

SBP Staff Notes

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How Roshan Digital Accounts Flows Affect Balance of Payments Statistics?

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1. Introduction

State Bank of Pakistan introduced Roshan Digital Accounts (RDA) facility in September 2020 for non-resident Pakistanis (NRPs).¹ With the introduction of this initiative, NRPs can now remotely open the accounts with designated Pakistani banks and operate through online system for banking services such as transferring money, making payments for utilities, education, and other services, and investment in Pakistan. Opening RDA is a paperless activity and does not require any personal visit to any bank branch. Once a customer submits the required set of basic information/documents digitally, the banks are required to complete the due diligence and the account opening procedure within 48 hours.

Roshan Digital Accounts (RDA) can be opened as a NRP (Non-resident Pakistani) Rupee Value Account (NRVA) or a Foreign Currency Value Account (FCVA). Funds to NRVA are credited by converting FCY to PKR. FCVA facility is available to both non-resident Pakistanis and those resident Pakistanis who have declared their assets abroad with FBR.

Since its introduction, facility has been attracting a large amount of inflows with a monthly average of above USD 200 million. By the end of March 2022, total RDA inflows reached about \$4.0 billion through around 400,000 RDA accounts, in conventional as well as Islamic banks, opened from 175 countries. The funds attracted under RDA accounts are mainly utilized for investment in Naya Pakistan Certificates (NPCs). However, RDA utilization in investment in Pakistan Stock Exchange is also picking up. NRPs can purchase property in Pakistan using their own balance in RDA.²

As the RDA are new types of accounts, it is natural to ask how inflows and utilization under RDA are recorded in the Balance of Payments statistics of Pakistan. The note addresses this question and explains how different inflows into RDAs and utilizations from RDAs are being recorded under relevant heads in Pakistan's balance of payments statistics, which is being compiled following International Monetary Fund (IMF) Balance of Payments Compilation Manual Edition 6 (BPM6)³. The note has five sections: the next section gives data reporting framework of Roshan Digital Accounts; third section explains the recording mechanism of transactions in RDA accounts as per IMF's BPM6 and the fourth section attempts to show recording inflows and utilization of RDA funds using a tree diagram approach. The last section concludes the note.

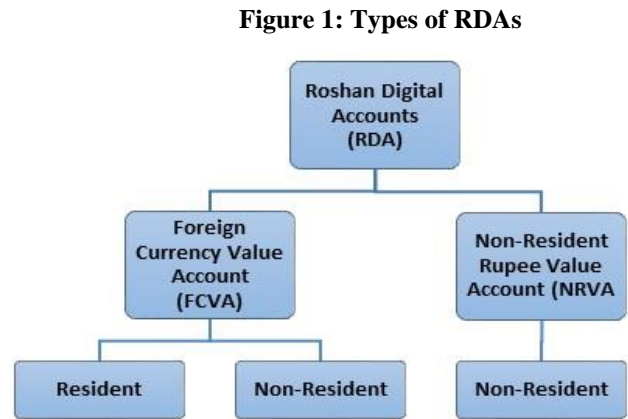
¹ Relevant SBP notifications for RDA are FE Circular No. 01 and 02 of 2020 dated August 05, 2020.

² NRPs can avail borrowing from Pakistani banks under Roshan Apna Ghar Scheme for house building/purchase purpose (in Pakistan). Moreover, they can buy a car under Roshan Apni Car scheme for their beloved ones in Pakistan. These facilities are available under both the conventional and sharia compliant modes of financing. With Roshan Samaji Khidmat scheme NRPs can contribute in the charity affairs and perform religious obligations of Qurbani / payment of zakat through a portal link.

³ <https://www.imf.org/external/pubs/ft/bop/2014/pdf/guide.pdf>

2: Data Reporting Framework:

Overall Balance of Payments comprises three main accounts: financial, capital and current account. The RDA flows may affect all three accounts of the Balance of Payments depending upon types of receipts and nature of the usage of funds. Funds received in Roshan Digital Accounts (RDA) can be inflows in Foreign Currency Value Accounts (FCVAs) or NRP Rupee Value Accounts (NRVAs) of Pakistanis working abroad and from resident Pakistanis who have ‘declared assets’ abroad (Figure 1).



Data on RDA flows are reported by banks to SDWD of SBP on a given format (Annexure A). Every month the banks report activities relating to RDA including number of accounts, inward remittances, transfer of funds, investment made through these accounts in government securities, cash withdrawal, or other payments.

