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**COMMERCIAL REMITTANCES**

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## CHAPTER 14

### COMMERCIAL REMITTANCES

#### 1. Freight and Passage Collections.

i) Shipping companies/airlines may accept freight and passage money in Rupees only in the under-noted cases without the prior approval of the State Bank:

- a) Exports from Pakistan made on freight prepaid basis against Form 'E'/ 'EFE' duly certified by Authorized Dealers /Declaration in case of PSW in terms of para 32 of Chapter 12 of the Manual.
- b) Imports into Pakistan on freight to collect basis:
  - aa) Against Authorized Dealer's certificate on form prescribed at Appendix V-29 in terms of para 24 of Chapter 13 of the Manual.
  - bb) Against SBP-Banking Services Corporation (SBP-BSC)'s approval for import on freight to collect basis in public sector in terms of para 25 of Chapter 13 of the Manual.
  - cc) Against certificate of importers for freight on Import of Trade Sample not exceeding Rs. 100,000/- per year.
- c) Freight on personal effects/excess baggage in accordance with the provisions laid down in paras 39(i) & 39(iii) of Chapter 17 of the Manual.
- d) Freight on Export of Trade Sample and gift parcels in accordance with the procedure laid down in para 39 (ii) of Chapter 17 of the Manual.
- e) Passage money in accordance with the instructions laid down in Chapter 17.

In all other cases prior approval of State Bank should be obtained before collecting freight in Rupees. For this purpose, applications should be made to the Foreign Exchange Operations Department (FEOD, SBP-BSC) giving the nature of the transactions and the reasons why freight cannot be paid in foreign currency.

- ii) <sup>1</sup>Shipping Companies/Airlines having offices in Pakistan or operating their ship/airlines in Pakistan can open and operate profit-bearing Pak rupee accounts in Pakistan. Agents of foreign shipping companies and airlines may also retain freight/passage collections in PLS accounts held in their own names.

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<sup>1</sup> FE Circular No. 5 dated March 17, 2003.

- iii) Cargo Consolidators/Forwarders who are a member of a freight forwarders association in Pakistan, which is registered with Director General of Trade Organizations, Ministry of Commerce and compliant with Trade Organizations Act, 2013 & Trade Organizations Rules 2013, may accept freight in rupees without the prior approval of the State Bank only in respect of Pakistani exports cargo on freight prepaid basis as per procedure prescribed in paragraph 32 of Chapter 12 of the Manual provided the consignment is being dispatched against Advance Payment or an irrevocable letter of credit which contains a provision for issuance of documents of title under Cargo Consolidation System and a certificate to this effect issued by the Authorized Dealer on Appendix V-12 is produced.

## **2. Reporting of Passage and Freight Earnings.**

Foreign airlines/General Sales Agents/Shipping companies/Shipping Agents are required to report each month to the State Bank full particulars of the passages and freight booked by them in Pakistan on form 'F.P. Airline'/'F.P. Shipping' in duplicate as per specimen appearing at Appendices V-36 and V-37. <sup>2</sup>The statements by foreign airlines/General Sales Agents and foreign shipping companies/agents i.e. Appendices V-36 & V-37 should be sent to Statistics and Data Warehouse Department of the State Bank of Pakistan at [f.air@sbp.org.pk](mailto:f.air@sbp.org.pk) and [f.ship@sbp.org.pk](mailto:f.ship@sbp.org.pk) respectively by 18<sup>th</sup> of the following month. While the Airlines should submit only one form 'F.P. Airline' in respect of bookings made by them and their agents, the Shipping Agents should submit separate statement (form F.P. Shipping) for each of their principals whose ships are handled by them during a month. The forms F.P. should be supported by bank encashment certificate in support of inward remittances received.

## **3. Remittance of Surplus Passage and Freight Collections by Foreign Airlines operating in Pakistan.**

i) The freight and passage collected in Pakistan can be remitted abroad after adjustment of amount spent for local disbursements and taxes payable. Remittance of passage collections or use thereof for local disbursement are permissible only after the relative journeys have actually been undertaken. Hence, Authorized Dealers (ADs) should not allow remittance unless journeys are actually undertaken. <sup>3</sup>The ADs may allow remittance of surplus passage and freight collections, twice a month on receipt of payments from the travel agents, of those foreign airlines/General Sales Agents which are keeping their collections with them, on submission of application along with the following documents: -

- a) A copy of F.P. Statement (Appendix V-36).
- b) Import/Export freight manifests.
- c) Authorized Dealers certificates as stated in paragraph 1 (i)(b)(aa).

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<sup>2</sup> FE Circular No. 07 dated August 18, 2016

<sup>3</sup> FE Circular No. 09 dated August 09, 2005.

- d) <sup>4</sup>BSP Sales Statement provided by the International Air Transport Association (IATA) along with the Counter Sales Report which contains full details of each sale transaction and other documents prescribed in Chapter 17. (Data contained in Appendix V-38 statement should readily be available with the concerned ticket issuing office).
  - e) Statement of passage/freight bookings earlier made on credit now realized (Appendix V-39).
  - f) Disbursement Statements (Appendix V-40).
  - g) Cancellation/refund statement (Appendix V-41).
  - h) Statement of outstanding passage/freight bookings on credit (Appendix V-42).
  - i) Auditor's certificate from an audit firm (having satisfactory QCR rating) showing remittable amount, payment of income tax, or exemption certificate given by the Revenue authorities.
  - j) An undertaking to repatriate back to Pakistan, the amount found by the State Bank, on post-facto checking, to have been remitted in excess of the entitlement.
- ii) Authorized Dealers will allow remittance of surplus passage and freight collections plus inward remittance, to the extent of amounts of passage and freight actually realized less disbursements, refunds, and income tax paid/payable. No remittance is to be allowed in excess of the balance available in the account, as it is not permissible to make remittances out of borrowed funds.
- (iii) <sup>5</sup>Airlines will retain photocopies of Tickets/Coupons/Airway Bills at their end for submission to the concerned Authorized Dealer, as and when required for random verification by the State Bank of Pakistan. Instead of submitting photocopies of tickets/ coupons/Airway Bills, they may attach with their remittance application, the Consolidated Sales Report that contains full details of each sale transaction including sales through digital mediums.
- iv) Supporting documents for repatriation of cargo revenue may be submitted by the Airline to the concerned Authorized Dealer within 120 days after departure of the cargo.
- v) <sup>6</sup>Airlines will submit a copy of manifest of Cargo Consolidators together with relative nonnegotiable copies of House Airway Bill (quoting reference of original Master Airway Bill issued by them with names of each shippers) and Certificates prescribed vide Para 32 of Chapter 12 of the Manual to the concerned Authorized Dealer within 120 days after departure of the cargo.

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<sup>4</sup> FE Circular No. 05 dated December 17, 2007.

<sup>5</sup> FE Circular No. 9 dated August 09, 2005.

<sup>6</sup> FE Circular No. 19 dated December 16, 2002.

- vi) <sup>7</sup>Authorized Dealers will retain all the documents mentioned in sub paragraph (i) alongwith Form 'M' submitted by foreign Airlines/General Sales Agents.
- vii) Any irregularity detected and advised by the State Bank shall be rectified by the concerned airline/GSA within ninety days or the amount under objection will be repatriated or adjusted from subsequent remittance, as applicable.
- viii) The Authorized Dealers will ensure submission of statement V-36 to the Statistics & Data Warehouse Department of State Bank of Pakistan before repatriation of surplus/ balance.

#### **4. Remittance of Surplus Passage and Freight Collections by Foreign Shipping Companies.**

i) Authorized Dealers may allow remittance of surplus passage and freight collections of those foreign shipping companies/agents which are keeping their collections with them, on submission of application alongwith the following documents: -

- a. A copy of F.P. Statement (Appendix V-43).
- b. Import/Export freight manifests.
- c. A copy of each bill of lading issued in respect of export on freight pre-paid basis, alongwith Authorized Dealers certificates as stated in paragraph 1.
- d. Passage Statement (Appendix V-38) alongwith photocopies of ticket coupons and other documents prescribed in Chapter 17.
- e. Statement of Passage/freight bookings earlier made on credit now realized (Appendix V-44).
- f. Disbursement Statements (Appendix V-45).
- g. Cancellation/Refund Statement (Appendix V-41).
- h. Statement of outstanding passage/freight bookings on credit (Appendix V-46).
- i. Authenticated copy of the charter party if the vessel calling at the ports in Pakistan has been chartered by the principals of the shipping agents in Pakistan.
- j. A copy of manifest of Cargo Consolidators together with relative non-negotiable copies of House Bill of Lading (quoting reference of original Master Bill of Lading issued by them with names of each shippers), Certificates prescribed vide

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<sup>7</sup> FE Circular No. 23 dated December 31, 2002.

Para 32 of Chapter 12 of the Manual and Encashment Certificate where freight is paid in foreign exchange separately.

- k. A copy of encashment certificate in respect of inward remittance (if applicable)
- l. Auditor's certificate from an audit firm (having satisfactory QCR rating) showing remittable amount, payment of income tax, or exemption certificate given by the Revenue authorities.
- m. An undertaking to repatriate back to Pakistan, the amount found by the State Bank, on post-facto checking, to have been remitted in excess of the entitlement.
- n. In case of Transit Trade, PRC evidencing receipt of equivalent PKR from the final destination country.

ii) Authorized Dealers will allow remittance of surplus passage and freight collections plus inward remittance, to the extent of amounts of passage and freight actually realized less disbursements, refunds, and income tax paid/payable. No remittance is to be allowed in excess of the balance available in the account, as it is not permissible to make remittances out of borrowed funds.

iii) <sup>8</sup>Authorized Dealers will retain all the documents mentioned in sub paragraph (i) alongwith Form 'M' submitted by foreign shipping companies/shipping agents.

iv) Any irregularity detected and advised by the State Bank shall be rectified by the concerned shipping company/agent within ninety days or the amount under objection will be repatriated or adjusted from subsequent remittance, as applicable.

v) The Authorized Dealers will ensure submission of statement V-37 to the Statistics & Data Warehouse Department of State Bank of Pakistan before repatriation of surplus/ balance.

