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## ***I. Introduction***

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### **Purpose of the Code Guide**

Statistics & DW Department is the sole compiler of Pakistan's Balance of Payments (BOP) Statistics. The business process includes the designing of questionnaire; providing guidance to the respondents; collection; processing; validation and dissemination of data. The process involves maximum possible coverage of the transactions of residents with rest of the world (ROW).

Exchange Records or International Transactions Reporting System (ITRS) of banks is a major source of BOP Statistics. All foreign exchange transactions; inward and outward remittances on account of trade and invisible transactions; inter-bank sale and purchase; sales to and/ or purchases from SBP; conversion of currencies in exchange of other currencies and balances are captured through ITRS. The foreign exchange data thus collected are incorporated in the balance of payments with some adjustments.

Main purpose of the guide is to provide coding system/ guidelines to the respondents for reporting foreign exchange transactions. It can be useful for other stakeholders since it covers the conceptual framework, definitions, and Standard Component Classification as per BPM6.

The guide is a supplement to Chapter XXII of Foreign Exchange Manual (Updated up to March 14, 2019) and to be used in line with the instructions issued from time to time by the SBP.

We assume that the guide will serve the purpose. The suggestions for improvement are highly appreciated.

### **Changes from the previous code lists**

This is the second edition of code guide in booklet form wherein one can get a glimpse of overall scenario of the balance of payments standard components; conceptual framework; and the relevance of data collection and its importance regarding accuracy and timeliness. The code lists have been duly updated and reclassified as per definitions of Balance of Payments Manual 6th edition (BPM6) of 2009.

The code lists provided to the banks in 2003 were prepared according to the definitions of Balance of Payments Manual 5th Edition (BPM5) of IMF. The developments since then in the field of international trade and finance including trade in services; decentralization of foreign exchange controls; and developments in debt instruments; etc. are covered in revised classification.

The HS codes issued by Pakistan Customs for commodity classification (exports / imports) will be used by ADs for data reporting to SBP. This will facilitate the coding as the exporters, importers, and ADs are well aware of HS Codes. It is to be noted that ITRS allows the ADs to add the newly issued HS codes in the system.

## **Composition of the guide**

First section describes definitions and conceptual framework of balance of payments. The structure and standard components of balance of payments are also provided to let the banks understand the structure of end product of the system.

Second section brings in the details of various schedules and their summaries along with inter relationships.

Third section comprises of code lists for classification of transactions by the ADs

Annexure are the specimen of all related summary statements and schedules.

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## ***II. Conceptual framework and Standard Components of Balance of Payments***

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### **Definitions**

A **transaction** is an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer.

**Economic transactions**, for the most part between residents and nonresidents, consist of those involving goods, services, and primary income; those involving financial claims on, and liabilities to the rest of the world; and those (such as gifts), classified as secondary income.

**Flows** reflect the creation, transformation, exchange, transfer, or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit's assets and liabilities.

### **Key concepts**

#### **Vertical Double—Entry Bookkeeping—Corresponding Entries**

Each transaction leads to at least two corresponding entries, traditionally referred to as a credit entry and a debit entry. Balance of Payments for an economy are compiled on a vertical double-entry bookkeeping basis from the perspective of the residents of that economy. Because each transaction is either an exchange or a transfer, it requires two entries. This principle ensures that the total of all credit entries and that of all debit entries for all transactions are equal, thus permitting a check on consistency of accounts.

#### **Concept of residence**

Residence is particularly important attribute of an institutional unit in the balance of payments because the identification of transactions between residents and nonresidents underpins the system. The concept of residence is based on sectoral transactor's center of economic interest. An institutional unit has a center of economic interest and is a resident unit of a country when from some location, dwelling, place of production, or other premises within the economic territory of country, the unit engages and intends to continue engaging, either indefinitely or over a finite period usually a year, in economic activities and transactions on a significant scale. The one-year period is suggested only as a guideline and not as an inflexible rule.

#### **Time of recording**

In balance of payments the principle of accrual accounting governs the time of recording of transactions. Therefore, transactions are recorded when economic value is created, transformed, exchanged, transferred, or extinguished. Claims and liabilities arise when there is a change in ownership.

## **Classification of Balance of Payments**

Balance of payments statistics must be arranged within a coherent structure to facilitate their utilization and adaptation for multiple purposes e.g. policy formation, analytical studies, projections, bilateral comparisons of particular components or total transactions, regional and global aggregations, etc.

The IMF bases the determination of standard components, as per BPM6, on the objectives of large number of users after comprehensive discussions and feedbacks of member countries.

## **Balance of Payments**

The balance of payments is a statistical statement that summarizes transactions between residents and nonresidents during a period. It consists of the goods and services account, the primary income account, the secondary income account, the capital account, and the financial account.

## **Current Account**

The current account shows flows of goods, services, primary income, and secondary income between residents and nonresidents.

### **Goods**

Recording of goods implies provision or acquisition of real resources of an economy to and from the rest of the world. Goods cover general merchandise, goods under merchanting, and nonmonetary gold.

### **General Merchandise on fob basis**

General merchandise on a balance of payments cover goods whose economic ownership is changed between a resident and a nonresident.

### **Goods under Merchanting**

Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a nonresident combined with the subsequent resale of the same goods to another nonresident without the goods being present in the compiling economy. Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur.

### **Non-Monetary Gold**

This covers exports and imports of gold not held as reserve assets (monetary gold) by the monetary authority. Non-monetary gold is held as a store of value and treated like any other commodity.