Banks are required to report FCVAs and NRVAs separately. Moreover, banks also report bifurcation of investment and disinvestment made from non-resident rupee value account. This report also includes profit earned from government securities, dividend received from stock market shares, rental income and other proceeds.

3: Recording mechanism in BoP Statistics

Like all other international transactions, the inflows and outflows of RDA are also reported through double entry system in the Balance of Payments statistics. As shown in **Table 1**, funds received in RDA appear in both the liabilities and assets side of the Financial Account. Inflows in the RDA, increase the foreign exchange reserves of commercial banks, which is also reflected in the country’s total foreign exchange reserves.

In the Balance of Payments, Financial Account is the first component, which is hit by RDA inflows. All inflows in NRVAs and FCVAs (Non-resident) are recorded in the Financial account as Other Liability under Currency and Deposits of Banks with a corresponding increase in (Currency and Deposits) assets of banks.

Subsequently, when RDA funds are utilized for various purposes, their impact is taken in other components depending on the nature of outflows from RDA. For example, if amount is withdrawn from RDA and used to invest in government securities (e.g., Naya Pakistan Certificates), then following four heads are affected:

- (1) Reduction in Financial Account – Other Liabilities – Currency and Deposits (**Banks**)
- (2) Addition in Financial Account – Other Liabilities – Currency and Deposits (**Government**)
- (3) Reduction in foreign exchange Reserve (**Banks**)
- (4) Addition in Reserve Assets (**SBP**)

Currently a large amount of inflows in RDA accounts are being invested in Naya Pakistan Certificates, which offer attractive profits on both conventional and Sharia compliant instruments. With investment in Naya Pakistan

Certificates, the amount of investment shifts from FX reserve of commercial banks to SBP reserves (simultaneously, an equivalent amount in Pakistani currency is made available to Government). Therefore, investment in NPC does not affect total foreign exchange reserves of the country.

Outflows from these accounts are recorded as decrease in financial liability of banks with a corresponding decrease in FX reserves of banks.

It may be noted that resident Pakistanis who have declared assets abroad can also open Foreign Currency Value Account (FCVA) with banks in Pakistan. The inflows in FCVA accounts of resident Pakistanis are resident transactions; hence they are not recorded in Balance of Payments.

Table 1: BOP Treatment of RDA Transactions⁴

Flows reported	Two- sided BOP Transactions	
Funds Received in RDA (with Bank)	Financial Account-Other Liabilities- Currency & Deposits –Banks (+)	Financial Account -Other Assets- Currency & Deposits –Banks (+)
Withdrawal from RDA <i>and</i> investment in GOP Securities (Naya Pakistan Certificate etc.)	Financial Account -Other Liabilities- Currency & Deposits –Banks (-) Other Assets- Currency & Deposits –Banks (-)	Financial Account -Other Liabilities- Currency & Deposits –Govt. (+) Reserve Assets -SBP (+)
Withdrawal from RDA for the purpose of investment in Stocks Market –Funds	Financial Account -Other Liabilities- Currency & Deposits –Banks (-)	Financial Account -Portfolio Investment Liabilities (+)

⁴ It is pertinent to mention here that BoP statement is a flow statement and the stock position of financial account of BoP is presented in International Investment Position (IIP) which is regularly compiled by SDWD of SBP (on quarterly frequency). At any point in time, IIP shows the value of financial assets and liabilities of resident of an economy with non-residents. IIP is prepared adding opening position to a) flows arising from transactions and b) other changes in financial assets and liabilities (resulting from other changes in volume and revaluation) during the current period of time to reach closing position. All RDA related flows, recorded in financial accounts of BoP, are thus simultaneously recorded in IIP. For example, a part of inflows in RDAs which is invested in Naya Pakistan Certificates by non-residents Pakistanis, is recorded as 'other investment' in IIP being liability of government of Pakistan.

Note: The signs “+”\”-“ denote credit/debit in Current and Capital Accounts and increase/ decrease in Asset/Liability in Financial Account.

