



## External Relations Department

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### **Strengthening of the State Bank of Pakistan's enforcement powers through enactment of the Foreign Exchange (Amendment) Act, 2016**

State Bank of Pakistan's powers to regulate the foreign exchange business have been strengthened through enactment of the Foreign Exchange (Amendment) Act, 2016.

The major amendment through the above Act in the Foreign Exchange Regulation Act (FERA), 1947 is the insertion of a new section 23K, which empowers SBP to impose monetary penalties on its regulatees i.e. Authorized Dealers (Banks) and Exchange Companies on account of violation of foreign exchange rules and regulations. The said section also provides that every director, manager, officer, agent etc. of an entity shall be deemed guilty of violation if the violation was committed with his knowledge or consent or if he did not exercise due diligence while performing his duties.

The above amendment was considered necessary in view of liberalization of foreign exchange regime and significant increase of foreign exchange business since enactment of the original law. Thus, in order to effectively regulate foreign exchange business of banks and exchange companies, SBP needed to have corresponding enforcement powers. However, as the same were not available, it had to follow a lengthy procedure of adjudication for imposition of penalties. Further, it could only suspend or cancel the license of a bank or an exchange company on violation of any provision of the Act which often became more severe than the violation warranted.

The newly inserted section also provides right to the person aggrieved by an order passed to prefer appeal to the designated Deputy Governor, State Bank of Pakistan.

Moreover, by carrying out some other related amendments in different sections of FERA 1947, the role of Tribunal and Foreign Exchange Adjudication Court has been clearly bifurcated with respect to handling of cases regarding FX violations by the persons other than regulatees of SBP.

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