## **Services**

Services component implies receipts/ payments for provision and acquisition of services of an economy to and from the rest of the world. Services include following item:

### **Manufacturing services on physical inputs owned by others**

Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that does not own the goods and that are paid a fee by the owner.

### **Maintenance and repair services**

Maintenance and repair services cover maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere.

### **Transport**

Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services, also included are postal and courier services.

### **Travel**

Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy and debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies.

### **Construction**

Construction covers transactions between residents and non-residents of an economy for the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, and so forth. It also includes related installation and assembly work and site preparation and general construction as well as specialized services such as painting, plumbing, and demolition. It also includes management of construction projects.

### **Insurance and pension services**

Insurance and pension services include services of providing life insurance and annuities, nonlife insurance, reinsurance, freight insurance, pensions, standardized guarantees, and auxiliary services to insurance, pension schemes, and standardized guarantee schemes.

### **Financial Services**

Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services. These services include those usually provided by banks and other financial corporations. They include deposit taking and lending, letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Also included are financial advisory services, custody of financial assets or bullion, financial asset management, monitoring services, liquidity provision services, risk assumption services other than insurance, merger and acquisition services, credit rating services, stock exchange services, and trust services.

### **Charges for the use of intellectual property n.i.e.**

Charges for the use of intellectual property include charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets, franchises. These rights can arise from research and development, as well as from marketing); and charges for licenses to reproduce or distribute (or both) intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast).

### **Telecommunications, computer, and information services**

Telecommunications services encompass the broadcast or transmission services; computer services consist of hardware and software related services and data-processing services; and information services include news agency services.

### **Other Business Services**

This category includes research and development services; professional and management consulting services; technical, trade-related, waste treatment and de-pollution, agricultural, and mining services; operating leasing and miscellaneous business.

### **Personal, Cultural and Recreational Services**

It covers audiovisual related services and other cultural services provided by residents to nonresidents and vice versa. Audiovisual related services include production of motion pictures on films or video tape, radio and television programs, and musical recordings. Among other cultural services are services associated with libraries, museums—and other cultural and sporting activities.

### **Government goods and Services n.i.e.**

Government goods and services cover goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations; goods and services acquired from

the host economy by diplomats, consular staff, and military personnel located abroad and their dependents; and services supplied by and to governments.

### **Primary Income**

Primary income represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units.

#### **Compensation of Employees**

Compensation of employees presents remuneration in return for the labor input to the production process contributed by an individual in an employer employee relationship with the enterprise. Wages, salaries and other benefits received to/ from nonresident employers are treated as compensation of employees.

#### **Direct Investment Income**

It is the profit and dividend on equity participation and interest on debt earned by direct investor.

#### **Portfolio Investment Income**

Portfolio investment income includes dividend on equity securities (shareholding of less than 10 %) and interest from holding of foreign bonds, notes, and money market instruments.

#### **Other Investment Income**

Other investment income include interest receipts/ payments of loans, deposits, interest on reserve assets, IMF charges, investment income attributable to policyholders in insurance, pension fund, withdrawals from income of quasi corporations and other primary income to nonresidents other than those on direct and portfolio investment.

### **Secondary Income**

The secondary income account shows current transfers between residents and nonresidents. The transactions recorded in the secondary income account pertain to all transfers relating to general government (current international cooperation between different governments, payments of current taxes on income and wealth, etc.) and financial corporations, nonfinancial corporations, households, and NPISHs that directly affect gross national disposable income from abroad and influence the consumption of goods and services.

### **Capital Account**

The capital account in the international accounts shows (a) capital transfers receivable/ payable between residents and nonresidents and (b) the acquisition and disposal of non-produced, non-financial assets between residents and nonresidents.

## **Capital Transfer**

Capital transfers are transfers in which the ownership of an asset (other than cash or inventories) changes from one party to another; or which obliges one or both parties to acquire or dispose of an asset (other than cash or inventories); or where a liability is forgiven by the creditor.

## **Acquisition/ Disposal of Non-Produced, Non-Financial Assets**

Non-produced, non-financial assets consist of (a) natural resources include land, mineral rights, forestry rights, water, fishing rights, air space, and electromagnetic spectrum; (b) contracts, leases, and licenses covers those contracts, leases, and licenses that are recognized as economic assets; (c) marketing assets consist of items such as brand names, mastheads, trademarks, logos, and domain names.

## **Financial Account**

The financial account records transactions that involve acquisition of financial assets and incurrence of liabilities and that take place between residents and nonresidents.

### **Direct Investment**

Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment comprises the initial transaction between the two entities—that is, the transaction that establishes the direct investment relationship—and all subsequent transactions between the entities and among affiliated enterprises, both incorporated and unincorporated. For direct investment relationship, direct investor owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

### **Portfolio Investment**

Portfolio investment implies holding by non-resident of less than 10% share in equity securities, investment in debt securities (in the form of bonds and notes) and investment in money market instruments of resident company.

### **Other Investment**

Other investment includes all financial transactions that are not covered in the categories for direct investment, portfolio investment or reserve assets. Under other investment, the instrument classified under assets and liabilities, comprises trade credits, loans (including use of Fund credit and loans from the Fund), currency and deposits, other equity and other accounts receivable/ payable.



### **Reserves Assets**

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing).

### **Errors & Omissions**

It is a balancing item intended to offset overstatement or understatement of recorded components due to statistical discrepancies.