Withdrawal from RDA for the purpose of investment in property and real estate	Financial Account -Other Liabilities- Currency & Deposits –Banks (-)	Capital Account- Capital Transfers (+)
Withdrawal from RDA for local use (cash, bill payments, etc.	Financial Account -Other Liabilities- Currency & Deposits –Banks (-)	Current Account- Other Current Transfers (+)
Utilization under Roshan Samaji Khidmat	Financial Account -Other Liabilities- Currency & Deposits –Banks (-)	Secondary Income Account – Other Current Transfers (+)
Outward Remittance or Repatriation from RDA	Financial Account -Other Liabilities- Currency & Deposits –Banks (-)	Financial Account -Other Assets- Currency & Deposits –Banks (-)

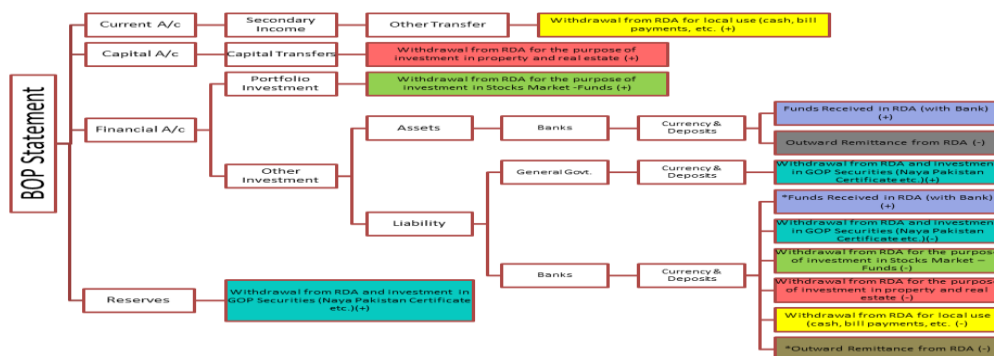
RDA holders may avail financing for house and car in Pakistan. Any sale proceeds of property/car purchased through borrowing from banks within Pakistan cannot be remitted abroad⁵. The BoP treatment of financing against Roshan Apna ghar and Roshan Apni Car will be:

- (1) Capital Account –Capital transfers –Other Sectors –Credit (+) and
- (2) Financial Account –Other Investment -Other Assets –Loans -Banks (+)

4: Tree Diagram approach

Another way of looking at the recording of transactions in RDA is a tree diagram given below. The color scheme followed in this diagram represents similar color of one type of transactions. Every color appears twice in the diagram which shows that every transaction is recorded under two heads (i.e., in double entry system).

Figure 2: Tree Diagram showing BOP Treatment of RDA Transactions



⁵ FE Circular No. 12 of 2021 dated August 27, 2021.

Note: The signs “+”\”-“ denote credit/debit in Current and Capital Accounts and increase/ decrease in Asset/Liability in Financial Account.

5: Concluding remarks

Roshan Digital Account is a facility, mainly for non-resident Pakistani, to open a bank account in designated Pakistani banks ‘remotely’, to make their routine payments in Pakistan and/or to make investments here in the country. All the inflows into and outflow from RDAs are recorded in BoP statement of Pakistan as RDAs flows hit country’s FX reserves. Inflow into RDA initially hits financial account of BoP statement and thus country’s FX reserves. Whereas outflows from RDA are recorded in current, capital or financial account of the BoP statement as per nature of the withdrawal transactions.

Annexure – A

(1) Summary Statement in respect of Transactions conducted through Foreign Currency Value Accounts (FCVAs) for the Month of _____

Million USD

	Category of FCVA	Non-resident Pakistanis	Resident Pakistanis	Total
	Total No. of FCVAs			
	Opening Balance of FCVAs			
Credit	Inward Remittance			
	Transfer of funds from his/her own NRVA with the same AD			
	Profit/Interest from eligible Investment in FCY			
	Maturity proceeds/disinvestment from Govt registered securities			
	Maturity proceeds/disinvestment from term /remunerative deposit product			
Debit	Investment in Government registered securities			
	Investment in terms /remunerative deposit product of the same AD			
	Transfer of funds to his/her own NRVA with the same AD			
	Transfer to other FCY, PKR account and NRAN with any bank in Pakistan			
	Remittance/ Payment Abroad			
	FCY Cash withdrawal			
	Local Payments/withdrawal in PKR within Pakistan through any mode			
	Closing Balance of FCVAs			
	*Current market Value of the investment made from FCVAs in registered govt securities/ terms deposit as at end of month			

*Market Value includes principal and markup/return

(2) Summary Statement in respect of Transactions conducted through NRP Rupee Value Accounts (NRVA) for the Month of _____