#### **4A. Remittances of Container Detention Charges by Foreign Shipping Companies.**

i) Authorized Dealers may accept container detention charges (CDC) directly from the customers of shipping companies/ agents, in a separate PKR account opened for this purpose only. No other deposits whatsoever shall be made in such accounts by Authorized Dealers.

ii) Authorized Dealers may allow monthly remittance of CDC (net of disbursements, refunds, and income tax paid/payable) up to USD 100,000/- (for not exceeding 100 days) on Form-M to foreign principals of those foreign shipping companies/agents which are collected in the above mentioned accounts on submission of application along with the following documents: -

- a. Applicable Tariff Rate Sheet

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<sup>8</sup> FE Circular No. 23 dated December 31, 2002.

- b. Summary of Detention Charges along with copy of invoices
- c. F.P Shipment & Breakdown of Disbursement
- d. Copies of Tax payment receipt, agency agreement, valid customs shipping agent license.
- e. Auditors' certificate from an audit firm having satisfactory QCR rating confirming payment of income tax, genuineness of transactions and no duplication of payments (only for remittance beyond USD 10,000/- or equivalent per month)
- f. An undertaking to repatriate back to Pakistan, the amount found by the State Bank, on post-facto checking, to have been remitted in excess of the entitlement.
- g. In case of Transit Trade, PRC evidencing receipt of equivalent PKR from the final destination country.

Applications for monthly remittances beyond USD 100,000/- or where the payment of detention charges is for 101 days or more shall be forwarded to FEOD as per prescribed format along with relevant documents for approval.

**4B. Remittances of Demurrage Charges.**

Authorized Dealers may allow monthly remittance of demurrage charges (net of allowed lay time and other deductions, if any, and income tax paid/payable) up to USD 100,000 on Form-M to the Owner/Operator/Commercial Operator of vessels/ships/tankers on submission of application along with the following documents: -

- a. Valid agreement
- b. Copy of the Invoice/ debit note
- c. Lay time calculation time sheet verified from third party
- d. Port statement of fact
- e. Copy of B/L, GD
- f. Proceeds Realization Certificate (PRC)
- g. F.P Shipment & Breakdown of Disbursement
- h. An undertaking to repatriate back to Pakistan, the amount found by the State Bank, on post-facto checking, to have been remitted in excess of the entitlement.

Applications for remittances beyond USD 100,000/- shall be forwarded to FEOD as per prescribed format along with relevant documents for approval.

#### **4C. Remittances of Surplus Port Disbursement Funds by Foreign Shipping Companies.**

Authorized Dealer may allow remittance of surplus amount of port disbursement funds held by local offices of shipping companies/ agents back to their principals on Form-M, subject to valid Agency agreement, after the payment of port dues/charges and duly reported on the F.P. Statement, upon submission of application along with the following documents: -

- a. Customs & Port Charges Clearance with invoices
- b. Proceed Realization Certificate in Original
- c. Copy of Swift Message
- d. Copy of Schedule J/O-3
- e. F.P Shipment & Breakdown of Disbursement

#### **4D. Disbursement of Cash to Master of Ship arriving at Pakistani Ports.**

Authorized Dealer may disburse cash to master of ship arriving in Pakistan out of remittance received by them from owner of the ship/ shipping line abroad on submission of application along with the following documents: -

- a. Copy of Passport of the Master of the Vessel
- b. Copy of Crew List containing their names, passport numbers, country etc.
- c. Proceed Realization Certificate in Original
- d. Copy of Swift Message for amount realized

Authorized Dealers will retain all the documents mentioned in Para 4 and its subparagraphs along with Form 'M' submitted by foreign shipping companies/ agents.

Any irregularity detected and advised by the State Bank shall be rectified by the concerned shipping company/agent within ninety days or the amount under objection will be repatriated or adjusted from subsequent remittance, as applicable.

#### **5. Remittance of Freight Charges by Freight Forwarders/Consolidators.<sup>9</sup>**

(i) Authorized Dealers are allowed to effect remittances of surplus freight charges directly on behalf of concerned freight forwarder/consolidators on a fortnight basis, after verification of documentary evidence in support of the remittance.

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<sup>9</sup> FE Circular No. 06 dated May 15, 2006.

Authorized Dealer will require verification through the following documents at the time of allowing fortnightly remittances:

- a) Client's letter, indicating purpose of remittance, particulars of the beneficiary and beneficiary's bank along with bills/ invoices issued by foreign counterparty
- b) Agency Agreement or its renewal letter along with all amendments in the agreement with counterpart abroad (Annually).
- c) NTN and documentary proof from the applicant for being active tax filer.
- d) Membership certificate of freight forwarders association registered with Director General of Trade Organizations, Ministry of Commerce, which is compliant with Trade Organizations Act, 2013 & Trade Organizations Rules 2013.
- e) Certificate from a practicing Chartered Accountancy firm (having satisfactory QCR rating by Institute of Chartered Accountant of Pakistan) to the effect that the amount of remittance applied for has been verified with reference to authenticated copies of prepaid Master Airway Bill/Master Bill of Lading with the related House Airway Bill /House Bill of Lading, cargo manifests and billed invoices from counterparts abroad and had been found correct. However, this requirement will not be applicable on monthly remittance of up to USD 10,000/- or equivalent.
- f) M – Form.
- g) Statement of Freight collected and/or payable abroad against Shipments made during the month (Appendix V-47).
- h) Statement of Freight Payable against Imports on Consolidated basis by Air/ Sea during the month (Appendix V-48).
- i) Monthly Statement of Air/Sea Cargo Consolidation (Appendix V-49).

Authorized Dealers will retain copies of all such supporting documents at their remitting branches for SBP inspection as and when required or called for. Besides, Authorized Dealers will report all such transactions to FEOD (SBP-BSC) by 15<sup>th</sup> of the following month.

(ii) <sup>10</sup> The Shipping Companies/Air lines or their authorized agents may issue Master Bill of Lading (MBL) /Master Airway Bills (MAWB) in the name of the Freight Forwarders (as shippers) only if the same conforms to the following:

- a). Name of the Freight Forwarders/Consolidators will appear in shipper column of MBL followed by the wording "on behalf of exporter (s)" along with their names, related House

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<sup>10</sup> FE Circular No. 02 dated April 14, 2010.

Bill of Ladings/Airway Bills' numbers and dates. The above information may either be provided on the face of the MBL/MAWB or as an attachment with the notation on the MBL/MAWB as per the "attachment which constitutes an integral part of the MBL/MAWB".

b). Name of the counterpart of Freight Forwarders/Consolidators will appear in consignee column of MBL.

c). Name of the counterpart of Freight Forwarders/Consolidators will appear as notify party column of MBL.

d) (i) In case of FCL (Full Container Load)/FCL CY (Container Yard)/CY shipments, both MBL and HBL (House Bill of Lading) will be attached and sent through bank for the receiver to retire and Freight Forwarders/Consolidators to be given for delivery. Shipping Lines will not deliver cargo unless shipping line's MBL is surrendered at destination.

(ii) In case of LCL (Less Container Load) shipments, the cargo will be released/delivered to the Freight Forwarder's counterpart at the port of discharge who will release/deliver the goods against a duly endorsed HBL only.

e). In the body of the MBL following may be mentioned:

i). Goods Description.

ii). E-Form Number or Declaration Number Filed under PSW as the case may be & date of issue.

iii). Corresponding HBL number issued against carrier's B/L.

iv). Particulars of Actual Importer at destination.

f). Under no circumstances, the freight forwarders/consolidator/their agents or agents of shipping Company/airline may surrender MBL/MAWB to the carrier/agent in Pakistan and must instead be presented to the carrier by the Overseas Freight Forwarder/Agents at the destination/port of discharge.

Further, in the context of related regulations, the exporters/banks before carrying out transactions with their counterparts, freight forwarders, etc. should exercise due diligence/take necessary precautions to mitigate allied risks while making such arrangements.

## **6. General Average Payments.**

i) Applications for remittance of general average collected from consignees in Pakistan shall be made by the shipping companies/shipping agents on Form 'M' accompanied by the following information/documents:-

a) Circular of Insurance Association regarding general average.

- b) N.O.C. from the Insurance Association and National Insurance Company Limited about the remittance of the amount of the general average.
- c) The amounts collected from each individual consignee.
- d) List of cargo subject to general average.
- e) The general average bonds covering the collections.
- f) General Average Award.

Authorized Dealers may allow remittances on the basis of these documents. Further, they shall be under obligation to keep record of these documents alongwith Form 'M' submitted by shipping companies/shipping agents.

ii) Pending General Average Award, the Authorized Dealers may also issue bank guarantees in favour of the General Average Adjusters on submission of the information documents referred to from (a) to (e) above. Remittances under the guarantees will, however, be allowed by them on production of General Average Award.

iii) In the case of exports from Pakistan, if general average is declared and if the general average claim is paid by the overseas importer, the insurance company in Pakistan, with whom the goods were insured prior to shipment from Pakistan may be allowed to reimburse the amount to the overseas importer on production of the following documents, which should be submitted to the State Bank as mentioned in sub-para (i):

- a) Export Realization Certificate.
- b) All shipping documents viz. a copy of the bill of lading, invoice, insurance policy etc.
- c) Average deposit receipt duly endorsed by the overseas importer in favour of the insurance company in Pakistan.
- d) Letter of subrogation.
- e) An undertaking to render the account on finalization of the award.

## **7. Operating Expenses of Pakistani Shipping Companies/Airlines.**

Pakistani shipping companies and airlines are required to submit to Statistics & Data Warehouse Department of the State Bank a monthly statement of their earnings and expenditure at foreign ports in the prescribed forms (Appendices V-50 and V-51) supported by passage/ freight manifest for receipts and by vouchers in respect of payments <sup>11</sup>at [sdsa@sbp.org.pk](mailto:sdsa@sbp.org.pk) by 18<sup>th</sup> of the

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<sup>11</sup> FE Circulars No. 06 & 07 dated August 15 & 18, 2016

following month. They can make disbursements in respect of approved transactions only out of their receipts at foreign ports and they are under obligation to regularly repatriate the excess collections, if any, to Pakistan and attach the bank encashment certificates with the statement. In case the collections fall short of the disbursements, the shipping companies/airlines should make an application to the SBP-BSC for remittance of the deficit or for meeting bonafide individual items of disbursements like crew wages, bunkering charges, port dues, food charges, repair of ship/aircraft and purchase of durable stores etc.