### **Exceptional Financing**

It consists of any arrangements made by the authorities of an economy to meet balance of payments needs other than those involving use of reserve assets, fund credit and loans from the Fund to deal with payments imbalances.

### **Special Drawing Rights (SDRs)**

The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of five key international currencies, and SDRs can be exchanged for freely usable currencies.

### **Workers' Remittances**

Workers' remittances are current transfers for family maintenance by migrants who are employed and residents in new economies. (A resident is a person who stays, or is expected to stay for a year or more in an economy.)

## Balance of Payments: Standard Components

### 1. Current account

Current account balance (+ surplus; - deficit)

#### 1.A Goods and services

Balance on goods and services (+ surplus; - deficit)

##### 1.A.a Goods

Balance on trade in goods (+ surplus; - deficit)

1.A.a.1 General merchandise on a BOP basis

1.A.a.2 Net exports of goods under merchanting

1.A.a.2.1 Goods acquired under merchanting (negative credits)

1.A.a.2.2 Goods sold under merchanting

1.A.a.3 Nonmonetary gold

##### 1.A.b Services

Balance on trade in services (+ surplus; - deficit)

1.A.b.1 Manufacturing services on physical inputs owned by others

1.A.b.2 Maintenance and repair services n.i.e.

1.A.b.3 Transport

1.A.b.3.1 Sea transport

1.A.b.3.1.1 Passenger

1.A.b.3.1.2 Freight

1.A.b.3.1.3 Other

1.A.b.3.2 Air transport

1.A.b.3.2.1 Passenger

1.A.b.3.2.2 Freight

1.A.b.3.2.3 Other

1.A.b.3.3 Other modes of transport

1.A.b.3.3.1 Passenger

1.A.b.3.3.2 Freight

1.A.b.3.3.3 Other

1.A.b.3.4 Postal and courier services

1.A.b.4 Travel

1.A.b.4.1 Business

1.A.b.4.2 Personal

1.A.b.5 Construction

1.A.b.6 Insurance and pension services

1.A.b.7 Financial services

1.A.b.8 Charges for the use of intellectual property n.i.e.

1.A.b.9 Telecommunications, computer, and information services

1.A.b.10 Other business services

1.A.b.10.1 Research and development services

1.A.b.10.2 Professional and management consulting services

- 1.A.b.10.3 Technical, trade-related, and other business services
- 1.A.b.11 Personal, cultural, and recreational services
  - 1.A.b.11.1 Audiovisual and related services
  - 1.A.b.11.2 Other personal, cultural, and recreational services
- 1.A.b.12 Government goods and services n.i.e.

## **1.B Primary income**

Balance on primary income (+ surplus; - deficit)

1.B.1 Compensation of employees

1.B.2 Investment income

1.B.2.1 Direct investment

1.B.2.1.1 Income on equity and investment fund shares

1.B.2.1.1.1 Dividends and withdrawals from income of quasi-corporations

1.B.2.1.1.1.1 Direct investor in direct investment enterprises

1.B.2.1.1.1.2 Direct investment enterprises in direct investor (reverse investment)

1.B.2.1.1.1.3 Between fellow enterprises

1.B.2.1.1.2 Reinvested earnings

1.B.2.1.2 Interest

1.B.2.1.2.1 Direct investor in direct investment enterprises

1.B.2.1.2.2 Direct investment enterprises in direct investor (reverse investment)

1.B.2.1.2.3 Between fellow enterprises

1.B.2.2 Portfolio investment

1.B.2.2.1 Investment income on equity and investment fund shares

1.B.2.2.1.1 Dividends on equity excluding investment fund shares

1.B.2.2.1.2 Investment income attributable to investment fund shareholders

1.B.2.2.1.2.1 Dividends

1.B.2.2.1.2.2 Reinvested earnings

1.B.2.2.2 Interest

1.B.2.2.2.1 Short-term

1.B.2.2.2.2 Long-term

1.B.2.3 Other investment

1.B.2.3.1 Withdrawals from income of quasi-corporations

1.B.2.3.2 Interest

1.B.2.3.3 Investment income attributable to policyholders in insurance, pension schemes,

1.B.2.4 Reserve assets

1.B.2.4.1 Income on equity and investment fund shares

1.B.2.4.2 Interest

1.B.3 Other primary income

Balance on goods, services, and primary income (+ surplus; - deficit)

## **1.C Secondary income**

Balance on secondary income (+ surplus; - deficit)

1.C.1 General government

1.C.2 Financial corporations, nonfinancial corporations, households, and NPISHs

1.C.2.1 Personal transfers (Current transfers between resident and nonresident households)

1.C.2.2 Other current transfers

## **2 Capital account**

Capital account balance (+ surplus; - deficit)

2.1 Gross acquisitions (DR.)/disposals (CR.) of nonproduced nonfinancial assets

2.2 Capital transfers

2.2.1 General government

2.2.1.1 Debt forgiveness

2.2.1.2 Other capital transfers

2.2.2 Financial corporations, nonfinancial corporations, households, and NPISHs

2.2.2.1 Debt forgiveness

2.2.2.2 Other capital transfers

Net lending (+) / net borrowing (-) (balance from current and capital accounts)

## **3 Financial account**

Net lending (+) / net borrowing (-) (from financial account)

