



Exchange Companies Manual - 2016

Updated Upto December 31, 2016

Exchange Policy Department

State Bank of Pakistan



Exchange Companies Manual - 2016

Disclaimer

State Bank of Pakistan has issued Exchange Companies Manual containing regulations made through FE Circulars/Circular Letters upto December 31, 2016. 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 2016 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, 2016, 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 Ordinance 1984. 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, licenses of Exchange Companies shall be renewed for five years from the date of expiry of the license. 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 a pay order / bank draft drawn in favor of State Bank of Pakistan for Rs 500,000/- as license renewal fee.

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.

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 will be Rs. 200 million.
- (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.
- (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. Directors and Shareholders.

- (i) The Directors of an Exchange Company must possess appropriate knowledge to carry out the foreign exchange business. They should not have been convicted of any offence involving moral turpitude and shall not have failed to honor their liabilities towards banks, tax authorities or other government agencies and shall not have been declared bankrupt nor have been subjected to attachment of their assets by the courts.
- (ii) For induction of the new Director or shareholder, State Bank's prior approval shall be required.
- (iii) The Directors of Exchange Companies are not allowed to hold the Director's office in more than one Exchange Company.
- (iv) The Directors are also barred from borrowing or availing credit or deferring payment with the Exchange Company in any form.

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.

9. Scope of Businesses.

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 Currencies.

- (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 2,500/- 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 foreigner).
- (d) Sell foreign exchange to incorporated companies for remittance on account of royalty, Franchise, technical fee, repair and maintenance etc., after obtaining 'No Objection Certificate' from the designated Authorized Dealer.
- (e) "Sell" foreign exchange in Ready, Tom and Spot value dates, with banks as counterparty (Interbank Market)

- (f) For all foreign currency sale transactions equivalent to USD 2,500/- 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 foreigner).
 - (g) 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.
 - (h) 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.
 - (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.
 - (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) Corporate clients may effect outward remittances through an Exchange Company only on account of payment of royalty, technical/Franchise fee, provided NOC to this effect is provided to the company from the designated Authorized Dealer.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) All outward transactions of Exchange Companies shall be routed through foreign currency accounts of the Exchange Companies maintained with banks in Pakistan.
- (g) 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 foreigner) for all outward transactions exceeding USD 2,500/- (or equivalent in other currencies. The name, address and identification document number of the customer shall also be mentioned on the receipt after due verification and with stamp of "original Seen".
- (h) 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.
- (i) 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.

- (j) 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.**

The Exchange Companies are prohibited to engage in any other activity such as deposit taking, lending etc., directly or indirectly. Exchange Companies are also 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.

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.

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.

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) 3rd Party 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 3rd party franchise arrangements.
- (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 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 between Exchange Companies and 3rd parties. Exchange Companies are not allowed to enter into new 3rd party payment booth arrangements.
- (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.
 - (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/purchase 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-principal 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.

4. Transfer of License.

License/permission of Franchise/third party Payment Booth shall be non-transferable other than to the company itself.

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 shall submit the related documents as mentioned in **Annexure - 4**. 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/third party Payment Booths (where applicable) through Demand Draft Payment Order drawn in favor of State Bank of Pakistan.

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

GUIDELINES & STANDARDS FOR ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

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 Finance of Terrorism (CFT) guidelines are required to be followed in letter and spirit by the Exchange Companies.
- (ii) Exchange Companies/Exchange Companies of 'B' category are responsible for implementing the guidelines throughout their network, including branches, Franchises, payment booths etc.
- (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.

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.

3. Know Your Customer & Customer Due Diligence.

Exchange Companies/Exchange Companies of 'B' category shall take all reasonable measures to perform Know Your Customer (KYC)/Customer Due Diligence (CDD) of their customers 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.
- (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 information on the purpose and intended nature of the transaction.

4. Identification of Customers & Verification.

- (i) Every customer shall be identified for conducting any business transaction. In case of exchanging any currency equivalent to, or above, USD 2,500/- 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).
- (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 Ownership.