<sup>12</sup>Authorized Dealers can make remittances on account of all lease (dry/ wet) rentals by the Airlines incorporated in Pakistan by reviewing the following documents:

- a) Attested copy of valid agreement
- b) Original invoices
- c) An audited statement showing the opening balance, earning, expenditure and net amount (surplus/deficit)

The Authorized Dealers will ensure submission of statements V-50 and V-51 to the Statistics & Data Warehouse Department of State Bank of Pakistan before processing inward/outward remittances.

## **8. Charter of Foreign Ships and Aircrafts.**

i) <sup>13</sup> Ship owners, charterers and operators and/or owners, charterers, and operators of all floating crafts including tugs, dredgers, survey vessels and other specialized crafts may open and operate foreign currency accounts in Pakistan. They will be permitted to operate these accounts for both receipts and payments of foreign exchange. Such foreign currency account holders may retain their surplus earnings in these accounts and shall surrender the same in interbank market within three months of closing of the financial year. Operation of such account will be subject to the following conditions:

- a) Cash deposits and cash withdrawals from these Accounts will not be permitted.
- b) All reporting requirements that are applicable for existing Foreign Currency Accounts maintained by the Shipping Companies abroad would also be applicable to those special Foreign Currency Accounts.
- c) All withdrawals in Pak Rupees will be at Interbank Rate.

(ii) Applications for remittance on account of chartering the foreign ships/aircrafts (net of local disbursements, and income tax paid/payable) to the Owner/Operator/Commercial Operator of vessels/ships/tankers/aircraft should be made on Form-M to the Authorized Dealers along with the following documents:

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<sup>12</sup> FE Circular No. 08 dated June 22, 2004.

<sup>13</sup> FE Circular No. 05 dated February 19, 2002.

- a. Valid charter party agreement
- b. An undertaking that detailed account of all disbursements made for the account of the owners will be submitted within 15 days of the expiry of the agreement
- c. Copy of freight Invoice/ debit note
- d. Copy of B/L, GD etc.
- e. Proceeds Realization Certificate
- f. F.P Shipment & Breakdown of Disbursement
- g. FE allocation, where applicable
- h. An undertaking to repatriate back to Pakistan, the amount found by the SBP-BSC, on post-facto checking, to have been remitted in excess of the entitlement.
- i. Permission for charter from the concerned regulatory authority (Civil Aviation Authority for non-scheduled civil chartered flights, Ministry of Foreign Affairs and Pakistan Civil Aviation Authority for chartered flights of foreign embassies and UN missions, Pakistan Air Force/Ministry of Defense in case of chartered flights conducted by Armed Forces)

The Authorized Dealer may approve the remittance to cover any advance payments required under the terms of the charter but the remittance of the total amount agreed upon will not normally be sanctioned until the final account of disbursements is made available to the Authorized Dealer. The charterers should seek from the owners' periodical reimbursement of the disbursements made on their behalf or have them adjusted from their remittances of charter hire.

## **9. Export Claims.**

Applications from exporters for remittance of various types of claims on exports should be made on Form 'M' accompanied by a declaration in the prescribed form (Appendix V-51A) duly supported by the following documents: -

### **(i) Quality Claims.**

- a) Proceeds Realization Certificate.
- b) Debit Note from the buyer.
- c) Test Report from a recognized Test House or an Arbitration Certificate from an approved body of arbitrators.

**(ii) Amicable Settlement.**

- (a) Proceeds Realization Certificate.
- (b) Debit Note from the buyer.
- (c) Certificate from the Chamber of Commerce in the country of import.
- (d) Correspondence in original exchanged between the shippers and the buyers. Original cables should be produced if cable charges are included in the Debit Note.

**(iii) Non-fulfilment of Export Contract Either in Full or in Part.**

- (a) Debit Note from the buyer.
- (b) Contract in original.
- (c) Arbitration award from a recognized arbitrator.
- (d) Correspondence in original exchanged between the buyer and the shipper.
- (e) In case of claim for partial non-shipment, Proceeds Realization Certificate for the quantity shipped.

**(iv) Inspection Fee, Arbitration Fee, Survey and Analysis Fee, Controlling Fee, Weighing Charges etc.**

- (a) Proceeds Realization Certificate.
- (b) Debit Note from the institution claiming fees.
- (c) Report from the above institution in support of the claim.

**(v) Miscellaneous Claims like Refund of Export Duty etc.**

- a) Proceeds Realization Certificate.
- b) Debit Note.
- c) Contract.
- d) Correspondence.

**(vi) Loss in Weight.**

- a) Proceeds Realization Certificate and Export Invoice.
- b) Debit Note from the buyers.
- c) Weighment Certificate/Note from a recognized weighing body and Controller's Report.

Applications in respect of items (iv), (v) and (vi) may be approved by the Authorized Dealers and retain record of prescribed documents. Applications in respect of items (i), (ii) and (iii) will, however, require approval from the FEOD (SBP-BSC).

## **10. Guarantees for Payment of Claims.**

i) In case of export of cotton only, Authorized Dealers may extend guarantees, in compliance of applicable laws/ regulation including prudential regulations, in favour of overseas importers for payment of claim, provided the following conditions are fulfilled:

- a) Advance payment or confirmed and irrevocable letter of credit for hundred percent value has been received in favour of the exporter.
- b) The amount of the guarantee does not exceed 5% of the total invoice value covered by the advance payment or confirmed and irrevocable letter of credit.
- c) The guarantee covers shipment of cotton only.
- d) The guarantee is valid for a maximum period of 30 days after the last date of discharge of cotton in the country of import.
- e) The guarantee provides for payment of claims on submission of Liverpool Cotton Association Arbitration Award in case of exports to U.K. and of internationally known associations in the case of export to other countries.

ii) Authorized Dealers may also allow remittance of claims falling within the terms of these guarantees provided the amount is fully covered by the Arbitration Award of the respective association. Authorized Dealers shall retain following documents along with relevant Form 'M':

- a) Relative Arbitration Award,
- b) Proceeds Realization Certificate, and
- c) Certificate confirming the date of discharge of cotton in the country of import.

## **11. <sup>14</sup>Acquisition of Services from Abroad.**

i) The firms or companies in Pakistan, intending to acquire any type of service in Pakistan from abroad for any purpose, excluding those services for which specific foreign exchange related instructions are issued by SBP, are required to obtain prior permission, from foreign exchange perspective, from Foreign Exchange Operations Department (FEOD), SBP-BSC.

ii) However, as an exception to the above para i, such services can be acquired from abroad without prior permission of FEOD, SBP-BSC, if total value, of a specific service to be acquired from abroad, does not exceed USD 25,000/- (or equivalent in other currencies), OR in case of recurring payments, the underlying service agreement/ letter of engagement, etc. is not more than five consecutive years and remittance(s) does not exceed USD 25,000/- (or equivalent in other currencies) for each year. The Authorized Dealers are allowed to effect remittance in such cases,

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<sup>14</sup> FE Circular No. 05 dated November 12, 2019.

based on the documents mentioned at para (vi) below, after fulfilling their responsibilities mentioned at para xiv below, and subject to meeting all other requirements.

iii) However, where the nature of services does not specifically require entering into an agreement/letter of engagement or it does not seem logical to have the underlying agreement/letter of engagement, Authorized Dealer may process such requests for remittance not exceeding USD 10,000 (or equivalent in other currencies) in a year, on payment verses receipt mechanism. Under this mechanism, the applicant shall submit the payment receipts showing the details of payment made and services received or to be received, to the designated Authorized Dealer within 7 working days, from date of receipt of amount by the beneficiary. Authorized Dealers shall monitor the aforesaid limit and hold future requests of the applicant, in case the payment receipts are not submitted within the defined timeline. The Authorized Dealer may resume affecting remittances of the applicant upon submission of payment receipt along with plausible justification for delay. However, such resumption shall only be allowed twice in a year. Authorized Dealers may also process requests of individuals, not exceeding USD 2,500 for remittance of thesis evaluation fee etc. under payment verses receipt mechanism.

iv) Moreover, acquisition of services of agents abroad for export of goods from Pakistan will not require prior permission of FEOD, SBP-BSC if commission/brokerage is paid in terms of authority delegated vide Chapter 12. All other cases irrespective of amount shall be referred to FEOD, SBP-BSC for approval along with Export Proceeds Realization Certificate, Debit Note and Agreement regarding acquisition of services, copy of the Export Price Check (EPC) form registered with the relevant authority, if the goods are subject to "Export Price Check" procedure. The EPC form should show the rate of commission.

v) All applications for acknowledgement of service agreement/ letter of engagement, etc. and designation of authorized dealer for effecting all related remittances in future, or seeking specific prior permission, shall be submitted to the Director, FEOD, SBP-BSC, through an authorized dealer, which the applicant wants to be designated.

vi) Following documents will be submitted by the applicant to Authorized Dealer along with the application:

- a. Copy of draft service agreement/ letter of engagement, etc. covering all necessary clauses of names/ addresses of both parties, complete scope of services, duration, total contract price, terms of payment, schedule of remittances, milestones to achieve, arbitration, in case specific remittance schedule is not available upfront an estimated periodical remittance plan for contract period; provided that any late payment surcharge/ interest is not agreed therein.
- b. Documentary proof from the applicant for being active tax filer.
- c. Justification i.e. valid and cogent arguments with related evidences, for acquiring the specific services from abroad, instead of acquiring from the local sources.

