

Rules & Regulations

1. The procedure for establishing these companies is as follows:
 - (a) The applicants interested in formation of Exchange Companies would, in the first instance apply on prescribed Form to the State Bank for obtaining a NOC. In case NOC is denied, the State Bank will give reasons for such refusal.
 - (b) On the receipt of this NOC from the SBP, the applicant will submit an application to SECP for incorporation under the Companies Ordinance.
 - (c) After the Exchange Company is registered by SECP, the applicant would apply to the SBP for issuance of licence for commencement of operations.
2. The trade name of the Exchange Company shall not include the word "Bank", "Financial Institution", "Investment/Commercial/Finance/Real Estate" or any other description that indicates activities other than exchange business.
3. The minimum authorized and paid-up capital of the company would be Rs. 200 Million and Rs.100 Million, respectively. Paid-up capital of the company will have to be increased to Rs.200 Million within -3- years from the date of incorporation.
4. 25 percent of the Capital shall be maintained as Statutory Liquidity Reserve (SLR) with the State Bank in the form of unencumbered approved government securities. State Bank would extend current account and SGLA facilities to Exchange Companies.
5. The Exchange Company shall be authorised to deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travellers' cheques and transfers.
6. The Exchange Companies will be prohibited to engage in any other activity such as deposit taking, lending etc., directly or indirectly.
7. The Exchange Companies would be allowed to buy and sell foreign exchange from/to individuals in "Ready" value only.
8. In addition to the individuals, Exchange Companies would also be allowed to sell foreign exchange to incorporated companies for remittance on account of royalty, franchise, technical fee, repair and maintenance etc., after obtaining No Objection Certificate from the Designated Authorised Dealer.
9. Exchange Company would be allowed to buy and sell foreign exchange in "Ready", "Tom" and "Spot" value dates from/to other Exchange Companies.
10. Exchange Company would be allowed to "sell" foreign exchange in the Ready, Tom and Spot value dates, with banks as counterparty (Interbank Market).
11. The companies would be allowed to have foreign participation in their equity upto a maximum of 50%. State Bank would permit repatriation of profits in proportion upto the extent of foreign equity.

12. Every branch of a company would be allowed to offer the complete range of services that the Exchange Company is authorised to offer.
13. In addition to full-fledged branches, Companies will be allowed to have franchise arrangements with other entities. However, the responsibility in terms of adherence to SBP regulations will continue to reside with the licensee who shall be held responsible for any violation of SBP regulations committed by the franchisee.
14. Besides the branches, the companies shall also be allowed to open Currency Exchange Booths (CEB) all over the country at public places such as airports, hotels etc. The scope of activities for CEB's would be limited to currency notes/coins exchange and encashment of travellers' cheques only.
15. The Directors of an Exchange Company must possess appropriate knowledge to carry out the exchange business. They should not have been convicted of any offence involving moral turpitude and shall not have failed to honor their liabilities towards banks, tax authorities or other government agencies and shall not have been declared bankrupt nor have been subjected to attachment of their assets by the courts.
16. Directors of Exchange Companies will not be allowed to hold the Director's office in more than one Exchange Company. The directors shall also be barred to borrow or avail credit or defer payment with the Exchange Company in any form.
17. The company shall conduct the exchange business only from such premises as may be approved by the State Bank. The premises should preferably be located at an easily accessible location and shall be relocated only after obtaining prior approval from the State Bank.
18. The Companies shall ensure that facilities such as telephone, fax, Telex/SWIFT, hardware/software and electronic cash registers etc. are available.
19. The companies shall also equip themselves with necessary qualified staff to properly manage computerized reporting to the State Bank.
20. The Exchange Companies shall limit their exposure at the close of business each day at a level not higher than 50% of their capital base. The method to determine exposure shall be the same as has been prescribed for banks i.e. higher of the overbought or oversold positions at the close of day.
21. All dealings between an Exchange Company and its customers shall be supported by official receipts. Such receipts shall be prepared for every transaction in duplicate, one of which shall be provided to the customer and the other shall be kept in record for a period to be specified by SBP.
22. Every receipt provided to the customer shall be sequentially numbered and also bear the name of the Exchange Company, date, nature of transaction i.e. sale/purchase/transfer, currency dealt, exchange rate and initials of dealer/authorised employee.
23. For currency exchange transactions exceeding USD 10,000 (or equivalent in other currencies) the name, address and ID/Passport Number of the customer shall also be mentioned on the receipt after due verification.

24. For transactions involving transfers/remittances, the names, addresses and other particulars of both the remitter and beneficiary shall be mentioned on the receipts regardless of the amount.
25. A notice advising customers to obtain receipts shall be prominently displayed at each branch/CEB/franchise.
26. Another notice declaring the exchange rates applicable for currency sale/purchase/transfer shall also be displayed at a prominent place in each branch/CEB/franchise.
27. For the purpose of annual statutory audit, the Exchange Companies shall appoint only those auditing firms that are on the approved list of the State Bank for audit of banks.
28. The Exchange Companies shall maintain proper accounting records and submit the same in such form, as may be required by the State Bank.
29. The company shall invariably submit to the State Bank, within a period not exceeding three months from the date of closing of its financial year, a signed copy of its year end audited accounts.
30. The financial year of the company will be from 1st July to 30th June.
31. The company shall fully abide by all the regulations, instructions, directives, circulars and other communications issued by the State Bank and subject its records and documents to the examination, inspection and supervision of the State Bank. It shall also ensure compliance with all other laws of the land; in particular the provisions relating to counterfeit coins and banknotes.
32. The State Bank reserves the right to inspect the activities of Exchange Company at any time it finds appropriate to ensure adherence to the regulations issued by the State Bank.
33. The company shall adopt proper techniques of internal control such as internal audit.
34. Any change in the Memorandum and/or Articles of Association of the company shall only be made after obtaining prior approval from the State Bank.
35. The State Bank may, after scrutinizing the application duly made in accordance with the regulations and after having been provided with all information, documents and reports as may be required, grant or refuse to grant the license. In case of refusal, State Bank would assign reasons for such rejection. However, issuance of the license will be restricted once the limit has been reached, which will be at the sole discretion of SBP.
36. If an application is submitted, complete in all respects, the decision as to the issuance of licence or otherwise shall be intimated within one month from the date of submission of such application.
37. The licence shall be issued for a period of three years, renewable thereafter for the same period.
38. The license will not be transferable to any other entity of whatsoever nature, through any means.

39. An application processing fee of Rs. 200,000 (non-refundable) shall be charged by SBP. A pay order/draft for this amount favouring SBP should accompany the application.
40. An application for renewal of license shall be made within a period of not less than three months before the expiry of the original license or any renewal thereof.
41. SBP shall have the right to revoke a licence at any time. Before a licence is revoked, the Exchange Company shall be served with a notice mentioning therein the reasons for such revocation and instructions for the company to explain its position in writing within 30 days from the date of issuance of notice.
42. The licence may be revoked if:
 - i. The State Bank is provided with false, misleading or inaccurate information by or on behalf of the Exchange Company;
 - ii. It appears to the State Bank that the Exchange Company has violated these or any other regulation, instruction or circular issued by the State Bank or if any of the conditions of license has not been fulfilled or is incapable of fulfillment;
 - iii. The interests of the customers of Exchange 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;
 - iv. The Exchange company did not commence its exchange business within three months from the date of issuance of licence by the State Bank;
 - v. Any other reason that in the opinion of the State Bank disqualifies the Exchange Company to hold the licence.