
INWARD AND OUTWARD REMITTANCES

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CHAPTER 10

INWARD AND OUTWARD REMITTANCES

1. Inward Remittances.

The term 'inward remittance' means purchase of foreign currencies in whatever form and includes not only remittances by M.T., T.T., draft etc., but also purchase of travellers cheques, drafts under travellers letters of credit, bills of exchange, currency notes and coins etc. Debit to banks' non-resident Rupee accounts also constitutes an inward remittance. This chapter, however, does not cover purchase of foreign currency notes and coins which is dealt with in Chapter 11.

2. Inward Remittance – No Restrictions.

There is no restriction on receipt of remittances from abroad either in foreign currency or by debit to non-resident Rupee accounts of banks' overseas branches or correspondents. Authorized Dealers may freely purchase T.Ts, M.Ts, drafts, bills etc., expressed and payable in foreign currencies or drawn in Rupees on banks' non-resident Rupee accounts. There is also no objection to their obtaining reimbursement in foreign currency from their overseas branches and correspondents in respect of Rupee bills and drafts which are purchased by them under letters of credit opened by non-resident banks or under other arrangements.

3. Home Remittances Arrangements.¹

In order to support and facilitate banks in their diligence process, before finalization, the banks are required to forward to Exchange Policy Department draft of all Home Remittances related agreements intended to be made with other entities both within and outside Pakistan. Exchange Policy Department will provide its input, if any, on the draft agreements so received but the ultimate responsibility to adequately safeguard their interest would remain on the banks.

4. Home Remittances.²

(i) With a view to encourage overseas Pakistanis and others to use banking channels for home remittances, and to protect the remitters / beneficiaries from any losses that they may incur due to unwarranted delays in receipts of funds in the beneficiaries' accounts, the banks shall put in place a mechanism as per PSD Circular No. 02/2009 dated August 22, 2009 which will, inter alia, ensure that:

¹ Amended vide EPD Circular Letter No. 05 dated May 30, 2008

² Amended vide FE Circular No. 04 dated August 22, 2009

a) In case where the beneficiary is maintaining its account within the same bank, the amount of remittance will be credited to the beneficiary's account instantly.

b) In case where the beneficiary is maintaining its account with bank other than the recipient bank, the recipient bank will intimate and give credit of the same to the other bank as per guidelines in PSD Circular No. 02/2009 dated August 22, 2009, however maximum within 24 hours of the receipt of funds. The bank maintaining the account of the beneficiary, after receiving intimation and funds from the recipient bank, will give credit to the beneficiary's account instantly.

c) In case where the payment is required to be made through Pay Order/ Demand Draft to the beneficiary, the bank will issue and dispatch the same within 24 hours of receipt of funds by the bank.

d) In case where the banks are offering the facility of cash over the counter to the beneficiary, the banks shall ensure the availability of the funds instantly.

(ii) In case where the amount of remittance is not credited/ paid to the beneficiary as mentioned above, the beneficiary shall be entitled to a return of sixty five (65) paisa per thousand rupees per day for the number of days credit/payment on account of remittance was delayed. The banks should, therefore, ensure that the amount of remittances is credited/ paid to the beneficiary within time frame laid down above. In case of delays in the crediting/ making payment of remittance amount, the banks shall remunerate the beneficiaries at the rate given above.

(iii) Where a tendency is noted by the State Bank on the part of any bank, either through inspection or on the basis of the pattern of complaints, to delay the credit/ making of payment to the beneficiary's account, penalties shall be imposed on such banks under the provisions of the Banking Companies Ordinance, 1962.

5. Outward Remittances.

The term "outward remittance" means sale of foreign exchange in any form and includes not only remittances by T.Ts, M.Ts, drafts etc., but also sale of travellers cheques, travellers letters of credit, foreign currency notes and coins etc. Outward remittance can be made either by sale of foreign exchange or by credit to non-resident Rupee account of banks' overseas branches or correspondents. Authorized Dealers may sell foreign exchange for approved transactions only in accordance with the procedure outlined in this chapter. This chapter does not cover sale of foreign currency notes and coins which is dealt with in Chapter 11.

6. Mode of Remittances.

Authorized Dealers should normally avoid issuing drafts in cover of outward remittances whenever remittance can be made by T.Ts, or M.Ts, etc. Where, however, the normal means of transfer is likely to result in unnecessary hardship or inconvenience to the

remitter, drafts may be issued in the name of the beneficiaries of the remittance but such drafts should be crossed by the issuing bank as "Account Payee only".

