



Exchange Companies Manual

Updated Upto December 31, 2019

Exchange Policy Department

State Bank of Pakistan



Exchange Companies Manual

Disclaimer

State Bank of Pakistan has issued Exchange Companies Manual containing regulations made through FE Circulars/Circular Letters upto December 31, 2018. State Bank will continue to update/compile the Manual from time to time for convenience of users. Due care has been exercised while incorporating the related instructions. However, in view of the voluminous work involved in the process, errors and omissions may be expected. In case of any ambiguity, users are advised to refer to the original FE Circulars/Circular Letters on the relevant subjects(s), which are available on SBP's website (www.sbp.org.pk). Further, they should also immediately bring such errors/omissions to the notice of the Director, Exchange Policy Department, SBP, Karachi for rectification.

Exchange Policy Department
State Bank of Pakistan

EXCHANGE COMPANIES MANUAL

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CHAPTER 1

INTRODUCTORY

1. Foreign Exchange Regulation Act, 1947.

Foreign Exchange Policy and its operations in Pakistan are formulated and regulated in accordance with the provisions of the Foreign Exchange Regulation Act, 1947 (Act). The object of this Act is to regulate, in the economic and financial interest of Pakistan, certain payments, dealings in foreign exchange, securities, import/export of currency and bullion. Under the Act, the basic regulations are issued by the Government of Pakistan and the State Bank of Pakistan in the form of Notifications which are published in the official Gazette. However, directions having general application are issued in the form of FE Circulars and Circular Letters issued by State Bank of Pakistan.

2. Exchange Companies Manual.

After the promulgation of Foreign Exchange Regulation (Amendment) Ordinance 2002 (**Annexure - 1**), State Bank has issued various FE Circulars and Circular Letters to Exchange Companies and Exchange Companies of 'B' category over the period. In order to update/compile related regulations for the convenience of users, Exchange Companies Manual has been prepared. For the purpose of securing compliance with the provisions of the Act and any rules, orders or directions issued there under, the State Bank may, under sub-section (4) of Section 3AA of the Act, give directions to Exchange Companies and Exchange Companies of 'B' category who are authorized by the State Bank to do anything in pursuance of the Act.

3. Amendments.

The Exchange Companies Manual has been issued in electronic form and is available at the website of State Bank i.e. www.sbp.org.pk. Changes in the regulations are generally advised by issuance of FE Circulars and Circular Letters. Instructions issued by the State Bank to the Exchange Companies and Exchange Companies of 'B' category upto December 31, 2018 setting out the terms and conditions subject to which they may engage in transactions covered by the Act, have been incorporated in this Manual. Contents of this Manual and all instructions, directions, orders etc., issued under the Act are without prejudice to the provisions of any other law of Pakistan or any rules, orders, directions or regulations made thereunder.

Amendments in the provisions of the Manual will be periodically updated and placed at State Bank's website. It will be in the interest of Exchange Companies and Exchange Companies of 'B' category to ensure that updated Manual and related Circulars and Circular Letters issued by State Bank from time to time are available with them.

4. Exchange Companies and Exchange Companies of 'B' category to notify the Regulations to their Customers and to report Cases of Evasion.

Exchange Companies and Exchange Companies of 'B' category are required to bring related regulations to the notice of their customers and to ensure compliance in their day to day operations. They should also report to the State Bank every case of evasion or attempt, direct or indirect, at evasion of the provisions of the Act and/or any rules, orders or directions issued thereunder, immediately as it comes to their notice.

CHAPTER 2

LICENSING

1. Authorization to deal in Foreign Exchange

In terms of the powers vested in it by section 3AA of the Foreign Exchange Regulation Act, 1947, State Bank may, on application made to it in this behalf, and on payment of such fee as it may, from time to time prescribe, authorize any company to deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travelers cheques and transfers.

2. Application for Exchange Company's License

- (i) Proposed Exchange Company should obtain name availability certificate from Securities & Exchange Commission of Pakistan (SECP).
- (ii) The applicants interested in formation of Exchange Company would, in the first instance apply on the prescribed form (**Annexure - 2**) to State Bank for obtaining a No Objection Certificate (NOC).
- (iii) A non-refundable application processing fee of Rs 1,000,000/- shall be charged by State Bank. A pay order / bank draft for this amount drawn in favor of State Bank of Pakistan shall accompany the application.
- (iv) If an application is submitted, complete in all respects, the decision as to the issuance of license or otherwise shall be intimated within one month from the date of submission of such application.
- (v) On receipt of this NOC from the State Bank, the applicant will submit an application to the Securities and Exchange Commission of Pakistan (SECP) for incorporation under the Companies Act, 2017. After the Exchange Company is registered by SECP, the applicant would apply to the State Bank for issuance of license for commencement of operations.
- (vi) 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 State Bank.
- (vii) The license of the Exchange Company will not be transferable to any other entity of whatsoever nature, through any means.

3. Duration of the License

The license shall be issued initially for a period of three years. Later on, License of Exchange Companies shall be renewed upto five years from the date of expiry of the license.¹ However, license shall be renewed after giving due consideration, inter alia, to State Bank inspection report, compliance status, corporate governance and financial health of the Exchange Company. The request for renewal of the license must reach State Bank at least 60 days before expiry of the license along with relevant deposit/payment receipt of Rs. 500,000/- issued by the bank, as evidence of having paid the applicable fee, in the RTGS clearing account number/ title 020139999990037 (427516)/ RTGS CLR PROCESSING FEE-REFUND-EXC.

4. Revocation of Exchange Company License

- (i) State Bank shall have the right to revoke a license of an Exchange Company at any time. Before a license 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.
- (ii) License of an Exchange Company can be revoked by State Bank if:
 - (a) The State Bank is provided with false, misleading or inaccurate information by or on behalf of the Exchange Company.
 - (b) 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.
 - (c) 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.
 - (d) The Exchange Company did not commence its exchange business within three months from the date of issuance of license by the State Bank.
 - (e) Deliberate obstruction of the State Bank inspection team in the performance of their duties, by Exchange Companies or officials of its network.
 - (f) Any other reason that in the opinion of the State Bank disqualifies the Exchange Company to hold the license.

¹ EPD Circular Letter No. 17 dated December 09, 2019

CHAPTER 3

BASIC RULES & REGULATIONS

1. Name

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.

2. Capital

- (i) Minimum authorized and paid-up capital of an Exchange Company shall be Rs. 200 million. The Minimum Capital Requirement is calculated as under:

Minimum Capital Requirement = Paid-up Capital less Accumulated Losses

Exchange Companies shall ensure to meet their respective minimum capital requirements at all times².

- (ii) Exchange Companies are 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.
- (iii) The affairs of the company shall be run only with the declared capital of the company. Neither the shareholders and Directors of the company shall withdraw funds from the company as loan nor shall they extend loan (subordinated loan) to the company unless specific approval, in writing, from State Bank has been obtained.

3. Statutory Liquidity Reserve (SLR)

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.

4. Enhancement of Capital

- (i) Prior approval of State Bank regarding enhancement of authorized and paid-up capital by the existing Directors/shareholders will not be required. The Exchange Company may directly approach Securities & Exchange Commission of Pakistan (SECP) for fulfillment of applicable formalities to increase its authorized or paid-up capital.

² EPD Circular Letter No. 07 dated May 08, 2018

- (ii) Once SECP's formalities have been fulfilled, the company will accordingly maintain the required Statutory Liquidity Reserve (SLR) with respective area office of SBP, Banking Services Corporation (BSC) and immediately intimate Exchange Policy Department (EPD) and Off-Site Supervision & Enforcement Department (OSED) of the State Bank of Pakistan by submitting evidence of completion of formalities with SECP, enhancement/injection of capital, and maintenance of SLR with SBP, BSC.
- (iii) It must be ensured that the funds utilized for enhancement of capital of the company are legitimate under related laws.

5. Shareholders, Directors, CEO and Key Executives³

Exchange Companies shall

- (i) Ensure fitness and propriety of Shareholders, Directors, CEO and Key Executives in accordance with criteria given at **Annexure-2A**.
- (ii) Conduct prior self-assessment of fitness and propriety for all fresh inductions/appointments of Shareholders, Directors and CEO before seeking approval of SBP.
- (iii) Forward all requests for seeking approval of SBP for Shareholders, Directors and CEO along with information/affidavit as per **Annexure-2AI and 2AII**. Every shareholder, Director and CEO of the Exchange Company shall require prior written clearance/approval from State Bank.
- (iv) Appointment of Key Executives will not require prior approval/clearance of SBP, however, the Exchange Company must ensure that they qualify relevant FPT criteria in letter and spirit and submit information to SBP as per **Annexure-2AI and 2AII**, within seven working days of assumption of the charge of the post by the incumbent.
- (v) Obtain annually a declaration from all Shareholders, Directors, CEO and Key Executives as per **Annexure-2AIII** that the information provided has not undergone change and where there is any change, requisite details have been furnished to State Bank within 15 days of the change.
- (vi) Screen, on an ongoing basis, the Shareholders, Directors, CEO and Key Executives for designated/proscribed entities/persons and maintain proper record of screening. Accordingly, any shareholders, Directors, CEO and key Executives shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons

³ EPD Circular Letter No. 19 dated December 31, 2019

under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.

- (vii) Not provide any loan/credit or deferred payment to any of its Shareholder and Director.
- (viii) Preferably appoint professionals from diversified field/industry as Directors.
- (ix) Ensure that the functions of Audit and Compliance are headed by different individuals and shall be independent of other operational functions.

6. Prior Approval from State Bank for Changes in Significant Parameters

State Bank's prior approval will be required for any change in any significant parameter including but not limited to:

- (i) Memorandum and/or Articles of Association of the company
- (ii) Directorship
- (iii) Shareholding
- (iv) Statutory Auditors
- (v) Chief Executive Officer
- (vi) Locations of head office/outlets

7. Policies

The company should follow the prudent practices and would develop/follow the standard policies related to Internal Controls, Audit, Human Resources, Information Technology, Anti Money Laundering (AML) and Know Your Customer (KYC) etc.

8. Observance of Rules and Regulations

The Exchange Company shall fully abide by all the rules, regulations, instructions, directives, circulars and other communications issued by the State Bank from time to time 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.

8A. Prohibition to Deal with Legal Persons and Legal Arrangements⁴

⁴ EPD Circular Letter No. 19 dated December 31, 2019

- (i) The Exchange Companies are authorized to deal with individuals (natural persons that are walk-in customers without establishing permanent/on-going relationship) only.
- (ii) Exchange Companies shall not carry out any transactions with legal persons or legal arrangements except with regulated/supervised banks and exchange companies for permissible businesses as given in Para 9 below, within and outside Pakistan.
- (iii) For entering into any type of relationship with banks and exchange companies outside Pakistan, Exchange Companies are required to ensure the following:
 - (a) Determine the identity of the natural person(s) (if any) who ultimately has a controlling ownership interest in a Bank/Exchange Company;
 - (b) 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/Exchange Company through other means; and
 - (c) Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official shall be determined.
 - (d) 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.
 - (e) Assess banks/exchange companies AML/CFT controls, obtain approval from Board of Director before establishing relationship and ensure clarity in respective AML/CFT responsibilities of each entity.
 - (f) Exchange Companies shall not establish any type of relationship with shell banks.

9. Scope of Business

The Exchange Companies are authorized to deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travelers' cheques, transfers and other businesses as allowed by State Bank subject to adherence to following conditions.

(i) Buy and Sale of Foreign Currencies⁵

- (a) Buy and sell foreign exchange from/to individuals in “Ready” value only.
- (b) Buy and sell foreign exchange in “Ready”, “Tom” and “Spot” value dates from/to other Exchange Companies.
- (c) For all foreign currency ‘Buy’ transactions equivalent to USD 500/- or above Exchange Company will retain copies of identification documents 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) after having seen the document in original⁶.
- (d) “Sell” foreign exchange in Ready, Tom and Spot value dates, with banks as counterparty (Interbank Market)
- (e) For all foreign currency sale transactions equivalent to USD 500/- or above Exchange Company will retain copies of identification documents 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) after having seen the document in original⁶.
- (f) All sale transactions of USD 35,000/- or above (or equivalent in other currencies) shall be conducted by the Exchange Companies through Crossed Cheque/Demand Draft/Pay Order issued from the personal account of the customer and instrument number and issuing bank’s name shall be mentioned on the transaction receipt along with identification document number of the customer.
- (g) State Bank’s prior approval is required for all transactions of sale of foreign currencies to the individual customer of USD 50,000/- or above (or equivalent in other currencies). However, this requirement will not be applicable on sale of foreign currency to the Banks/Exchange Companies. For obtaining approval for transactions of USD 50,000/- or above (or equivalent in other currencies) on account of sale of foreign currencies to the individual customers, Exchange Companies will forward their related requests to the Exchange Policy Department of State Bank along with complete details of the transaction including particulars of the customer like name, address, CNIC, amount and purpose of the transaction.

(ii) Inward Home Remittances

- (a) Exchange Companies shall take prior approval of State Bank before commencing inward home remittances operations.

⁵ EPD Circular letter No. 08 Dated May 22, 2018

⁶ EPD Circular Letter No. 19 dated December 31, 2019

- (b) All inward home remittance transactions of Exchange Companies shall be routed through foreign currency accounts of the Exchange Companies maintained with banks in Pakistan.
- (c) Funds against all individual inward remittances must first be received in Exchange Company's accounts maintained with commercial banks in Pakistan. Further, 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, Exchange Companies shall file an STR with Financial Monitoring Unit⁷.
- (d) Minimum 15% of foreign currencies received by Exchange Companies on account of inward home remittances, in equivalent US Dollars, must invariably be sold in the interbank market on an ongoing basis.

(iii) **Outward Remittances Business**

- (a) Exchange Companies are authorized to effect outward remittances only on personal account of individuals i.e. personal financial transactions and not those related to an individual's trade or business requirements.
- (b) Exchange Companies are not allowed to effect outward remittances on account of trade related activities/payments against services/commission etc., whether on account of individual or on behalf of corporate clients.
- (c) Total outward remittances on behalf of bonafide customers for permissible transactions should not exceed 75% of the inward home remittances mobilized by the Exchange Company during the preceding month.
- (d) 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.
- (e) All outward transactions of Exchange Companies shall be routed through foreign currency accounts of the Exchange Companies maintained with banks in Pakistan.
- (f) Exchange Companies shall retain copies of identification documents 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) for conducting transfers/remittances transaction regardless of the amount. The name, address and

⁷ EPD Circular Letter No. 19 dated December 31, 2019

identification document number of the customer shall also be mentioned on the receipt after due verification and with stamp of “original Seen”.

- (g) All outward transactions of USD 35,000/- or above (or equivalent in other currencies) shall be conducted by the Exchange Companies through Crossed Cheque/Demand Draft/Pay Order issued from the personal account of the customer and instrument number and issuing bank’s name shall be mentioned on the transaction receipt along with identification document number of the customer.
- (h) State Bank’s prior approval is required for all outward remittance transactions of USD 50,000/- or above (or equivalent in other currencies). For obtaining approval for transactions of USD 50,000/- or above (or equivalent in other currencies) on account of outward remittances Exchange Companies will forward their related requests to the Exchange Policy Department of State Bank along with complete details of the transaction including particulars of the customer like name, address, CNIC, amount and purpose of the transaction.
- (i) All outward remittances must be separately accounted for and under no circumstances, should an Exchange Company resort to netting off inflows and outflows.

(iv) Export of Foreign Currencies other than US Dollars

Exchange Companies can export foreign currencies other than United States Dollar (USD) and bring in equivalent USD in cash or in their foreign currency accounts maintained with banks in Pakistan. Prior authorization from State Bank is mandatory before starting the foreign currency exports business. Detailed procedure for undertaking foreign currency export business is given in Chapter 5.

(v) Branchless Banking as Agents of Authorized Financial Institutions

- (a) Exchange Companies are allowed to conduct branchless banking activities as agents of authorized financial institutions (Commercial/Islamic/Microfinance Banks) offering these services under Branchless Banking Regulations issued vide BPRD Circular No. 09 dated June 20, 2011.
- (b) An Exchange Company that intend to offer branchless banking agent services may approach any financial institution authorized to provide branchless banking services under Branchless Banking Regulations. An Exchange Company shall 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, State Bank of Pakistan, Karachi for appointing that Exchange Company as the agent.

- (c) An Exchange Company shall not portray itself as banking company or Authorized Financial Institution as defined in Branchless Banking Regulations.
- (d) Exchange Companies shall intimate such arrangement and submit related agreement to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi for information.

(vi) **Collection of Utility Bills**

- (a) Exchange Companies are allowed to enter into agreements with utility companies like WAPDA, KE, PTCL, SSGC etc. for collection of utility bills in PKR on their behalf.
- (b) A copy of the final agreement between a utility company and an Exchange Company shall be submitted by the Exchange Company to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi for information.

(vii) **Installation of ATMs**

Exchange Companies are allowed to install banks' ATMs for PKR at their branches as per the terms and conditions agreed upon between the respective bank and the Exchange Company without getting prior approval of the State Bank.

(viii) **Limitation**

- (a) The Exchange Companies are prohibited to engage in any other activity such as deposit taking, lending etc., directly or indirectly. Exchange Companies are not allowed to enter into business related agreements with each other or with outside parties without obtaining prior approval/clearance in writing from State Bank.
- (b) Exchange Companies are not allowed to open/maintain any Nostro account(s) with banks and exchange companies abroad⁸.
- (c) Virtual Currencies (VCs) like Bitcoin, Litecoin, Pakcoin, OneCoin, DasCoin, Pay Diamond etc. or Initial Coin Offerings (ICO) tokens are not legal tender, issued or guaranteed by the Government of Pakistan. State Bank of Pakistan has not authorized or licensed any individual or entity for the issuance, sale, purchase, exchange or investment in any such Virtual Currencies/Coins/Tokens in Pakistan. Exchange Companies are advised to refrain from processing, using, trading, holding, transferring value, promoting and investing in Virtual Currencies/Tokens. Exchange Companies shall also not facilitate their customers to transact in VCs/ICO tokens.

⁸ FE Circular No. 04 dated May 09, 2008

Any transaction in this regard shall immediately be reported to Financial Monitoring Unit (FMU) as a suspicious transaction.⁹

9A. Handling of Currency Notes¹⁰

- (g) Exchange Companies shall follow the following instructions for Pak Rupees notes as well as foreign currency notes:
 - (a) Currency notes of any denominations shall not be stapled.
 - (b) Only authentic currency notes shall be exchanged.
 - (c) Demonetized currency notes shall not be sold.
- (ii) Exchange Companies shall also develop detailed Standard Operating Procedures taking into consideration the above instructions, get the same approved by their Chief Executive Officer and implement them throughout their network.

10. Exposure Limit for Conducting Business

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.

11. Spread Between Buying/Selling Rates

Spread between buying/selling rates of US Dollar, Pound Sterling, Euro, Saudi Riyal and UAE Dirham shall not exceed one percent of their buying rate. For all other foreign currencies, Exchange Companies shall ensure to maintain a competitive spread. 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 outlet of the exchange company.

11A. Display of Schedule of Charges¹¹

Exchange Companies must ensure the following instructions pertaining to display of schedule of charges:

- (i) 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 for outward remittances and branchless banking etc., as per their authorized scope of business.