- d. In case the applicant is a financial institution or a bank or an authorized dealer itself, then the required documentation will also include copy of internal approval from the appropriate approving authority for the underlying arrangement of services from abroad, duly supported by the relevant regulatory framework (if applicable).

vii) Authorized Dealer will forward all the above mentioned documents to FEOD, SBP-BSC along with its analysis, rationale/justification and specific recommendation supporting its customer's (applicant's) request, seeking acknowledgement of the underlying agreement/ letter of engagement, or prior permission for acquiring services from abroad and etc.

viii) In the case where underlying service agreement/ letter of engagement, etc. requires payment (fully or partly) in advance:

- a. The amount of advance payment will be repatriated, if the provision of services is not initiated, within 120 days from the date of its remittance. An undertaking by the applicant shall also be submitted with the application, in this regard.
- b. The designated Authorized Dealer will be responsible to obtain Confirmation from applicant in the form of 'Certificate of Commencement of Services' and subsequently the 'Certificate of Completion of Services acquired from abroad'.
- c. In case the provision of services is not initiated and the amount of advance payment is not repatriated, within 120 days (from the date of remittance of advance payment), OR the services are not completely rendered within the time period as stipulated in service agreement/ letter of engagement, etc.; the designated Authorized Dealer will report all such cases to FEOD, SBP-BSC on the 10th day of following month as per prescribed format (Appendix V-145). FEOD, SBP-BSC may initiate regulatory action against the remitter through Foreign Exchange Adjudication Department, SBP/BSC, under the Act.
- d. The designated Authorized Dealer will ensure that no further remittances under the acknowledged service agreement/ letter of engagement, etc. is effected until the issue of advance payment is resolved.

ix) In case prior permission is granted and/ or the underlying service agreement/ letter of engagement, etc. is acknowledged, FEOD, SBP-BSC shall not be construed as a party thereto. Further, adherence to all laws, rules and regulations shall be responsibility of the parties to the service agreement/ letter of engagement, etc.

x) Once prior permission is granted or the concerned Authorized Dealer is designated and underlying service agreement/ letter of engagement, etc. is acknowledged by FEOD, SBP-BSC, the designated Authorized Dealer may allow remittances or establish letter of credit for payments, on production of beneficiary's service invoices/bills duly certified by the applicant in Pakistan, in accordance with the underlying acknowledged service agreement/ letter of engagement, etc. All the matters related to such letters of credit (types, opening, extension, amendment, time

frame, method of payments, etc.) shall be dealt as per the relevant provisions of Chapter 13 (Imports) of the Foreign Exchange Manual.

xi) The designated Authorized Dealer will obtain copy of underlying acknowledged service agreement/ letter of engagement, etc. duly signed and stamped by the contracting parties, before making any payment/ remittance in favor of the service provider.

xii) In case the agreement is not executed within 60 days, from the date of its acknowledgement, the Authorized Dealer will report its status to FEOD, SBP-BSC.

xiii) Any subsequent amendment in the underlying acknowledged service agreement/ letter of engagement, etc. will require prior permission of FEOD, SBP-BSC.

xiv) While processing the transaction, Authorized Dealer shall be responsible to:

- a. Take all possible measures to verify the bona fides of the applicant and genuineness of transaction and to exercise due diligence for all submissions of the applicant.
- b. Ensure compliance with the applicable AML/CFT laws, regulations and guidelines while effecting outward remittances, as per the service agreement/ letter of engagement, etc.
- c. Ensure that the payment, being made is in accordance with the underlying service agreement/ letter of engagement, etc.
- d. Ensure to obtain 'Certificate of Completion of Services acquired from abroad' before effecting remittance. However, in case of advance payment, 'Certificate of Commencement of Services' shall be obtained within 120 days of its remittance, and 'Certificate of Completion of Services' shall be obtained certifying that the services have been completely acquired within the time period stipulated under the service agreement/ letter of engagement, etc.
- e. Ensure repatriation of advance payment, in case the provision of services is not initiated within 120 days from the date of its remittance, or the services are not completely rendered within the time period as stipulated in the acknowledged service agreement/ letter of engagement, etc.
- f. Deduct all applicable taxes (if any) while effecting each outward remittance as per the service agreement/ letter of engagement, etc.
- g. Ensure compliance each of the terms and conditions/ instructions of FEOD, SBPBSC including follow-up, where applicable.
- h. Maintain applicant wise documents, including record of remittance(s) effected by it.

xv) Incomplete requests shall not be considered for acknowledgement/designation by FEOD, SBP-BSC.

## **12. Remittance of Royalty/Franchise and Technical Service Fees.**

(i) **Definitions:** Royalty, Franchise and Technical Service (RFT) Fees are defined as under:-

**a) Definition of Royalty:** Royalty is a fee paid by a local firm to the foreign collaborator in consideration of right to use any patent, invention, design or model, secret formula or process, trademark or other intangible property or right. Royalty is for the right to use, transfer of all or any rights, granting of a license, receiving any information concerning their working or use and receiving of any technical, industrial, commercial or scientific knowledge, experience or skill. Essentially, Royalty signifies payment for ‘user right’ and it could be an annual payment or a pre-decided periodical payment.

**b) Definition of Franchise Fee:** Franchising is a specialized license where the franchisee is allowed by the franchisor in return for a fee to use a particular business model and is licensed with a bundle of Intellectual Property rights (trademarks, service marks, patents, trade secrets, copyrighted works etc.) and supported by training, technical support and mentoring.

**c) Definition of Technical Service Fee (TSF):** It is a fee paid (whether periodic or lump sum) by the local firm to the foreign collaborator for any managerial, technical or consultancy services. The service provider makes his technical knowledge, experience, skill, know-how etc., known to the recipient of the service, so as to equip the recipient to independently perform the technical function in future, without the help of the service provider. TSF may also cover development/ transfer of a plan or technical design. For example :-

- i. Engineering and Technical Services which includes assistance in processes, testing and quality control, assistance by way of making available patented process and/or secret know-how and right to avail of the technical/confidential information resulting from continuous technical research and development etc; and
- ii. Technical training of local personnel.

The difference between TSF and royalty is that in case of royalty the owner enables the user to use the technology/know how while in case of TSF the owner uses his technology to perform some services for users against certain consideration.

**d) Exclusions from Royalty/Franchise & Technical Service Fee:** The contract for supply of equipment, giving information/ guide the buyer to install the equipment at site would not be treated as royalty/ technical service if the same are being claimed as salary of non-residents. Similarly, providing any information in the course of advisory services from own knowhow and experience will also not amount to imparting of any information in context of royalty. Likewise, the amount must not be in the nature of capital gains or the transaction must not be an outright sale. No payments is allowed in cases where the recipient is not the owner/license holder of the underlying asset in connection with which the royalty is received. In case of doubt, the matter should be referred to the State Bank as SBP reserves the right to define the exclusions as every case of providing any information concerning commercial, industrial, technical or scientific knowledge; expertise or skill by itself would not fall under the definition of royalty/franchise or technical service. Each agreement of royalty/franchise or technical service must include the benefits for the country in the form of value addition like, export generation, import substitution, employment generation and development of technical knowhow. No technical fee shall be allowed for simple conventional processes/

goods, which are being undertaken/ produced in the country without foreign technical collaboration.

**(ii) Rate of Royalty/Franchise, Technical Service (RFT) Fee.**

**(a) Manufacturing Sector**

(i) The entities belong to manufacturing sector may be allowed initial lump sum/ onetime fee payable to the foreign collaborator for providing RFT services up to USD 1,000,000/-. The recurring/ aggregate payment of royalty/franchise and technical fee should not exceed 8% of the net local sales of the unit/component (excluding sales taxes & imported cost of component) for which foreign collaborator has provided know how. In case of export sales of the unit/component, royalty/technical fee may be remitted up to 10% on net export sales (excluding sales taxes & imported cost of component) of the said units/components of the relevant period.

**Permissible RFT structure for Manufacturing Sector**

Sector	Lump sum/ Upfront Fee	Recurring Royalty	Maximum Duration of Agreements (Including all amendments)
Manufacturing	USD 1,000,000*	Up to 8% of net sales (excluding taxes and cost of imported components)	10 years
Manufacturing – Export related		Up to 10% of net export sales (excluding taxes and cost of imported components)	15 years

\* In case upfront fee is required to be remitted beyond the above limit, the differential amount above the limit together with recurring royalty should not exceed the prescribed percentage of net sales of relevant period.

**(b) Agriculture, Social, Infrastructure and Service Sector projects including international food chains (excluding financial sector)**

(i) The entities belonging to above sectors may be allowed initial lump sum/onetime fee payable to the foreign collaborator providing RFT services up to USD 100,000/- with recurring payment at the rate up to 5% of the net local sales pertinent to RFT agreement (excluding sales taxes & cost of imported items).

**Permissible RFT structure for Agriculture, Social, Infrastructure and Service Sector**

Lump sum/ Upfront Fee	Recurring Royalty	Maximum Duration of RFT Agreements (Including all amendments)
USD 100,000*	Up to 5% of net sales (excluding taxes & cost of imported items).	05 years

\*In case Lump sum/upfront fee is required to be remitted beyond the aforesaid limit, the differential amount above the permissible limit together with recurring royalty should not exceed the prescribed percentage of net sales of relevant period.

(ii) For mere use of brand name only, the maximum RFT fee would be restricted up to 2.0% of net sales. Example of such cases may include but not limited to RFT paid by retail stores

etc. Similarly, if entities fail to provide any verifiable evidence of value addition/ transfer of technical knowhow, the RFT fee would be restricted up to 2.0% of net sales.

**(c) Financial Sector**

(i) Commercial Banks, Non-Banking Financial Institutes (NBFIs), leasing/ modaraba companies investment banks and other entities in financial sector regulated by State Bank of Pakistan or by Securities and Exchange Commission of Pakistan requiring payment of RFT fees, or any other directly related charges to the foreign entities shall approach the Foreign Exchange Operations Department, SBP-BSC on a case to case basis along with attested copy of agreement and other relevant information/documents including copy of management approval from the appropriate approving authority duly supported by the relevant regulatory framework (if applicable).

**Permissible RFT structure for Financial Sector**

One time lump sum (Upfront) RFT Fee	Recurring RFT, commission or handling charges/any other directly related charges	Duration of Agreement
USD 500,000*	**Up to 0.25% in aggregate of customers' billing net of taxes/surcharges	5 years

\*Lump sum fee shall be allowed from interbank market.

\*\*The charges would either be recovered from the customers or met through the financial institution's own resources. No foreign exchange would be provided/utilized for this purpose from the interbank market.

(ii) Permission for standby LC/guarantee, if required, would be granted on the merit of each case.