Million USD

	Category of NRVA	Amount
	Total No.of NRVA Accounts	
	Opening Balance of NRVA Accounts	
Credit	Inward Remittances	
	Transfer from NRVA holder's own FCVA/NRAR with the same Bank	
	Transfer from other NRVA/NRAR with the same Bank	
	*Profit, dividend, rental income, interest etc. received from eligible investment.	
	*Maturity proceeds/disinvestment from eligible investment.	
Debit	Investment in registered govt. securities, quoted Shares/Units, real estate mutual funds (*OES) & term deposits/ remunerative products	
	Transfer to NRVA holder's own FCVA/NRAR with the same bank	
	Transfer to other NRVA & NRAR with the same bank	
	Transfer to other resident PKR or FCY Account & NRAN	
	Remittance/ Payment Abroad	
	Payments/ Withdrawal through any mode in Pakistan	
	Closing Balance of NRVA Accounts	
	NRVA holders fund available in CDC account(s) at the end on month	
	Current Market value of the investment made from NRVA's in registered govt securities, quoted Shares/Units, **real estate, shares not listed on stock exchanges, mutual funds (OES) & term deposits/ remunerative products as of end of month.	

* OES - Open End Schemes

**Book value of the investment in real estate may be considered/reported as Current market value. Similarly, value of term/ remunerative deposit products as appearing as liability in the bank's books may be reported.

(3) Bifurcation of Investment and Disinvestment made from NRP Rupee Value Account (NRVA) for the Month of _____

Million USD

Break-up of Investments made during the month	Registered Government Securities (PIBs, T-Bills, Sukuk, Others)	
	Shares/Units quoted on Stock exchanges	
	Residential and Commercial Real Estate	
	Mutual Funds (OES)	
	Term / remunerative Deposit products of same bank	
Profits/dividend/rental income/interest etc. received from eligible investment during the month	Profit/return from registered Government Securities	
	Dividend received from Shares/Units quoted in Stock exchanges	
	Rental income from residential and commercial real estate	
	Profit/ interest from mutual funds (OES)	
	Profit/ interest from term / remunerative deposit products of same bank	
Disinvestment/Maturity Proceeds from eligible investment during the month.	Disinvestment/Maturity Proceeds from registered Government Securities	
	Disinvestment/Maturity Proceeds from shares/units quoted in Stock exchanges	
	Capital gain/return from residential and commercial real estate	
	Disinvestment Proceeds from mutual funds (OES)	
	Disinvestment/Maturity Proceeds from term / remunerative deposit products of same bank	
Current Market value of the investment made from NRVA in registered govt securities, shares/Units, **real estate, mutual funds (OES), & term / remunerative deposit products by the end of month.	Registered Government Securities	
	Shares/Units quoted in Stock exchanges	
	**Residential and Commercial Real Estate	
	Mutual Funds registered as OES	
	Term / remunerative Deposit products of same bank	

Annexure B :

Table B1: Summary Balance of Payments (as per BPM6)⁶

Items	(Million US\$)			
	Jan-Mar	Apr	Jul-Apr	
	FY21 ^R	FY21	FY2	FY20
Current Account Balance	-274	-200	773	-4,657
Current Account Balance without Official Transfers	-362	-214	537	-5,067
Exports of Goods FOB	6,883	2,295	20,99	19,704
Imports of Goods FOB	14,139	4,969	42,30	37,280
<i>Balance on Trade in Goods</i>	-7,256	-2,674	-	-17,576
Exports of Services	1,531	525	4,896	4,699
Imports of Services	1,950	582	6,316	7,722
<i>Balance on Trade in Services</i>	-419	-57	-	-3,023
<i>Balance on Trade in Goods and Services</i>	-7,675	-2,731	-	-20,599
Primary Income Credit	156	51	463	411
Primary Income Debit	1,077	482	4,488	5,052
<i>Balance on Primary Income</i>	-921	-431	-	-4,641
<i>Balance on Goods, Services and Primary Income</i>	-8,596	-3,162	-	-25,240
Secondary Income Credit	8,395	2,988	27,78	20,895
General Government	92	19	252	424
Current International Cooperation	23	2	33	81
Other Official Current Transfers	69	17	219	343
Financial Corporations, NFCs*, Households and NPISHs	8,303	2,969	27,53	20,471
Workers' Remittances	7,265	2,778	24,24	18,793
Other Personal Transfers	0	0	0	0
Other Current Transfers (Step 2a: in case of	1,038	191	3,287	1,678
Secondary Income Debit	73	26	251	312
<i>Balance on Secondary Income</i>	8,322	2,962	27,53	20,583
Capital Account Balance	51	21	204	246
Capital Account Credit (Step 3a: In case of real estate)	51	21	204	247
Capital Account Debit	0	0	0	1
Net Lending (+) / Net Borrowing (-) (Balance from Current and Capital	-223	-179	977	-4,411
Financial Account	-1,057	-2,106	-	-8,859
Direct Investment	-513	-159	-	-2,360
Direct Investment Abroad	3	-1	55	-58
Equity and Investment Fund Shares (including Reinvested	3	1	57	-58
Debt Instruments	0	-2	-2	0
Direct Investment in Pakistan	516	158	1,554	2,302
Equity and Investment Fund Shares (including Reinvested	497	143	1,587	1,968
Debt Instruments	19	15	-33	334
Portfolio Investment	-152	-2,452	-	303
Portfolio Investment Abroad	16	0	24	-115
Equity and Investment Fund Shares**	-19	0	-21	0
Debt Securities	35	0	45	-115
Portfolio Investment in Pakistan	168	2,452	2,185	-418
Equity and Investment Fund Shares** (Step 4a: In case of	-22	-15	-279	-183
Debt Securities	190	2,467	2,464	-235
Financial Derivatives (Other than Reserves) and Employee Stock	0	0	2	-8
Other Investment	-392	505	186	-6,794
Net Acquisition of Financial Assets	-277	-413	883	3
Central Bank	0	0	0	0
Deposit Taking Corporations (Step 1a. RDA funds comes	-460	-341	69	-310
General Government	9	-5	2	12
Other Sector	174	-67	812	301