⁹ FE Circular No. 03 Dated April 18, 2018

¹⁰ FE Circular No. 12 Dated November 20, 2018

¹¹ FE Circular No. 13 Dated November 26, 2018

- (ii) 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.
- (iii) Admissible charges recovered against any service from customer must be reflected on system generated receipt issued for the purpose.
- (iv) The company does not recover charges which are prohibited under any law, rule or regulation.
- (v) The company does not charge from the customer for the services not rendered or rendered without his/her consent.

12. Record of Transactions

- (i) 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.
- (ii) 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 in, exchange rate and initials of dealer/authorized employee.
- (iii) Exchange Companies must maintain all record of their business transactions including those related to remittances transactions (both Inward and Outward) for 10 years from the date of transaction or longer if so prescribed under other laws, rules & regulations. Further all information/record should be maintained in such a manner that the same may be made readily available to State Bank or any other relevant Law Enforcement Agency as and when required as per related laws.
- (iv) 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.

13. Accounts and Audit

- (i) Financial year of Exchange Company will be from 1st July to 30th June.
- (ii) The Exchange Companies shall maintain proper accounting records and submit the same in such form as may be required by the State Bank.
- (iii) The company shall adopt proper techniques of internal control such as internal audit.
- (iv) 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.

- (v) 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 to Off-Site Supervision & Enforcement Department, Exchange Policy Department and Statistics & Data Warehouse Department.

14. Reporting to Departments of State Bank

Exchange Company shall submit all returns/reports to different departments of State Bank as provided in Chapter 7 of the Exchange Companies Manual according to the permissible scope of their business.

15. Inspection

- (i) The State Bank reserves the right to inspect the activities of an Exchange Company at any time it finds appropriate to ensure adherence to the regulations issued by the State Bank.
- (ii) Exchange Companies are required to fully cooperate with the State Bank's inspection team and provide full disclosure of information required during the course of inspection, including but not limited to their activities, accounts, operations, IT systems and records.
- (iii) No Exchange Company or any official of its entire network shall:
 - (a) Obstruct or hinder the State Bank inspection team that is carrying out duties or functions under State Bank directives.
 - (b) Provide false, misleading or inaccurate information to the State Bank's inspection team.
- (iv) Deliberate obstruction of the State Bank's inspection team in the performance of their duties, by Exchange Company or officials of its network will result in punitive action against the Exchange Company and/or its officials. This may include, inter alia, suspension/revocation of the license of the Exchange Company, permanent disqualification of its Directors and Sponsors to conduct foreign exchange business in any capacity.

CHAPTER 4

NETWORK

1. General

- (i) The Exchange Company shall conduct the exchange business only from such premises as approved by the State Bank.
- (ii) The premises should preferably be located at an easily accessible location and shall be relocated only after obtaining prior approval from the State Bank.
- (iii) The proposed location of outlet including head office, branches, franchises, currency exchange booths and payment booths, shall in no way violate the Town Planning Regulations of the respective authority.
- (iv) The Exchange Company shall ensure that facilities such as telephone, fax, Telex/SWIFT, IT hardware/software and electronic cash registers etc. are available at its outlets and complete address, phone and fax numbers are printed on invoices of all outlets.
- (v) A notice-board declaring the exchange rates applicable for currency sale/ purchase/ transfer shall also be displayed at a prominent place in each outlet.
- (vi) A notice advising customers to obtain receipts shall be prominently displayed at each outlet.
- (vii) **Standardization of Monitoring through Close Circuit Television (CCTV) Cameras¹²**

The following instructions shall be applicable for compliance by all outlets of Exchange Companies (Head Offices, Branches, Franchises, Currency Exchange Booths and Payment Booths):

- (a) Each outlet shall be equipped with high resolution CCTV cameras having zoom function in order to monitor and clearly capture all activities taking place in the respective outlet.
- (b) 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.

¹² FE Circular No. 15 Dated December 12, 2018

- (c) 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.
 - (d) The video recording through CCTV cameras shall be preserved for at least two months. However, in case of any dispute/incident within the business premises, the related recording shall be preserved till the resolution of the matter. However, 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 Court's orders.
 - (e) The backup of recording shall be maintained at an appropriate place in case a 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.
 - (f) In case of any technical issue in installed CCTV cameras/Digital Video Recording (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 the State Bank's inspection team for their review during the course of inspection.
 - (g) The time of CCTV camera and DVR system installed at outlets shall be synchronized with the time of the core business application.
 - (h) The staff of the outlets shall be provided training to operate CCTV camera/DVR system.
- (viii) **Display of Name and Scope of Business Activities at Outlets¹³**
- (a) The Exchange Companies shall display signboards prominently at the entrance of their outlets, in line with the following guidelines:
 - (i) The signboards shall clearly state the name of the Exchange Company, as applicable.
 - (ii) The signboards shall mention type of outlet i.e. Head Office, Branch, Franchise, Payment Booth, Currency Exchange Booth etc. as the case may be.
 - (iii) In case of Franchise, the name of the Exchange Company and the Franchise shall be clearly mentioned on the signboard. The name of Exchange Company shall precede the name of Franchise. The font size used for inscribing the name of Exchange Company shall be greater than that of Franchise.

¹³ FE Circular No. 08 Dated August 13, 2018

- (iv) The contents of the signboard must be in clear and bold words in English and Urdu.
 - (v) The name(s) of individuals, owners, money changers etc. shall not be displayed on signboards.
- (b) Exchange Companies shall ensure that their respective outlets must display following permissible scope of business at prominent place i.e. cash counter, waiting area etc.

Branch	(i) Buy and sale of foreign currency notes and coins. (ii) Inward home remittances. (iii) Outward remittances. (iv) Branchless banking as agent of M/s ... (name of financial institution) ¹⁴ (v) Collection of utility bills ¹⁵ .
Franchise	The franchise shall clearly display all business activities as allowed to them in terms of the franchise arrangement with the franchiser (Exchange Company).
Payment Booth	Inward home remittances to the beneficiaries in Pak Rupees only.
Currency Exchange Booths	Buy and sale of foreign currency notes and coins.
Temporary Currency Exchange Booths at Haji Camps	Sale of Saudi Riyals to Hajj pilgrims during Hajj season.

2. Types of Network

The network of an Exchange Company is divided into following categories:

(i) Branch

A Branch is an outlet of the company that is allowed to offer all services that are authorized to Exchange Company.

(ii) Franchise Arrangements

- (a) The below instructions are applicable to existing Franchise arrangements between Franchiser (Exchange Companies) and their Franchises. Exchange Companies are not allowed to enter into new franchise arrangements (agents)¹⁶.
- (b) The range of foreign exchange business operations by a Franchise includes all activities as are allowed to a branch. However, a Franchise will perform only such

¹⁴ Subject to approval by BPRD to financial institution for appointing the Exchange Company as the agent

¹⁵ Subject to agreement of Exchange Company with utility companies

¹⁶ EPD Circular Letter No. 19 dated December 31, 2019

foreign exchange business activities as are mutually agreed between the Franchisee and the Franchiser (Exchange Company).

- (c) For all Franchise arrangements between Exchange Companies and their Franchises, responsibility in terms of adherence to State Bank regulations shall continue to reside with the licensee/Franchiser (Exchange Company) who shall be held responsible for any violation of State Bank regulations committed by its Franchise(s).
- (d) The Franchise agreement shall be duly registered as per existing laws of the land.
- (e) Any amount agreed between the Franchiser and Franchise as 'Franchise Deposit' and received by the Franchiser is to be maintained by the Franchiser in his books during the currency of the Agreement.
- (f) 'Franchise Deposit' is treated as "Second Tier Capital" in the books of the Franchiser. For the purpose of calculation of 25% SLR requirement and 50% of the Exposure Limit, this "Second Tier Capital" is added to the paid up capital of the Franchiser. At any point of time, combined exposure of Franchiser and Franchisee should not exceed 50% of the sum of paid up capital and Second Tier Capital (Franchise Deposit) of the Exchange Company.
- (g) Franchiser and Franchisee are required to make and maintain arrangement for a completely integrated/compatible computerized system so that the Franchiser may provide a consolidated reporting of exchange business transactions carried out by Franchiser & Franchisee as per requirement of the State Bank.
- (h) In addition to the clauses of the Franchise Agreement, all the rules & regulations specified by the State Bank for the Franchiser shall be equally applicable to the Franchisee.
- (i) Franchiser is required to immediately notify to State Bank all Franchise agreements forwarding a copy to the State Bank. In the absence of any objection from State Bank, Franchiser may deposit requisite enhanced SLR amount with State Bank after 15 days from the date of notifying of the Agreement. Only thereafter Franchisee is allowed to commence its operations.
- (j) The title of bank accounts maintained by the Franchisees must reflect their status of a Franchise holder. For Franchisees who are running their business as proprietorships/ partnership, the bank account may be maintained with the addition of words "Franchisee M/s..... Exchange Company" e.g. (i) for proprietorship: Mr. Abdul Rasheed, Franchisee M/s XYZ Exchange Co. (Pvt.) Ltd. (ii) for partnership: M/s AR Enterprises, Franchisee M/s XYZ Exchange Co. (Pvt.) Ltd.

- (k) Franchiser is fully responsible for the activities of the Franchisee and shall also have the right to inspect/visit Franchisee's operations as per their agreement.
- (l) State Bank reserves the right to inspect Franchisee's books of accounts and premises as and when it may deem fit and necessary.
- (m) All Franchisees, who have been allowed by their respective Franchisers (Exchange Companies), to deal in foreign currency inward home/outward remittances must route their remittance transactions only through their respective Franchisers and not directly from their foreign currency accounts. Franchisees are only allowed to deposit/withdraw cash from their respective foreign currency accounts.
- (n) In case of any violations of related rules, State Bank shall hold the Franchiser directly responsible for the same reserving, however, the right to take such direct action against Franchisee as it may deem fit.
- (o) In case of change in any significant parameters including but not limited to transfer of ownership of franchise from actual owner to some blood relations/spouse due to death of actual owner, prior approval from State Bank shall be obtained by the franchiser.

(iii) **Payment Booths**

- (a) The below instructions are applicable to existing payment booth arrangements of Exchange Companies. Exchange Companies are not allowed to enter into new payment booth arrangements (agents)¹⁷.
- (b) Scope of Payment Booths is restricted to payments of inward home remittances to the beneficiaries in PKR only. Payment Booths shall not be allowed to undertake any other foreign exchange business activity.
- (c) For all Payment Booth arrangements of Exchange Companies, responsibility in terms of adherence to State Bank regulations shall continue to reside with the licensee (Exchange Company) who shall be held responsible for any violation of State Bank regulations committed by its Payment Booth(s).
- (d) Payment Booths shall have a separate and identifiable set up which may consist of a glass or wooden cabin of an appropriate size within the premises of a well-known business entity.
- (e) Record of all transactions at Payment Booths is required to be maintained, also for the purposes of submission of the same to State Bank in such form, as may be required.

¹⁷ EPD Circular Letter No. 19 dated December 31, 2019

- (f) Appropriate Signboards must be displayed at such Booths mentioning the words “Payment Booth” and name of the Exchange Company. Prominent signboards both in Urdu and English should be placed clearly indicating that the facility is “Restricted for payment of Home Remittances only”.
 - (g) For the purpose of a Payment Booth, a separate settlement account shall be opened / maintained for the purposes of receiving credits from the Exchange Company for onward payment of Home Remittances to the beneficiaries.
 - (h) State Bank shall hold the Exchange Company fully responsible for violation of related rules and shall have the right to take direct action against any or both the parties involved as it may deem fit. Operations and record of such Payment Booths will be subjected to State Bank’s inspection as and when considered appropriate by the State Bank.
- (iv) **Company Owned Currency Exchange Booths**
- (a) Exchange Companies are also allowed to open company owned Currency Exchange Booths (CEBs) all over the country at public places such as airports, hotels etc.
 - (b) The scope of activities for CEB's would be limited to sale/buy of foreign currency notes/coins and encashment of travellers’ cheques only.
 - (c) CEBs can be opened by an Exchange Company after obtaining prior approval from the Exchange Policy Department of State Bank under Annual Network Expansion Plan.
- (v) **Temporary Currency Exchange Booths at Hajj Camps during Hajj Season**
- (a) In order to facilitate Hajj Pilgrims, Exchange Companies may establish their own Currency Exchange Booths (CEB) at Haji Camps during Hajj Season.
 - (b) For establishing the said booths at Hajj Camps an NOC will have to be obtained from Ministry of Religious Affairs prior to approaching State Bank for approval.
 - (c) The booths will be setup temporarily during Hajj Season only. Fresh applications for the same will be submitted for every Hajj Season and the Hajj Camp.
 - (d) The booth will be authorized to deal only in sale of Saudi Riyals to Hujjaj during Hajj Season for which related details/documents and record of transactions will be maintained by the Exchange Company and will be produced for State Bank inspection as and when required.
 - (e) No business other than specified above will be undertaken at the said Booths.
 - (f) The purpose of transactions carried out through such booths will be recorded as ‘Religious Travel’ and the transactions will become an integral part of the overall

transaction record of the Exchange Company and will be reported to State Bank in related returns accordingly.

3. Network Expansion

- (i) An Exchange Company desirous of opening new branches, company owned payment booths and currency exchange booths is required to submit an Annual Network Expansion Plan (ANEP) duly approved by its Board of Directors by 30th September of each year for the next calendar year (January-December) as per **Annexure - 3** to Exchange Policy Department, State Bank of Pakistan, Karachi. In-principle approval to ANEP for the next calendar year shall be granted by the Exchange Policy Department keeping in view the compliance status and inspection rating of the Exchange Company.
- (ii) In-principle approval granted under ANEP shall be valid only for one year.
- (iii) Financial health, corporate governance, anti money laundering issues, future earnings prospects etc. shall form the eligibility criteria for approval of ANEP.
- (iv) In case of non-compliant or marginally compliant Exchange Company, approval for network expansion may not be considered. However, EPD will hold discussion with the management of the company on specific issues.
- (v) The performance in terms of opening of branches as per ANEP of previous year shall also be counted towards the in-principle approval of ANEP of next year, beside other requirements as per applicable rules and regulations.
- (vi) Before commencement of operations of each outlet, as approved in ANEP, Exchange Companies are required to apply for formal approval/license for each outlet. Application for the same must be accompanied by documents as mentioned at **Annexure - 4**. The requests for formal approval must reach Exchange Policy Department latest by 30th September each year.
- (vii) Exchange Companies having capital of Rs. 200 million or above are eligible for their network expansion.
- (viii) The following criteria related to capital adequacy shall be observed for network expansion:

Branch	Rs. 5,000,000/- per branch
Franchise	Rs. 3,000,000/- per Franchise
Payment Booth/Currency Exchange Booth	Rs. 2,000,000/- per PB/CEB

The above criteria are only for calculation of capital adequacy of the company in relation to their entire network. Exchange Companies shall be free to assign any amount of capital to any of their outlets.

- (ix) It will be the discretion of the State Bank to grant or refuse, fully or partially, 'In-Principle' or 'Formal Approval' without assigning any reason.

3A. Outlets at Airports¹⁸

- (i) Exchange Companies desirous of participating in CAA tender(s) for award / renewal of license of currency exchange booth(s) / branch(es) at any Pakistani airport(s) shall obtain in-principle approval from SBP before participating in each CAA tender.
- (ii) Application(s) complete in all respects by Exchange Companies for obtaining in principle approval to participate in CAA tender(s) must reach Exchange Policy Department at least 7 working days prior to the last date of application submission in CAA tender(s).
- (iii) In principle approval for participation in CAA tender(s) shall be given by SBP to those Exchange Companies which have better compliance ratings, financial health, corporate governance etc. as mentioned in Para 3(iii) and (iv) of Chapter 4 of Exchange Companies Manual.
- (iv) Application(s) of Exchange Companies for in-principle approval for participation in CAA tender(s) for opening of currency exchange booth(s) / branch(es) at airports shall be treated independent of their Annual Network Expansion Plan and may be submitted to the Director, Exchange Policy Department any time during the year as per CAA tender timelines.

4. Transfer of License

License/permission of Franchise/Payment Booth (agents) shall be non-transferable other than to the company itself¹⁹.

5. Network Relocation

Exchange Companies may relocate any of their outlets during the year within city/town under intimation to the State Bank. However, before commencement of operations at the new location, prior approval of the State Bank shall be required for which the company

¹⁸ FE Circular No. 01 Dated February 27, 2019

¹⁹ EPD Circular Letter No. 19 dated December 31, 2019

shall submit the related documents as mentioned in **Annexure – 4A**²⁰. Further, the company shall surrender original license/permission letter for issuance of revised license/permission. Inter-city relocation is not permissible. In this case, the company will close the operations of its outlet from one city and apply for establishment of fresh outlet in another city.

6. Closure

Exchange Companies shall be free to close any of their existing outlets without obtaining prior permission of the State Bank. Information regarding closure of the outlet should be published in a leading newspaper at the time of closure and original license/permission letter of the outlet must be surrendered to State Bank within 15 days from the date of closure.

7. Processing Fee

- (i) A non-refundable processing fee of:
 - (a) Rs 50,000/- per new outlet shall be charged at the time of submission of Annual Network Expansion Plan (ANEP) for in-principle approval.
 - (b) Rs. 25,000/- shall be charged on account of substitution of location of an outlet under in-principle approved ANEP.
 - (c) Rs. 25,000/- shall be charged for relocation of each outlet.
- (ii) Exchange Companies shall submit the above fees related to them and their Franchises/ Payment Booths (where applicable) in the RTGS Clearing Account Number/Title 020139999990047 (427517)/ RTGS CLR PROCESS FEE-NON REFUND-EXC through bank(s). Further, while submitting requests for ANEP/substitution in ANEP/relocation, Exchange Companies shall, interalia, provide relevant payment receipt(s) issued by the bank(s) as evidence of having paid the applicable fees.
- (iii) While submitting the application for participation in CAA tender, Exchange Companies shall deposit non-refundable fee of Rs. 50,000/- per outlet in RTGS Clearing account number 427516 of the State Bank and submit the payment receipt as evidence of having paid the applicable fee²¹.

²⁰ EPD Circular Letter No. 17 dated December 09, 2019

²¹ FE Circular No. 01 Dated February 27, 2019

CHAPTER 5

EXPORT OF FOREIGN CURRENCIES

1. General

- (i) Exchange Companies are allowed to export all foreign currencies other than US Dollars. Prior approval from State Bank is mandatory before starting the foreign currency export business.
- (ii) All Exchange Companies shall ensure that a minimum of 10% of US Dollars received against export of foreign currencies will be sold in interbank on an ongoing basis.

