Debt Management Department, State Bank of Pakistan, all the foreign exchange transactions (ready, forward, take-ups, cancellation and adjusting entries etc.) entered into by them with customers as well as with other Authorised Dealers that create foreign exchange exposure in any currency, transacted during a day on floppy diskettes using the software installed by SBP on each bank's computers.

Floppy diskettes alongwith following reports generated by the software, duly signed by an Authorised Officer, are required to be submitted on daily basis to the Exchange & Debt Management Department, State Bank of Pakistan by close of office hours:

a) Deals

b) Take-ups

c) Cancelled deals

d) Adjusting entries

e) Closing balance

7. Purchase and sale of Foreign Currencies.

Authorised Dealers may freely purchase foreign currencies, as there are no restrictions on inward remittances. All sales of foreign currencies to customers must, however, be in cover of genuine transactions approved by the State Bank or by the Authorised Dealers under powers delegated to them.

8. Inter-bank transactions.

Authorised Dealers may freely buy and sell foreign currencies from and to other Authorised Dealers in Pakistan provided they remain within their permissible exposure limit.

9. Purchase of U.S. Dollars from and their sale to the Authorised Dealers by the State Bank.

The State Bank may, at its discretion, buy U.S. dollars from and sell to the Authorised Dealers both ready and forward.

10. Purchase and sale of Foreign Currency from and to Banks Overseas Branches and Correspondents.

Authorised Dealers may freely purchase both ready and forward one foreign currency against another from their overseas branches and correspondents in order to cover their positions. Purchase of foreign currencies from and their sale to banks' overseas branches and correspondents against Rupee may be made in accordance with the provisions of Chapter VII.