**(iii) Principles/Guidelines for RFT Agreements**

With the objective of facilitating businesses, all agreements conforming to the below terms & conditions would not require any approval/ acknowledgement from SBP:-

- a) The applicant's request should clearly demonstrate the value addition/ value creation through the RFT agreements. Complete documentation pertaining to right of use, acquisition of knowledge/ technical know-how shall be provided.
- b) The information submitted in the application shall be verified by the external auditor (having satisfactory QCR rating) of the company. The auditor shall verify the basis and actual calculation of the amount payable along with its comments on the value addition.
- c) The fee payable under proposed RFT agreements should not be more than the prescribed ceiling rates. The applicants are expected to keep their agreements within the optimal limits and in case the maximum limit is necessary, the justification needs to be documented appropriately. All cases beyond the prescribed rate pertaining to Manufacturing Sector shall be forwarded to FEOD (SBP-BSC) with necessary details/ justifications.
- d) RFT fee will be permissible maximum up to years prescribed in tables above, for any product/ brand.

- e) The RFT rate needs to reflect the prevailing market price. In case the counterparty is a related party, external auditor of the applicant shall certify that principles of arms-length pricing has been observed and the basis of pricing are transparent and verifiable.
- f) RFT against imported goods (from third/related parties and sold under own/different brand) would only be allowed to the extent of the prescribed percentage of any value addition done locally i.e. local sales of component by deducting the cost of imported items & taxes from the relevant sales.
- g) The RFT fee would be allowed only for those items, which are core items of franchise and have specialties of the trade name.
- h) No item will be eligible for twice payment of RFT Fee. In other words, the payment of fee shall not be admissible for those items whose franchise is not held by the applicant or are sold under some other brand names. For example, fast food chains selling soft drinks. However, this condition shall not be applicable to the RFT paid under sub-para ii (b(ii)) of para 12 *ibid*.
- i) ADs should only allow RFT for technical and unconventional processes, goods, or services, which are core for the business model and cannot be produced in the country without foreign technical collaboration.
- j) RFT computation would be based on net local sales of component that will exclude all taxes and imported (Direct/Indirect) components; whereas, Export sales will be based on FOB price, net of taxes and imported components.
- k) Formal agreement of RFT needs to be executed between the parties for collaboration while assuring that it is valid for business year of the resident company and contain no clause related to penalty for delayed payment.
- l) Branch offices of the foreign entities will not be eligible for any RFT fee/payments.
- m) Where RFT is to be allowed on deleted/localized components, it shall be based on the proportionate sales price (net of sales tax and imported components) attributed to the deleted/localized components in question.

**(iv) Acknowledgement of RFT Agreements & Designation of Authorized Dealer**

- (a) The Authorized Dealers have general permission of SBP for remittances pertaining to RFT fees in accordance with procedure prescribed. For this purpose, Authorized Dealers shall set up a centralized unit at their Head Office, which shall be responsible for review and acknowledgment of RFT agreements. This unit shall be staffed with officers well versed with RFT instructions and shall be headed by a senior officer.
- (b) The applicants whose draft agreement comply with instruction provided in para 12(iii) will approach the centralized unit of an Authorized Dealer of its convenience, through the concerned branch, on the prescribed form (Appendix V-52) for one time acknowledgement of respective agreement along following documents:

- i. Application duly signed by CEO/ CFO of the company addressed to the concerned branch/head of centralized unit.
- ii. Board Resolution certified by the company secretary to authorize CEO/CFO of the company to enter into respective agreement and handle relevant modalities including name of foreign counterparty, applicable rate, periodicity of remittance and name of intended banker for remittance.
- iii. Certified copy of draft agreement with applicable amendments, if any. After execution of agreement, the certified copy is also required to be submitted.
- iv. Undertaking by the company duly executed by the CEO/CFO to the effect that applicant has neither obtained acknowledgment/designation of the said agreement through another Authorized Dealer nor made any remittance there against. A copy of such undertaking shall be submitted to FEOD – SBP-BSC by the centralized unit of the concerned Authorized Dealer under its cover within three working days from the date of acknowledgement of agreement. In the event of misuse, SBP, SBP-BSC shall initiate penal action against delinquent entity/Authorized Dealer under relevant provision of Foreign Exchange Regulation Act, 1947.
- v. The centralized unit of Authorized Dealers will review agreement (including clearance from Head of Compliance) and issue internal approval to respective branch/revenue center for issuance of acknowledgment letter of the agreement as well as designation of the banker.
- vi. The applicant will make enhanced disclosures of total amount of remittance made under respective RFT agreements and name of the designated banker in the liability / expense notes of its annual audited financial statements.
- vii. Where the designation of Authorized Dealer is required to be changed, the applicant will obtain approval from its Board of Directors and furnish certified copy of resolution along with above applicable documents in addition to external auditor's certificate to confirm the amount of RFT remitted under the agreement and NOC from the centralized unit of the concerned Authorized Dealer.
- viii. The centralized unit of previous designated Authorized Dealer shall be required to issue the NOC and share the record related to acknowledgment & Designation of agreement and year wise amount of remittance allowed thereunder. The issuance of NOC and transfer of relevant record should be completed within 07 working days from the date of request received from the centralized unit of new Authorized Dealer.

(c) The cases which do not comply with above parameters may be referred by the centralized unit of concerned Authorized Dealer to FEOD of SBP (BSC) with specific recommendation of Group Head-Compliance for policy guidance, waivers etc.

(d) After obtaining acknowledgment & designation letter, the applicant may remit RFT fees through the concerned branch of designated Authorized Dealer without any approval of the State Bank while observing following documents.

- i. Application for remittance of the Fee is submitted by the entity concerned in the prescribed form for RFT (App. V-53).
- ii. The CEO or CFO of the applicant would sign & stamp the respective invoices to verify the calculations of RFT fees.
- iii. The remittances are to be allowed against invoices certified by external auditor, having satisfactory QCR rating, exhibiting necessary deduction of taxes and certifying compliance of above principles for RFT agreements.
- iv. All remittances will be subject to deduction of applicable Govt. taxes, duties or fees or an exemption certificate issued by the tax authority in lieu thereof, which will be provided to centralized unit of the designated Authorized Dealer for record keeping and review of inspection/audit teams.

(e) The Group Head Compliance / Operations will ensure placement of necessary controls at their centralized unit for review of such agreements, designation of the bank and issuance of respective authorization for the field offices besides maintaining a centralized computerized MIS regarding acknowledgment of agreements and remittance of RFT fee there against for review of SBP inspection teams. Further, they shall be required to submit the details of agreement acknowledged on the following format to FEOD, SBP-BSC on monthly basis latest by 5<sup>th</sup> working day of every month:

Sr. no.	Name of Applicant	Name of Beneficiary	Upfront Fee	Percentage of Recurring Royalty	Period of Agreement	Underlying Product	Benefit for Economy
1	2	3	4	5	6	7	8

#### **12A. Business Processes Outsourcing (BPO) for Non-Core Activities.**

Outsourcing of non-critical/ non-core business processes to foreign entities (group affiliates or third party service providers) by locally incorporated firms (whether wholly owned or not by the foreign entity) shall be examined by SBP-BSC and allowed on a case-to-case basis, depending on the provisions of such agreements and related industry practice. The following information along with supported documents will be submitted for one time acknowledgement of agreement to Foreign Exchange Operations Department (FEOD) SBP-BSC. After thorough evaluation of submission, FEOD shall acknowledge the agreement subsequent to which the AD will allow remittance in accordance with applicable regulations:

- i) Application duly signed by CEO/ CFO of the company addressed to the Director FEOD, SBP (BSC).

- ii) Board Resolution certified by the company secretary to authorize CEO or CFO of the company to enter into respective agreement and handle relevant modalities including name of foreign counterparty, applicable rate, periodicity of remittance and name of intended banker for remittance.
- iii) The information submitted in the application is verified by external auditor, having satisfactory QCR rating, of the applicant. The documentation must include certification by the external auditor with itemized list of costs, its basis, related calculations, comments on the deliverables and quantifiable economic benefits for the resident and country.
- iv) In case the counterparty is a related party, the principles of arms-length pricing are to be observed and the basis of pricing should be transparent and verifiable. The related party/Group needs to provide independent assessment from its independent auditor regarding the basis of allocation, formula used for cost allocation by head office, invoices value and compliance of OECD guidelines of transfer pricing.
- v) Formal agreement will be executed between the parties for collaboration while assuring that it is valid for certain period and contains no clause related to penalty for delayed payment.
- vi) Total BPO and any other service acquisition from overseas group affiliates /third parties should not exceed 15% of operating cost (excluding interest & taxes) of the applicant in the relevant period and a certificate to this effect by an external auditor of the company will be furnished. However, the applicant shall be required to submit valid justification of utilization of maximum limit.
- vii) In case of BPO to Group Affiliates, the services obtained shall be Group's standard support services and are being provided to all affiliates on a world-wide basis. Any disallowance by tax authorities as deductible expense through its amended assessment orders in previous years will be adjusted first before remitting the funds abroad.
- viii) The applicant will make enhanced disclosures of total amount of remittance made under respective BPO agreements and name of the designated banker in the liability / expense notes of its annual audited financial statements,
- ix) The remittance on account of activities performed by non-residents solely because of their ownership interest in resident group affiliate, such as Management Controls, Internal Controls, Governance, and allocation of Executive time devoted, will not be permissible.

**13. Technical Services and Consultancy Agreements and Engagement of Foreign Technicians for installation, commissioning of plant and training of personnel.**

Foreign experts/technicians may be employed by the local entities in private sector for rendering such technical services as supervision of installation, commissioning of plant and training of personnel.

Authorized Dealers may accordingly allow remittances for engagement of foreign experts/ technicians to foreign firms or establish letters of credit available for payment of such charges on production of beneficiary's service invoices/ bills duly certified by the employers in Pakistan. The Authorized Dealers will keep record of following documents and relevant M form:-

- i) Copy of the service agreement entered into with the foreign firms.
- ii) Beneficiary's service invoices/ bills duly certified by the employers in Pakistan confirming that the services outlined on the Beneficiary's service invoices/ bills have been satisfactorily completed by the service provider.

It will be the exclusive responsibility of the Authorized Dealers to ensure that income tax has been correctly deducted from the amount payable to the foreign beneficiaries and paid to the income tax authorities or exemption certificate from the income tax authorities is called and recorded with the Authorized Dealers.