2. Designated Airports

- (i) All foreign currencies other than US Dollars can be exported by Exchange Companies through SBP-Customs Joint Booths located at international departure lounges of Jinnah International Airport (JIAP) - Karachi, Allama Iqbal International Airport (AIIAP) - Lahore, Benazir Bhutto International Airport (BBIAP) - Islamabad and Bacha Khan International Airport (BKIAP) - Peshawar.
- (ii) Exchange Companies exporting foreign currencies from airports at (i) above may import cash US Dollars through SBP Booths located at international arrival lounges of JIAP - Karachi as well as AIIAP - Lahore.
- (iii) The timings of SBP-Customs Joint Booths and SBP Booths at international departure and arrival lounges respectively are as under:

Sr. No.	Airports	Timings (Monday - Saturday)	
		Departure Lounge (SBP-Customs Joint Booth)	Arrival Lounge (SBP Booth)
1	Jinnah International Airport – Karachi	07:30 HRS to 22:30 HRS	10:30 HRS to 18:30 HRS
2	Allama Iqbal International Airport – Lahore	06:00 HRS to 14:00 HRS	16:30 HRS to 23:30 HRS
3	Benazir Bhutto International Airport – Islamabad	05:00 HRS to 13:00 HRs	Not applicable
4	Bacha Khan International Airport – Peshawar	06:00 HRS to 14:00 HRS	Not applicable

3. Export of Permissible Foreign Currencies

- (i) All currency carriers must be employees of the Exchange Company.
- (ii) Exchange Companies intending to export permissible foreign currencies must ensure that such currency notes are exported in round figures.
- (iii) It would be compulsory for Exchange Companies 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.
- (iv) Each Exchange 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.
- (v) 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, export of such loose pieces is allowed only once in the week i.e. on Saturdays.
- (vi) Representative of the Exchange Company shall approach the Booth with the foreign currencies consignment (other than US Dollars) intended to be exported along-with the covering letter/export declaration in triplicate jointly addressed to Customs and State Bank containing particulars of the export transaction as per specimen placed at **Annexure - 5**. One copy of the covering letter each shall be retained by State Bank and Customs whereas the third copy shall be retained by the concerned Exchange Company.
- (vii) For each export consignment a Unique Transaction Number (UTN) will be mentioned on the covering letter (**Annexure - 5**). UTN shall be combination of alpha initials of name of Exchange Company (**Annexure - 6**), transaction number, and financial year. UTN for export of currencies will be centrally maintained by Exchange 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 and import transactions of the Exchange Company. A specimen of UTN to be used by an Exchange Company for the purpose of record keeping and related instructions is explained in **Annexure - 7**.

- (viii) All Exchange Companies shall provide the above information on prescribed form (hard copies). However, they should ensure that a soft copy of each of the above documents for each transaction is maintained at their end.
- (ix) The foreign currency brought to SBP Booth along with the documents as indicated above shall be opened and counted in the presence of Exchange Company's representative and Customs Official and verified by State Bank officials as to details from the accompanying documents filed by the Exchange Company as above.
- (x) Custom's Officer during or after the process may at his discretion verify the actual count made by State Bank / State Bank-BSC Officers against declared foreign currencies as per **Annexure - 5**.
- (xi) Once the foreign currency is counted and verified on the declaration given at **Annexure - 5**, same shall be packed by State Bank / State Bank-BSC staff using the vacuum packing machine. It may be noted that the vacuumed packed bundles cannot be tampered with. Any attempt to tamper with the wrapping would result in dissipation of the vacuum and bundle automatically becoming loose. Further, the date & State Bank codes would automatically be embossed on plastic wrapping of each bundle during packing.
- (xii) Packed bundles of currency shall thereafter be combined manually in the form of a bigger bundle of suitable size of say 2 x 2 x 2 ft in a plastic wrap, which will be sealed from all sides. Each seal will be signed and stamped by the two State Bank / State Bank-BSC officers and Customs Official present at the booth.
- (xiii) Concurrently all three officers as above shall also sign and stamp the Exchange Company's declaration (**Annexure - 5**). The consignment duly packed, sealed and signed shall be handed over to the representative of the Exchange Company. Thereafter, the consignment shall be treated as cleared for export for the purposes of State Bank & Customs.
- (xiv) It will be the Custom's prerogative to check or verify the foreign currencies being carried by the representative of the Exchange Company at any stage after clearance of the foreign currency consignment.

4. Import of US Dollars

- (i) Exchange Companies exporting permissible foreign currencies shall repatriate equivalent US Dollars in their foreign currency accounts maintained with banks in Pakistan. Such US Dollars against exports must be credited in foreign currency accounts within three working days from the date of export of foreign currencies.

- (ii) Exchange Companies may also import cash US Dollars against export of permissible foreign currencies. Cash US Dollars must be brought into Pakistan within two working days from the date of export of foreign currencies.
- (iii) The Exchange Company shall give prior written intimation to relevant SBP-Customs Joint Booth staff of designated airports at the time of export of foreign currencies clearly mentioning the amount of cash US Dollars to be imported, flight number and time of arrival of flight at Karachi and Lahore as per **Annexure - 5** with a copy to Director Foreign Exchange Operations Department (FEOD), State Bank of Pakistan - Banking Service Corporation (SBP BSC).
- (iv) Representatives of Exchange Companies shall declare the import consignment of cash US Dollars, upon their arrival into Pakistan, to the SBP staff at SBP Booth located at International Arrival Lounge of JIAP – Karachi and AIIAP - Lahore along with original deal ticket of foreign Bank/Exchange Company clearly showing the amount of cash USD as per format given at **Annexure - 8**.
- (v) Exchange Companies shall be responsible to ensure that import consignments do not contain soiled/damaged/counterfeit currency notes.
- (vi) The foreign government's Customs and/or other export documents in original must be submitted at State Bank Booth in Arrival Lounge. These document(s) will be stamped by State Bank official at the booth mentioning time, date and flight details. A copy of the same must be kept in record by the Exchange Company for on-site inspection by the State Bank's inspection team.
- (vii) Only those incoming flights must be chosen which are scheduled to arrive at JIAP, Karachi and at AIIAP, Lahore within SBP Booth operating time.
- (viii) All rules and regulations of overseas jurisdiction from where the cash US Dollars are being brought must be adhered to.
- (ix) Exchange Companies 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 from where US Dollars are imported.
- (x) Imported cash USD shall be reflected in the books of accounts of Exchange Company on arrival.
- (xi) Exchange Company shall also submit Currency Declaration Form to Customs Authorities as required under Notification No. F.E.1/2012-SB dated 16th June, 2012.
- (xii) The format of reporting of import of USD in either form is given at **Annexure - 9**.

CHAPTER 6

INSTRUCTIONS FOR ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM²²

1. General

- (i) With the view to preserve the integrity and safety of the financial system, it has always been important to prevent the possible use of the Exchange Company sector for money laundering and terrorist financing. To this end, since their inception, State Bank has been issuing various instructions to Exchange Companies/Exchange Companies of 'B' category from time to time in the shape of its FE Circulars and Circular Letters duly followed up with individual interactions during its monitoring and enforcement activities. In order to draw further attention on averting the risks posed by money laundering and financing of terrorism, the Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) instructions²³ are required to be followed in letter and spirit by the Exchange Companies.
- (ii) ECs and ECs-B are completely responsible for implementing AML/CFT instructions throughout their network. Moreover, Exchange Companies shall also ensure to monitor their franchisees/payment booths and are responsible for their compliance with AML/CFT instructions²³.
- (iii) Proper documentation of transactions, maintenance of proper AML/KYC standards, reporting of business transaction and other activities of Exchange Companies/Exchange Companies of 'B' category is required.
- (iv) Utmost diligence is required while dealing with customers in terms of maintaining KYC standards, establishing bona fide and satisfying themselves with the beneficial ownership of transactions routed/executed through Exchange Companies/Exchange Companies of 'B' category.
- (v) ECs and ECs-B are not allowed to rely on third party institutions to perform any element of KYC/CDD or to introduce business even if the third party belongs to the same financial group²³.
- (vi) ECs and ECs-B are required to develop and implement programs against Money Laundering (ML)/ Terrorism Financing (TF), which have regard to their ML/TF risks based on customer, product, channel, geographies and the size of the business²³.
- (vii) ECs and ECs-B are required to obtain prior approval of SBP before offering any new product/service. Further, ECs and ECs-B shall identify and assess the ML/TF risks

²² EPD Circular Letter No. 19 dated December 31, 2019

that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. Additionally, ECs and ECs-B shall take appropriate measures to manage and mitigate the risks that may arise thereon²³.

1A. Risk Assessment, Policy for Combating Money Laundering and Terrorism Financing and Risk Mitigation through Effective Internal Controls²³

(i) Risk Assessment

- (a) ECs and ECs-B shall take appropriate steps to identify, assess, and understand their ML/TF risks (for customers, Product & Services, Channels and geographies).
- (b) ECs and ECs-B shall follow Risk Based Approach to focus on the areas where the risks of ML/TF are high in order to allocate resources in most effective way. For this purpose, guidelines on Risk Based Approach for Exchange Companies Sector are placed at **Annexure-9A**.
- (c) ECs and ECs-B shall document their risk assessments and consider/document all the relevant risk factors (including those identified in the Pakistan's National Risk Assessment) for determining overall risk and the appropriate level and type of mitigation including enhanced measures to manage and mitigate the risks where ML/TF risk is high. For this purpose, ECs/ECs-B shall develop Internal Risk Assessment Report which should be updated periodically and in any case when their circumstances changes or relevant new threats emerges.
- (d) ECs/ECs-B shall also ensure that their Internal Risk Assessment and its report assesses effectiveness of AML/CFT controls/preventive measures in the areas including Terrorism Financing (TF), Proliferation Financing (PF), Targeted Financial Sanctions (TFS) and reporting of Suspicious Transactions and Currency Transactions (STRs/CTRs) etc. Internal Risk Assessment Report may also assess major international/domestic ML and terrorism incidents posing ML/TF risks to the ECs/ECs-B. Internal Risk Assessment Reports shall be comprehensive and may guide towards actions such as:
 - (i) Development or update of AML/CFT strategy & policy framework approved by the Board.

²³ EPD Circular Letter No. 19 dated December 31, 2019

- (ii) Development or update of AML/CFT compliance program manuals/procedures/ SOPs, including TFS and reporting of STRs/CTRs approved by the senior management.
- (iii) Effective and empowered organizational structure for compliance function with clear responsibilities and reporting lines.
- (iv) Report on the risks posed to the entity, vulnerability of the entity and the available preventive measures shall be submitted to the board on periodical basis, preferably on quarterly basis. Any critical violations e.g. failure to reject transactions of designated and proscribed entities & persons, failure to take counter proliferation measures, delay in reporting of STRs/CTRs etc. shall invariably be a part of the report.
- (v) The internal risk assessment should be complimented by improvement in STRs reporting.
- (vi) One of the Directors of the Board should specifically be assigned oversight and monitoring of ML/TF risks and AML/CFT obligations.

(ii) Policy for Combating Money Laundering and Terrorism Financing

- (a) ECs/ECs-B shall develop Policy for anti-money laundering and combating financing of terrorism in line with FATF recommendations specially the preventive measures and AML/CFT obligations including related to targeted financial sanctions and proliferation financing, Pakistan's National Risk Assessment(s) on money laundering and terrorism financing, related SBP instructions and any other laws, rules & regulations.
- (b) The policy for anti-money laundering and combating financing of terrorism shall be duly approved by the ECs/ECs-B Board of Directors and shall be cascaded down the line to each and every outlet and their employees including agents i.e. Franchises and Payment Booths for strict compliance.
- (c) The Policy shall be reviewed periodically by ECs/ECs-B keeping in view the prevailing SBP instructions, company's internal policies/procedures, FATF recommendations, Pakistan's National Risk Assessment(s) on money laundering and terrorism financing and international best practices on AML/CFT.
- (d) The AML/CFT policy prepared/updated by ECs/ECs-B shall be assessed during on-site inspection by the SBP.

(iii) Risk Mitigation through Effective Internal Controls

- (a) ECs/ECs-B shall take steps to ensure that their AML/CFT policies and controls adhere to and are effective. To this end, their controls i.e. policies, procedures/SOPs, compliance programs, product services & delivery channels, decision to operate in new geography, etc. should be monitored on an ongoing basis by the Board of Directors.
- (b) ECs/ECs-B shall ensure the use of adequate, reliable and efficient technologies/automated systems to ensure risk compliance and control requirements in the area of ML/TF risk identification/assessment and AML/CFT compliance and controls. In this regard, ECs/ECS-B shall implement automated system for customer risk profiling, name screening and transactions monitoring.
- (c) The compliance function shall ensure effectiveness of AML/CFT Controls, proactive monitoring on ML/TF threats from existing/new products, and suggest commensurate controlling measures. In this regard, guidance documents available at FATF, APG, Egmont, World Bank, Basel and IMF websites may be consulted.
- (d) The independent audit function at ECs/ECs-B shall test their AML/CFT program with a view to establish the effectiveness of their overall AML/CFT policies and processes and the quality of its risk management across its operations. The audit function needs to give assurance/recommendations to board and senior management on the adequacy of Governance, Risk, Compliance and Controls of ECs/ECs-B AML/CFT regime.
- (e) ECs/ECs-B shall ensure human resource and systems adequacy to comply with FATF recommendations, related SBP instructions and any other laws, rules & regulations applicable in area of AML/CFT and for ensuring mitigation of threats and vulnerabilities identified in Pakistan's National Risk Assessment(s) on Money Laundering (ML) and Terrorism Financing (TF) and ML/TF risks identified in Exchange Companies/Exchange Companies of 'B' Category own Internal Risk Assessment Reports.
- (f) ECs/ECs-B shall ensure that their training plan should adequately cover FATF recommendations, related SBP instructions and any other laws, rules & regulations applicable in area of AML & CFT, threats and vulnerabilities identified in Pakistan's National Risk Assessment(s) on money laundering and terrorism financing, and ML/TF risks identified in ECs/ECs-B own Internal Risk Assessment Reports.
- (g) ECs/ECs-B shall ensure that their audit and compliance independently review/assess to ensure effectiveness of AML/CFT controls and preventive measures recommended through FATF recommendations.

- (h) ECs/ECs-B shall ensure that they devise a judicious performance appraisal mechanism which account for the performance of those responsible for ensuring compliance of these rules and regulations and transparent accountability mechanism to ensure accountability of delinquents of these rules and regulations.

2. Documentation of Transactions

Exchange Companies/Exchange Companies of 'B' category are required to document each and every transaction as per related SBP regulatory requirements.

2A. Documentation of Inland Currency Transportation²⁴

- (i) For carrying out transactions requiring movement of Pakistani Rupee (PKR) and Foreign Currency (FCY) within company's authorized network, with other ECs/ECs – B and Banks, Exchange Companies and Exchange Companies of 'B' category shall ensure as under:
- (a) Each outlet of ECs and ECs – B shall be allocated working capital keeping in view the business needs by the head office of the respective exchange company.
 - (b) ECs and ECs – B shall conduct the exchange business only from such premises as approved by the State Bank. ECs and ECs – B shall not provide delivery services to the customers.
 - (c) 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.
 - (d) Only bank accounts shall be used for movement of PKR between the cities.
 - (e) The movement of cash PKR (within a city) and FCY (across Pakistan) shall be undertaken only by the authorized employee(s) in company's owned vehicles, through air transit or by Cash-in-Transit Company.
 - (f) The movement of cash PKR and FCY by the franchises of ECs shall be processed under the permission from the head office of respective EC and such movement of cash PKR and FCY shall be documented in their system.
 - (g) The movement of cash PKR and FCY by the franchises shall only be carried out by the authorized individuals, who have been registered with and authorized by the respective Franchiser.

²⁴ FE Circular No. 05 Dated July 06, 2018

- (h) 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) / registered individuals (for franchises) or Cash-in-Transit Company.
- (i) The documentary evidences of travel(s) of authorized employee(s) / registered individuals (for franchises), including tickets issued in their names or receipts issued by Cash-in-Transit Company shall be maintained by ECs and ECs – B.
- (j) In case of cash PKR or FCY withdrawals from banks, the copy of cheque, duly authenticated by the authorized staff of the relevant EC's branch / franchise / head office, shall be carried by the authorized employee(s) / registered individuals (for franchises) or Cash-in-Transit Company.
- (ii) Exchange Company shall develop and implement Standard Operating Procedures (SOPs), duly approved by their Board of Directors, in light of para 2A (i) above. The SOPs shall, at the minimum, cover all the guidelines attached at **Annexure – 9A**.

3. Know Your Customer & Customer Due Diligence

ECs/ECs-B shall take all reasonable measures to perform Know Your Customer (KYC)/Customer Due Diligence (CDD) of all their customers (whether occasional or frequent) and shall resort to Enhanced Due Diligence when there is a suspicion of money laundering and terrorism financing²⁵ to establish and verify their identity. KYC/CDD in broader terms includes:

- (i) Identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from customer or any information from reliable and independent source documents, data or information (identification data)²⁶.
- (ii) Identifying, if there is a beneficial owner who is not the customer, here, the Exchange Company/Exchange Companies of 'B' category should take adequate measures to identify and verify the beneficial ownership to its satisfaction.
- (iii) Obtaining and verifying authority letter for any person purporting to act on behalf of the customer is so authorized, and identify and verify the identity of that person²⁶.
- (iv) Obtaining information on the purpose and intended nature of the transaction.
- (v) For exchanging any currency equivalent to, or below, USD 500/-, ECs/ECs-B may resort to simple customer due diligence, wherein only name and number of identity document of the customer should be obtained at the minimum, if there are no circumstances of any suspicion²⁶.

²⁵ EPD Circular Letter No. 19 Dated December 31, 2019

4. Identification of Customers & Verification²⁶

- (i) Every customer whether occasional or frequent shall be identified for conducting any business transaction. In case of exchanging any currency equivalent to, or above, USD 500/- and conducting transfers/remittances transaction regardless of the amount, the following information should be obtained at the minimum:
 - (a) Full name as per identity document, including any aliases.
 - (b) Existing residential address or business address and contact number.
 - (c) Computerized National Identity Card (CNIC) /National Identity Card for Overseas Pakistani (NICOP)/ Pakistan Origin Card (POC) / Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan).
- (ii) Exchange Companies/Exchange Companies of 'B' category should also retain on record legible copies of all reference documents used for identification and verification in case of business transactions mentioned as above. The Exchange Companies/Exchange Companies of 'B' category shall further ensure the following:
 - (a) The signature of customer should be obtained on the receipt / form and should match with those on identity documents.
 - (b) The original identification document should be seen and the stamp of "Original Seen" should be affixed on retained copy of the identity documents.

5. Beneficial Ownership²⁷

In relation to a customer of an EC/EC-B, beneficial owner means the person who exercises ultimate effective control over the customer which can be a natural person on whose behalf the customer is acting or a legal person/legal arrangement on whose behalf the customer is acting or a transaction is being conducted. In this respect:

- (i) EC/EC-B shall inquire whether there exists any beneficial owner in relation to a customer.
- (ii) In case of beneficial owner, reasonable measures shall be taken to verify the identity of the beneficial owner.
- (iii) Once beneficial owner is identified, ECs/ECs-B shall not perform any transaction where the beneficial owner is a legal person or legal arrangement or designated/proscribed natural person. In case of such attempt by designated/proscribed natural person/entity, STR shall be filed with FMU.

²⁶ EPD Circular Letter No. 08 Dated May 22, 2018

²⁷ EPD Circular Letter No. 19 Dated December 31, 2019

6. Enhanced Due Diligence²⁷

- (i) ECs/ECs-B shall prepare their AML/CFT policies considering risk factors of their customers like customer's background, country of origin, public or high profile position, and other risk indicators. In this regard, some customers may pose higher than average risk which may be categorized as high risk customers. Examples of high risk customers are high net worth individuals with no clearly identifiable source of income, non-resident customers from countries or jurisdictions with inadequate AML/CFT laws and regulations such as high-risk and other monitored jurisdictions with weak measures to combat money laundering and terrorism financing (AML/CFT) identified by FATF from time to time or from countries for which this is called for by the FATF, customers from locations known for their high rates of crime (for example, terrorism, drug producing, trafficking, smuggling), Politically Exposed Persons (PEPs), individuals associated with legal arrangements or unregulated industries, customers on which suspicion of ML/TF raised or any other information suggesting that the customer is of higher risk.
- (ii) For high risk customers, ECs/ECs-B shall conduct enhanced due diligence. Enhanced due diligence should include at least the following elements in customer due diligence:
 - (a) Obtaining more detailed information from the customer and through publicly available information, in particular, on the purpose of transaction and source of funds;
 - (b) Undertaking further verification procedures on the customer or beneficial owner to better understand the risk that the customer or beneficial owner may be involved in criminal activity;
 - (c) Taking reasonable measures to establish the source of funds and wealth involved in the transaction or business relationship to be satisfied that they do not constitute the proceeds from/for crime; and
 - (d) Obtaining approval from the Senior Management before establishing the business relationship/conducting transaction with the customer.
- (iii) ECs/ECs-B shall apply countermeasures proportionate to the risks:
 - (a) when called upon to do so by the FATF; and
 - (b) Independently of any call by the FATF to do so.

