

## **CHAPTER 2**

### **AUTHORIZED DEALERS**

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## CHAPTER 2

### AUTHORIZED DEALERS

#### 1. Authorization to deal in foreign exchange.

(i) In terms of the powers vested in it by section 3 (1) & 3 (2) of the Foreign Exchange Regulation Act, 1947 (the Act), the State Bank may, on application, authorize any person to deal in foreign exchange. The State Bank may authorize dealings in all foreign currencies or may restrict dealings in specified foreign currencies only. Further, it may authorize transactions of all descriptions in foreign currencies or may restrict to specified transactions only.

(ii) Authorizations to deal in all foreign currencies and in approved transactions of all descriptions are issued to those scheduled banks which conduct all types of banking transactions.

#### 2. Application for Authorized Dealer's License.

(i) The Head Office of a bank, or the Principal Office in Pakistan in the case of a foreign bank, may apply for grant of Authorized Dealer's license to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi. While applying for the license, the bank should mention the nature of transactions that are desired to be dealt with alongwith the confirmation that trained staff, required systems, equipments etc. to handle foreign exchange transactions are available with the bank.

(ii) Once the bank has been granted status of the Authorized Dealer through issuance of foreign exchange license by the State Bank, it may designate its branches to undertake permissible foreign exchange business. In case it is decided by the Authorized Dealer to designate a new branch to deal in foreign exchange (hereinafter referred to as 'authorized branch'), the Head /Principal Office of the respective bank shall communicate name and address of such branch to the Director, Statistics & Data Warehouse Department, State Bank of Pakistan, Karachi who will allocate a code number to the branch for statistical reporting purpose. The authorized branch can thereafter start conducting the foreign exchange business.

(iii) Every authorized branch is permitted to deal in foreign currency notes, coins, deposits, credits, drafts, traveler's cheques, letters of credit and bills of exchange, expressed or drawn in Pakistan currency but payable in any foreign currency. Such transactions should be reported to the State Bank by the Head /Principal Office of the Authorized Dealer on behalf of its authorized branches after consolidation through the prescribed returns.

(iv) The State Bank may, without assigning any reason, refuse to grant the license to deal in foreign exchange. It may also withdraw an authorization/license already granted to a bank or prohibit dealings in foreign exchange by any authorized branch of an Authorized Dealer in accordance with the powers vested in it by section 3B of the Act.

### **3. Capacity Building of Employees.**

In order to establish a continuous learning atmosphere and encourage enhancing the overall capacity of the employees, Authorized Dealers should prepare a comprehensive training and development policy duly approved by their Board of Directors for all major foreign exchange areas which should, inter alia, cover processes related to selection of employees for specific training programs and implement the following specific parameters/guidelines:

- (i) Authorized Dealers, at the beginning of each calendar year, shall make assessment in respect of each related employee regarding his/her training needs in the area of foreign exchange.
- (ii) Specific areas of focus for training including international trade, foreign currency accounts, remittances, inward/outward investments etc. may be identified by Authorized Dealers before the start of each calendar year keeping in view risks associated with different areas.
- (iii) In addition to professional qualification, function specific trainings in the area of foreign exchange should be given due weightage towards career growth of concerned employees.
- (iv) While preparing training modules in the area of foreign exchange, Authorized Dealers must also ensure that function specific trainings in critical areas such as AML/CFT, E-Commerce, IT Operations etc. form integral part thereof.
- (v) Authorized Dealers should also develop training plans for employees posted at branches located in remote areas to ensure their capacity building at par with those posted in urban centres.
- (vi) Authorized Dealers may develop in-house trainers for providing adequate internal support to their training and development initiatives. They should also chalk out a suitable mechanism to assess the performance of employees after trainings.
- (vii) Authorized Dealers should enhance coordination with Institute of Bankers Pakistan (IBP), National Institute of Banking & Finance (NIBAF) and local business management schools/universities directly or through Pakistan Banks Association (PBA) to develop and design specific courses that cater to the specific needs of their employees.

### **4. Provision of foreign exchange services to individuals**

Authorized Dealers have general permission to release/remit foreign exchange on account of genuine foreign exchange needs of Pakistani citizens (individuals) in connection with education, medical treatment, private travel, business travel, training etc. Detailed instructions/guidelines for processing the requests seeking release/remittance of foreign exchange for the above and other purposes are given in Chapter 17 of the Manual.