In relation to a customer of an Exchange Company/Exchange Company of 'B' category, beneficial owner means a person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over the transaction. In this respect:

- (i) Exchange Companies/Exchange Companies of 'B' category shall inquire whether there exists any beneficial owner in relation to a customer or transaction.
- (ii) In case of beneficial owner, reasonable measures shall be taken to verify the identity of the beneficial owner.

6. Enhanced Due Diligence.

Some customers may pose higher than average risk to Exchange Companies/Exchange Companies of 'B' category. In preparing their policies, Exchange Companies/Exchange Companies of 'B' category should consider risk factors like customer's background, country of origin, public or high profile position, and other risk indicators. Enhanced Due Diligence shall be applied specially when:

- (i) Exchange Company/Exchange Company of 'B' category has reason to believe that the customer has been refused transaction by other financial institution/Exchange Company.
- (ii) Conducting transactions for and on behalf of Politically Exposed Persons (PEPs). PEPs are individuals who are, or have been, entrusted with prominent public functions either domestically or by a foreign country. They also include associates of such persons and their family members.

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.

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).

9. Record Keeping.

Exchange Companies/Exchange Companies of 'B' category shall maintain all necessary records of transactions for a minimum period of 10 years from completion of the transaction. Exchange Companies/Exchange Companies of 'B' category 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 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 Hiring.

The Exchange Companies/Exchange Companies of 'B' category shall develop and implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees, whether contractual or permanent.

12. Training.

Exchange Companies/Exchange Companies of 'B' category shall design and implement suitable training program for all relevant staff throughout their network including branches, Franchises, payment booths etc, in order to effectively implement legal and regulatory requirements as well as Exchange Company's own policies and procedures relating to combating money laundering and terrorist financing.

13. Nomination of Company Compliance Officer.

The Board of Directors of an Exchange Company/Exchange Company of 'B' category shall appoint/designate/nominate 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 terrorist 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 terrorist financing.

14. Compliance of Legal and Regulatory Framework.

The Exchange Companies/Exchange Companies of 'B' category 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 for giving effect to the decisions of the United Nations Security Council.

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 Franchises and 3rd party Payment Booths of Exchange Companies.
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 (OSED)	Annexure – 10
2.	Statements F to J	Monthly	Within two working days of end of each reporting period	OSED	Annexure – 11
3.	Statements K to M	Quarterly	Within two working days of end of each reporting period	OSED	Annexure – 12
4.	Outward Remittances made against Inward Home Remittances	Monthly	5 th of following month	OSED	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 Directors/Shareholders*	Annually	Within thirty days of close of each financial year	EPD	Annexure – 19
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	OSED, EPD and S&DWD	-
13.	Policy for combating money laundering and terrorist financing, duly approved by Board of Directors	Annually	Latest by September 30 of each year	EPD	-

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

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

- (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.
- (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.

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) License of Exchange Company of 'B' Category will be renewable for maximum period of three years from the date of expiry of the license. 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 a Bank Draft / Pay Order drawn in favour of State Bank of Pakistan for Rs 250,000/- as license renewal fee.

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 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. Directors and Shareholders.

- (i) The Directors of an Exchange Company of 'B' Category must possess appropriate knowledge to carry out the foreign exchange business. They should not have been convicted of any offence involving moral turpitude and shall not have failed to honor their liabilities towards banks, tax authorities or other government agencies and shall not have been declared bankrupt nor have been subjected to attachment of their assets by the courts.
- (ii) Directors of an Exchange Company of 'B' Category are not allowed to hold the Director's office in any other Exchange Company or Exchange Company of 'B' Category. The Directors are also barred from borrowing or availing credit or defer payment terms from the Exchange Company of 'B' Category in any form.

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.

12. Scope of Business.

(i) Buy and Sale of Foreign Currencies.