6A. Politically Exposed Persons (PEPs)²⁸

²⁸ EPD Circular Letter No. 19 Dated December 31, 2019

ECs/ECs-B shall ensure that they put in place risk management mechanism to determine whether a customer or the beneficial owner is a PEP and perform enhanced due diligence before conducting such transactions. For this purpose, following type of individuals may be considered PEP:

- (i) Foreign PEPs: Individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.
- (ii) Domestic PEPs: Individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.
- (iii) International organizations PEPs: Persons who are or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions, i.e. directors, deputy directors and members of the board or equivalent functions.
- (iv) Family members are individuals who are related to a PEP either directly (consanguinity) or through marriage.
- (v) Close associates are individuals who are closely connected to a PEP, either socially or professionally.
- (vi) The definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing categories.

7. Information on the Purpose and Intended Nature of Business Relations

Exchange Companies/Exchange Companies of 'B' category shall obtain from customers information as to the purpose and intended nature of transaction.

8. Where CDD Measures are not completed

- (i) In case Exchange Companies/Exchange Companies of 'B' category are not able to satisfactorily complete required CDD measures, they should not conduct the transaction. In the post transaction scenario, if the circumstances are suspicious, consideration should be given to file a Suspicious Transaction Report (STR) with the Financial Monitoring Unit (FMU).
- (ii) When ECs/ECs-B form suspicion of money laundering, terrorism financing or other criminal activity, and they reasonably believe that performing the CDD process will

tip-off the customer, they may not pursue the CDD process, and instead file an STR with FMU²⁹.

9. Record Keeping

ECs/ECs-B shall maintain all necessary records of transactions (executed, attempted or rejected)³⁰ including information obtained through CDD/EDD measures and results of any analysis undertaken for a minimum period of 10 years from completion of the transaction/analysis. ECs/ECs-B shall retain on record legible copies of all reference documents used for identification and verification as mentioned at para 4 (ii) above. In this respect:

- (i) The record should be sufficient to permit reconstruction of individual transactions including the nature and date of the transaction, the type and amount of currency involved, so as to provide, when necessary, evidence for prosecution of criminal activity, admissible in a court of law.
- (ii) Exchange Companies/Exchange Companies of 'B' category shall, however, retain those records for longer period where transactions, customers or accounts involve litigation or it is required by court or other competent authority.

10. Reporting of Suspicious Transaction Reports /Currency Transaction Reports to Financial Monitoring Unit

Exchange Companies/Exchange Companies of 'B' category, being 'Financial Institutions' under the Anti-Money Laundering (AML) Act 2010, are required to submit Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs), as per Section 7 of the AML Act, 2010, to the Financial Monitoring Unit (FMU). In this respect,

- (i) Exchange Companies/Exchange Companies of 'B' category shall file separate CTR for each transaction involving sale/purchase of foreign currency equivalent to PKR 2 million or above.
- (ii) Exchange Companies/Exchange Companies of 'B' category should monitor all complex, unusually large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. In case of suspicion, consideration should be given to file an STR with FMU.
- (iii) Attention of Exchange Companies/Exchange Companies of 'B' category is also drawn towards 'Red Flag Indicators' for the purpose of generating STRs to FMU as

²⁹ EPD Circular Letter No. 19 Dated December 31, 2019

issued by FMU and available on its website. Further STR/CTR reporting forms and other guidelines can be accessed from FMU's website: www.fmu.gov.pk.

11. Employee Due Diligence³⁰

The ECs/ECs-B shall develop and implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees, whether contractual or permanent. In this respect, ECs/ECs-B shall inter alia invariably ensure that:

- (i) All the employees are screened, on an ongoing basis, for designated/proscribed persons and maintain proper record of screening. Accordingly, any employees shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (ii) The employee has not been convicted/involved in any fraud/forgery, financial crime etc.
- (iii) The employee has not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business.

11A. Franchise/Payment Booth Due Diligence

The Exchange Companies shall develop and implement appropriate screening procedures to ensure high standards and integrity for all Franchises/Payment Booth (agents). In this respect, Exchange Companies shall inter alia invariably ensure that:

- (i) All owners and employees of Franchise/Payment Booth are screened, on an ongoing basis, for designated/proscribed persons and maintain proper record of screening. Accordingly, any owner/employee shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (ii) The owners and employees of Franchise and Payment Booth have not been convicted/involved in any fraud/forgery, financial crime etc.

³⁰ EPD Circular Letter No. 19 dated December 31, 2019

- (iii) The owners and employees of Franchise and Payment Booth have not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business.

12. Training

ECs/ECs-B shall design and implement suitable training program for all relevant staff throughout their network including branches, currency exchange booths, franchises and payment booths etc., in order to effectively implement legal and regulatory requirements as well as company's own policies and procedures relating to combating money laundering and terrorism financing.

The effective application of AML/CFT policies and procedures depends on qualified and skilled human resources within ECs/ECs-B who understand not only the processes they are required to follow but also the risks these processes are designed to mitigate, as well as the possible consequences of those risks. It is therefore important that ECs/ECs-B staff throughout their network receive AML/CFT training, which should be:

- (i) Of high quality, relevant to the ECs/ECs-B ML/TF risks, business activities and up to date with the latest legal and regulatory obligations, internal controls including preventive measures as given in FATF Recommendations;
- (ii) Obligatory for all relevant staff;
- (iii) Tailored to particular lines of business within the EC/EC-B, equipping staff with a sound understanding of specialized ML/TF risks they are likely to face and their obligations in relation to those risks;
- (iv) Effective: Training should have the desired effect, and this can be checked for example by requiring staff to pass tests or by monitoring levels of compliance with the ECs/ECs-B AML/CFT controls and applying appropriate measures where staff are unable to demonstrate the level of knowledge expected;
- (v) Ongoing: AML/CFT training should be regular, relevant, and not be a one-off exercise when staff are hired;
- (vi) Complemented by AML/CFT information and updates that are disseminated to relevant staff as appropriate.
- (vii) Having a formal mechanism to obtain feedback on improvement of understanding after capacity building/training sessions.

13. Appointment/Designation of Company Compliance Officer

The Board of Directors of an EC/EC-B shall appoint/designate a suitably qualified and experienced person as Company Compliance Officer (CCO). The CCO shall be responsible for effective compliance of regulatory requirements and Exchange Company's own policies and procedures relating to combating money laundering and terrorism financing. The CCO shall serve as a contact point between the Chief Executive Officer (CEO) and senior management with regard to implementation of company policy for combating money laundering and terrorism financing. It is the responsibility of Board of Directors and CEO to ensure adequate empowerment to the compliance function with regard to performance of their functions. In this regard provision of adequate qualified and skilled resource, clarity in jobs assigned i.e. conflicting functions and responsibilities shall not be assigned to compliance functionaries, and required systems shall be ensured by Board of Directors and CEO³¹.

14. Compliance of Legal and Regulatory Framework

- (i) The ECs/ECs-B should ensure strict compliance of legal and regulatory framework including the Statutory Notifications issued from time to time by the Government of Pakistan under United Nations (Security Council) Act, 1948 to apply certain measures without delay and without prior notice for giving effect to the decisions of United Nations Security Council.³¹
- (ii) The ECs/ECs-B shall take necessary action without delay and without prior notice as per law in terms of list of First & Fourth Schedulers under Anti-Terrorism Act, 1997³¹.
- (iii) ³²Detailed guidelines on Targeted Financial Sanctions (TFS) for prevention of Terrorism Financing and Proliferation Financing under United Nations Security Council (UNSC) Act, 1948 and Anti Terrorism Act (ATA), 1997 for the Exchange Companies/Exchange Companies of 'B' category are attached as **Annexure – 9B**. In the light of guidelines given at Annexure – 9B, Exchange Companies and Exchange Companies of 'B' category are required to ensure meticulous compliance of the statutory and regulatory framework. Following minimum measures shall be taken:
 - (a) No services shall be provided to persons³² designated under UNSC Resolutions or proscribed under ATA, 1997.
 - (b) The company's Information System managing the transactions shall be able to screen the designated and proscribed persons³¹ on real time basis.

³¹ EPD Circular Letter No. 19 dated December 31, 2019

³² FE Circular No. 09 Dated October 18, 2018

- (c) The updated consolidated list of persons designated / proscribed under UNSC Act 1948 and ATA, 1997 respectively shall be updated in the company's Information System and should be available throughout the company's network including agents i.e. franchises and payment booths. SBP during the course of inspection would check the availability of these updated lists in ECs/ECs-B.
- (d) Unique Identification Numbers e.g. CNICs, Passports etc. available in the UNSC Sanction Lists and lists of proscribed individuals/entities under ATA, 1997 shall be blocked in company's information system. Any similarity between the identification information of the customer and that of designated / proscribed entities and persons should be properly investigated for necessary action, as per law, including reporting to the Financial Monitoring Unit (FMU).
- (e) ECs/ECs-B shall file an STR with Financial Monitoring Unit of any attempted or rejected transactions by designated or proscribed persons or their associates³².
- (f) Special attention shall be given to the screening of remittances received from or transfer made to 'high-risk' jurisdictions, as identified by Financial Action Task Force (FATF).
- (g) Internal controls shall be strengthened by means of deploying adequate systems for real time screening and allocating sufficient/trained resources to ensure meticulous compliance of TFS regime.
- (h) Antecedents of all company employees, franchises/payment booths owners and their employees along with the persons associated with the business relationships like e.g. landlords, vendors etc. shall be reviewed on an ongoing basis to ensure that no designated/proscribed individual/entity is associated/working with the ECs and ECs-B.³³
- (i) Trainings on the subject matter shall be arranged for all the staff/officers including the personnel of franchise and payment booths.³⁴
- (j) Government of Pakistan has already prescribed penalty up to Rs. 10 million for non-compliance of sanctions regime under the United Nations (Security Council) Act, 1948 and the Anti-Terrorism Act, 1997.

³³ EPD Circular Letter No. 19 dated December 31, 2019

CHAPTER 7

REPORTING TO STATE BANK

1. The Exchange Companies shall equip themselves with necessary qualified staff to properly manage computerized reporting to the State Bank.
2. Various reports/returns shall be submitted by Exchange Companies as per the permissible scope of their business to State Bank. Where applicable, all the reports / returns and information shall include data / information of all outlets including agents i.e. Franchises and Payment Booths of Exchange Companies.³⁴
3. The following reports/returns shall be submitted as per details given in table below:

S. No.	Description	Frequency	Due Date	Department	Annexure
1.	Statements A to E*	Bimonthly	Within two working days of end of each reporting period	Off-Site Supervision & Enforcement Department (OSSED)	Annexure – 10
2.	Statements F to J*	Monthly	Within two working days of end of each reporting period	OSSED	Annexure – 11
3.	Statements K to M*	Quarterly	Within two working days of end of each reporting period	OSSED	Annexure – 12
4.	Outward Remittances made against Inward Home Remittances	Monthly	5 th of following month	OSSED	Annexure – 13
5.	Inward Remittances	Monthly	5 th of following month	Statistics & Data Warehouse Department (S&DWD)	Annexure – 14
6.	Outward Remittances	Monthly	5 th of following month	S&DWD	Annexure – 15
7.	Statement Section – 1	Monthly	5 th of following month	S&DWD	Annexure – 16
8.	Statement Section – 6	Monthly	5 th of following month	S&DWD	Annexure – 17
9.	Details of Exchange Company's Bank accounts**	Annually	Within thirty days of close of each financial year	Exchange Policy Department (EPD)	Annexure – 18
10.	Details of	Annually	Within thirty days of	EPD	Annexure – 19

³⁴ EPD Circular Letter No. 19 dated December 31, 2019

	Directors/Shareholders**		close of each financial year		
11.	Details of Employees**	Annually	Within thirty days of close of each financial year	EPD	Annexure – 20
12.	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	OSD, EPD and S&DWD	-

* These returns shall be submitted through emails to OSD's email: ec.epd@sbp.org.pk.

**Further, any change in the subject details/information may be communicated to EPD within 15 days.

4 Exchange Companies shall also submit data according to their scope of business in CVS format at email ecdata.stats@sbp.org.pk. The data will be submitted by Exchange Companies on weekly basis (Monday to Sunday) by next working day i.e. Monday. In case Monday is public holiday, the data will be submitted on first working day of the reporting week. While submitting the data under this reporting system, Exchange Companies will ensure daily matching of opening/closing balances of Summary Statements of head office and each branch/outlet. The Summary Statements and Descriptions are given at **Annexure - 21**.

5. Besides above periodic return/reports/data, Exchange Companies shall report on the occurrence of following events by 10:00 a.m. of next working day to OSD:

- (i) Breach of Exposure Limit along with reasons.
- (ii) Event of fraud, dacoity, loss, F.I.R. lodgment by / against the company or its associates i.e. the Franchises, payment booths etc.
- (iii) Bankruptcy or default of foreign associates and the stake of the company at risk.
- (iv) Any investigation, raid or law enforcement action by FIA or any other agency against the Exchange Company or its associates, Franchises etc.
- (v) Closure of business location / outlet including Franchises / payment booths due to any reason whether temporary or permanent.
- (vi) Reporting of non receipt of funds against export of FCYs or payment of Home Remittances within the stipulated time.
- (vii) Any other important information / data / event.

CHAPTER 8

EXCHANGE COMPANIES OF 'B' CATEGORY

1. Establishment

- (i) In order to bring the Authorized Money Changers within the realm of Exchange Companies as to enhance smooth transition of their existing business, Authorized Money Changers were allowed to establish Exchange Companies of 'B' Category as per FE Circular No. 6 of 2004.
- (ii) No new Exchange Company of 'B' Category can be established.

2. Name

The trade name of the Exchange Company of 'B' Category shall not include the word "Bank", "Financial Institution", "Investment/Commercial/Finance/Real Estate" or any other description that indicates activities other than permissible business. The name should clearly mention the words "Exchange Company - B".

3. Capital

- (i) The minimum paid-up capital of the Exchange Company of 'B' Category is Rs. 25 million. The Minimum Capital Requirement is calculated as under:

Minimum Capital Requirement = Paid-up Capital less Accumulated Losses

Exchange Company of 'B' Category shall ensure to meet their respective minimum capital requirements at all times.³⁵

- (ii) The affairs of the Exchange Company of 'B' Category shall be run only with the declared capital of the company. Neither the shareholders and Directors of the Exchange Company of 'B' Category shall withdraw funds from the company as loan nor shall they extend loan (subordinated loan) to the Company unless specific approval, in writing, from State Bank has been obtained.

4. Statutory Liquidity Reserve (SLR)

10 percent of the Capital shall be maintained as Reserve with the State Bank in the form of cash or unencumbered approved government securities.

³⁵ EPD Circular Letter No. 07 Dated May 08, 2018

5. Enhancement of Capital

- (i) Prior approval of State Bank regarding enhancement of authorized and paid-up capital by the existing Directors/shareholders will not be required. The Exchange Company of 'B' Category may directly approach Securities & Exchange Commission of Pakistan (SECP) for fulfillment of applicable formalities to increase its authorized or paid-up capital.
- (ii) Once SECP's formalities have been fulfilled, the company will accordingly maintain the required Statutory Liquidity Reserve (SLR) with respective area office of State Bank of Pakistan, Banking Services Corporations (SBP-BSC) and immediately intimate Exchange Policy Department (EPD) and Off-Site Supervision & Enforcement Department (OSED) of the State Bank by submitting evidence of completion of formalities with SECP, enhancement/injection of capital, and maintenance of SLR with SBP – BSC.
- (iii) It must be ensured that the funds utilized for enhancement of capital of the company are legitimate under related laws.

6. License

- (i) The license of Exchange Company of 'B' category is not transferable to any other entity of whatsoever nature, through any means.
- (ii) Licenses of Exchange Company of 'B' Category shall be renewed upto three years from the date of expiry of the license.³⁶ However, license shall be renewed after giving due consideration, inter alia, to State Bank's inspection report, compliance status, corporate governance and financial health of the Exchange Company of 'B' Category. The request for renewal of the license must reach State Bank at least 90 days before expiry of the license along with relevant deposit/payment receipt of Rs. 250,000/- issued by the bank, as evidence of having paid the applicable fee, in the RTGS clearing account number/ title 020139999990037 (427516)/ RTGS CLR PROCESSING FEE-REFUND-EXC.

7. Suspension & Revocation of License

- (i) State Bank has the right to suspend or revoke a License of Exchange Company of 'B' category at any time. Before a license is suspended / revoked, the Exchange Company of 'B' Category shall be served with a notice mentioning therein the reasons for such

³⁶ EPD Circular Letter No. 17 dated December 09, 2019

suspension/revocation and instructions for the company to explain its position in writing within 7 days from the date of issuance of notice.

- (ii) The License of the Exchange Company of 'B' category may be suspended/revoked if:
 - (a) The State Bank is provided with false, misleading or inaccurate information by or on behalf of the Exchange Company of 'B' Category.
 - (b) It appears to the State Bank that Exchange Company of 'B' Category has violated these or any other regulation/requirement, 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.
 - (c) The interests of the customers of an Exchange Company of 'B' Category 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.
 - (d) Deliberate obstruction of the State Bank inspection team in the performance of their duties, by Exchange Company of 'B' Category or officials of its network.
 - (e) Any other reason that in the opinion of the State Bank disqualifies an Exchange Company of 'B' Category to hold the License.

8. Shareholders, Directors, CEO and Key Executives³⁷

Exchange Companies of 'B' Category shall

- (i) Ensure fitness and propriety of Shareholders, Directors, CEO and Key Executives in accordance with criteria given at **Annexure-2A**.
- (ii) Conduct prior self-assessment of fitness and propriety for all fresh inductions/appointments of Shareholders, Directors and CEO before seeking approval of SBP.
- (iii) Forward all requests for seeking approval of SBP for Shareholders, Directors and CEO along with information/affidavit as per **Annexure-2AI and 2AII**. Every shareholder, Director and CEO of the Exchange Company of 'B' Category shall require prior written clearance/approval from State Bank
- (iv) Appointment of Key Executives will not require prior approval/clearance of SBP, however, the Exchange Company of 'B' Category must ensure that they qualify relevant FPT criteria in letter and spirit and submit information to SBP as per **Annexure-2AI and 2AII**, within seven working days of assumption of the charge of the post by the incumbent.

³⁷ EPD Circular Letter No. 19 dated December 31, 2019

- (v) Obtain annually a declaration from all Shareholders, Directors, CEO and Key Executives as per **Annexure-2AIII** that the information provided has not undergone change and where there is any change, requisite details have been furnished to State Bank within 15 days of the change.
- (vi) Screen, on an ongoing basis, the Shareholders, Directors, CEO and Key Executives for designated/proscribed entities/persons and maintain proper record of screening. Accordingly, any Shareholders, Directors, CEO and key Executives shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (vii) Not provide any loan/credit or deferred payment to any of its Shareholder and Director.
- (viii) Ensure that the functions of Audit and Compliance are headed by different individuals and shall be independent of other operational functions.