In order to provide seamless services to the individuals, Authorized Dealers should ensure the following:

- (i) The foreign exchange services on account of Travel, Education and Medical Treatment abroad are offered by their all authorized branches efficiently.
- (ii) The officials dealing with the customers for foreign exchange services, including those posted at contact/call centres of Authorized Dealer, have been adequately trained in foreign exchange business and possess adequate knowledge of rules and regulations governing individual foreign exchange needs.
- (iii) A focal person is appointed at Head/Principal Office level in relation to handling foreign exchange services and related matters.
- (iv) All necessary measures to create awareness amongst their customers about foreign exchange services are taken besides making relevant details of foreign exchange services available at their official websites.
- (v) Adequate stock of related foreign currency notes is available with the authorized branches for meeting customers' requirements.

**5. Authorized Dealers to engage in transactions within the scope of their authorization.**

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

**6. Responsibility of the Authorized Dealers to ensure avoidance of contravention or evasion of the provisions of the Act.**

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

**7. Responsibility of Authorized Dealers to notify the regulations to their customers and to report cases of evasion.**

Authorized Dealers are required to bring the Foreign Exchange 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 Notifications or any rules, orders or directions issued thereunder, immediately as it comes to their notice.

**8. Official Meetings with the State Bank/SBP-Banking Services Corporation.**

In order to discuss important and urgent issues, State Bank/SBP-Banking Services Corporation holds meetings with banks whenever a need arises. At times, such meetings require presence of

executives/senior officials of Authorized Dealers/banks so that they may share their necessary feedback and institutional stance.

Authorized Dealers/banks should ensure that the concerned executives/senior officials must attend such meetings whenever called by the State Bank/SBP-Banking Services Corporation. In the case of non-compliance, State Bank may take strict action against the concerned bank/ executive/official under section 23K of the Foreign Exchange Regulation Act, 1947 and section 41A of the Banking Companies Ordinance, 1962.

#### **9. Submission of Returns to the State Bank/SBP-Banking Services Corporation.**

Authorized Dealers must submit to the State Bank/SBP-Banking Services Corporation returns of their dealings in foreign exchange on due dates in the forms prescribed in the Manual. Specimens of all application forms and returns prescribed by the State Bank are given in Appendix V.

#### **10. Authorized Rates of Foreign Exchange.**

Section 4 (2) of the Act lays down that, 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. A general permission has been given to Authorized Dealers to determine their own rates of exchange, both for ready and forward transactions for the public, subject to the condition that the margin between the buying and selling rates should not exceed fifty paisa per US dollar or its equivalent in other currencies. This condition does not apply to inter-bank transactions.

In the case of an import bill against which no forward cover has been taken by the importer, the exchange rate prevailing on the date of payment of the bill would apply.

#### **11. List of Authorized Dealers in Foreign Exchange.**

The list of Authorized Dealers in foreign exchange is appended:

<u>Sr. No.</u>	<u>Name of Authorized Dealer</u>	<u>Prefix Allotted</u>
1.	Al-Baraka Bank (Pakistan) Ltd.	ABP
2.	Allied Bank Ltd.	ABL
3.	Askari Bank Ltd.	AKB
4.	Bank Al Falah Ltd.	BAF
5.	Bank Al Habib Ltd.	AHB
6.	BankIslami Pakistan Ltd.	BIP
7.	Citibank N.A.	CBN

8.	Deutsche Bank AG	DBK
9.	Dubai Islamic Bank Pakistan Ltd.	DIB
10.	Faysal Bank Ltd.	FBL
11.	First Women Bank Ltd.	FWB
12.	Habib Bank Ltd.	HBL
13.	Habib Metropolitan Bank Ltd.	HMB
14.	Industrial and Commercial Bank of China	ICB
15.	JS Bank Ltd.	JSB
16.	MCB Bank Ltd.	MCB
17.	MCB Islamic Bank limited.	MIB
18.	Meezan Bank Ltd.	MBL
19.	National Bank of Pakistan	NBP
20.	NIB Bank Ltd.	NIB
21.	Samba Bank Ltd.	SMB
22.	Silkbank Ltd.	SLB
23.	Sindh Bank Ltd.	SNB
24.	Soneri Bank Ltd.	SBL
25.	Standard Chartered Bank (Pakistan) Ltd.	SCB
26.	Summit Bank Ltd.	STB
27.	The Bank of Khyber	BOK
28.	The Bank of Punjab	BOP
29.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	BTM
30.	United Bank Ltd	UBL

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