- (a) Exchange Companies of 'B' Category are authorized to deal in only 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 only 'Ready' to the banks as counter party (Interbank Market).
- (c) For all foreign currency buy and sale transactions equivalent to USD 2,500/- 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 foreigner).
- (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 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.**

Exchange Companies of 'B' Category are prohibited from engaging in any other activity such as remittances, transfers, deposit taking, lending etc., directly or indirectly.

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.

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.
- (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 through Demand Draft / Payment Order drawn in favor of State Bank of Pakistan.

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.

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' Categories 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.

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.
- (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. $\frac{M - 302}{L - 7646}$

The Gazette  **of Pakistan**

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)

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/Third Party 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, Third Party Payment Booths.

- 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.

(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	Galxy 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	NBP Exchange Company Ltd.	NBEC
15	Noble Exchange International (Pvt.) Ltd.	NIEC
16	P B S Exchange Company (Pvt.) Ltd.	PBEC
17	Pakistan Currency Exchange Company (Pvt.) Ltd.	PCEC
18	Paracha International Exchange (Pvt.) Ltd.	PIEC
19	Paragon Exchange (Pvt.) Ltd.	PREC
20	Ravi Exchange Company (Pvt.) Ltd.	RVEC
21	Riaz Exchange Co. (Pvt.) Ltd.	RZEC
22	Royal International Exchange Company (Pvt.) Ltd.	RIEC
23	Sadiq Exchange Company (Pvt.) Ltd.	SDEC
24	Sky Exchange Company (Pvt.) Ltd.	SKEC
25	Wallstreet Exchange Company (Pvt.) Ltd.	WSEC
26	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)

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	Date	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	Amount in PKR
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
Total				

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
Total				

Monthly Statements

Statement-F

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

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			
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 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)					
	Royalties & trade marks	Technical fees	Repair and maintenance	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: <u>Pakistan</u>			

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					

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.	NBP Exchange Company Ltd.
15.	Noble Exchange International (Pvt) Ltd
16.	P B S Exchange Company (Pvt.) Ltd.
17.	Pakistan Currency Exchange Company (Pvt) Ltd
18.	Paracha International Exchange
19.	Paragon Exchange (Pvt) Limited
20.	Ravi Exchange Company (Pvt) Ltd.
21.	Riaz Exchange Co. (Pvt) Ltd.
22.	Royal International Exchange Company (Pvt) Ltd.
23.	Sadiq Exchange Company (Pvt) Ltd
24.	Sky Exchange Company (Pvt.) Ltd.
25.	Wallstreet Exchange Company (Pvt) Ltd.
26.	ZeeQue Exchange Company (Pvt) Ltd

List of Exchange Companies 'B' Category

1.	Aftab Exchange Company-B (Pvt) Ltd.
2.	Al-Khaleej Exchange Company-B (Pvt) Limited
3.	Al-Pine International Exchange Company-B (Pvt) Ltd.
4.	Best Way Exchange Company-B (Pvt) Ltd.
5.	Capital Exchange Company-B (Pvt) Ltd.
6.	Chanda Exchange Company-B (Pvt) Ltd.
7.	Gohar Exchange Company-B (Pvt) Limited
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.	Muhammadi Exchange Company-B (Pvt) Ltd.
16.	Orient Exchange Company-B (Pvt) Ltd.
17.	Premier Exchange Company-B (Pvt) Ltd.
18.	Rajgan Exchange Company-B (Pvt) Ltd.
19.	Swiss International Exchange Company-B (Pvt) Ltd.
20.	Time Exchange Company-B (Pvt) Ltd.
21.	Union Exchange Company-B (Pvt) Ltd.
22.	United Exchange Co.-B (Pvt) Ltd.
23.	Universal Exchange Company-B (Pvt) Ltd.
24.	Usman International Exchange Company-B (Pvt) Ltd.
25.	World Exchange Company-B (Pvt) Ltd.
26.	World Wide Exchange Company-B (Pvt) Ltd.