3.1 Direct investment

Net Acquisition of Financial Assets

3.1.1 Equity and investment fund shares

3.1.1.1 Equity other than reinvestment of earnings

3.1.1.1.1 Direct investor in direct investment enterprises

3.1.1.1.2 Direct investment enterprises in direct investor (reverse investment)

3.1.1.1.3 Between fellow enterprises

3.1.1.2 Reinvestment of earnings

3.1.2 Debt instruments

3.1.2.1 Direct investor in direct investment enterprises

3.1.2.2 Direct investment enterprises in direct investor (reverse investment)

3.1.2.3 Between fellow enterprises

Net Incurrence of Liabilities

3.1.1 Equity and investment fund shares

3.1.1.1 Equity other than reinvestment of earnings

3.1.1.1.1 Direct investor in direct investment enterprises

3.1.1.1.2 Direct investment enterprises in direct investor (reverse investment)

3.1.1.1.3 Between fellow enterprises

3.1.1.2 Reinvestment of earnings

3.1.2 Debt instruments

3.1.2.1 Direct investor in direct investment enterprises

3.1.2.2 Direct investment enterprises in direct investor (reverse investment)

3.1.2.3 Between fellow enterprises

3.2 Portfolio investment

Net Acquisition of Financial Assets

3.2.1 Equity and investment fund shares

3.2.1.2 Deposit-taking corporations, except the central bank

- 3.2.1.4 Other sectors
  - 3.2.1.4.1 Other financial corporations
  - 3.2.1.4.2 Nonfinancial corporations, households, and NPISHs
- 3.2.2 Debt securities
  - 3.2.2.1 Central bank
    - 3.2.2.1.1 Short-term
    - 3.2.2.1.2 Long-term
  - 3.2.2.2 Deposit-taking corporations, except the central bank
    - 3.2.2.2.1 Short-term
    - 3.2.2.2.2 Long-term
  - 3.2.2.3 General government
    - 3.2.2.3.1 Short-term
    - 3.2.2.3.2 Long-term
  - 3.2.2.4 Other sectors
    - 3.2.2.4.0.1 Short-term
    - 3.2.2.4.0.2 Long-term
    - 3.2.2.4.1 Other financial corporations
      - 3.2.2.4.1.1 Short-term
      - 3.2.2.4.1.2 Long-term
    - 3.2.2.4.2 Nonfinancial corporations, households, and NPISHs
      - 3.2.2.4.2.1 Short-term
      - 3.2.2.4.2.2 Long-term
- Net Incurrence of Liabilities
  - 3.2.1 Equity and investment fund shares
    - 3.2.1.1 Central bank
    - 3.2.1.2 Deposit-taking corporations, except the central bank
    - 3.2.1.3 General government
    - 3.2.1.4 Other sectors
      - 3.2.1.4.1 Other financial corporations
      - 3.2.1.4.2 Nonfinancial corporations, households, and NPISHs
  - 3.2.2 Debt securities
    - 3.2.2.1 Central bank
      - 3.2.2.1.1 Short-term
      - 3.2.2.1.2 Long-term
    - 3.2.2.2 Deposit-taking corporations, except the central bank
      - 3.2.2.2.1 Short-term
      - 3.2.2.2.2 Long-term
    - 3.2.2.3 General government
      - 3.2.2.3.1 Short-term
      - 3.2.2.3.2 Long-term
    - 3.2.2.4 Other sectors
      - 3.2.2.4.0.1 Short-term

- 3.2.2.4.0.2 Long-term
- 3.2.2.4.1 Other financial corporations
  - 3.2.2.4.1.1 Short-term
  - 3.2.2.4.1.2 Long-term
- 3.2.2.4.2 Nonfinancial corporations, households, and NPISHs
  - 3.2.2.4.2.1 Short-term
  - 3.2.2.4.2.2 Long-term
- 3.3 Financial derivatives (other than reserves) and employee stock options
- Net Acquisition of Financial Assets
  - 3.3.1 Central bank
  - 3.3.2 Deposit-taking corporations, except the central bank
  - 3.3.3 General government
  - 3.3.4 Other sectors
    - 3.3.4.1 Other financial corporations
    - 3.3.4.2 Nonfinancial corporations, households, and NPISHs
- Net Incurrence of Liabilities
  - 3.3.1 Central bank
  - 3.3.2 Deposit-taking corporations, except the central bank
  - 3.3.3 General government
  - 3.3.4 Other sectors
    - 3.3.4.1 Other financial corporations
    - 3.3.4.2 Nonfinancial corporations, households, and NPISHs
- 3.4 Other investment
- Net Acquisition of Financial Assets
  - 3.4.1 Other equity
  - 3.4.2 Currency and deposits
    - 3.4.2.1 Central bank
      - 3.4.2.1.1 Short-term
      - 3.4.2.1.2 Long-term
    - 3.4.2.2 Deposit-taking corporations, except the central bank
      - 3.4.2.2.1 Short-term
      - 3.4.2.2.2 Long-term
    - 3.4.2.3 General government
      - 3.4.2.3.1 Short-term
      - 3.4.2.3.2 Long-term
    - 3.4.2.4 Other sectors
      - 3.4.2.4.0.1 Short-term
      - 3.4.2.4.0.2 Long-term
      - 3.4.2.4.1 Other financial corporations
        - 3.4.2.4.1.1 Short-term
        - 3.4.2.4.1.2 Long-term
      - 3.4.2.4.2 Nonfinancial corporations, households, and NPISHs