7. Prescribed Application Forms.

(i) There are three types of application forms for outward remittances:

- (a) Form 'T' is to cover remittance against imports (Appendix V-32)
- (b) Form 'T-1' is to cover sale of exchange for travel (Appendix V-68)
- (c) Form 'M' is to cover all other remittances (Appendix V-7)

(ii) Any person who wishes to purchase foreign exchange must lodge an application with an Authorized Dealer on the appropriate prescribed form duly supported by the requisite documents. On receipt, the application should be examined by the Authorized Dealer and if the Authorized Dealer is satisfied that the application is covered by the regulations and it is empowered to approve the remittance on behalf of the State Bank, it may effect the sale of foreign exchange. If the transaction requires prior approval of the State Bank, the application should be forwarded by the Authorized Dealer to the State Bank for consideration with comments under its stamp and signature.

8. Applications by Letters.

In some cases, applications are made by letters as it becomes difficult for the applicants to fully describe on the prescribed application form the purpose of purchase of foreign exchange particularly for travel abroad and for purposes other than import. In all such cases, letters should be accompanied by Form 'T-1' or 'M' as the case may be, duly filled in. If the remittance is permissible, the State Bank will return the form duly approved. In cases where remittance is required to be made in installments at periodical intervals, the State Bank may issue special permits authorizing remittances in the desired manner.

9. Applications to be submitted to the State Bank/SBP-Banking Services Corporation only through an Authorized Dealer.

All applications for foreign exchange should be forwarded to the State Bank/SBP-Banking Services Corporation through Authorized Dealers who should arrange their delivery to the State Bank/SBP-Banking Services Corporation through their own messengers or through post. All applicants who present their applications directly to the State Bank/SBP-Banking Services Corporation will be asked to resubmit them through an Authorized Dealer.

10. Forwarding Applications to the State Bank/SBP-Banking Services Corporation.

When submitting applications to the State Bank/SBP-Banking Services Corporation, Authorized Dealers should take all reasonable precautions to satisfy themselves as to the bonafides of the applicants. They should verify that the application form has been duly completed and signed by the applicant and then affix their stamp and signature thereon in token of their having examined the application and of having satisfied themselves that to the best of their knowledge and belief, the statements made in the form are correct and that full

documentary evidence as required has been submitted. In this connection, reference is also invited to para 6 of Chapter 1. The applicant should also be advised that under Section 22 of the Act, it is an offence to give any information or make any statement which he knows or has reasonable cause to believe to be false or not true in any material particular.

11. Processing of Approved Form etc.

After receipt of approved forms or permits etc., from the State Bank/SBP-Banking Services Corporation, Authorized Dealers should see that the forms etc., have been approved by the authorized officers of the State Bank/SBP-Banking Services Corporation and that they bear its embossing seal. Authorizations which are signed by officers whose specimen signatures are not available with the Authorized Dealer, should be presented to the nearest office of the SBP-Banking Services Corporation for authentication. It is also important that once a form has been approved by or on behalf of the State Bank, the Authorized Dealer should effect remittance only on behalf of the original applicant for whom the form has been approved and in favour of the beneficiary whose name appears in the approval. They must in no case accept instructions from third parties. In those cases where Authorized Dealers are empowered under the instructions laid down in this Manual to approve applications on behalf of the State Bank, they should ensure while approving the form that the applications are complete in all respects and that all the necessary documentary or other evidence as required has been submitted to and examined by them and that they have satisfied themselves as to the genuineness of the transaction.

12. Permits for Recurring Remittances.

(i) Permits (Appendix V-8) issued by the State Bank are of three types. In the first type of permits, the SBP-Banking Services Corporation authorizes remittances upto a stated amount within a stated period which an Authorized Dealer may make on behalf of the permit holder. Remittances under such permits may be made during the period of validity of the permit in amounts as required by the applicant provided that the total of such remittances under the permit does not exceed the overall limit laid down in the permit.

(ii) The second type of permits covers remittances on a periodical (monthly) basis but the periodical (monthly) limits are not cumulative and remittances in all during any one period (month) must not exceed the prescribed rate laid down in the permit. If remittances are not made upto the full extent of the limit in any period (month), it is not permissible to carry forward unutilised balance in order to make larger remittances in subsequent periods.

(iii) The third type of permits allows remittances on a periodical (monthly) basis but the periodical (monthly) amount is sanctioned on a cumulative basis so that unutilised amounts for earlier periods (months) can be remitted in subsequent periods (months). Unutilised amounts may, however, be accumulated only within the validity of the permit and the entire unutilised balance of such permits will lapse after the last day of the validity of the permit. In such cases it is not permissible to make remittances in advance of the entitlements of the subsequent periods (months).

(iv) Requests for utilization of lapsed quotas should be forwarded by Authorized Dealers to the SBP-Banking Services Corporation giving full reasons for non-utilization on due dates supported by suitable documentary evidence, wherever available.

13. Effecting Remittances against Permits.

In all cases where permits are issued by the SBP-Banking Services Corporation, it will be in order for the Authorized Dealers to effect remittances against the permits subject to report on form 'M'. Authorized Dealers must state on form 'M' the number of the permit against which the remittance has been made and also certify that the remittance has been endorsed on the permit. The remittance must be endorsed on the reverse of the permit giving the amount and date of remittance under their stamp and signature. When the permit is exhausted, it should be returned to the SBP-Banking Services Corporation by the Authorized Dealers along with the form 'M' on which the last remittance is reported. In all cases where the purpose for which the permit was granted ceases to exist and no further remittances are required or are permissible, the unutilised permit should be returned to the SBP-Banking Services Corporation with an advice that the permit should be cancelled.