9. Prior Approval from State Bank for Changes in Substantial Parameters

State Bank's prior approval will be required for any change in any significant parameter including but not restricted to:

- (i)Memorandum and/or Articles of Association of the company
- (ii)Directorship
- (iii)Shareholding
- (iv)Statutory Auditors
- (v)Chief Executive Officer
- (vi)Locations of Head Office/Outlets

10. Policies

The company should follow the prudent practices and would develop/follow the standard policies related to Internal Controls, Audit, Human Resources, Information Technology, AML and KYC etc.

11. Observance of Rules & Regulations

The Exchange Company of 'B' Category 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.

11A. Prohibition to Deal with Legal Persons and Legal Arrangements³⁸

- (i) The Exchange Companies of 'B' Category are authorized to deal with individuals (natural persons that are walk-in customers without establishing permanent/on-going relationship) only.
- (ii) Exchange Companies of 'B' Category shall not carry out any transactions with legal persons or legal arrangements except with regulated/supervised banks and exchange companies for permissible businesses as given in Para 12 below, within Pakistan.

12. Scope of Business

(i) Buy and Sale of Foreign Currencies³⁹

- (a) Exchange Companies of 'B' Category are authorized to deal in buy and sale of foreign currency notes and coins from individuals, Exchange Companies and Exchange Companies of 'B' category in 'Ready' value only.
- (b) Exchange Companies of 'B' Category are allowed to "sell" foreign exchange in 'Ready' value only to the banks as counter party (Interbank Market).
- (c) For all foreign currency buy and sale transactions equivalent to USD 500/- or above Exchange Company of 'B' Category will obtain and retain 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).
- (d) All sale transactions of USD 35,000/- or above (or equivalent in other currencies) shall be conducted by the Exchange Companies of 'B' Category through Crossed Cheque/Demand Draft/Pay Order issued from the personal account of the customer and instrument number and issuing bank's name shall be mentioned on the transaction receipt along with CNIC/identification document number of the customer.
- (e) State Bank's prior approval is required for all transactions of sale of foreign currencies to the individual customer of USD 50,000/- or above (or equivalent in other currencies). However, this requirement will not be applicable on sale of foreign currency to the Banks/Exchange Companies. For obtaining approval for transactions of USD 50,000/- or above (or equivalent in other currencies) on account of sale of foreign currencies to the individual customers Exchange

³⁸ EPD Circular Letter No. 19 dated December 31, 2019

³⁹ EPD Letter No. 08 Dated May 22, 2018

Companies of 'B' Category will forward their related requests to the Exchange Policy Department of State Bank along with complete details of the transaction including particulars of the customer like name, address, CNIC, amount and purpose of the transaction.

(ii) Branchless Banking as Agents of Authorized Financial Institutions

- (a) The Exchange Companies of 'B' Category are allowed to conduct branchless banking activities as agents of authorized financial institutions (Commercial/Islamic/Microfinance Banks) offering these services under Branchless Banking Regulations issued vide BPRD Circular No. 09 dated June 20, 2011.
- (b) Exchange Company of 'B' Category that intend to offer branchless banking agent services may approach any financial institution authorized to provide branchless banking services under Branchless Banking Regulations. An Exchange Company of 'B' Category shall 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, State Bank for appointing that Exchange Company of 'B' Category as the agent.
- (c) Further, an Exchange Company of 'B' Category shall not portray itself as banking company or authorized financial institution as defined in Branchless Banking Regulations.
- (d) Exchange Companies of 'B' Category shall intimate such arrangement and submit related agreement to Exchange Policy Department, State Bank, Karachi for information.

(iii) Limitation

- (a) Exchange Companies of 'B' Category are prohibited from engaging in any other activity such as remittances, transfers, deposit taking, lending etc., directly or indirectly.
- (b) Virtual Currencies (VCs) like Bitcoin, Litecoin, Pakcoin, OneCoin, DasCoin, Pay Diamond etc. or Initial Coin Offerings (ICO) tokens are not legal tender, issued or guaranteed by the Government of Pakistan. State Bank of Pakistan has not authorized or licensed any individual or entity for the issuance, sale, purchase, exchange or investment in any such Virtual Currencies/Coins/Tokens in Pakistan. Exchange Company of 'B' Category are advised to refrain from processing, using, trading, holding, transferring value, promoting and investing in Virtual Currencies/Tokens. Exchange Company of 'B' Category shall also not facilitate

their customers to transact in VCs/ICO tokens. Any transaction in this regard shall immediately be reported to Financial Monitoring Unit (FMU) as a suspicious transaction.⁴⁰

12A. Handling of Currency Notes⁴¹

- (i) Exchange Company of 'B' Category are advised to follow the following instructions for Pak Rupees notes as well as foreign currency notes:
 - (a) Currency notes of any denominations shall not be stapled.
 - (b) Only authentic currency notes shall be exchanged.
 - (c) Demonetized currency notes shall not be sold.
- (ii) Exchange Company of 'B' Category shall also develop detailed Standard Operating Procedures taking into consideration the above instructions, get the same approved by their Chief Executive Officer and implement them throughout their network.

13. Exposure Limit for Conducting Business

Exchange Company of 'B' Category can carry a foreign currency exposure at the close of business each day at a level not higher than 25% of the capital base. The method to determine exposure shall be that the "Pak Rupee equivalent of all the Foreign Currencies held by the Exchange Company of 'B' Category including at all of their branches, shall not exceed 25% of the capital base at the close of business each day". Therefore, an Exchange Company of 'B' Category having a capital base of Rs. 25 million, may carry over to the next day total Foreign Currencies holding (Exposure) equivalent to Pak Rupees not exceeding 25% of its capital base i.e., Rs. 6.250 million at the close of business each day.

14. Spread Between Buying/Selling Rates

Spread between buying/selling rates of US Dollar, Pound Sterling, Euro, Saudi Riyal and UAE Dirham shall not exceed one percent of their buying rate. For all other foreign currencies, Exchange Companies shall ensure to maintain a competitive spread. 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 outlet of the exchange company.

14A. Display of Schedule of Charges⁴²

⁴⁰ FE Circular No. 03 Dated April 18, 2018

⁴¹ FE Circular No. 12 Dated November 20, 2018

⁴² FE Circular No. 13 Dated November 26, 2018

Exchange Company of 'B' Category must ensure the following instructions pertaining to display of schedule of charges:

- (i) 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 for outward remittances and branchless banking etc., as per their authorized scope of business.
- (ii) 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.
- (iii) Admissible charges recovered against any service from customer must be reflected on system generated receipt issued for the purpose.
- (iv) The company does not recover charges which are prohibited under any law, rule or regulation.
- (v) The company does not charge from the customer for the services not rendered or rendered without his/her consent.

15. Business Premises

- (i) An Exchange Company of 'B' Category is allowed to conduct the foreign exchange business only from such premises (branch) 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 and submitting the related documents as mentioned in **Annexure – 4A**⁴³.
- (ii) Exchange Company of 'B' Category will ensure that all requisite support facilities are available which are necessary to carry out their business.
- (iii) A non-refundable processing fee of Rs. 25,000/- shall be charged for relocation of each outlet. Exchange Companies of 'B' category shall submit the fee in the RTGS Clearing Account Number/ Title 020139999990047 (427517)/ RTGS CLR PROCESS FEE-NON REFUND-EXC through banks. Further, while submitting request for relocation, Exchange Companies of 'B' Category shall, interalia, provide relevant payment receipt(s) issued by bank(s) as evidence of having paid the applicable fee.

15A. Outlets at Airports⁴⁴

⁴³ EPD Circular Letter No. 17 dated December 09, 2019

⁴⁴ FE Circular No. 01 Dated February 27, 2019

- (i) Exchange Companies of 'B' Category are not allowed to participate in CAA tender(s) for award of new license of currency exchange booth(s) / branch(es) as at present they are not allowed expansion of their branch network
- (ii) ⁴⁵Exchange Companies of 'B' category holding valid CAA license of currency exchange booth(s) / branch(es) shall apply for permission to participate in fresh tenders at airports/locations where they already operate after expiry of CAA license subject to compliance as applicable to Exchange Companies with requirement of Para 3 (iii) and (iv) of Chapter 4 of Exchange Companies Manual.
- (iii) Exchange Companies of 'B' category desirous of participating in CAA tender(s) for renewal of license of currency exchange booth(s) / branch(es) at any Pakistani airport(s) shall obtain in-principle approval from SBP before participating in each CAA tender.
- (iv) Application(s) complete in all respects by Exchange Companies of 'B' category for obtaining in principle approval to participate in CAA tender(s) must reach Exchange Policy Department at least 7 working days prior to the last date of application submission in CAA tender(s).
- (v) While submitting the application for participation in CAA tender, Exchange Companies shall deposit non-refundable fee of Rs. 50,000/- per outlet in RTGS Clearing account number 427516 of the State Bank and submit the payment receipt as evidence of having paid the applicable fee⁴⁶.

16. Display of Instructions and Guidance to Customers

- (i) Each outlet will prominently display name of the Exchange Company of 'B' Category.
- (ii) A notice advising customers to obtain receipts of all transactions shall be prominently displayed at each branch.
- (iii) Another notice declaring the exchange rates applicable for currency sale/purchase shall also be displayed at a prominent place in each branch.

16A. Display of Name and Scope of Business Activities at Outlets⁴⁷

- (i) The Exchange Company of 'B' Category are advised to display signboards prominently at the entrance of their outlets, in line with the following guidelines:

⁴⁵ FE Circular No. 01 Dated February 27, 2019

⁴⁶ FE Circular No. 01 Dated February 27, 2019

⁴⁷ FE Circular No. 08 Dated August 13, 2018

- (a) The signboards shall clearly state the name of the Exchange Company of 'B' Category, as applicable.
 - (b) The signboards shall mention type of outlet i.e. Head Office, Branch etc. as the case may be.
 - (c) The contents of the signboard must be in clear and bold words in English and Urdu.
 - (d) The name(s) of individuals, owners, money changers etc. shall not be displayed on signboards.
- (ii) Exchange Companies of 'B' Category shall ensure that their respective outlets must display following permissible scope of business at prominent place i.e. cash counter, waiting area etc.

Branch	(i) Buy and sale of foreign currency notes and coins only. (ii) Branchless banking as agent of M/s (name of financial institution)⁴⁸. (iii) Description of any other business as and when allowed by SBP.
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16B. Standardization of Monitoring through Close Circuit Television (CCTV) Cameras⁴⁹

The following instructions shall be applicable for compliance by all outlets of Exchange Companies of 'B' Category (Head Offices and Branches):

- (i) Each outlet shall be equipped with high resolution CCTV cameras having zoom function 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 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.
- (iv) The video recording through CCTV cameras shall be preserved for at least two months. However, in case of any dispute/incident within the business premises, the

⁴⁸ Subject to approval by BPRD to financial institution for appointing the Exchange Company of 'B' Category as the agent

⁴⁹ FE Circular No. 15 Dated December 12, 2018

related recording shall be preserved till the resolution of the matter. However, 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 Court's orders.

- (v) The backup of recording shall be maintained at an appropriate place in case a 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.
- (vi) In case of any technical issue in installed CCTV cameras/Digital Video Recording (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 the State Bank's inspection team for their review during the course of inspection.
- (vii) The time of CCTV camera and DVR system installed at outlets shall be synchronized with the time of the core business application.
- (viii) The staff of the outlets shall be provided training to operate CCTV camera/DVR system.

17. Business Agreements with Other Entities

- (i) Exchange Companies of 'B' Categories are not allowed to enter into franchise arrangements with other entities.
- (ii) Exchange Companies of 'B' Category are not allowed to enter into business related agreements with each other or with outside parties without obtaining prior approval/clearance in writing from State Bank.
- (iii) Exchange Companies of 'B' Category are not allowed to enter into any type of relationship with Banks and Exchange Companies outside Pakistan⁵⁰ including opening/maintaining any Nostro account(s) with Banks/Exchange Companies outside Pakistan⁵¹.

18. Record of Transactions

- (i) All dealings between an Exchange Company of 'B' Category 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.

⁵⁰ EPD Circular Letter No. 19 dated December 31, 2019

⁵¹ FE Circular No. 04 dated May 09, 2008

- (ii) Every receipt provided to the customer shall be sequentially numbered and also bear the name of the Exchange Company of 'B' Category, date, nature of transaction i.e. sale/purchase, currency dealt, exchange rate and initials of dealer/authorized employee.
- (iii) All record of the business transactions must be maintained for 10 years from the date of transaction or longer if so prescribed under other laws, rules & regulations. Further, all information/record should be maintained in such a manner that the same may be made readily available to State Bank or any other relevant Law Enforcement Agency as and when required as per related laws.
- (iv) 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.

19. Accounts and Audit

- (i) Financial year of Exchange Company of 'B' Category will be from 1st July to 30th June.
- (ii) The company shall ensure that proper internal controls are in place supported by Internal Audit.
- (iii) For the purpose of annual statutory audit, the Exchange Company of 'B' Category shall appoint only those auditing firms that are on the approved list of the State Bank for audit of banks.
- (iv) 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 to Off-Site Supervision & Enforcement Department, Exchange Policy Department and Statistics & Data Warehouse Department.

20. Anti Money Laundering and Combating Financing of Terrorism Guidelines & Instructions

Exchange Companies of 'B' Category are required to implement Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) guidelines and standards as given in Chapter 6 of this manual according to the permissible scope of their business.

21. Reporting to Departments of State Bank

Exchange Company of 'B' Category shall submit various reports to State Bank as per Chapter 7 of this manual according to the permissible scope of their business.

22. Inspection

- (i) The State Bank reserves the right to inspect the activities of Exchange Company of 'B' Category at any time it finds appropriate to ensure adherence to the regulations issued by the State Bank.
- (ii) Exchange Companies of 'B' category are required to fully cooperate with the State Bank inspection team and provide full disclosure of information required during the course of inspection, including but not limited to their activities, accounts, operations, IT systems and records.
- (iii) No Exchange Company of 'B' Category or any official of its entire network shall:
 - (a) Obstruct or hinder the State Bank's inspection team that is carrying out duties or functions under State Bank's directives.
 - (b) Provide false, misleading or inaccurate information to the State Bank's inspection team.
- (iv) Deliberate obstruction of the State Bank's inspection team in the performance of their duties, by Exchange Company of 'B' Category or officials of its network will result in punitive action against the Exchange Company of 'B' Category and/or its officials. This may include, inter alia, suspension / revocation of the license of the Exchange Company of 'B' Category, permanent disqualification of its Directors and Sponsors to conduct foreign exchange business in any capacity.

ANNEXURE

REGISTERED No. $\frac{M - 302}{L - 7646}$



EXTRAORDINARY
PUBLISHED BY AUTHORITY

ISLAMABAD, SATURDAY, JULY 20, 2002

PART I

Acts, Ordinances, President's Orders and Regulations

GOVERNMENT OF PAKISTAN

MINISTRY OF LAW, JUSTICE, HUMAN RIGHTS AND
PARLIAMENTARY AFFAIRS

(Law, Justice and Human Rights Division)

Islamabad, the 20th July, 2002

F. No. 2(1)/2002-Pub.—The following Ordinance promulgated by the President is hereby published for general information :—

ORDINANCE NO. XXX OF 2002

AN

ORDINANCE

further to amend the Foreign Exchange Regulation Act, 1947

WHEREAS it is expedient further to amend the Foreign Exchange Regulation Act, 1947 (VII of 1947), for the purposes hereinafter appearing :

(837)

[553(2002) Ex. Gaz.]

Price : Rs. 3.00

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of Emergency of the fourteenth day of October, 1999, and the Provisional Constitution Order No.1 of 1999, read with the Provisional Constitution (Amendment) Order No.9 of 1999, and in exercise of all powers enabling him in that behalf, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:—

1. **Short title and commencement.**—(1) This Ordinance may be called the Foreign Exchange Regulation (Amendment) Ordinance, 2002.

(2) It shall come into force at once.

(2) It shall come into force at once.

2. **Amendment of section 2, Act VII of 1947.**—In the Foreign Exchange Regulation Act, 1947 (VII of 1947), hereinafter referred to as the said Act, in section 2,—

(a) in clause (ab), for the commas and words “bank notes, coins and travellers cheques” the words “and coins” shall be substituted; and

(b) after clause (b), the following new clause shall be inserted, namely:—

“(ba) “exchange company” means a company authorized under section 3AA to deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travellers cheques and transfers;”.

3. **Amendment of section 3A, Act VII of 1947.**—In the said Act, in section 3A, in sub-section (1), for the commas and words “bank notes, coins and travellers cheques” the words “and coins” shall be substituted.

4. **Insertion of section 3AA, Act VII of 1947.**—In the said Act, after section 3A the following new section shall be inserted, namely:—

“3AA. **Exchange companies.**—(1) The State Bank may, on application made to it in this behalf, and on payment of such fee as it may, from time to time prescribe, authorize any company to deal in foreign currency notes, coins, postal notes, money orders, bank drafts, travellers cheques and transfers.

(2) For the purposes of sub-section (1), the expression “company” means a company having been formed and registered under the Companies Ordinance, 1984 (XLVII of 1984), pursuant to no objection certificate issued by the State Bank

in respect thereof to the Securities and Exchange Commission of Pakistan upon receiving an intimation from the said Commission that it has received an application for the formation of the company.

(3) The power conferred under sub-section (1) shall be exercised on the basis of the eligibility criteria prescribed for exchange companies by the State Bank.

(4) Exchange companies shall, in all their dealings, comply with—

- (i) the terms and conditions of the authorizations issued to them under sub-section (1); and
- (ii) such general or special directions or instructions as the State Bank may, from time to time, issue including those set out in the circulars and foreign exchange manual of the State Bank.

(5) Failure to comply with any such terms and conditions, directions or instructions imposed, given or issued may lead to suspension of authorization or any other action as deemed necessary by the State Bank.”.

5. **Amendment of section 3B, Act VII of 1947.**—In the said Act, in section 3B, after the word “dealer”, occurring twice, the comma and words “,exchange company” shall be inserted.

6. **Amendment of section 4, Act VII of 1947.**—In the said Act, in section 4, for sub-section (2) the following shall be substituted, namely:—

“(2) Except as may otherwise be directed by the State Bank, authorized dealers, authorized money changers and exchange companies shall be free to determine exchange rates for the conversion of Pakistan currency into any foreign currency or any foreign currency into Pakistan currency.”.

7. **Amendment of section 23B, Act VII of 1947.**—In the said Act, in section 23B,—

(a) in sub-section (3),—

- (i) for the words “Additional Director”, wherever occurring, the words “Senior Joint Director” shall be substituted;
- (ii) for the words “Senior Deputy Director”, wherever occurring, the words “Joint Director” shall be substituted; and

- (iii) for the words "Deputy Director", wherever occurring, the words "Junior Joint Director" shall be substituted; and
- (b) in sub-section (8),—
 - (i) for the words "Additional Director", wherever occurring, the words "Senior Joint Director" shall be substituted;
 - (ii) for the words "Senior Deputy Director", wherever occurring, the words "Joint Director" shall be substituted; and
 - (iii) for the words "Deputy Director", wherever occurring, the words "Junior Joint Director" shall be substituted.

GENERAL
PERVEZ MUSHARRAF,
President.

