



## External Relations Department

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October 11, 2020

### **Frequently Asked Questions in respect of Foreign Currency Accounts Rules**

Please also see the SBP press release on the SRO by Ministry of Finance available at: <https://www.sbp.org.pk/press/2020/Pr-11-Oct-20.pdf>

**Question 1. Why there was a need to issue SRO by Ministry of Finance, if there is no change in existing foreign exchange regulations?**

**Ans.** Protection of Economic Reforms Act 1992 (PERA) was amended in 2018. The amendments made in PERA included, inter alia, that federal government may make rules governing deposits into and withdrawals from the foreign currency accounts. The purpose for issuance of these rules is to provide enabling provisions for SBP to issue instructions related to deposits in FCY accounts, including those already in place as well as any that may be issued in future.

In this way, these rules aim to provide a framework for the operation of individual foreign currency accounts. In addition, the rules also formalize the mandate given to SBP to strengthen the foreign exchange regime and to make it easier for the individuals to meet their foreign currency needs through banking channels.

**Question 2. Would SBP issue any guidelines for FCY accounts in accordance with the rules to clarify the situation?**

**Ans.** There is no change in State Bank's existing regulations regarding FCY accounts and these regulations do not conflict with the rules issued by Ministry of Finance.

**Question 3. Do the rules have any impact on the newly introduced Roshan Digital Accounts (RDA) for Non-Resident Pakistanis?**

**Ans.** No, RDA is a distinct scheme for Non Resident Pakistanis, offering both FCY and PKR accounts. Funds can be received into these accounts from abroad but they cannot be fed from within Pakistan. Proceeds of investments, profit thereon and any balances in these accounts are freely repatriable without any approval or hindrance. For more details, please refer to: <https://www.sbp.org.pk/epd/2020/FEC2.htm>



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**Question 4. As per the FCY Account Rules issued by MoF, restriction has been placed on deposit of foreign currency purchased from Exchange Companies into foreign currency account, which is the main source of deposit into foreign currency accounts. Can FCY account still be credited with FCY purchased from Exchange Companies?**

**Ans.** Para 3 (4) of Rules reads that “ a foreign currency account shall not be credited with any foreign exchange purchased from an authorized dealer, exchange company or money changer except as allowed by the State Bank through any general or special permission under any law”. Since SBP has already provided a general permission for filers to deposit foreign currency into their FCY account and similarly general permission is also in place for the purchase of FCY from Exchange Companies under the Exchange Companies Manual, filers can continue to deposit cash in their FCY accounts.

**Question 5. Will it become difficult for me to send money for education fee of my children?**

**Ans.** No, nothing has changed on this front. As per current practice, money for education fee of children can be sent through an individual’s Pak Rupee as well as FCY account. The bank, on an application from the customer along with fee voucher, debits the customer’s account and transfers the fee to the educational institution abroad. Payment allowed includes application/processing charges, tuition fee, living expenses etc.

**Question 6. How will remittances for medical treatment be made?**

**Ans.** Nothing has changed on this front. As per current practice, a bank, on receipt of an application from its customer along with invoice of the hospital / clinic/ necessary documents, will debit the customer’s Account and remit the funds to the hospital / clinic abroad.

**Question 7. Are any measures being considered for freelancers / IT exporters?**

**Ans.** State Bank of Pakistan has been supporting the freelancer Community and IT exporters over the past many years, with a view to promote their business and especially exports.

Entities engaged in exports of IT services can open special foreign currency accounts under the existing regulations and can retain up to 35% of their export proceeds for their foreign exchange needs like payment of commission/discount to the overseas agents/buyers, meeting expenses such as promotional publicity, import of Hardware/Software, foreign consultant’s fee etc.

In order to facilitate freelancers, State Bank has opened up Pakistan Remittance Initiative channels for them to conveniently receive proceeds of their services. Freelancers receiving remittances using this channel are also allowed to repatriate up to 35% of the export earnings through their PKR denominated bank account in Pakistan for outward remittances. Moreover, freelancers that are engaged in export of their services and receive payment in foreign currency can open special FCY retention accounts and retain up to 35% of proceeds from export of services received in FCY.



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State Bank will continue to take further steps to promote export of IT services.

**Question 8. Going forward, what further steps is SBP planning to take in the context of facilitating the individuals to meet their foreign currency needs.**

**Ans.** SBP's medium-term objective is to promote digitization in banking, reduce the use of cash and lessen the need for any individual to physically visit a branch for routine transactions. In this regard, SBP will continue to encourage the use of banking channels for conducting financial transactions.

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