#### **14. Remittances of Information Technology Sector.**

(i) <sup>15</sup>Authorized Dealers have general permission to release foreign exchange up to a maximum of US\$ 100,000/- or equivalent in other currencies per invoice on behalf of private sector companies incorporated in Pakistan and <sup>16</sup>those branches of foreign companies which are operating in Pakistan with the permission of Board of Investment to undertake permissible business/commercial activities, pay local taxes and periodically repatriate their profit abroad under Para 15 of this Chapter, for payments of the following charges on account of utilization of Information Technology services:

- (a) Satellite Transponder Charges.
- (b) International Bandwidth Charges.
- (c) International Internet Service Charges.
- (d) International Private Line Charges.
- (e) Software License/Maintenance/Support Fees for proprietary/specialized software.
- (f) Subscriptions/ payments for access to foreign electronic media and databases.

The above remittances may only be made through a bank designated by the remitters for the purpose. Application in this regard should be submitted to the FEOD, SBP-BSC through an Authorized Dealer along with the following:

1. Agreement, if any.
2. Original invoice/demand note or payment plan if the payments are periodical in nature.

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<sup>15</sup> FE Circular No. 12 dated July 07, 2004.

<sup>16</sup> FE Circular No. 15 dated October 20, 2004.

(ii) The designated Authorized Dealer shall remit the payments as per the invoice or payment plan after receiving the invoice in accordance with the agreement and upon satisfying itself with the genuineness and bonafides of the requests through Government approvals/NOCs/licensing or certifications etc. The designated Authorized Dealer shall also be responsible to execute remittance after deduction of all applicable taxes / duties or obtain exemption certificate in lieu thereof issue by Federal Board of Revenue.

(iii) The threshold for remittance mentioned in paragraph (i) above shall not be applicable to the following entities and they shall have to approach Foreign Exchange Operations Department, (FEOD, SBP BSC) for obtaining approval for remittance on account of utilization of Information Technology services, as mentioned above, along with applicable documents:

- (a) Liaison/Project Offices of foreign companies (other than branches of foreign banks)
- (b) State Bodies and Enterprises

#### **14A. Remittances to Digital Service Provider Companies.<sup>17</sup>**

Notwithstanding anything contained in Para 14, Chapter 14 of FE Manual, Authorized Dealers may release foreign exchange up to a maximum of USD 400,000, or equivalent in other currencies, per year (starting from the date of designation of Authorized Dealer), for each company/ firm/ sole proprietorship incorporated/ established in Pakistan on account of commercial payments, pertaining to digital services, in favor of digital service provider companies. This general permission is subject to following:

- i) The ultimate beneficiary of remittances should only be the company (including their affiliates or associated entities) listed in the Appendix V 147. However, up to a maximum amount of USD 40,000/-, out of the total annual limit of USD 400,000/-, can be remitted to those digital service provider companies which are not listed in the Appendix V 147, against acquisition of digital services.
- ii) The remittances should only be made by an Authorized Dealer designated by the remitter for this purpose under acknowledgement to Foreign Exchange Operations Department (FEOD) SBP-BSC. No Authorized dealer will remit funds under this general permission unless it has been acknowledged as designated Authorized Dealer by the FEOD SBP-BSC.
- iii) All applications for acknowledgement shall be submitted to the Director, FEOD, SBP-BSC, through an Authorized Dealer, which the applicant wishes to be designated.
- iv) Authorized Dealer will ensure that it has satisfied itself with the genuineness and bonafides of the applicant, through appropriate CDD and customer risk profiling, specifically in light of AML/CFT regulations.

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<sup>17</sup> FE Circular No. 04 dated August 13, 2020

- v) Authorized Dealer will forward the requests regarding designation of Authorized Dealer to the Director, FEOD, SBP - BSC for acknowledgment along with the applicant's request letter and business profile.
- vi) Once acknowledged by FEOD, the designated Authorized Dealer may affect remittances after deduction of applicable taxes (if any) while ensuring that payments are within the prescribed limit.
- vii) The entity is required to submit the payment receipts (digitally or otherwise), showing the details of payment made and services received or to be received, to the designated Authorized Dealer within 7 working days, from date of receipt of amount by the beneficiary.
- viii) Authorized Dealers are advised to monitor these limits on real time basis and hold all future remittances of its customer, in case the customer could not submit the payment receipts within the defined timeline. The Authorized Dealer may resume affecting remittances of the customer upon submission of payment receipt along with plausible justification for delay. However, such resumption is only allowed twice in a year.
- ix) In case of change in the designated Authorized Dealer by an entity, previous Authorized Dealer is required to communicate the details of the limits utilized by the entity during the year to the new Authorized Dealer, within three working days from the date of request received from the entity through the new Authorized Dealer. The new Authorized Dealer will approach FEOD for acknowledgment of its designation, along with the customer's request and communication issued by the previous designated Authorized Dealer regarding the limits utilized by the applicant during the year.
- x) The applicant entity should be on FBR's active tax payer list. In case exemption from taxes is claimed, the exemption certificate may be kept in lieu thereof. In case the entity is in its first year of establishment and not required to submit the tax returns as yet, the Authorized dealer will capture the relevant details i.e. proof of establishment date, NTN etc.

Authorized dealers may offer the digital channels to their clients, for making these payments, within the prescribed parameters. Applications for remittance beyond above referred limits may be made under para 11 ibid to Foreign Exchange Operations Department, SBP-BSC, Karachi.

**15. Remittance of Profits/ Head Office Expenses/ Winding up Proceeds by Branch/ Liaison Office of Foreign Banks & Companies.**

- (i) Branches of foreign firms and companies, other than banking companies, operating in Pakistan shall submit application through an Authorized Dealer, intended to be designated for the purpose of remittance of profit/head office expenses to Exchange Policy Department (EPD), State Bank of Pakistan Karachi for Acknowledgment. Such application shall be accompanied by documentary evidences to the effect that the firm was in existence and conducting business

operations in Pakistan prior to 3<sup>rd</sup> October, 1963 or permission letter from the Board of Investment for conducting business operations in Pakistan if the branches of foreign firms and companies were established in Pakistan on or after 3<sup>rd</sup> October, 1963.

(ii) After acknowledgement of EPD, the designated Authorized Dealer may remit the profit/head office expenses/winding up proceeds of branch/liaison office after reviewing the information/documents mentioned in succeeding paragraphs.

**(a) Remittance of Profit/Head Office Expenses:**

Applications for remittance of net remittable profits/ head office expenses by the branches of foreign companies other than banks, operating in Pakistan to their Head Offices abroad should be submitted on Form 'M' to the designated Authorized Dealer duly supported by the following information/documents:

- a) Audited Financial Statements of the branch(es) in Pakistan with complete notes thereon for the period in question and latest year.
- b) Audited Consolidated Balance Sheet and Profit & Loss Account of the Head Office.
- c) Reconciliation of the Head Office Accounts certified by external auditor.
- d) Tax provision made during the year for (i) the current year and (ii) prior years along with its computation.
- e) A certificate from the auditors in Pakistan that tax provision in the accounts is sufficient to meet all tax liabilities in Pakistan including any tax contingencies, which may arise in future.
- f) Assessment orders for the previous years, if not submitted earlier.
- g) Certificate from the auditors showing the liability for staff gratuity as at the close of accounts and provision there against. If no provision has been made, reasons thereof.
- h) Details of other/miscellaneous income and Head Office expenses if not provided separately in Financial Statements.
- i) Amount charged/claimed on account of Head Office expenses for the current year (if not separately shown in the accounts) and the basis of its calculation alongwith Head Office expenses claimed/allowed by the Income Tax Authorities for the preceding 3 years.
- j) Full particulars of additions, if any, made to fixed assets in Pakistan, during the period and the source of funds utilized for financing such additions.
- k) Confirmation to the effect that sufficient cash flows are available and no credit financing/ loan will be required to fund the remittance of profits/head office expenses.

- l) Certificate from external auditor that amount charged under HO expenses does not contain any interest on actual cost of goods /services provided to branch. Besides, for Head Office expenses, the basis of allocation of expenses and certification from the external auditor of the Group/Head Office is also required certifying the fact that the transfer pricing complies with the OECD guidelines. Further, the local external auditor of applicant would also certify about the services/deliverable received along with compliance of all FBR rules/ regulations (including transfer pricing).
- m) In case branch (es) intend to make remittance of profit in installments, complete schedule thereof will provided.
- n) Certificate from external auditor showing calculation of Head Office expenses in terms of section 105(2) of Income Tax Ordinance 2001 as amended from time to time.
- o) Certificate from external auditor to the effect that tax & legal related contingencies
- p) Valid Permission of BOI or documentary evidences to the effect that the firm was in existence and conducting business operations in Pakistan prior to 3<sup>rd</sup> October, 1963.

**(b) Remittance of Winding up proceeds of Branch/Liaison Office:**

Application for remittance of winding up proceeds of Branch/Liaison Office shall be submitted to designated Authorized Dealer upon complete closure/winding up as the case may be along with the following documents in addition to applicable for profit / Head office expenses mentioned above:

- a) External Auditor's certificate on the following areas with supporting documents wherever applicable:
  - (i) Indicating the manner in which the remittable amount has been arrived at duly supported by a statement of assets and liabilities of the applicant indicating therein the manner of disposal of assets;
  - (ii) Confirming that all liabilities in Pakistan including arrears of gratuity, tax and other benefits to employees, etc. of the office have been either fully met or adequately provided for.
  - (iii) Confirming that all income accruing from the resources of Pakistan (including proceeds of exports) have been repatriated or realized in Pakistan.
  - (iv) Confirmation from the applicant/parent company that no legal proceedings in any court/tribunal of Pakistan are pending against the Branch/Liaison Office and there is no legal impediment to the remittance.
  - (v) Confirmation to the effect that compliance of applicable regulations of Securities Exchange Commission of Pakistan and Board of Investment regarding

closure/winding up of Branch/Liaison office has been observed. An Undertaking from the Principal/Head Office that any liability if identified to be payable as per Laws of Pakistan, the same will be settled by them on first legitimate demand without any delay.

b) No Objection Certificate from concerned Regulatory Authority (if applicable).