- 3.4.2.4.2.1 Short-term
    - 3.4.2.4.2.2 Long-term
- 3.4.3 Loans
  - 3.4.3.1 Central bank
    - 3.4.3.1.1 Credit and loans with the IMF (other than reserves)
    - 3.4.3.1.2 Other short-term
    - 3.4.3.1.3 Other long-term
  - 3.4.3.2 Deposit-taking corporations, except the central bank
    - 3.4.3.2.1 Short-term
    - 3.4.3.2.2 Long-term
  - 3.4.3.3 General government
    - 3.4.3.3.1 Credit and loans with the IMF (other than reserves)
    - 3.4.3.3.2 Other short-term
    - 3.4.3.3.3 Other long-term
  - 3.4.3.4 Other sectors
    - 3.4.3.4.0.1 Short-term
    - 3.4.3.4.0.2 Long-term
  - 3.4.3.4.1 Other financial corporations
    - 3.4.2.4.1.1 Short-term
    - 3.4.2.4.1.2 Long-term
  - 3.4.3.4.2 Nonfinancial corporations, households, and NPISHs
    - 3.4.3.4.2.1 Short-term
    - 3.4.3.4.2.2 Long-term
- 3.4.4 Insurance, pension, and standardized guarantee schemes
  - 3.4.4.1 Central bank
  - 3.4.4.2 Deposit-taking corporations, except the central bank
  - 3.4.4.3 General government
  - 3.4.4.4 Other sectors
    - 3.4.4.4.1 Other financial corporations
    - 3.4.4.4.2 Nonfinancial corporations, households, and NPISHs
- 3.4.5 Trade credit and advances
  - 3.4.5.1 Central bank
    - 3.4.5.1.1 Short-term
    - 3.4.5.1.2 Long-term
  - 3.4.5.2 General government
    - 3.4.5.2.1 Short-term
    - 3.4.5.2.2 Long-term
  - 3.4.5.3 Deposit-taking corporations
    - 3.4.5.3.1 Short-term
    - 3.4.5.3.2 Long-term
  - 3.4.5.4 Other sectors
    - 3.4.5.4.0.1 Short-term

- 3.4.5.4.0.2 Long-term
  - 3.4.5.4.1 Other financial corporations
    - 3.4.5.4.1.1 Short-term
    - 3.4.5.4.1.2 Long-term
  - 3.4.5.4.2 Nonfinancial corporations, households, and NPISHs
    - 3.4.5.4.2.1 Short-term
    - 3.4.5.4.2.2 Long-term
- 3.4.6 Other accounts receivable—other
  - 3.4.6.1 Central bank
    - 3.4.6.1.1 Short-term
    - 3.4.6.1.2 Long-term
  - 3.4.6.2 Deposit-taking corporations, except the central bank
    - 3.4.6.2.1 Short-term
    - 3.4.6.2.2 Long-term
  - 3.4.6.3 General government
    - 3.4.6.3.1 Short-term
    - 3.4.6.3.2 Long-term
  - 3.4.6.4 Other sectors
    - 3.4.6.4.0.1 Short-term
    - 3.4.6.4.0.2 Long-term
    - 3.4.6.4.1 Other financial corporations
      - 3.4.6.4.1.1 Short-term
      - 3.4.6.4.1.2 Long-term
    - 3.4.6.4.2 Nonfinancial corporations, households, and NPISHs
      - 3.4.6.4.2.1 Short-term
      - 3.4.6.4.2.2 Long-term
- 3.5 Reserve assets
  - 3.5.1 Monetary gold
    - 3.5.1.1 Gold bullion
    - 3.5.1.2 Unallocated gold accounts
  - 3.5.2 Special drawing rights
  - 3.5.3 Reserve position in the IMF
  - 3.5.4 Other reserve assets
    - 3.5.4.1 Currency and deposits
      - 3.5.4.1.1 Claims on monetary authorities
      - 3.5.4.1.2 Claims on other entities
    - 3.5.4.2 Securities
      - 3.5.4.2.1 Debt securities
        - 3.5.4.2.1.1 Short-term
        - 3.5.4.2.1.2 Long-term
      - 3.5.4.2.2 Equity and investment fund shares
    - 3.5.4.3 Financial derivatives



- 3.5.4.4 Other claims
- Net Incurrence of Liabilities
- 3.4.1 Other equity
- 3.4.2 Currency and deposits
  - 3.4.2.1 Central bank
    - 3.4.2.1.1 Short-term
    - 3.4.2.1.2 Long-term
  - 3.4.2.2 Deposit-taking corporations, except the central bank
    - 3.4.2.2.1 Short-term
    - 3.4.2.2.2 Long-term
  - 3.4.2.3 General government
    - 3.4.2.3.1 Short-term
    - 3.4.2.3.2 Long-term
  - 3.4.2.4 Other sectors
    - 3.4.2.4.0.1 Short-term
    - 3.4.2.4.0.2 Long-term
    - 3.4.2.4.1 Other financial corporations
      - 3.4.2.4.1.1 Short-term
      - 3.4.2.4.1.2 Long-term
- 3.4.3 Loans
  - 3.4.3.1 Central bank
    - 3.4.3.1.1 Credit and loans with the IMF (other than reserves)
    - 3.4.3.1.2 Other short-term
    - 3.4.3.1.3 Other long-term
  - 3.4.3.2 Deposit-taking corporations, except the central bank
    - 3.4.3.2.1 Short-term
    - 3.4.3.2.2 Long-term
  - 3.4.3.3 General government
    - 3.4.3.3.1 Credit and loans with the IMF (other than reserves)
    - 3.4.3.3.2 Other short-term
    - 3.4.3.3.3 Other long-term
  - 3.4.3.4 Other sectors
    - 3.4.3.4.0.1 Short-term
    - 3.4.3.4.0.2 Long-term
    - 3.4.3.4.1 Other financial corporations
      - 3.4.2.4.1.1 Short-term
      - 3.4.2.4.1.2 Long-term
    - 3.4.3.4.2 Nonfinancial corporations, households, and NPISHs
      - 3.4.3.4.2.1 Short-term
      - 3.4.3.4.2.2 Long-term
- 3.4.4 Insurance, pension, and standardized guarantee schemes
  - 3.4.4.1 Central bank