MR. JUSTICE
MANSOOR AHMED,
Secretary.

APPLICATION FORM FOR ISSUANCE OF LICENCE TO EXCHANGE COMPANY

The Director,
Exchange Policy Department,
State Bank of Pakistan,
Karachi

Dear Sir,

We, M/s. -----, hereby apply for issuance of NOC to our proposed Exchange Company. As desired, we give necessary information on the enclosed format. Duly attested copies of Memorandum of Association and Articles of Association are enclosed herewith.

Yours faithfully,

Signature: _____

Name: _____

Proposed Designation: _____

Name of the proposed Exchange
Company: _____

Address: _____

Date: _____

BASIC INFORMATION

- 1 Name of proposed Exchange Company : _____
- 2 Expected date of Incorporation : _____
- 3 Proposed place/location of Registered Office & Head Office : _____
- 4 State whether the company is private or Joint Venture : _____
- 5 Previous Application (give particulars of any Application previously made to SBP in this regard) : _____
- 6 Particulars of the Directors
 - i. Give names, business and addresses of the Directors of Exchange Company
 - ii. Give shareholding pattern of Directors in the proposed Exchange Company
 - iii. Give complete resume of each Director with his/her educational and professional/back-ground, working experience etc
(on separate sheet)
- 7 Give a brief description of the system of supervision and internal controls of the proposed Exchange Company : _____
- 8 Give details of proposed Authorized & Paid-up capital of the proposed Exchange Company : _____
- 9 Number of branches/booths/Franchise arrangement along with their location, address etc. for which license is required : _____
- 10 Detailed feasibility report of the proposed Exchange Company encompassing all factors including Technical, Market, Management & Financial viability of such company : _____
- 11 Details of technology to be used i.e., computer/swift/fax for the transactions : _____

Note

(Use additional pages, if necessary)

Fit and Proper Test

Definitions

“Financial Institution” as defined under Companies Act, 2017.

“Director” includes any person occupying the position of a director, by whatever name called.

“Chief Executive Officer” 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/ Exchange Company of ‘B’ Category and includes a shareholder/director or any other person occupying the position of a chief executive, by whatever name called.

“Key Executives” shall mean employees of Exchange Companies/ Exchange Companies of ‘B’ Category having functional responsibilities as a) Company Compliance Officer (CCO) b) Head of Operations c) Head of Audit d) Head of Finance e) Head of Human Resources and any other similar position(s).

“Franchisee” Owner of franchise of Exchange Company in accordance with relevant provisions of Chapter 4 of Exchange Companies Manual, 2018, as amended from time to time.

“Payment Booth” owner of payment booth of Exchange Company in accordance with relevant provisions of Chapter 4 of Exchange Companies Manual, 2018, as amended from time to time.

Assessment of Fitness and Propriety

1. Reputation, Integrity & Honesty

- (i) Has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (ii) Has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (iii) 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

⁵² EPD Circular Letter No. 19 dated December 31, 2019

government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.

- (iv) Has not been involved with management or conduct of the affairs of an Exchange Company/ Exchange Company of 'B' category/ franchise of an Exchange Company/ any other financial institution or any other organization that has been refused authorization/license to carry foreign exchange business etc.
- (v) Has not been involved with management or conduct of the affairs of an Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any other financial institution whose license has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices.
- (vi) Has not been debarred for being Shareholder, Director, CEO and Key Executive or in similar capacity of an Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any other financial institution.

2. Track Record

- (i) Must have an impeccable track record in the companies served either in the capacity of an employee or Director/Chief Executive.
- (ii) Has not been demoted, dismissed or forced to resign from employment by the Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any other financial institution, or has not been removed by any regulator or government body, in the capacity of employee, director, chairman of the Board of the Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any financial institution or any other position of trust.

3. Financial Conduct

- (i) Has not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business within and outside Pakistan.
- (ii) Has not been 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.

- (iii) Has not been associated as director and/or chief executive with the corporate bodies who have defaulted in payment of Government duties/taxes etc.

4. 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 5 years at senior level in an active capacity.
- (ii) CEO should have appropriate qualification and at least 5 years of management experience at senior level in the Exchange Company/Exchange Company of 'B' Category/ any other financial institution.
- (iii) Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

5. Conflict of Interest

- (i) The CEO is not a Chairman of the Board of Directors of the same Exchange Company/Exchange Company of 'B' Category.
- (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 and Franchise/Payment Booth owner/employee of the Exchange Company/ Exchange Company of 'B' Category, if he/she is Shareholder/Director/employee and Franchise/Payment Booth owner/employee of any other Exchange Company/Exchange Company of 'B' Category.

6. Others

- (i) The shareholder should be the beneficial owner having no controlling interest of others and is able to exercise his/her control.
- (ii) No 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 Exchange Company/ Exchange Company of 'B' Category.

PROFORMA – FIT & PROPER TEST

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 Number(s)	Telephone	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

⁵³ EPD Circular Letter No. 19 dated December 31, 2019

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 business(es) (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 Exchange Companies/ Exchange Companies of 'B' Category in Pakistan and MSB/Exchange 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)

(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:-

- (i) that the deponent hereby confirms that the statement made and the information supplied through **M/s Exchange Company/ Exchange Company of 'B' Category Name** are correct and true.
- (ii) 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.
- (iii) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (iv) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (v) 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.
- (vi) 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 of Exchange Company/ Exchange Company of 'B' Category; and
- (vii) that the deponent will perform in true letter and spirit deeds of covenants required as Shareholder/Director/CEO of **M/s Exchange Company/ Exchange Company of 'B' Category Name**.
- (viii) 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 _____, 2019 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)**

⁵⁴ EPD Circular Letter No. 19 dated December 31, 2019

(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:-

- (i) that the deponent hereby confirms that the statement made and the information supplied to **M/s Exchange Company/ Exchange Company of 'B' Category Name** are correct and true.
- (ii) that the deponent undertakes that **M/s Exchange Company/ Exchange Company of 'B' Category Name** may seek additional information from any third party it deems necessary for assessing the information supplied or any additional information required.
- (iii) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (iv) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (v) 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.
- (vi) that the deponent undertakes to bring to the attention of the **M/s Exchange Company/ Exchange Company of 'B' Category Name** promptly any matter which may potentially affect his/her eligibility as Shareholder/Director/ CEO/ Key Executive of Exchange Company/ Exchange Company of 'B' Category; and
- (vii) that the deponent will perform in true letter and spirit deeds of covenants required as Shareholder/Director/CEO/Key Executive of **M/s Exchange Company/ Exchange Company of 'B' Category Name**.
- (viii) 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 _____, 2019 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)**

⁵⁵ EPD Circular Letter No. 19 dated December 31, 2019

Name of Exchange Company
Annual Network Expansion Plan January – December (20...)

Details of Proposed Network

Sr. No.	Nature of Business (Branch/Franchise/Payment Booth/Currency Exchange Booth)	Name of Business (Company/ Franchise/Payment Booth name Business Name	Proposed Location
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

DOCUMENTS REQUIRED FOR FORMAL APPROVAL

For Branches, Company Owned PBs/CEBs.

- Complete address of the proposed location including building/property number.
- Copy of Property purchase documents or lease/tenancy agreement.
- Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.

For Franchises/Payment Booths (Agents)

- Request letter from the entity/proprietor.
- Complete address of the proposed location including building/property number.
- Copy of Property purchase documents or lease/tenancy agreement.
- Copy of CNIC of the Partner(s)/proprietor.
- Copy of NTN of the Partnership Firm/Entity/Individual.
- Copy of Franchise/PB Agreement.
- Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.

DOCUMENTS REQUIRED FOR RELOCATION OF OUTLETS

For Branches, Company Owned Payment Booths/Currency Exchange Booths.

- i. Complete address of the proposed location including building/property number.
- ii. Copy of Property purchase documents or lease/tenancy agreement.
- iii. Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.
- iv. Board Resolution for relocation of outlet.

For Franchises/Payment Booths (Agents)

- i. Request letter from the entity/proprietor.
- ii. Complete address of the proposed location including building/property number.
- iii. Copy of Property purchase documents or lease/tenancy agreement.
- iv. Confirmation regarding establishment/renovation, hiring of staff, installation of appropriate IT systems, particulars of the manager/staff hired etc.
- v. Copy of revised Franchise/Payment Booth agreement
- vi. Board Resolution for relocation of outlet.

⁵⁶ EPD Circular Letter No. 17 dated December 09, 2019

(EXCHANGE COMPANIES LETTER HEAD)

(i) The Collector of Customs

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

Sub: Export of FCYs, other than U.S. Dollars, equivalent to U.S. Dollars

1. It is hereby declared that we are exporting Foreign Currency(ies) equivalent to USD _____ under export consignment No. (UTN) /2015-16* _____ as per the following details:

Authorized Carrier Name _____ S/o _____

—

Passport # _____ CNIC # _____

—

Details of export consignment packets are given below.

Flight No. _____ Time: _____ Date: _____

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 - 5.

2. Deal Ticket Number for the export consignment is _____.
3. Proceeds of the export consignment will be brought to Pakistan in cash USD _____ at _____ Airport, _____ (City) or through credit of USD _____ to our Foreign Currency Account No. _____ maintained in _____ (Bank) _____.
4. Import consignment of cash USD will be brought to Pakistan by Flight No. _____ dated _____ scheduled at _____ a.m./p.m.

Signature of Declarant SBP Stamp & Signature Custom Stamp & Signature	Company Name Authorized Signature Date
---	--

*

Abbreviation of Company Name	Company License No.	City Abbreviation Khi/Lhr/Isb/Pew	Centralized Sequence Number of all transactions by the company during financial year
------------------------------	---------------------	--------------------------------------	--

Abbreviation for Exchange Companies

Sr. No	Category – A Exchange Companies	Abbreviation
1	AA Exchange Company (Pvt.) Ltd.	AAEC
2	Al-Hameed Int'l. Money Ex (Pvt.) Ltd.	AHME
3	Al-Rahim Exchange Company (Pvt.) Ltd.	AREC
4	Al-Sahara Exchange Company (Pvt.) Ltd.	ASEC
5	D.D Exchange Company (Pvt.) Ltd.	DDEC
6	Dollar East Exchange Company (Pvt.) Ltd.	DEEC
7	Fairdeal Exchange Company (Pvt.) Ltd.	FDEC
8	Glaxy Exchange Company (Pvt.) Ltd.	GLEC
9	H & H Exchange Company (Pvt.) Ltd.	HHEC
10	HBL Currency Exchange (Pvt.) Ltd.	HBCE
11	Habib Qatar International Exchange Pakistan (Pvt.) Ltd.	HQIE
12	Link International Exchange Company (Pvt.) Ltd.	LIEC
13	Money Link Exchange Company (Pvt.) Ltd.	MLEC
14	Muhammadi Exchange Company (Pvt.) Ltd.	MEC
15	NBP Exchange Company Ltd.	NBEC
16	Noble Exchange International (Pvt.) Ltd.	NIEC
17	P B S Exchange Company (Pvt.) Ltd.	PBEC
18	Pakistan Currency Exchange Company (Pvt.) Ltd.	PCEC
19	Paracha International Exchange (Pvt.) Ltd.	PIEC
20	Paragon Exchange (Pvt.) Ltd.	PREC
21	Ravi Exchange Company (Pvt.) Ltd.	RVEC
22	Riaz Exchange Co. (Pvt.) Ltd.	RZEC
23	Royal International Exchange Company (Pvt.) Ltd.	RIEC
24	Sadiq Exchange Company (Pvt.) Ltd.	SDEC
25	Sky Exchange Company (Pvt.) Ltd.	SKEC
26	Wallstreet Exchange Company (Pvt.) Ltd.	WSEC
27	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 Exchange Company | NBP Exchange Company |
| 2. SBP License No. | 02 |
| 3. Airport City from where currency is exported | Lahore * |
| 4. Transaction Number | 1 |
| 5. Financial Year of Transaction | 2015-16 |

UTN for transaction number 1 will be on the following format

Abbreviation of Company Name	Company License 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/1/2015-16

Example for transaction no. 2:

- | | |
|---|----------------------|
| 1. Name of the Exchange Company | NBP Exchange Company |
| 2. SBP License No. | 02 |
| 3. Airport City from where currency is exported | Karachi * |
| 4. Transaction Number | 2 |
| 5. Financial Year of Transaction | 2015-16 |

UTN for Transaction Number 2 in example No. 2 will be: NBEC/02/KHI/2/2015-16

Note:

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

DECLARATION SUBMITTED TO SBP BOOTH AT AIRPORT ARRIVAL LOUNGE

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

Made at:

▪ SBP Booth, Arrival Lounge, _____ Airport, _____ (City)

5. 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) _____ /2015-16 _____ exported from _____ Airport.

6. 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 = _____

Exchange 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)

Guidelines on Risk Based Approach
for Exchange Companies Sector

PREAMBLE

1. The regulatory framework for combating money laundering and terrorism financing is applicable in the form of AML/CFT Instructions for Exchange Companies and Exchange Companies of 'B' Category in Exchange Companies Manual as amended from time to time. Keeping in view the growing sensitivities on domestic and international front, there is need to focus on Risk Based Approach (RBA) to AML/CFT, Identification, Assessment and Understanding of ML/TF Risks including Transnational TF risks posed to and from Exchange Companies Sector. Accordingly, following guidelines are aimed at providing enabling environment for effective implementation of RBA considering ECs/ECs-B internal policies, procedures, risk parameters etc.

GENERAL REQUIREMENTS

2. ECs/ECs-B shall ensure identification, assessment and understanding of ML/TF risks including the Transnational TF, Proliferation Financing (PF) and other emerging risks posed to and from their companies in four areas, as under:
 - (i) Customers
 - (ii) Products & services.
 - (iii) Channels of transactions and
 - (iv) Riskier geographies.
3. For identifying and assessing the ML/TF risks to which they are exposed, ECs/ECs-B should consider a range of factors which may include:

⁵⁷ EPD Circular Letter No. 19 dated December 31, 2019

- (i) The nature, scale, diversity and complexity of their business.
- (ii) Their target markets.
- (iii) The customers risk profile.
- (iv) The jurisdictions, the EC/EC-B is exposed to, either through its own activities or the activities of customers, especially jurisdictions with relatively higher levels of corruption or organized crime, and/or deficient AML/CFT controls and listed by FATF.
- (v) The distribution channels, in which the EC/EC-B deals directly with the customer or the extent to which it relies.
- (vi) The volume and size of its transactions/business, considering the usual activity of the EC/EC-B and the profile of its customers.

4. ECs/EC-B should complement the above information with information obtained from relevant internal and external sources such as :

- (i) Pakistan's National Risk Assessment(s) - NRA(s) (Specifically Identified Threats, Vulnerabilities, Inherent Risks, Effectiveness of Controls and Residual Risks of the sectors relevant to ECs/ECs-B business and operational model/needs etc.)
- (ii) SBP's Regulations and Guidelines
- (iii) SECP's applicable Regulations and Guidelines
- (iv) Guidance from FMU, NACTA, MOFA and other GoP authorities. FATF/FATF SRBs Standards and Guidance
- (v) World Bank NRA Methodology
- (vi) Published AML/CFT Mutual Evaluation Report and follow-up reports by FATF or associated assessment bodies
- (vii) Relevant typologies developed and disseminated by different sources and through ECs/ECs-B own internal risk assessment processes.
- (viii) Guidance from Basel specially Basel AML Index and different recognized terrorism indices
- (ix) United Nations Office on Drugs and Crime (guidance on risk of money laundering) etc.

- (x) Joint Money Laundering Steering Group (JMLSG) Guidance
- (xi) Any other source

5. Risk Assessment is generally based on perception, subjective judgment and experience of ECs/ECs-B about ML/TF risks posed to them. In this regard, following may be the suggested techniques for conducting Internal Risk Assessment by the ECs/ECs-B.

- (i) **Inherent Risk Assessment:** The inherent risk shall be measured on both external and internal ML/TF/PF risk factors without taking into consideration the efficacy of effectiveness of controls. While assessing inherent risk on external factors, the ECs/ECs-B may consider referring to the various sources of information as enumerated in these guidelines.
- (ii) **Quantification of Risk through Risk Matrix:** A matrix which quantifies likelihood and impact/consequences on two dimensions may be developed thereby categorizing risk as low, medium, high or any appropriate scale. It is pertinent to mention here that without proper quantification of risks, it may be difficult to decide on the overall inherent risk for the EC/EC-B or which customer qualifies for Simple Customer Due Diligence, Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD).
- (iii) **Risk Register:** A risk register may be developed whereby risks emanating from various business aspects especially with regard to their ML/TF risks and the size of the business can be accounted for. These may include the following:
 - (a) Customers: Identifying risk determinants while establishing relationships with customer;
 - (b) Products & Services: Envisaging risk attributes resulting from customer's need for financial services and appropriate controls;
 - (c) Delivery Channels: Identifying risks associated with delivery channels which may vary from customer to customer depending on their needs;

- (d) Geographic/Jurisdictional: Risks resulting from customer geographic presence and jurisdiction in which the customer is operating;
 - (e) Structure of the Company: The ML/TF risk of ECs/ECs-B depends on its size, scope of business and structure. Therefore, assessment of its size, business model and structure may help EC/EC-B to appropriately identify its ML/TF risks; and
 - (f) Findings of the National Risk Assessment (NRA): EC/EC-B is expected to consider findings of NRA or any other risk assessments by relevant authorities shared with them or publically disclosed.
- (iv) **Controls**: After assessing the risks, the effectiveness of AML/CFT controls/obligations/preventive measures implemented including TFS for Terrorism , Terrorism Financing (TF) and Proliferation Financing (PF), and CTR/STR both in ML/TF area are also reviewed and assessed, so as to guide the ECs/ECs-B for ensuring mitigating measures/internal controls/preventive measures for AML/CFT commensurate to the level of risks identified in their internal risk assessment
- (v) **Residual Risk/Net Risk**: Residual risk is an outcome of assessment of inherent risks and the effectiveness of internal control framework. The ECs/ECs-B risk assessment framework should be able to quantify residual risks that would lead ECs/ECs-B to devise appropriate controls specifically where weaknesses are found and the residual risk is exceeding ECs/ECs-B approved risk appetite.
- (vi) **Risk decision**: The process of identification and quantification of inherent risks, assessment of effectiveness of AML/CFT controls and residual risks would support risk taking decisions of ECs/ECs-B such as:
- (a) Decision for taking customer(s) on-board with required level of control(s).
 - (b) Decisions for refusal of financial service(s).
 - (c) Decision for launching of product/service/delivery channel.
 - (d) Decision for selecting geographical location to operate.
 - (e) Decisions for upgrade of systems and controls etc.

Risk Profiling

6. ECs/ECs-B should risk profile every new customer using their own judgment and information obtained through KYC/CDD/EDD process. Further, customers may also be classified as occasional or frequent as per company's own policies.

