

## 4 Foreign Exchange Adjudication

Foreign Exchange Adjudication Department (FEAD) follows up on the irregularities pointed by the Foreign Exchange Operations Department (FEOD) in the implementation of different foreign exchange policies. The department continued to ensure that misutilization of policies does not take place and in the presence of such an event the culprits are brought to justice.

### 4.1 Overview

Foreign Exchange Adjudication Department (FEAD) at BSC adjudicates the complaints lodged mainly by Foreign Exchange Operations Department (FEOD) against the Exporters, Importers and Authorized Dealers responsible for violation of the provisions of the FER Act, 1947. In case the charges are proved, penalties are imposed against the delinquents as per procedure laid down in related provisions of the Foreign Exchange Regulation Act, 1947 and Adjudication Proceedings and Appeals Rules, 1988.

At present nine foreign exchange adjudication courts have been set up in Karachi (3), two each at Lahore and Sialkot, and one each at Faisalabad and Multan. The courts at Karachi are authorized to adjudicate cases pertaining to whole of Sindh and Balochistan. Whereas courts at Lahore are authorized to adjudicate export overdue cases pertaining to Khyber Pakhtoonkhaw, Gilgit & Baltistan and AJK as also all areas in Punjab other than Sialkot, Multan and Faisalabad. In FY10, FEAD managed to arrange repatriation of foreign exchange in respect of export over dues cases, equivalent to US\$ 29.298 million in the country. Further, the department continued to strengthen the data base containing un-recovered amount of penalties imposed on delinquent exporters. The penalties imposed by the FEA courts are recoverable as arrears of land revenues by the provinces.

### 4.2 Realization of export proceeds

FY10 was another successful year for FEAD, as US\$29.2 million were realized as compared to US\$12.2 million in FY09 showing a net increase of US\$17 million or 139% during FY10. The record growth was possible with the efforts of adjudication courts at Lahore, Faisalabad and Multan. Growth of 140% in export proceeds realization during FY10 confirms the effective

measures taken by FEAD against delinquent exporters and authorized dealers. Efforts to increase export proceed realization will continue in future as well. These efforts will be more effective and fruitful if support and coordination from government agencies like

| Adjudication Court | 2008-09           | 2009-10           | Growth %   |
|--------------------|-------------------|-------------------|------------|
| Karachi            | 5,375,383         | 2,116,140         | -61        |
| Lahore             | 1,623,593         | 10,715,469        | 560        |
| Faisalabad         | 3,511,271         | 3,446,661         | -2         |
| Multan             | 218,933           | 3,342,112         | 1427       |
| Sialkot            | 1,488,865         | 9,677,303         | 550        |
| <b>Total</b>       | <b>12,218,045</b> | <b>29,297,685</b> | <b>140</b> |

FBR, NADRA, Customs and SECP sought by FEAD courts in terms of Section 23-E of FERA 1947 is improved further. Court wise analysis suggests that Multan Court recorded the highest growth and Karachi Courts remained lowest in the realization of export proceeds.

#### 4.3 Decisions on complaints

A total number of 1,806 cases of delinquent exporters were received by all courts from FEOD HOK and its units in different field offices during FY10 as compared to 694 cases lodged during FY09. During FY10 a total of 1,296 cases were disposed off compared to 804 cases in FY09. Court-wise details of the cases disposed off during the 2008-09 and 2009-10 are given in Figure 4.1.

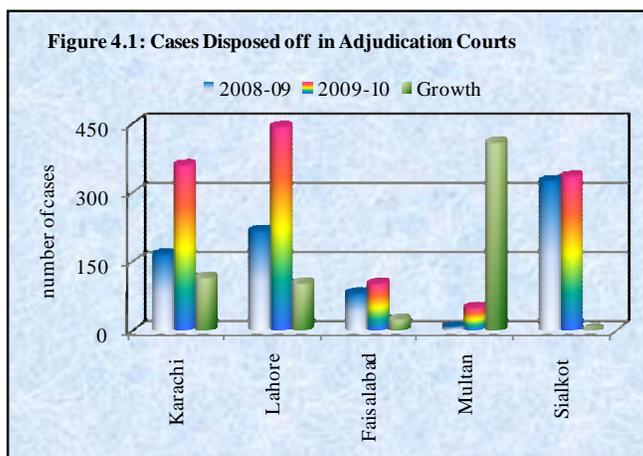


Figure 4.1 shows that Lahore Court disposed off the highest number of cases (444) in FY10 while Multan Court was at the lowest end (51 cases). Overall there was increasing trend during FY10 in disposing off cases as 61% growth was recorded in disposal of cases.

#### 4.4 Coordination with Stakeholders

An efficient and continuous coordination with different stakeholders play a key role in the adjudication process as also in enforcing realization of stuck up export proceeds by the delinquent exporters. Therefore during FY10 the department continued to enhance its coordination with its various stakeholders like authorized dealers, Exchange Policy Department, and delinquent exporters for managing expeditious realization of overdue export proceeds. Besides using powers given in the relevant provisions of FERA, 1947, other agencies like NADRA, FBR, Customs etc. were also approached to help in locating the exporters whose cases have been pending since long and are yet to be decided on account of their non availability. Moreover, higher officials of authorized dealers were also engaged for assisting the FEAD courts in locating delinquent exporters as only on their presence in the FEAD courts, the adjudicating officers can persuade them for repatriation of export proceeds. The efforts proved quite a success and contributed significantly in repatriation/realization of export proceeds of US\$29.2 million during the year.

#### 4.5 Major Initiatives/Achievements

Following new initiatives were taken during current year:

- i. An Administrative Office (Courts) was established at HOK with a view to enhance the qualitative aspects of complaints. The office would ensure that all the pre-

adjudication formalities have been fulfilled by the complainant and that complaint is complete in all respects.

- ii. Costs saving measures were introduced by publishing consolidated Show Cause Notice in case of more than one accused.
- iii. For the first time, a penalty of Rs.2, 568,057 has been recovered from FDRs (Foreign Currency Account) kept in the name of the accused by Adjudication Court.
- iv. The performance bar has further been raised by arranging repatriation of US\$.1,318,022 in 16 cases and commitment to settle balance of US\$.600,000 in 6 cases within shortest possible time by a single delinquent exporter.

#### 4.6 Capacity Building of Human Resource

During FY10, officials of FEAD attended several structured training modules conducted at NIBAF Karachi and Islamabad as per arrangements made by the Training and Development Department.