- 3.4.4.2 Deposit-taking corporations, except the central bank
- 3.4.4.3 General government
- 3.4.4.4 Other sectors
  - 3.4.4.4.1 Other financial corporations
  - 3.4.4.4.2 Nonfinancial corporations, households, and NPISHs
- 3.4.5 Trade credit and advances
  - 3.4.5.1 Central bank
    - 3.4.5.1.1 Short-term
    - 3.4.5.1.2 Long-term
  - 3.4.5.2 General government
    - 3.4.5.2.1 Short-term
    - 3.4.5.2.2 Long-term
  - 3.4.5.3 Deposit-taking corporations
    - 3.4.5.3.1 Short-term
    - 3.4.5.3.2 Long-term
  - 3.4.5.4 Other sectors
    - 3.4.5.4.0.1 Short-term
    - 3.4.5.4.0.2 Long-term
  - 3.4.5.4.1 Other financial corporations
    - 3.4.5.4.1.1 Short-term
    - 3.4.5.4.1.2 Long-term
  - 3.4.5.4.2 Nonfinancial corporations, households, and NPISHs
    - 3.4.5.4.2.1 Short-term
    - 3.4.5.4.2.2 Long-term
- 3.4.6 Other accounts payable—other
  - 3.4.6.1 Central bank
    - 3.4.6.1.1 Short-term
    - 3.4.6.1.2 Long-term
  - 3.4.6.2 Deposit-taking corporations, except the central bank
    - 3.4.6.2.1 Short-term
    - 3.4.6.2.2 Long-term
  - 3.4.6.3 General government
    - 3.4.6.3.1 Short-term
    - 3.4.6.3.2 Long-term
  - 3.4.6.4 Other sectors
    - 3.4.6.4.0.1 Short-term
    - 3.4.6.4.0.2 Long-term
  - 3.4.6.4.1 Other financial corporations
    - 3.4.6.4.1.1 Short-term
    - 3.4.6.4.1.2 Long-term
  - 3.4.6.4.2 Nonfinancial corporations, households, and NPISHs
    - 3.4.6.4.2.1 Short-term

3.4.6.4.2.2 Long-term

3.4.7 Special drawing rights

3 Total assets

3 Total liabilities

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### III. Reporting procedure of transactions by Authorized Dealers

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#### Terminologies

**Authorized Dealers (ADs):** State Bank of Pakistan grants authorization (Authorized Dealers License) to Banks/ NBFIs to deal in foreign exchange. Subsequently the Banks/NBFIs authorize their branches to deal in the foreign exchange. Under the guide all such Banks/NBFIs or their branches are named Authorized Dealers (ADs).

**Main types of transactions** in the returns can be classified as (i) Visible (Exports and Imports); (ii) Invisible (All services/ income except for visible); (iii) Capital transactions (i.e. liabilities to / claims on Pakistanis with the rest of the world); (iv) Others (transactions with affiliated branches, interbank, and transaction with SBP).

**Coding system:** In order to describe the above foreign exchange transactions for balance of payments statistics, following particulars are required:

- i) Authorized Dealer;
- ii) Country;
- iii) Currency;
- iv) Beneficiary / effective parties;
- v) Amount; etc.

The compilers can have millions of permutations/ combinations of the above variables. In order to facilitate the data handling / processing through computer/ error rectification/ accuracy, the coding system is inevitable. The updated / modified code lists are provided in the third section of the guide.

**Specimen of Schedules / Summaries** are provided in Annexure. The description of all such Schedules/ Summaries available under Chapter 22 XXII of Foreign Exchange Manual (Eighth Edition – 2002), is reproduced here briefly for the convenience of Banks.

**Balanced/ Unbalanced Authorized Dealer:** Every branch of a bank authorized to deal in foreign exchange may not be maintaining separate nostro position. The ADs maintaining separate nostro positions are called balanced ADs and are required to submit Summary Statements by taking into account the opening and closing nostro balances for each currency. For unbalanced Authorized Dealer i.e. those who are not maintaining separate nostro balances. The Head Offices/ Principal Offices have to adjust the branch transactions in their balanced summary statements.

**Inward Remittances:** means purchase of foreign currencies in any form including remittances by MT, TT, Draft etc.; purchase of travelers' cheques; drafts under travelers letters of credit; bills of exchange;

currency notes and coins; and Debit to banks' non-resident Rupee accounts also constitutes an inward remittance.

**Outward Remittances:** means sale of foreign exchange in any form and including remittances by MT, TT, Draft etc.; sale of travelers cheques; travelers letters of credit; foreign currency notes and coins; and the outward remittances can also be made either by sale of foreign exchange or by credit to non-resident Rupee accounts of banks' overseas branches or correspondents.

**Export Receipts:** The proceeds received through ADs on account of goods exported from Pakistan as per EForm are called export receipts during the reporting month. This also includes the advance receipts as per advance payment voucher (APV) and amount of re-export. All the other definitions are as per Manual.