Specific High Risk Elements and Recommendations for EDD

7. Some of the relatively high risk elements identified by SBP and recommended actions for EDD for ECs/ECs-B are given as under. The ECs/ECs-B are advised to take guidance as per their relevance in term of type of customers, products, delivery channels they deal in and riskier geographies they operate in and AML/CFT instructions given under Chapter 6 of Exchange Companies Manual. Further, these are general recommendations, ECs/ECs-B may modify the limits keeping in view their ML/TF risk and size of the business:

S. no	Customers	Recommendations for EDD
(i)	High Risk Customer	Without any limit/exception
(ii)	Occasional customer (Currency Sale/Purchase)	Occasional customer that want to sale/purchase foreign currencies above USD 10,000/- or equivalent in other foreign currencies.
(iii)	Frequent Customers (Currency Sale/Purchase)	Frequent customer that want to sale/purchase foreign currencies above USD 15,000/- or equivalent in other foreign currencies.
(iv)	Customer (occasional or frequent both) for Inward Home Remittances	Beneficiaries of home remittances receiving remittance above PKR. 500,000/- or equivalent in foreign currencies.
(v)	Customers (occasional or frequent both) for Outward Remittances	Remitters of amount above USD 3,000/- or equivalent in other foreign currencies.
S. no	Products & Channels	Recommendations for EDD

	Currency Sale/Purchase	(i) For sale/purchase transactions of above USD 10,000/- or equivalent in other foreign currencies in case of occasional customers or above USD 15,000/- or equivalent in other foreign currencies in case of frequent customers. (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies
(ii)	Inward Remittance	(i) For transactions above PKR. 500,000/- (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies
(iii)	Outward Remittance	(i) For outward remittance of USD 3,000/- or equivalent in other foreign currencies (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies

General High Risk Scenarios/ Factors

8. In addition, following high risk elements/factors should also be considered as per international standards.

Customers	Products and Delivery Channels	Geography or Locations
• Non-resident customers from countries or jurisdictions with inadequate AML/CFT laws and regulations such as high-risk and other monitored jurisdictions with weak measures to combat money laundering and terrorism financing (AML/CFT) identified by FATF from time to time • PEPs • High net worth customers with no clearly identifiable source of income • Customers avoiding/circumventing regulatory thresholds • There is reason to believe that the customer has been refused transaction by another EC/EC-B • When there is suspicion	• Currency Sale/Purchase • Inward Remittances • Outward Remittances All above for transactions above thresholds determined by the company itself or SBP or any relevant or applicable international standard.	• The jurisdictions which have been identified for inadequate AML/CFT measures by FATF or called for by FATF for taking counter-measures • Countries identified by credible sources such as mutual evaluations or detailed assessment reports, as having inadequate AML/CFT standards • Countries subject to sanctions, embargos, for example, the United Nations • Countries identified by credible sources as having significant levels of corruption, or other criminal activity • Countries or geographic areas identified by credible sources as providing funding or support for terrorism activities • Areas within Pakistan identified through IRA or any other risk assessment report where the ML/TF risk is higher.

of ML/TF risk • Individuals associated with legal arrangements or unregulated industries or sectors identified in NRA as high risk • Individuals on which suspicion is raised that they may be involved with illegal MVTs (Hawala/Hundi) • Customers identified through Internal Risk Assessment (IRA) or any other risk assessment report.		
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General Low Risk Scenarios/ Factors

9. Following are the low risk scenarios/factors, however, ECs/ECs-B may modify the limits keeping in view their ML/TF risk and size of the business:

Low risk factors for Customers	• Travelers buying/selling foreign currencies below USD 10,000/-; • Students that want to remit fee to the University Abroad; • Patients want to remit funds abroad for medical purpose;
Low risk factors for Products and Transaction Channel	• Inward Remittances through MTOs renowned for their effective AML/CFT programs equivalent to or below PKR. 500,000/-; • Outward Remittance through MTOs renowned for their effective AML/CFT programs equivalent to or below USD. 3,000/-; • Sale/Purchase of foreign currencies equivalent to or below USD 500/-;

Low risk factors for Geography or Locations	• Country identified by credible sources such as mutual evaluation or detailed assessment reports, as adequately complying with and having effectively implemented the FATF Recommendations; and • Country identified by credible sources as having a low level of corruption, or other criminal activity.

10. In respect of general low risk elements mentioned at Para (10) above, ECs/ECs-B may perform such CDD measures as it considers adequate to effectively establish the identity of the customer, a natural person appointed to act on behalf of the customer and any beneficial owner. The CDD measures should be in accordance with pre-defined criteria within AML/CFT instructions for ECs/ECs-B and should commensurate with the low risk factors.

11. In relation to general low risk scenarios above, EDD measures shall be considered in following situations:

- (i) When there is a suspicion of money laundering or financing of terrorism;
- (ii) There are no exceptions in reporting suspicion to FMU within the provisions of AML Act.
- (iii) In case of certain high risk factors as identified by SBP, by ECs/ECs-B in its own internal risk assessment or as per international standards viz-a-viz FATF Recommendations etc.
- (iv) In relation to customers that are from or in jurisdictions which have been identified for inadequate AML/CFT measures by FATF or identified by the ECs/ECs-B itself having poor AML/CFT standards or otherwise identified by the State Bank of Pakistan or areas known for terrorism related activities.

Documentation of Inland Currency Transportation
Guidelines for the Standard Operating Procedure (SOPs)

Exchange Companies (ECs) and Exchange Companies of ‘B’ Category shall develop the SOPs for movement of Pakistan Rupee (PKR) and Foreign Currencies (FCY) which should, inter alia, include the following:

1. Each outlet (including franchises) shall restrict their business activities within the declared working capital.
2. Reasons for the movement of cash PKR/FCY should be documented and approved.
3. 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.
4. 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.
5. Authorized employees and individuals associated with franchises should be registered and approved at appropriate level for such movement of cash PKR and FCY.
6. 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.
7. ECs and ECs – B 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.

Guidelines on Compliance of Government of Pakistan's Notifications issued under United Nations Security Council (UNSC) Resolutions

1. The United Nations Security Council's (UNSC) relevant Committee established in pursuance of Resolution 1267 (1999) and successor resolutions concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities, approves the addition, amendments and deletion of individuals and entities subject to the assets freeze, travel ban and arms embargo as set out in the aforementioned Security Council resolutions adopted under Chapter VII of the Charter of the United Nations.
2. The UNSC's relevant Committees established in pursuance of resolutions 1718 (2006) and 2231 (2015) and their successor resolutions oversee sanction measures imposed by the UNSC to counter proliferation financing. As a starting point, elements that may indicate potential proliferation financing and sanctions evasion activities are as under:
 - (i) Transaction involves person or entity in foreign country of proliferation concern.
 - (ii) Transaction involves person or entity in foreign country of diversion concern.
 - (iii) The customer or counter-party or its address is similar to one of the parties found on publicly available lists of "denied persons" or has a history of export control contraventions.
 - (iv) Customer activity does not match business profile, or end-user information does not match end user's business profile.
 - (v) Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
 - (vi) Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
 - (vii) Customer vague/incomplete on information it provides, resistant to providing additional information when queried.

⁵⁸ EPD Circular Letter No. 19 dated December 31, 2019

3. The Government of Pakistan under the United Nations (Security Council) Act, 1948 gives effect to the decisions of UNSC whenever the Consolidated List maintained by the relevant Sanctions Committee is updated. The Ministry of Foreign Affairs issues Statutory Regulatory Orders (SROs) to provide legal cover for implementing sanction measures UNSC resolutions. These SROs in respect of designated⁵⁹ individuals/ entities require assets freeze, travel ban and arms embargo in addition to other measures in accordance with the Security Council Resolutions. These SROs are available at the following links:
 - (i) <http://mofa.gov.pk/unsc-sanctions/>
 - (ii) <http://www.secdiv.gov.pk/page/sro-unscr-sanctions>
4. Similarly, for implementing sanction measures under Security Council Resolution 1373(2001), the Ministry of Interior and respective Home Departments/ Chief Commissioner ICT issue Notifications of proscribed⁶⁰ entities and individuals respectively, pursuant to the Anti-Terrorism Act, 1997.
5. To ensure prompt transmission of SROs to relevant stakeholders, including Exchange Companies and Exchange Companies of 'B' Category, the Ministry of Foreign Affairs has put in place an email subscription service. Exchange Companies and Exchange Companies of 'B' Category are required to sign up for this service through the Ministry's website. Similarly, to communicate addition/ deletion/ retention of individuals in the list of proscribed individuals, a system-generated email is circulated by the competent authority to all subscribed institutions. The changes are also reflected in the list of proscribed individuals available on the website of the National Counter Terrorism Authority (NACTA).
6. State Bank of Pakistan also circulates the subject SROs/Notifications to its regulated entities for taking immediate necessary action. These SROs/ Notifications, in addition to other requirements, require Exchange Companies/Exchange Companies of B Category to ensure that no funds, financial assets or economic resources are made available, directly or indirectly for benefit of proscribed or designated individuals.

⁵⁹ Designated under the United Nations (Security Council) Act, 1948

⁶⁰ Proscribed under the Anti Terrorism Act, 1997

7. Ministry of Foreign Affairs has issued UNSC (Freezing and Seizure) Order 2019⁶¹ to streamline the procedure for implementation of Security Council Sanctions against designated individuals and entities.
8. To provide further guidance on implementation of the UNSC (Freezing and Seizure) Order 2019, MOFA has issued detailed Guidelines for Implementation of UNSC Sanctions, which are available on the Ministry of Foreign Affairs website⁶².
9. Similarly, NACTA has also issued Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nation Security Council Resolution No. 1373, which are available on the NACTA's website⁶³.
10. The Consolidated Lists available at the UNSC Sanctions Committee's website, are regularly updated and can be accessed at the following links:
 - (i) <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
 - (ii) <https://scsanctions.un.org/search/>
 - (iii) <https://www.un.org/securitycouncil/sanctions/1267>
 - (iv) <https://www.un.org/securitycouncil/sanctions/1988>
 - (v) <https://www.un.org/securitycouncil/sanctions/1718>
 - (vi) <https://www.un.org/securitycouncil/content/2231/background>
 - (vii) <https://nacta.gov.pk/proscribed-organizations-3/>
 - (viii) <https://nacta.gov.pk/pp/>
 - (ix) <https://nfs.punjab.gov.pk/>
11. Exchange companies and Exchange companies of 'B' Category are advised to regularly access the aforesaid Consolidated Lists to ensure compliance with measures in line with the UNSC resolutions.

⁶¹ <http://www.mofa.gov.pk/documents/sro/Freezing-Seizure.PDF>

⁶² <http://www.mofa.gov.pk/documents/1267-Guidelines.pdf>

⁶³ <https://nacta.gov.pk/united-nations-security-council-resolution-1373/>

12. Exchange companies and Exchange companies of 'B' Category may educate their customers that in case of any wrongful or inadvertent freezing, they may apply in writing for de-listing to Government of Pakistan through relevant Ministry or to the UN's Ombudsperson, as the case may be. The delisting procedure is available on the relevant websites of the Ministry of Foreign Affairs, Government of Pakistan.

Bimonthly Statements**Statement-A**

Name Of Exchange Company:						
Date wise Bimonthly 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	Equ. USD	Date*	Name and Branch of Bank	Account Title & No.	Amount in USD	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 Exchange Company:				
Date wise Bimonthly Position of Inward Remittances for the Period from ----- to -----				
Date	Currency	Amount in Respective Currency	Amount in PKR	Equ. USD
Total				

Statement-C

Name Of Exchange Company:				
Date wise Bimonthly Position of Outward Remittances for the Period from ----- to -----				
Date	Currency	Amount in Respective Currency	Amount in PKR	Equ. USD
Total				

Statement-D

In equ. USD

Name Of Exchange Company:							
Date wise Bimonthly Consolidated Position of Sale / Purchase with Different Set of Customers during the Period from ----- to -----							
Date	Individuals		Exchange Companies of 'B' Category		Exchange Companies		Authorized Dealers
	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
Total							

Annexure-A of Statement D

Name Of Exchange Company:										
Bimonthly Foreign Currency Sale and Purchase Statement with Exchange Companies and Authorized Dealers										
Date	Name of EC / EC(B) / Bank	Sale				Purchase				
		Currency	Amount in Respective Currency	Rate	Amount in PKR	Equ. USD	Currency	Amount in Respective Currency	Rate	Equ. USD
Total										

Statement-E

Name Of Exchange Company:				
Date wise Bimonthly Foreign Exchange Exposure Position at the close of Business each day for the Period from ----- to -----				
Date	Paid-up Capital + Franchise Deposit (A)	Exposure Limit (50% of A)	Over Bought	Over Sold

Statement-E for Exchange Companies of 'B' category

Name Of Exchange Company:				
Date wise Bimonthly Foreign Exchange Exposure Position at the close of Business each day for the Period from ----- to -----				
Date	Paid-up Capital (A)	Exposure Limit (25% of A)	Over Bought	Over Sold

Monthly Statements

Statement-F

Name Of Exchange Company:

Name Of Exchange Company:													
Monthly Report of Foreign Currency Sale and Purchase of Transactions equ. USD 2,000/- or above for the Month of -----													
Name of Customer	Date	CNIC # / Passport #	Address	FCY Sold to the customer					FCY purchased from the customer				
				Currency	Amount in Respective Currency	Conversion Rate in PKR	Amount in PKR	Equ. USD	Currency	Amount in Respective Currency	Rate in term of PKR	Amount in PKR	Equivalent USD

Statement-G

Name Of Exchange Company:

Monthly Report of Remittances of Size equ. USD 2,000/- or above of the Customers during the Period from ---- to-----												
Name of the Customer	Date	Type of Transaction i.e. Inward / Outward	CNIC / Passport No of the Remitter	Name & Address of Remitter	Name & address of the Beneficiary	Account No. of the Beneficiary (in case of banks)	Currency	Remittance Amount in Respective Currency	Equivalent USD	Commission Amount received (in equ. USD)	Channel used for Remittance (Bank / MTO etc.)	A/c details of Exchange Company used for Remittances or settlement with MTOs

Statement-H

Name Of Exchange Company:

Reporting Date:

For The Month Ended On:

Monthly Consolidated Statement of Sale OF FCY in the Interbank Market as per FE Circular No 2 of 2008					
Total Amount of Home Remittances in Equivalent USD	15% of Home Remittance (A)	Total Amount of Export of FCYs	10% of Export of FCY (B)	Minimum amount required be sold in the Interbank (A+B)	Actual Sale

Statement-I

Name Of Exchange Company:

Reporting Date:

For The Month Ended On:

Monthly Consolidated Statement of Outward Remittances against Home Remittances of the Preceding Month as per F E Circular No 4 of 2008		
Total Inward Home Remittance in Last Month (A)	Total Permissible Outward Remittances in the Month (75% of A)	Actual Outward Remittances

Statement-J

Name Of Exchange Company:

Reporting Date:

For The Month Ended On:

Monthly Report in compliance of instructions of remitting outward remittances through respective Global Money Transfer Operator (MTO) not exceeding 20% of Inward Remittances mobilized through the respective MTO			
Name of MTO (Western Union / Money Gram etc.)	Total Home Remittances Mobilized in the Month (A)	Permissible Outward Remittances (20% of A)	Actual Outward Remittances from the Respective MTO

Annexure – 12

Quarterly Statements

Statement-K

Name Of Exchange Company:

Quarterly Report of Frequent Customers of Remittances for the Period from ---- to-----												
Name of the Customer	Date	Type of Transaction i.e. Inward / Outward	CNIC / Passport No of the Remitter	Name & Address of Remitter	Name & address of the Beneficiary	Account No. of the Beneficiary (in case of banks)	Currency	Remittance Amount in Respective Currency	Equivalent USD	Commission Amount received (in equ. USD)	Channel used for Remittance (Bank / MTO etc.)	A/c details of Exchange Company used for Remittances or settlement with MTOs
							Total					

Frequent Customer: A customer receiving and / or effecting atleast five remittances in the reporting period.

Statement-E

Name Of Exchange Company:

Quarterly Report of Frequent Customers of Outward Remittances for the Period from ---- to-----											
Date	Name of the Remitter	CNIC / Passport No of the Remitter	Address of Remitter	Name & address of the Beneficiary	Account No. of the Beneficiary abroad	Currency	Remittance Amount in Respective Currency	Equivalent USD	Commission Amount received from Customer (in equ. USD)	Channel used for Remittance (Bank / MTO etc.)	A/c details of Exchange Company used for Remittances or settlement with MTOs

Statement-L

Name Of Exchange Company:

Quarterly Report of Frequent Customers of Foreign Currency Sale and Purchase for the Period From ---- to ----													
Name of Customer	Date	CNIC # / Passport #	Address	FCY Sold to the customer					FCY purchased from the customer				
				Currency	Amount in Respective Currency	Conversion Rate in PKR	Amount in PKR	Equ. USD	Currency	Amount in Respective Currency	Rate in term of PKR	Amount in PKR	Equivalent USD
				Total					Total				

Frequent Customer: A customer who bought / sold total of equ. USD 10,000/- or more in atleast 3 transactions during the reporting period.

Statement-M

Name Of Exchange Company:

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

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

**Customer: Sender in case of Outward Remittances and Beneficiary in case of Inward Remittances.

*Number of Days Delayed: Should be counted after 1 day of booking remittance

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

Name of the Company: _____

Reporting date: 5th June 2008

For the month ended on May 31, 2008

Total Inward Home Remittances in equivalent USD (during the last month i.e., April 2008):

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

Total Outward Remittances in equivalent USD made during the month (May):

INWARD REMITTANCE**(By Exchange Companies)****(For SBP use only)**

PERIOD: _____

EXCHANGE COMPANY: _____

CURRENCY: _____

COUNTRY	AMOUNT (to be consolidated for each country)		
	Home remittances	Other Remittances	Total*
Canada			
Germany			
Japan			
U.K.			
U.S.A.			
Norway			
Bahrain			
Kuwait			
Qatar			
Saudi Arabia			
Sultan-e-Oman			
U.A.E.			
Abu Dhabi			
Dubai			
Sharjah			
Others			
Other Countries (Please specify)			
Total			

* This total will be listed against item No. 1 of Purchases side of the summary statement (SEC -1)

**Stamp and Signature of Exchange
Company**

OUTWARD REMITTANCE**(By Exchange Companies)****(For SBP use
only)**

PERIOD: _____

EXCHANGE COMPANY: _____

CURRENCY: _____

COUNTRY	AMOUNT (to be consolidated for each country)			
	Transfer (Workers Remittances)	Travel	Others	Total*
Canada				
Germany				
Japan				
U.K.				
U.S.A.				
Norway				
Bahrain				
Kuwait				
Qatar				
Saudi Arabia				
Sultant-e-Oman				
U.A.E.				
Abu Dhabi				
Dubai				
Sharjah				
Others				
Other Countries (Please specify)				
Total				

* This total will be listed against item No. 1 of Sales side of the summary statement (SEC -1)

Stamp and Signature of Exchange Company

STATEMENT SEC - 1
(Foreign Currency - Exchange Companies)

(For SBP use only)

Statement of transactions for the period ended: _____			
Exchange Company: _____			
Currency: _____			
Country: <u>Pakistan</u>			

COUNTRY	For State Bank's Use	AMOUNT		
		Million	Th.	Units
1. Inward remittances	9991			
Sub-Total				
Exchange Transfers and Adjustments:-				
2. From Exchange Companies in Pakistan	6017			
3. Against sales of other foreign currencies	6011			
4. Branch transactions adjusted	6014			
5. Contra entry (For State Bank of Pakistan's use only)	6015			
TOTAL				
Opening Balance (Cr.)	6211			
Closing Balance (Dr.)	6411			
GRAND TOTAL				
1. Outward remittances	1001			
Sub-Total				
Exchange Transfers and Adjustments:-				
2. To Exchange Companies in Pakistan	2017			
3. Against purchase of foreign currencies	2011			
4. To other Authorised Dealers in Pakistan	2012			
5. Branch transactions adjusted	2015			
6. Contra entry (For State Bank of Pakistan's use only)	2014			
TOTAL				
Opening Balance (Dr.)	2211			
Closing Balance (Cr.)	2411			
GRAND TOTAL				

