

# Foreign Exchange Adjudication





## 5 Foreign Exchange Adjudication

*Foreign Exchange Adjudication Department (FEAD) adjudicates cases regarding violations of various provisions of Foreign Exchange Regulation Act (FERA), 1947 as per powers vested in Adjudicating Officers under Section 23B of the Act. The Adjudicating Officers are appointed by the SBP Governor through Gazette Notifications under Section 19 of SBP BSC Ordinance, 2001.*

### 5.1 Foreign Exchange Adjudication Department

Foreign Exchange Adjudication Department manages Foreign Exchange Adjudication Courts established under Foreign Exchange Regulation Act, 1947. These Courts adjudicate complaints filed by Foreign Exchange Operations Department against the delinquent exporters and importers under relevant provisions of FERA. The Courts, which are empowered to impose penalties, if it is proved that the contravention was willful, subsequently approach the relevant authorities for recovery of penalties as per Section 23J of the Act. The proceedings are conducted under Adjudication Proceedings and Appeal Rules, 1988.

#### Box 5.1: Major Initiatives/Achievements

1. FEAD has exceeded its initial realization target (USD 100 million) and even surpassed the revised target (USD 120 million) by effecting an all-time record realization of USD 133.7 million during FY18.
2. Three new Courts were established at Lahore, Quetta and Rawalpindi during FY18, in addition to two new Courts, set up last year. Together, these Courts contributed towards realization of USD 34 million (25% of total realization during the year).
3. Adjudicating Officers were assigned individual realization and disposal of cases targets during FY18. The initiative served as a key contributor towards increase in Foreign Exchange realization and disposal of target cases during the year.
4. A four-day comprehensive training of Adjudicating Officers and allied staff was arranged at NIBAF, Islamabad during the year under review.
5. Automated Centralized Cause List has been implemented.

In order to ensure prompt judicial process, the Department has been divided into four wings at Head Office viz. (i) Courts, (ii) Registrar and Database, (iii) Admin. and Recovery and (iv) Research and Development. Currently, there are thirteen Adjudicating Courts (four each at Karachi and Lahore, and one each at Faisalabad, Multan, Sialkot, Rawalpindi and Quetta) working across Pakistan.

Since the establishment of Foreign Exchange Adjudication mechanism in 1990 till June 30, 2018, FEAD has managed repatriation of USD 677.5 million from the exporters, who failed to bring export proceeds back within the stipulated time in violation of the provisions contained in section 12(1) of FERA.

#### 5.1.1 Performance Highlights

During FY18, export proceeds equivalent to USD 133.7 million (highest ever in a year) were realized as compared to USD 78.7 million in FY17. (Table 5.1).

Table 5.1: Realization of Export Proceeds

Adjudication Courts	Export Proceeds Realized in Million USD		% Change
	FY17	FY18	
Karachi	35.2	53.7	53%
Lahore	26.3	48.2	83%
Faisalabad	6.1	8.4	38%
Multan	1.6	2.6	63%
Sialkot	9.5	8.1	-15%
Quetta	-	12.1	-
Rawalpindi	-	0.6	-
Total	78.7	133.7	70%

The share of four Adjudication Courts at Karachi (out of total thirteen Courts) stood at 40% in overall realization of delayed export proceeds during FY18.

About 5,857 complaints were disposed of during FY18 as compared to 3,308 in FY17, depicting an increase of 77% (**Table 5.2**).

Further, Standard Operating Procedures (SOPs) for recovery were revamped and the electronic mail was introduced as the key mode of communication with the Authorized Dealers. This endeavor has resulted in recovery of Rs 6.1 million penalty from defaulting exporters during FY18 (**Table 5.3**).

## 5.2 Future Outlook

1. Continuous improvements are being ensured in the functioning of FEAD. Efforts are being made to focus on automation of its processes and development of an interactive database. A project regarding Development of Relational Database is under preparation, which is supposed to facilitate the Department in exercising efficient and effective monitoring of complaints and adjudication proceedings.
2. Moreover, the matter of recovery through District Collectors was taken up with Provincial Governments of Sindh and Punjab through the Office of SBP Governor. In response, these Provincial Governments have nominated Focal Persons in recovery matters. Interaction with relevant departments is in progress to remove impediments in the process of recovery of arrears of land revenue.

**Table 5.2: Disposal of Complaints**

Adjudication Courts	Number of Cases		% Change
	FY17	FY18	
Karachi	1,585	3,391	114%
Lahore	935	928	-1%
Faisalabad	370	341	-8%
Multan	81	183	126%
Sialkot	337	485	44%
Quetta	-	311	-
Rawalpindi	-	218	-
<b>Total</b>	<b>3,308</b>	<b>5,857</b>	<b>77%</b>

**Table 5.3: Recovery of Penalty**

Adjudication Courts	Amount (in '000 Rs)	
	FY18	FY17
Karachi	3,820	
Lahore	2,220	
Faisalabad	130	
<b>Total</b>	<b>6,170</b>	