**Form – E:** As required under the Federal Government Notification Nos. I(6)- ECS/48 and I(7)ECS/48 both dated the 1st July, 1948 the exporters are required to declare their exports to the Customs/ Postal authorities in Form 'E' or electronic E-form (EEF).

**Import Payments:** The payments made through banking system for the settlement of import bills are called import payments.

**Form – I:** It is an application form for remittance against imports into Pakistan, which is signed by the importer or his authorized agents. This form is submitted to the Authorized Dealer who signs the certificate as prescribed therein. In cases where the Authorized Dealers are empowered to approve the remittances on behalf of the SBP, they will do so by recording their approval on the form. In all other cases, the forms together with the required supporting documents are forwarded to the SBP for approval.

**Form R:** it is declaration in respect of receipts above USD.10, 000 for purposes other than exports and family maintenance.

**Form M:** is an application form for permission to purchase foreign exchange for outward remittance other than imports and travel, which is approved by concerned AD or in some cases by SBP.

**IRV:** Inward Remittance Voucher, details of all inward remittances for family maintenance and other receipts up to USD 10,000/= for the purposes other than exports are reported at this voucher.

**Invisible Receipts/ Payments:** Purchase and sale of foreign currencies by the Authorized Dealers related to invisible items like services e.g. transactions related to dividend, interest, loans, grants, workers' remittances etc. are called Invisible Receipts and Payments respectively.

**SCRA:** stands for Special Convertible Rupee Accounts, which are opened by the foreigners in Pak. Rupees. The amounts are credited to these accounts after converting of foreign currency into Pak. Rupees for the purpose of investment at Stock Exchange. The balance may be shifted any time to outside the country after conversion into foreign currency. The outstanding balance in these accounts is a foreign liability.

**Foreign Portfolio Investment:** Remittances received in country relating to equity (less than 10%), securities, shares, debentures, certificates and money market instruments etc. are treated as foreign portfolio investment.

**Foreign Direct Investment:** Remittances received in the country relating to equity more than 10% or for those firms whose management is in the hands of foreign investors and remittances received for the purpose of establishment of business is treated as foreign direct investment.

**Cash Transactions:** Physical movement of foreign currency notes against exchange of goods & services transacted through Authorized Dealers or deposit and withdrawals from FCAs are called cash transaction.

**Account Transaction:** Book entries, which are passed by the Authorized Dealers to debit or credit an account, are called account transactions.

**Capital Account:** It refers to the recording of capital movement in the business. In ITRS, it is sale/ purchase of foreign exchange among the branches of same bank or among the other banks.

**Non Bank Financial Institutions NBFI's:** Financial institutions, which cannot undertake banking activities i.e. collect deposits or open current accounts but can extend loan by availing credit line from State Bank of Pakistan. Regarding foreign exchange transaction they can issue certificates of investment to the non-residents and are not allowed opening foreign currency accounts. In other words they have been issued restricted authorized dealers license.

**Trade Nostro Balances:** Nostro balance minus balance under FE25 because FE 25 deposits are banks' liability and are not surrendered to the SBP.

**Currency and deposits balances:** The nostro balances held by ADs and can be used freely by them i.e. nostro balance other than trade nostro are to be classified as Currency and Deposits. The sum of the two balances is the nostro position of respective balanced AD.

**Foreign Exchange Inter Bank Rate:** Foreign Exchange rate, which prevail for sale/purchase of foreign exchange among banks or the rate quoted by the banks to its customers.

**Floating Foreign Exchange Rate:** Foreign Exchange Rate that is changed with the change in demand & supply of the Foreign exchange in the market.

## Summary Statements

**Summary Statements:** These are the extract of authorized dealer's ledger in a summarized form showing all the foreign exchange transactions in all the currencies. These are supported by schedules. There are S1, S4, and S6 summary statements.

**Statement S-1:** An abstract of Authorized Dealer's ledger account in foreign currency, which contains totals under specified heads e.g. Exports, Imports, Invisible Receipts and Invisible Payments etc.

**Statement S-4:** An abstract of Authorized Dealer's ledgers account, which consists, consolidated figures of all non-resident bank branches and correspondents' Rupee accounts maintained with them e.g. Exports, Imports, Invisible Receipts and Invisible Payments etc.

**Statement S-6:** An abstract of Authorized Dealer's ledger account, which consists transactions in foreign currency notes.

## Schedules:

The details of transactions are provided on respective schedules. Every Schedule contains columns for currency code, country code, AD Code, purpose code and the period. Code lists for each are provided in the next section of the Guide.

**Schedule A-1/O-1:** Purchases of foreign currencies or debits to non-resident bank rupee accounts covering all post-shipment (full/final/partial) proceeds of 'EXPORTS' from Pakistan as per E-Form will be listed on this schedule.

**Schedule A-2/O2:** All pre-shipment (advance) receipts from abroad for goods to be exported will be reported on this schedule.

**Schedule A-3/O-3:** Purchases of foreign currencies or debits of non-resident bank rupee accounts against 'RE-EXPORT' of imported goods are reported on this Schedule.

**Schedule A-4/O-4:** Utilizations (shipments) against advance receipts of exports will be reported on this schedule.

**Schedule J/O-3:** This Schedule represents purchases of foreign currencies or debits of non-resident bank rupee accounts against invisible items like services, transfers, income and investments etc.