Stamp and Signature of Exchange Company

STATEMENT SEC - 6**(Foreign Currency Notes - Exchange Companies)****For SBP use only)**

Statement for the Period ended:

Exchange Company:

Currency:

Country:

Pakistan

TOTAL PURCHASES DURING THE MONTH	For State Bank's Use	AMOUNT		
		Million	Th.	Units
1. From resident against payment in Pak Rs.	9610			
2. From non-resident against payment in Pak Rs.	9140			
3. From Exchange Companies in Pakistan	6017			
4. Contra to imports of foreign currency notes and coins	6016			
TOTAL				
5. Opening Balance (Cr.)	6226			
GRAND TOTAL				
TOTAL SALES DURING THE MONTH				
1. Credit to FCA	1718			
2. For travel	1114			
3. To Exchange Companies in Pakistan	2017			
4. To Banks (Authorised Dealers) in Pakistan	2012			
5. Contra to exports of foreign currency notes and coins	2016			
TOTAL				
6. Closing Balance (Cr.)	2426			
GRAND TOTAL				

Stamp and Signature of Exchange Company

Details of Exchange Company's Bank Accounts

Sr No.	Account No.	Name of Bank	Branch	Currency (e.g. PKR, USD, etc.)
1				
2				
3				
4				

Details of Directors/Shareholders/CEO

Sr. No.	Name	Designation	CNIC No.	No. of Shares	Account No. and Bank/Branch	SBP Approval Letter No. and Date
1						
2						
3						
4						
5						

Details of Employees of Exchange Company

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

Summary-1

Exchange Companies (Full Fledge & B) Summary-1 Book Transactions	
INWARD REMITTANCES	OUTWARD REMITTANCES
2100 Transfers	3100 Transfers
2110 Workers' remittances	3110 Workers' remittances
2200 Services	3200 Services
	3210 Travel
	3211 Business travel
	3212 Religious travel
	3213 Student and trainees
	3214 Health
	3215 Holidays\ tourists
2270 Financial services	3270 Financial services – resident banks
	3271 Financial services – non-resident financial institutions
	3272 Financial charges related to export of currency
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
2640 Purchase against sales of FCY	3640 Sale against purchase of foreign currency
2650 Branch transaction adjustment	3650 Branch transaction adjustment
2800 Realization of accounts receivable	3800 Repayment of accounts payable
1320 Opening Balance (Cr)	1330 Opening Balance (Dr)
8330 Closing Balance (Dr)	8320 Closing Balance (Cr)
Total	Total

Memorandum items:

8510 Outstanding security deposit received as agency arrangement
8520 Stock of unpaid advance receipts from agency arrangement
8530 Stock of remittances disbursed not received from agency arrangement
8540 Stock of accounts payable to MTO, banks etc. for outward payments already made
8550 Stock of unpaid inward remittances
8560 Stock of unpaid outward remittances
8570 Paid-up capital
8580 Franchisee deposits
3010 Tom sale
2010 Tom purchase
3020 Spot sale
2020 Spot purchase

Note: The reporting variables do not imply permission for transaction

Summary–2

Exchange Companies Summary–2 Accounts Receivable from/ Payable to Non-residents	
Accounts Receivable from Non-residents	Accounts Payable to Non-residents
Disbursements to Residents (Funds not received)	Disbursements to Non-residents (Funds not remitted)
2100 Transfers	3100 Transfers
2110 Workers' remittances	3110 Workers' remittances
2200 Services	3200 Services
	3210 Travel
	3211 Business travel
	3212 Religious travel
	3213 Student and trainees
	3214 Health
	3215 Holidays\ tourists
2270 Financial services	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/ sale of accounts receivable	3800 Less: Repayment/ purchase of accounts payable
1320 Opening Balance	1330 Opening Balance
8330 Closing Balance	8320 Closing Balance
Total	Total

Note: The reporting variables do not imply permission for transaction

Summary–3

Exchange Companies Summary–3 Unpaid Inward and Outward Remittances	
Accounts Payable to Residents (Unpaid Outward Remittances)	Accounts Payable to Residents (Unpaid Inward Remittances)
Funds received from residents for payment abroad (neither transmitted nor advised abroad for payment)	Amount received for residents and yet to be distributed
2100 Transfers	3100 Transfers
2110 Workers' remittances	3110 Workers' remittances
2200 Services	3200 Services
	3210 Travel
	3211 Business travel
	3212 Religious travel
	3213 Student and trainees
	3214 Health
	3215 Holidays\ tourists
2270 Financial services	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	3640 Sale against purchase of foreign currency
2650 Branch transaction adjustment	3650 Branch transaction adjustment
2800 Less: Funds remitted abroad	3800 Less: Funds distributed
1320 Opening Balance	1330 Opening Balance
8330 Closing Balance	8320 Closing Balance
Total	Total

Note: The reporting variables do not imply permission for transaction

Summary–6

Exchange Companies (Full Fledge & B) 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)
2210 Religious	3210 Religious
2220 Business	3220 Business
2230 Student trainees	3230 Student trainees
2240 Health	3240 Health
2250 Holiday\ tourist	3250 Holiday\ tourist
2300 Un-spent foreign currency balance from resident travel:	3300 Un-spent rupee balance from non-resident travel:
2310 Religious	3310 Religious
2320 Business	3320 Business
2330 Student trainees	3330 Student trainees
2340 Health	3340 Health
2350 Holiday\ tourist	3350 Holiday\ tourist
2400 From residents	3400 To residents
2410 Withdrawal from FCA with ADs	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
2530 Import of foreign currency	3530 Export of foreign currency
2540 From banks (authorized dealers) against PKR	
2550 Branch transaction adjustment	3550 Branch transaction adjustment
1420 Opening Balance	8420 Closing Balance
Total	Total

Note: The reporting variables do not imply permission for transaction

Description of Summary–1, 2, 3 and 6 Transactions

Inward Remittances

Transfers

Workers' remittances

2110

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.)

Services

Financial services

2270

Remittances received for commission earned or financial services provided by exchange companies as agency under arrangement with foreign company for disbursement of remittances.

Advance receipts from agency arrangement

2500

Remittances received in advance from non-resident company under agency arrangements for disbursement of remittances.

Exchange, transfers and adjustments

All transactions of exchange companies with other exchange companies, adjustments with their own branches or transactions with authorized dealers those change the consolidated position of receipts and payments.

Contra for cash deposit

2610

Cash deposits made by exchange companies with authorized dealers in Pakistan would reflect an increase in balance of exchange companies and hence reported as contra.

From exchange companies in Pakistan against PKR

2620

Purchase of foreign currency from other exchange companies against Pak. rupee.

Receipt on account of export of foreign currency

2630

Remittances received in equivalent US \$ by exchange companies for export proceeds of permissible foreign currency cash/coins.

Purchase against sales of other currencies

2640

Purchase of one foreign currency against sale of another foreign currency.

Branch transactions adjustments

2650

Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here.

Realization/sale of accounts receivable

2800

The amount realized/ sold against accounts receivable generated through payments to residents for different purposes on advice of the non-resident entity for which funds were not received.

Outward Remittances

Transfers

Workers' remittances

3110

Remittances made by foreign national (resident) working 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.)

Services

Travel

In BOP, travelers are individuals staying less than one year in an economy excluding military/diplomatic mission and their dependents. Travel includes the goods and service acquired from that economy by the traveler. One year rule does not apply to students, medical patient and all expenditures, including those for educational and health-related purposes (such as tuition, room and boarding paid for or provided by educational institutions, hospital charges, treatments, physicians' fees, etc.), made by students and medical patients are recorded under travel.

Business travels

3211

Payment made to residents of Pakistan for travels regarding sales campaigns, market exploration or commercial negotiations

Religious travels

3212

The remittances made for residents for their Hajj and other religious travel.

Student trainee

3213

Remittances made on account of education and training abroad for students resident of Pakistan.

Health

3214

Payments made to residents of Pakistan patients for their medical treatment abroad including all related charges.

Holidays\ Tourists

3215

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.

Financial services – resident banks

3270

Payments made on account of financial services from resident banks.

Financial services – non-resident financial institutions

3271

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.

Financial charges related to export of currency

3272

Financial charges related to export of currency

Remittances against advance receipts

3500

Contra on account of remittances disbursed out of advance receipts from non-resident companies under agency arrangement.

Exchange, transfers and adjustments

All transactions of exchange companies with other exchange companies, adjustments with their own branches or transactions with authorized dealers those change the consolidated position of receipts and payments.

Contra FCA withdrawal

3610

Cash withdrawal made by exchange company from foreign currency account maintained with authorized dealers in Pakistan.

To exchange companies in Pakistan against PKR

3620

Sale of foreign currency made to other exchange companies against Pak. Rupees.

Sale to other authorized dealer in Pakistan

3630

Foreign Currency sale made to authorized dealers against Pak rupees.

Sale against purchase of foreign currency

3640

Sale of a foreign currency made against purchase of other foreign currency.

Branch transaction adjustments

3650

Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here.

Repayment/ purchase of accounts payable

3800

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.

Description Summary-6 Transactions

Purchases (Receipts)

Foreign currency withdrawal from FCA with banks

2110

Foreign currency withdrawn by exchange company from foreign currency account maintained with authorized dealers in Pakistan.

Travel non-resident

Purchase of foreign currency cash from non-resident travelers against Pak rupees.

Religious

2210

Purchase of foreign currency cash from non-resident pilgrims against sale of Pak rupee (e.g. Sikh Yatri)

Business

2220

Purchase of foreign currency cash from non-residents on business trip in Pakistan.

Student / Trainee

2230

Purchase of foreign currency cash from non-resident students and trainees in Pakistan.

Health

2240

Purchase of foreign currency cash from non-resident patients for medical treatment in Pakistan.

Holiday / Tourist**2250**

Purchase of foreign currency cash from non-resident tourists visiting Pakistan.

Un-spent foreign currency balance from resident travel

Purchase of unspent foreign currency cash against Pak rupees from residents of Pakistan travelers returned to Pakistan after travelling abroad.

Religious**2310**

Purchase of unspent foreign currency cash from resident Hajjis returned to Pakistan.

Business**2320**

Purchase of unspent foreign currency cash from residents of Pakistan who visited abroad for business trip.

Student / Trainee**2330**

Purchase of unspent foreign currency cash from residents of Pakistan students and trainees returned from abroad.

Health**2340**

Purchase of unspent foreign currency cash from residents of Pakistan patients who visited abroad for medical treatment.

Holiday / Tourist**2350**

Purchase of foreign currency cash from residents of Pakistan tourists, who visited abroad for spending holidays or as tourists.

From residents

Purchase of foreign currency cash from residents of Pakistan against payment in Pak. Rupees that they may have withdrawn from their FCA, holding as asset or earned from services provided abroad or purchase from other residents or non-residents.

Withdrawal from FCA with authorized dealers**2410**

Purchase of foreign currency cash from residents of Pakistan withdrawn from their foreign currency accounts with authorized dealer in Pakistan.

Holdings**2411**

Purchase of foreign currency cash from residents of Pakistan out of foreign currency holdings.

Earned from services provided abroad**2420**

Purchase of foreign currency cash from residents of Pakistan earned from any services rendered abroad.

Purchase from other resident**2430**

Purchase of foreign currency cash from residents of Pakistan who obtained from any other resident of Pakistan.

Purchase from non-resident**2440**

Purchase of foreign currency cash from residents of Pakistan who obtained from any non-resident.

Workers' remittances**2450**

Purchase of foreign currency cash sent by the worker abroad through a person visiting Pakistan

Private donation**2460**

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.

Gifts and other transfer**2470**

Purchase of cash received for gifts, dowries, inheritances and lottery draws. These remittances are received through a person visiting Pakistan.

From other exchange companies in Pakistan against PKR**2510**

Purchase of foreign currency against Pak rupees from other exchange companies.

From authorized hotels in Pakistan against PKR**2520**

Purchase of foreign currency against Pak rupees from authorized hotels.

Import of foreign currency**2530**

Import of permissible foreign currencies by Exchange Company

From banks (authorized dealers) against PKR**2540**

Purchase of foreign currency against Pak rupees from banks (authorized dealers).

Branch transaction adjustments**2550**

Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here.

Sale (Payments)**Deposits in FCA with banks in Pakistan****3110**

Foreign currency deposited by exchange companies with authorized dealers in Pakistan

Travel residents (for travel abroad)

Sale of foreign currency cash to residents of Pakistan against Pak rupees for travel abroad under various categories given below:

Religious**3210**

Sale of foreign currency cash made to residents of Pakistan for Hajj and other religious travel.

Business**3220**

Sale of foreign currency cash made to residents of Pakistan for business travel abroad.

Student/Trainee**3230**

Sale of foreign currency cash to residents of Pakistan students visited abroad.

Health**3240**

Sale of foreign currency cash made to residents of Pakistan patients visited abroad for medical treatment abroad.

Holiday/Tourist**3250**

Sale of foreign currency cash made to residents of Pakistan for holiday / excursion visits abroad.

Un-spent rupee balance from non-resident travel

Purchase of unspent Pak. rupees from non-resident traveler against sale of foreign currency cash to foreign travelers under various categories leaving Pakistan.

Religious**3310**

Sale of foreign currency cash against unspent Pak. rupees to non-residents on religious travel in Pakistan

Business

3320

Sale of foreign currency cash against unspent Pak. rupees to non-residents on business travel in Pakistan

Student/ Trainee

3330

Sale of foreign currency cash against unspent Pak. rupees to non-resident students on study visit to Pakistan

Health

3340

Sale of foreign currency cash against unspent Pak. rupees to non-resident patients on medical treatment visit in Pakistan

Holiday/Tourist

3350

Sale of foreign currency cash against unspent Pak. rupees to non-resident tourists visited Pakistan

To residents

Sale of foreign currency cash to residents of Pakistan against payment in Pak. rupees (sale for travel abroad is covered above).

For deposit to FCA with banks

3410

Sale of foreign currency cash to residents of Pakistan against payment in Pak. rupees for deposits in their FCA with authorized dealers in Pakistan

For holding

3420

Sale of foreign currency cash to residents of Pakistan against payment in Pak. rupees for foreign currency holding

To exchange companies in Pakistan against PKR

3510

Sale made against Pak. rupees to other exchange companies.

To banks (authorized dealers) against PKR

3520

Sale made against Pak. rupees to banks (authorized dealers).

Export of foreign currency

3530

Export of permissible foreign currencies by Exchange Company.

Branch transaction adjustments**3550**

Intracompany transactions are adjusted to consolidate the position. These adjustments are to be reflected here.

Memorandum items

Outstanding security deposit received as Agency Arrangement

8510

The outstanding amount of security deposits received as agency arrangements from non-residents exchange companies/ exchange houses etc.

Stock of unpaid advance receipts from agency arrangement

8520

The stock of unpaid advance received from agency arrangement of non-residents exchange companies/ exchange houses etc.

Stock of remittances disbursed not received from agency arrangement

8530

The stock of remittances disbursed not received from agency arrangement of non-residents exchange companies/ exchange houses etc generated through accounts receivable

Stock of accounts payable to MTO, banks etc.

8540

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.

Stock of unpaid inward remittances

8550

The stock of amount received from abroad for residents and yet to be distributed and is held with the exchange company

Stock of unpaid outward remittances

8560

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.

Paid-up capital

8570

The stock of paid-up capital required for formation of an exchange company.

Franchisee deposits

8580

The stock of franchisee deposits paid to the franchiser (Exchange Company).

Tom sale

3010

The foreign currency sale with one business day settlement from trade date (T+1)

Tom purchase**2010**

The foreign currency purchase with one business day settlement from trade date (T+1)

Spot sale**3020**

The foreign currency sale with two business day settlement from trade date (T+2)

Spot purchase**2020**

The foreign currency purchase with two business day settlement from trade date (T+2)

List of Exchange Companies

1.	AA Exchange Company (Pvt.) Ltd.
2.	Al-Hameed Int'l. Money Ex (Pvt.) Ltd.
3.	Al-Rahim Exchange Company(Pvt.) Ltd.
4.	Al-Sahara Exchange Company (Pvt.) Ltd.
5.	D.D Exchange Company (Pvt.) Ltd.
6.	Dollar East Exchange Company (Pvt.) Ltd.
7.	Fairdeal Exchange Company (Pvt.) Ltd.
8.	Glaxy Exchange Company (Pvt.) Ltd.
9.	H & H Exchange Company (Pvt.) Ltd.
10.	HBL Currency Exchange (Pvt.) Ltd.
11.	Habib Qatar International Exchange Pakistan (Pvt.) Ltd.
12.	Link International Exchange Company (Pvt.) Ltd.
13.	Money Link Exchange Company (Pvt.) Ltd.
14.	Muhammadi Exchange Company (Pvt.) Ltd.
15.	NBP Exchange Company Ltd.
16.	Noble Exchange International (Pvt.) Ltd.
17.	P B S Exchange Company (Pvt.) Ltd.
18.	Pakistan Currency Exchange Company (Pvt.) Ltd.
19.	Paracha International Exchange (Pvt.) Ltd.
20.	Paragon Exchange (Pvt.) Ltd.
21.	Ravi Exchange Company (Pvt.) Ltd.
22.	Riaz Exchange Co. (Pvt.) Ltd.
23.	Royal International Exchange Company (Pvt.) Ltd.
24.	Sadiq Exchange Company (Pvt.) Ltd.
25.	Sky Exchange Company (Pvt.) Ltd.
26.	Wallstreet Exchange Company (Pvt.) Ltd.
27.	ZeeQue Exchange Company (Pvt.) Ltd.

List of Exchange Companies of ‘B’ Category

1.	Al-Khaleej Exchange Company-B (Pvt.) Ltd.
2.	Al-Pine International Exchange Company-B (Pvt.) Ltd.
3.	Best Way Exchange Company-B (Pvt.) Ltd.
4.	Capital Exchange Company-B (Pvt.) Ltd.
5.	Chanda Exchange Company-B (Pvt.) Ltd.
6.	Easy Exchange Company-B (Pvt.) Ltd. (Formally Aftab Exchange Company-B (Pvt.) Ltd.)
7.	Gohar Exchange Company-B (Pvt.) Ltd.
8.	Great Union Exchange company-B (Pvt.) Ltd
9.	International Exchange Company-B (Pvt.) Ltd.
10.	Islamabad Exchange Company-B (Pvt.) Ltd.
11.	Karwan Exchange Company-B (Pvt.) Ltd.
12.	Madina Exchange Company-B (Pvt.) Ltd.
13.	Mega Currency Exchange Company-B (Pvt.) Ltd.
14.	Money Masters Currency Exchange Company-B (Pvt.) Ltd.
15.	Orient Exchange Company-B (Pvt.) Ltd.
16.	Premier Exchange Company-B (Pvt.) Ltd.
17.	Rajgan Exchange Company-B (Pvt.) Ltd.
18.	Swiss International Exchange Company-B (Pvt.) Ltd.
19.	Time Exchange Company-B (Pvt.) Ltd.
20.	Union Exchange Company-B (Pvt.) Ltd.
21.	United Exchange Co.-B (Pvt.) Ltd.
22.	Universal Exchange Company-B (Pvt.) Ltd.
23.	Usman International Exchange Company-B (Pvt.) Ltd.
24.	World Exchange Company-B (Pvt.) Ltd.
25.	World Wide Exchange Company-B (Pvt.) Ltd.