(iii) Applications from branches of foreign banks operating in Pakistan for remittance of profits/ Head Office expenses to their Head Office abroad should be made to the Exchange Policy Department of State Bank of Pakistan on Form 'M' duly supported by the following information/documents: -

- a) NOC from Banking Policy & Regulations Department.
- b) Audited Financial Statements of the branch (es) in Pakistan complying with the regulatory capital, liquidity and provisioning requirements
- c) Tax provision made during the year for (a) the current year and (b) for the prior years along with its computation.
- d) A certificate from the auditors in Pakistan that tax provision made in the accounts is sufficient to meet all tax liabilities in Pakistan or copies of final assessment orders and forms duly certified by the Income Tax Department.
- e) Certificate from the auditors showing the liability for staff gratuity as at the close of accounts and provision made there-against. If no provision has been made, reasons thereof.
- f) Details of other/miscellaneous income and Head Office expenses if not provided separately in Financial Statements.
- g) Amount charged/claimed on account of Head Office expenses for the current year (if not separately shown in the accounts) and the basis of its calculation along with Head Office expenses claimed/allowed by the Income Tax Authorities for the preceding 3 years.
- h) Provision made in the current year for classified assets.
- i) Confirmation to the effect that the amount provided for classified assets is not less than the amount required to be provided on the basis of the Prudential Regulations of the State Bank.
- j) Certificate from external auditor that amount charged under Head Office expenses does not contain any interest on actual cost of goods /services provided to branch.

- k) For Head Office expenses, the basis of allocation of expenses and certification from the external auditor of the Group/Head Office is required also certifying the fact that the transfer pricing complies with the OECD guidelines.
- l) Besides, the local external auditor of applicant would also certify about the services/deliverable received along with compliance of all FBR rules/ regulations (including transfer pricing).
- m) Confirmation to the effect that sufficient cash flows are available and no financing will be required to fund the remittance of profits/head office expenses.
- n) Certificate from external auditor showing calculation of Head Office expenses in terms of section 105(2) of Income Tax Ordinance 2001 as amended from time to time.
- o) Item-wise details of un-realized/accrued income credited to Profit & Loss Account for the year and in the previous year.
- p) Item-wise details of un-realized/accrued income of the previous years realized in the current year.

#### **16. Payment of Dividend to Non-Resident Shareholders.**

(i) Authorized Dealers may allow remittance of dividends to non-resident shareholders without the prior approval of the State Bank. For this purpose, each company will designate an Authorized Dealer through whom it proposes to remit dividends to its non-resident shareholders. No Authorized Dealer will effect remittance of dividends under this authority unless it has been authorized by the State Bank in respect of a particular company.

(ii) Each company which wants to avail of the facility of making remittance of dividends without the prior approval of the State Bank, should advise the Director, Exchange Policy Department (Investment Division), State Bank of Pakistan, Karachi the name of its bankers through whom it would like to make remittance. On receipt of nomination of a bank from the company, the State Bank will authorize the bank concerned to effect remittance of dividends, whether interim or final, to the non-resident shareholders of the company without its prior approval.

(iii) Before allowing remittance of dividends, Authorized Dealer must ensure:

- a) that the shares are held by the non-residents (other than Indian nationals) under the specific and/or general permission of the State Bank and are registered at their foreign addresses,
- b) that the shares in question were not acquired by the non-residents on the basis of their undertaking that they will not claim remittance of dividend and,
- c) that the application for remittance of dividend is net of Pakistan tax liability.

Authorized Dealers must also ensure that the auditor's certificate to this effect on the application is from a well-known firm of auditors.

(iv) The following documents must be reviewed and retained by the designated Authorized Dealer before allowing the remittance of dividends: -

- a) Application in triplicate in the prescribed form (Appendix V-54) duly certified by the company's auditors. There will be one consolidated application in respect of dividends due to all the non-resident shareholders. Where the company's auditors have not accepted the entitlement in respect of some shareholders, the application may be certified with their reservation and entitlement of others released pending reconciliation. Entitlement in respect of un-resolved cases may be released through a supplementary consolidated application after the matter is finalized.
- b) Two certified copies of the audited financial statements of the company concerned for the year to which the dividend application pertains or two copies of interim financial statements for the period to which interim dividend relates.
- c) Certified true copy of the Shareholders'/Directors' resolution declaring the dividend.
- d) In case tax exemption is claimed by them/any of the shareholders, a certificate to this effect is invariably produced from the competent tax authorities.

(v) Authorized Dealers shall be required to report remittances effected under this para in their monthly foreign exchange returns. Further, they shall be required to keep record of all 'M' Forms, supporting application (Appendix V-54), audited Annual/Interim Profit and Loss Account and Balance Sheet and certified true copy of the Directors'/ Shareholders' resolution. In cases where shareholders are resident of different countries and remittances are made in different currencies, the remittances will be reported separately under the relative currency statements. Reference to the relative monthly currency statements should be made in column 10 of the application (Appendix V-54) against remittances made in different currencies

(vi) Authorized Dealers also have general permission to allow payment of dividends due to non-residents (other than Indian) holding shares of companies incorporated in Pakistan on non-repatriation basis, by credit to their private non-resident Rupee accounts non-repatriable maintained with them or with other Authorized Dealers. To this end, Authorized Dealers making payment of dividends to non-resident shareholders for credit to their non-resident accounts shall forward the payment instruments to the Authorized Dealer which maintains the non-resident Rupee account for credit to the account of the shareholders. The receiving Authorized Dealer will report the transaction in its monthly Exchange Return.

(vii) <sup>18</sup>Authorized Dealers are required to submit electronically monthly statement of remittances of dividends/ profit and disinvestment to non-resident shareholders to the Statistics & Data

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<sup>18</sup> EPD Circular Letter No. 14 Dated December 07, 2016

Warehouse Department of the State Bank of Pakistan on format (Appendix V- 54A) at fca.stat@sbp.org.pk by 5th of the following month. Further, Authorized Dealers should maintain separate company-wise record of payment of dividends made to their non-resident shareholders either by remittance or for credit to their non-resident accounts, as the case may be, under the above general permission so as to facilitate their inspection by the State Bank's Inspection Teams.

#### **17. Export of Dividend Warrants.**

Dividend warrants of companies incorporated in Pakistan can be freely exported to the non-resident shareholders, provided the shares have been issued with the approval of the State Bank and a statement of such non-resident shareholders has been filed with it.

#### **18.(i) Foreign Articles in Pakistani Newspapers and Magazines.**

Authorized Dealers may allow remittances at actuals, without prior approval of the State Bank, in respect of articles contributed by non-resident foreigners for publication in Pakistani Newspapers or Magazines, provided a demand note from the non-resident contributors is produced by the publishers of the article to the Authorized Dealers while applying for remittance. Advance remittance may also be allowed subject to the applicant's undertaking to submit the requisite documents in due course.

#### **(ii) Remittances on account of News Feature, News Picture, Syndication Services, Comics, Puzzles, Book Reviews etc.**

Authorized Dealers may effect remittances, without prior approval of the State Bank, at the request of the publishers of Newspapers and Magazines of repute having large circulation or by local agents of the foreign beneficiaries in Pakistan on account of News Feature Services, News Picture Services, Syndication Services, Comics, Puzzles, Book Reviews etc. published in Pakistan Newspapers and Magazines. While effecting remittances, Authorized Dealers shall ensure the following:-

- a) Form 'M' has been duly signed by the applicant.
- b) A formal letter of request for remittance has been received from the remitting agency in Pakistan.
- c) The invoices/demand notes etc. of the foreign beneficiaries are produced in original.

#### **(iii) Remittances of salary/remuneration as well as Telex/Tele fax/Telegram/Telephone Charges to the Overseas Correspondents of Pakistani Newspapers.**

Authorized Dealers may allow remittances without prior approval of the State Bank, on account of salary/remuneration as well as Telex/Telegram/Tele fax/Telephone charges in favour of correspondents of Pakistani newspapers posted abroad on production of original demand notes/bills/vouchers.

## **19. (i) Advertisements in Newspapers, Magazines and Electronic Media Abroad.**

Exchange facility is available to exporters for publishing advertisements in foreign newspapers, magazines and electronic media without any upper ceiling. Authorized Dealers may allow remittances as indicated above for advertisement charges payable by exporters to newspapers, magazines, electronic media etc., abroad without the prior approval of the State Bank on production and examination of the following documents:-

- (i) Form 'M' signed by the applicant.
- (ii) Invoice/Bill etc., of the beneficiary in original.
- (iii) Undertaking from the applicant concerned that he will produce relevant clippings from the newspaper/magazine, evidence of electronic media advertisement to them within a period not exceeding three months. These clippings, evidences of advertisement will be retained by the Authorized Dealers for inspection by State Bank's Inspectors.

While effecting the above remittances, Authorized Dealers will ensure that the newspaper/magazine in which the advertisement is proposed to be inserted is of good standing and repute and remittance is made only in the name of the concerned newspaper/magazine. In cases of doubt, reference should be made to the State Bank before effecting the remittance.

## **(ii) Subscription to Journals and Magazines.**

Authorized Dealers may effect remittances, without prior approval of the State Bank, at the request of Government and Semi-Government agencies on account of subscription fee to foreign Journals and Magazines. While effecting remittances, Authorized Dealers shall ensure the following:-

- a) Form 'M' has been duly signed by the applicant.
- b) A formal letter of request for remittance has been received from the remitting agency in Pakistan.
- c) The invoices/demand notes etc. of the foreign Journals, Magazines are produced in original.

## **20. Bank Charges and Sundries.**

Authorized Dealers may, without prior approval of the State Bank, effect remittances to their foreign correspondents etc., to cover payments due to them on account of bank charges, cost of cables and other incidental charges arising in the normal course of authorized business other than imports. In cases where bank charges relating to exports are paid by the Authorized Dealers to their foreign correspondents by deduction from the amount of the export bills, they should report the full amount of the export bill as "Purchase" and simultaneously report the deduction as "Sale".

## **21. Purchase of Tender Forms from abroad.**

Authorized Dealers may allow remittances on account of fees for tender forms payable to Government/Semi-Government agencies or a private company or a firm abroad without the prior approval of the State Bank on receipt and examination of the following documents:

- i) Form 'M' duly filled in and signed by the applicant.
- ii) Newspaper clipping/Pakistan/Foreign Embassy's letter or other supporting documents evidencing floatation of tenders and the cost of tender documents.