⁶ Updated/latest available data can be accessed from https://www.sbp.org.pk/ecodata/Balancepayment_BPM6.pdf

Items	(Million US\$)			
	Jan-Mar	Apr	Jul-Apr	
	FY21 ^R	FY21	FY21 ^P	FY20
Net Incurrence of Liabilities	115	-918	697	6,797
Central Bank	-534	-1	-1,466	-497
Deposit Taking Corporations.				
<u>Step 1b. Banks other liabilities go up by RDA</u>				
<u>Step 2b. Liabilities cut due to consumption.</u>				
<u>Step 3b. Liabilities cut as money is invested in real estate.</u>	70	58	-493	46
General Government	702	-776	2,968	5,500
Disbursements	2,145	262	6,984	9,917
Credit and Loans with the IMF (Other than Reserves)	499	0	499	2,834
Other Long Term	1,272	72	5,454	5,472
Short Term	374	190	1,031	1,611
Amortization	1,694	1,155	5,524	4,449
Credit and Loans with the IMF (Other than Reserves)	0	0	0	0
Other Long Term	1,376	1,116	4,740	3,717
Short Term	318	39	784	732
Other Liabilities (Net)				
<u>Step 5a. This your NAYA Pakistan Certificate</u>				
	251	117	1,508	32
Other Sector	-123	-199	-312	1,748
Disbursements	112	5	768	3,236
Amortization	189	188	1,001	1,456
Other Liabilities (Net)	-46	-16	-79	-32
Net Errors and Omissions	-579	100	-885	942
Overall Balance	-255	-2,027	-3,564	-5,390
Reserves and Related Items	255	2,027	3,564	5,390
Reserve Assets	33	2,027	2,785	4,852
Use of Fund Credit and Loans	-222	0	-779	-538
Exceptional Financing	0	0	0	0
SBP Gross Reserves incl CFC less RBI Unsettled Claims***	14,906	17,01	17,014	14,038
CRR/SCRR	1,237	1,222	1,222	1,157
SBP Reserves (Excluding CRR /SCRR)	13,669	15,79	15,791	12,881
SBP Reserves excluding CRR/SCRR, Net ACU, Foreign Currency Cash	13,493	15,59	15,598	12,329
DMB's Reserves - Net of CRR/SCRR	2,059	1,718	1,718	1,088
DMB's Reserves - Net of CRR/SCRR & Placements Other than FE25	2,036	1,714	1,714	1,086
Memorandum Items:				
Exports of Goods and Services	8,414	2,820	25,889	24,403
Exports of Non Factor Services	1,531	525	4,896	4,699
Export Growth (Goods) over corresponding period	17.2	61.3	6.5	-2.1
Imports Growth (Goods) over corresponding period	30.7	58.0	13.5	-14.2
Current Account % of GDP	-0.4	-0.8	0.3	-2.1
GDP**** ^R	75,220	25,92	246,728	220,133

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Acronyms:

ADs: Authorized Dealers

FCVA: Foreign Currency Value Accounts

NPCs: Naya Pakistan Certificates

NRA: Non-residents' Accounts

NRPs: Non Resident Pakistanis

NRRA: Non-resident Repatriable Accounts

NRVA: Non Resident Pakistani Rupee Value Account

OES: Open End Schemes

RDA: Roshan Digital Accounts