**Schedule H:** Purchases of foreign exchange from overseas branches and correspondents for credit of the rupee equivalent to non-resident bank account (S-1) and credit against purchases of foreign currencies (S-4).

**Schedule B:** Purchases of a foreign currency against sale of other foreign currencies are reported on this Schedule.

**Schedule C:** This Schedule relates to the purchases of a foreign currency from Authorized Dealers or branches in Pakistan maintaining a separate currency position.

**Schedule W:** Purchases from Exchange Companies in Pakistan maintaining a separate currency position

**Schedule D:** This Schedule represents foreign currencies purchased from or sold to the State Bank of Pakistan and are reported by the Head Offices/ Principal Offices of the banks.

**Schedule O:** Head offices/ Principal Offices of the banks report adjustments of purchases of branches not maintaining separate currency position through this schedule so that the closing balance of the bank could be calculated.

**Schedule L:** This Schedule covers debit to non-resident bank rupee accounts covering the transfers to other non-resident rupee accounts (S-4).

**Schedule E-2/P-2:** Payments of foreign currency or credit to non-resident bank rupee accounts relating to 'IMPORTS' of goods are reported under this Schedule.

**Schedule E-3/P-3:** Travel and FCA payments of foreign currencies or credit to nonresident bank rupee accounts are covered through this Schedule.

**Schedule E-4/P-4:** This Schedule relates to payments of foreign currencies or credit to non-resident bank rupee accounts on account of invisible/miscellaneous items.

**Schedule M:** Debit to non-resident bank rupee accounts (S-4) against sale of foreign currencies (S-1) to overseas bank's branches and correspondents.

**Schedule F:** Sale of FCY against purchase of other FCY (Opposite schedule B). (S-1) are reported under this Schedule.

**Schedule G:** Sale of foreign currencies to other Authorized Dealers or branches in Pakistan maintaining a separate currency position (S-1) is reported on this Schedule.

**Schedule P:** Head Offices/ Principal Offices of the banks report adjustment of sale of currencies of their branches not maintaining separate currency position under this Schedule.

**Schedule N:** The closing balances (S-4) of non-resident bank rupee accounts are to be reported on this schedule.



**Schedule R:** Credit to non-resident bank rupee accounts covering transfers (S-4) from other non-resident bank accounts are reported through this Schedule.

**Schedule LAC-NR:** This Schedule represents imports under loans/aids, credits & grants where no remittances are involved.

**Schedule EL-2/EL-3:** This Schedule is used for imports under credit.

Forms: These are the supporting documents filled in mostly by customers containing basic information about the transaction.

**Frequency:** data are collected on monthly basis.

**Mode of Data collection:** electronic data CSV file is submitted through Data Acquisition Portal (DAP) and forms/schedules/summaries through email

**Receiving Date:** Data is received by 5<sup>th</sup> of the following month to which it relates.

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## IV. Coding the Monthly Foreign Exchange Return

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In this section you will find description of the code lists. These code lists have been prepared keeping in view the type / nature of economic transactions, data requirements of various Departments of SBP; balance of payments; ministry of Finance; Ministry of Commerce; Privatization Commission; Board of Investment; IMF; etc.

**Code List No.1 (Document codes):** The list comprises Document Codes. It is an electronic code used to represent a schedule All transactions on a document code for a particular currency of respective AD are added and matched to the particular summary statement. This is the basic code, any error in punching this code, mismatches the Summary.

**Code List No.2 (currency codes):** Comprises Currency Codes. The monthly returns are prepared in actual currency of transaction. The code list covers all currencies along with name of countries, ISO and old ITRS country codes.

**Code List No.3 (Country codes):** comprises ISO and old ITRS country codes. The codes are used to capture counter party country in the transaction.

**Code List No.4 & 6 (HS Commodity codes):** This code list is based on the Harmonized System of commodity description (HS Codes) prepared by Pakistan Customs. The list is used to classify the commodity being exported or imported. HS are the similar codes adopted worldwide. The Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organization (WCO).. The code list for HS (Code List No. 4 & 6) being a voluminous one is not included in the guide; [codes](http://download1.fbr.gov.pk/Docs/2018817158749999PakistanCustomTariff2018-19-CH1-99.pdf) are available on customs website (<http://download1.fbr.gov.pk/Docs/2018817158749999PakistanCustomTariff2018-19-CH1-99.pdf> )

**Code List No. 5 (Invisible receipts):** comprises Purpose, Description and Code to be used by ADs to classify each transaction of invisible or capital receipts. The ADs are required to classify each transaction on the basis of intentions of the transactor (Purpose) on Schedule 'J'. The Purpose Code should be for the same intentions as mentioned on form R / IRV. The person responsible for coding the Schedule 'J' must be aware of the purpose of classification and nature of transaction.

**Code List No. 7(Invisible payments):** comprises Purpose, Description and Code to be used by ADs to classify each transaction of invisible or capital payment. The ADs are required to classify each transaction on the basis of intentions of the transactor (Purpose) on Schedule 'E-3' and 'E-4'. The Purpose Code should be for the same intentions mentioned on form M / T-1.

**Code List No. 8 (departments):** comprises Department of Federal / Provincial / Public Sector Enterprises / Autonomous Enterprises etc. The codes are used for monitoring the payments of foreign exchange with

respect to various institutions/ organizations. This is helpful to plan the annual budget of foreign exchange. Controlling authorities of such institutions may reconcile their payouts with the help of ADs monthly reporting. ADs are required to take utmost care in coding the Department Code to fulfill the requirement.