## **22. (i) Registration of Patents and Trade Marks in Foreign Countries.**

Authorized Dealers may allow remittances covering fees etc., for registration of patents and trademarks in foreign countries by firms/companies etc., in Pakistan without prior approval of the State Bank on receipt and examination of the following documents:

- a. Form 'M' duly signed by the applicant.
- b. Debit Notes of the patent attorney/solicitors etc., for the fees for registration of patent/trade mark.
- c. Undertaking from the remitter to produce within six month from the date of remittance evidence to the effect that the patent/trade mark has been registered abroad.

It will be the responsibility of Authorized Dealers to ensure that the requisite evidence for registration of patent/trade mark is produced to them within the stipulated period.

## **(ii) Registration of Exporters of Pharmaceutical products in Foreign Countries.**

Authorized Dealers may allow remittances of registration fees by exporters of pharmaceutical products in Pakistan for their registration with the Ministry of Health of a foreign country, without the prior approval of the State Bank, on production of the following documents:

- i. Form 'M' duly signed by the applicant.
- ii. Evidence from the Ministry of Health of the foreign country concerned demanding payment of registration fee.
- iii. Undertaking from the remitter to produce within six months from the date of remittance, evidence to the effect that the applicant has been registered with the Ministry of Health of the foreign country concerned.

## **23. Remittances of Annual Budgeted Operating Expenses of Marketing/Liaison/ Representative Offices formed Abroad**

(i) Application seeking approval of remittance of annual budgeted operating expenses of a marketing/liaison/representative office of Pakistani banks abroad, which have formed with prior

approval of SBP, may be submitted to Exchange Policy Department of State Bank of Pakistan along with the following documents:

- i.) Brief about the liaison office operations, actual costs & achievement of objectives.
- ii.) Approval of Board / Management with budgets and utilization thereof.
- iii.) Remittance plan if the amount is to be remitted in installments
- iv.) Justification for expenses.
- v.) Annual branch/liaison/representative office accounts

(ii) Remittance of annual budgeted operating expenses of a marketing/liaison/representative office abroad in respect of Pakistani export oriented firms and companies shall be governed by Para 13, Chapter 20 of Foreign Exchange Manual. However, if export oriented firms and companies require remitting annual budgeted operating expenses of a marketing/ liaison/ representative office beyond the threshold defined in aforesaid para, Authorized Dealers may allow such remittance after analyzing the documents/information enumerated in para (i).

(iii) Further, Authorized Dealers may also allow remittance of annual budgeted operating expenses of a marketing/liaison/representative office of Pakistani firms and companies abroad, other than export-oriented firms and companies, which have been established in accordance with the foreign exchange regulations, after analyzing the documents/information enumerated in para (i) *ibid*.

#### **24. Outward Remittances in Respect of Home Remittance**

(i) Authorized Dealer may also allow remittances for salaries/ commission of their own Home Remittance marketing staff posted abroad subject to No Objection Certificate from Pakistan Remittance Initiative (PRI). Besides, the Authorized Dealer will retain copies of the following documents for onsite review of SBP Inspection Team.

- a) Board's / Management's approval for hiring of overseas employees.
- b) Service Agreement with Joining Report of the employees.
- c) Passport of employees/ CNIC / NICOP/any equivalent identification document.
- d) Home remittance realized during last three year (where applicable).
- e) Annual performance review of the concerned staff.

(ii) Authorized dealer are allowed to remit advertisement/marketing expenses abroad to promote home remittances without SBP's approval. Accordingly, ADs would approach PRI for No objection certification. Besides, the Authorized Dealer will retain copies of Board / Management

approval for specific marketing campaigns, brief about activities, total home remittance mobilized during the last year, current year and projected increase attributed to marketing expenses with supporting documents for onsite review of SBP Inspection team.

(iii) Authorized Dealers are allowed to remit proceeds of advance settlement reserve received from foreign home remittance tie-up, in the event of termination of tie-up arrangement, without SBP's approval subject to condition that No Objection Certification from the PRI has been obtained.

## **25. Bid Money for Participation in Global Tenders of Goods or Services.**

(i) Authorized Dealer are allowed to remit up to US\$100,000/- per month without approval of the SBP to Government/Semi-Government agencies or a private company or a firm abroad on account of bid/ security money for participation in global tenders of goods or services where the same is refundable to unsuccessful participant net of any service charges or taxes (if any). This facility may be allowed to those exporters who either do not maintain special FCY retention account in terms of chapter -12 or lack sufficient balance in such accounts. Preferably, the ADs should issue guarantees and only in exceptional circumstances remittances be allowed. While issuing any guarantee or remittance, ADs need to cover all related risks pertaining to execution of tenders/responsibilities thereunder.

(ii) The tender documents or advertisement must indicate the entire terms of bid/ security money and refund process. The Authorized Dealer will ensure that bid/security money against unsuccessful tenders should be realized through banking channel within 45 days of the opening of tender. The Authorized Dealer would not allow this facility to those applicant, whose refund of bid money becomes overdue. The intended exporter will submit an undertaking in favor of the Authorized Dealer along with the application for remittance and Authorized Dealer will make all reasonable efforts to repatriate the overdue remittance. In case of realization of overdue bid money, ADs may resume the facility upon submission of plausible justification for delay, however, such resumption may only be allowed twice a year.

## **26. Remittance of Bid Money to Unsuccessful Applicants.**

(i) Authorized Dealer are allowed to remit bid money or security deposit of unsuccessful applicants in privatization process of public sector entities through Privatization Commission or any designated entity/agency, without approval of the SBP. The amount so received will be refunded to unsuccessful foreign investor directly from the subscription account as per terms of bidding process on the application of Privatization Commission or entity managing the transactions. The account will be closed within 30 days of remitting refund to unsuccessful participant while the transfer the balance of successful foreign investor in respective PKR account, if applicable.

(ii) Authorized Dealer are allowed to remit bid money of unsuccessful bidders of trophy hunting programs organized at province level, without approval of the SBP. The amount will be

refunded to unsuccessful foreign bidders, on the application made by the trophy hunting outfitters registered with Ministry Climate Change, as per terms of bidding process.

## **27. Remittance for Petroleum Sector.**

Companies operating in petroleum industry (Oil and Gas) in terms of Petroleum Concessionary Agreements with Govt. of Pakistan shall submit application through an Authorized Dealer, intended to be designated for the purpose of remittance of their eligible sales proceeds, to Foreign Exchange Operations Department (FEOD), SBP-Banking Services Corporation for Acknowledgment. Such application shall be accompanied by Concession Agreement executed by such companies with Govt. of Pakistan and Sales Agreement, Assignment/Supplemental/Novation Agreement (if any). Upon acknowledgement of FEOD, SBP-BSC, the designated Authorized Dealer may remit the eligible sales proceeds of such companies after reviewing the following information/documents:

- i.) Form “M” duly filled signed by the applicant
- ii.) Field allocation agreement of the respective exploration agency
- iii.) Invoices with complete description including quantity, quality of goods duly verified by authorized signatories of applicant.
- iv.) Certified true copy of duly executed Concession Agreement to be submitted once during the validity period.
- v.) Verification of each invoice at least by designated senior officer of buying company to confirm the amount, nature of item, quantity and delivery along with stamp and signature.
- vi.) Foreign Exchange allocation /No objection approval of Ministry of Finance, where applicable.

## **28. Remittance by Overseas Employment Promoters.**

Overseas Employment Promoters (OEP) holding valid license of Bureau of Emigration and Overseas Employment may apply to Authorized Dealers for remittance of funds to replenish their overseas bank accounts maintained with banks in Saudi Arabia, for the purpose of payment of Work Visa Application Processing Fee and Medical Examination Report Online Fee of prospective emigrants, along with following documents:

- i.) Copy of Valid License of OEP issued by Bureau of Emigrant and Overseas Employment (once during the period of its validity).
- ii.) Form ‘M’ duly filled in and signed by the applicant.

- iii.) Undertaking to the effect that OEP shall submit monthly reconciliation of utilization of funds remitted abroad under this facility along with full particulars of respective emigrants retrieved from online visa processing platform of Ministry of Foreign Affairs of Saudi Arabia.

Authorized Dealer may allow remittance up to USD 10,000 to replenish such accounts. However, further replenishment shall only be allowed if 70% of funds remitted earlier have been utilized by the concerned OEP.

**29. Other Commercial Remittances.**

All commercial remittances except those which are otherwise specifically allowed to the Authorized Dealers under this Chapter shall require prior regulatory approval. Accordingly, all such requests for remittances may be forwarded to FEOD, SBP (BSC) along with following documents where applicable. The requests would be processed as per requirements stipulated under Para 11 of this Chapter.

- i) The request clearly stating the purpose of remittance
- ii) Form “M” duly filled signed by the applicant with verification of Authorized Dealer.
- iii) Previous approval of SBP, if any.
- iv) Copy of agreement/ invoice/ debit note etc.
- v) Reasons for not seeking local services
- vi) Services completion certificate (if applicable)
- vii) Advance payment undertaking (if applicable)
- viii) Any other document of material importance

**30. Due Diligence, Reporting of Remittances, Maintenance of Record and Periodic Risk Based Internal Audit of Outward Remittances.**

Authorized Dealers shall ensure proper due diligence of transactions from AML/CFT and foreign exchange risk perspective before effecting remittances. Further, Authorized Dealers shall also be required to report all remittances allowed by them under various provisions of this chapter in their monthly ITRS returns. Moreover, Authorized Dealers will keep record of all ‘M’ forms along with the supporting documents on the basis of which remittances have been allowed by them besides maintaining MIS of such remittances on the following format:

S. No	Form ‘M’ No.	Name of the Remitter	Name and Address of The Beneficiary	Relationship with Beneficiary	Amount remitted in foreign exchange	Equivalent in Rupees	Purpose of Remittance along with specific purpose code	Reference of Relevant Para
1	2	3	4	5	6	7	8	9

Authorized Dealers shall also conduct periodic risk based Internal Audit of remittances allowed under various provisions of this chapter.

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