14. Period of validity of approval by the State Bank.

All Authorizations given by the State Bank/SBP-Banking Services Corporation are valid for a period not exceeding 30 days from the date of approval unless they are expressly approved as valid for a specified longer period or unless they have been revalidated for a further period. Similarly, permits issued by the SBP-Banking Services Corporation are also valid for specified periods as stated on the permit. Authorized Dealers should not effect any remittance against approved forms, permits etc., which have been lapsed unless they have been duly revalidated.

15. Release of Foreign Exchange for Travel Abroad.

Foreign exchange is issued to the travellers against specific or general approval given by the State Bank. It may be drawn in any foreign currency equivalent to the sanctioned amount exclusively in the forms specified in paragraph 43 of Chapter 17. In cases where a traveller desires to draw foreign exchange partly in foreign currency instruments and partly in foreign currency notes, Authorized Dealers will prepare two separate 'T-1' forms. In the portion meant for their certificate, the Authorized Dealers will give on both the 'T-1' forms a suitable indication as to the amounts of foreign exchange released in foreign currency instruments and notes. The 'T-1' forms will be attached with Schedules E-3 annexed to Summary Statements S-1 and S-6. In the case of sale of foreign exchange partly in foreign currency instruments and partly in foreign currency notes against specific approval issued by the State Bank, a photocopy of the State Bank's sanction will also be made. Authorized Dealers will give a suitable indication to this effect, both on the original sanction as well as its photocopy which will be attached with the relative 'T-1' forms and surrendered to the State Bank/SBP-Banking Services Corporation along with the monthly returns of foreign exchange transactions.

16. Processing of Approvals given on one Authorized Dealer's Form by another Authorized Dealer.

There may be instances where a traveller or a remitter might approach an Authorized Dealer for issue/remittance of foreign exchange against approved form 'T-1' or 'M' bearing the identifying prefix and serial number of another Authorized Dealer. While releasing/remitting foreign exchange against such form 'T-1' or 'M', Authorized Dealers should insert their own identifying prefix and serial number borne on one of the blank 'T-1' or 'M' forms in their possession, and score out the prefix and serial number already appearing on approved form 'T-1' or 'M' under proper authentication. The Authorized Dealers should, however, destroy that blank form 'T-1' or 'M' whose serial number is so inserted by them.

17. Reporting of Remittances.

Authorized Dealers should submit to the SBP-Banking Services Corporation alongwith the appropriate returns as laid down in Chapter 22, forms 'M', 'T'-1 and 'I' as the case may be, in cover of each remittance effected by them. Where remittances are approved by the State Bank/SBP-Banking Services Corporation, the approved forms should be submitted in original. Where approval is given by the State Bank/SBP-Banking Services Corporation by letter or through issue of permit, particulars of the letter or of the permit should be given on the appropriate form before submitting it to the SBP-Banking Services Corporation with the returns.

18. Cancellation of Outward Remittances.

In the event of any outward remittance which has already been reported to the State Bank/SBP-Banking Services Corporation being subsequently cancelled, either in full or in part, Authorized Dealers must report the cancellation of the outward remittance as an inward remittance. The return in which the reversal of the transaction is reported should be supported by a letter giving the following particulars:

- (a) The date of the return in which the outward remittance was reported.
- (b) The name and address of the applicant.
- (c) The amount of the sale as effected originally.
- (d) The amount cancelled.
- (e) Reasons for cancellation.

19. Cancellation of Inward Remittances.

In the event of any inward remittance which has already been reported to the State Bank/SBP-Banking Services Corporation, being subsequently cancelled either in full or in part, because of non-availability of the beneficiary, Authorized Dealers must report the cancellation of the inward remittance as an outward remittance on form 'M'. The return in which the reversal of the transaction is reported should be supported by a letter giving the following particulars:

- (a) The date of the return in which the inward remittance was reported.
- (b) The name and address of the beneficiary.
- (c) The amount of the purchase as effected originally.
- (d) The amount cancelled.
- (e) Reasons for cancellation.

20. Utilization of Exchange for the purpose it is obtained.

Where any foreign exchange is acquired by any person other than an Authorized Dealer for any particular purpose or where any person has been permitted conditionally to acquire foreign exchange, the said person will not use the foreign exchange so acquired otherwise than for that purpose or fail to comply with the prescribed conditions. In cases where the foreign exchange so acquired cannot be used in full or in part for the purpose for which it was acquired or any of the conditions subject to which the foreign exchange was released cannot be complied with, the foreign exchange should immediately be surrendered to an Authorized Dealer.