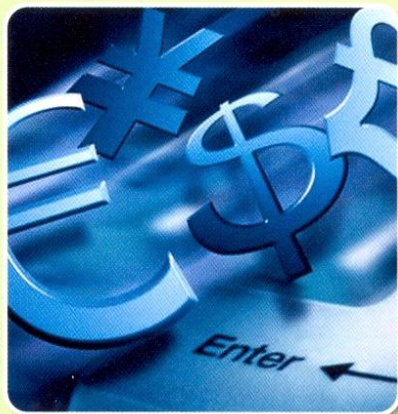


# Foreign Exchange Operations



## 4 Foreign Exchange Operations

*Being the operational arm of the Exchange Policy Department of the SBP, Foreign Exchange Operations Department deals with approval of foreign exchange remittances and their subsequent repatriation, monitoring of export proceeds and subsidies being given to the exporters and tracking all the foreign exchange related transactions.*

### 4.1 Foreign Exchange Operations Department

Foreign Exchange Operations Department (FEOD) is an operational arm of EPD of SBP, which deals with the approval of foreign exchange remittances and their subsequent repatriation, monitoring of export proceeds, disbursements of various grants, subsidies etc. being given to exporters by the Government of Pakistan (GoP).

FY15 has proved to be a milestone year for the department as it embarked on a much needed reforms of its working procedures. Through an internal collective brain storming at the department level, FEOD has formulated a multi-pronged strategy to improve effectiveness and enhance the scope of FE operations.

### 4.2 Developmental Initiatives

FEOD has worked on various initiatives to add value to FE operations. Major initiatives taken during FY15 include:

#### 4.2.1 Capacity Building of Officers

The first and foremost initiative was the capacity building of officers to improve their technical proficiency and keep them abreast of the innovations and complexities of fast changing environment of international trade. In this regard, more than 14 training sessions have been held by FEOD in international trade area and related IT systems. Renowned industry experts were invited to impart knowledge and share their market experiences. Moreover, few field visits to shipping companies etc. were organized to observe and learn current international practices. As a result, a total of 138 officers from FEOD, Field Offices and EPD have benefitted from these programs. In order to encourage self-learning by officers, the ENB webpage of FEOD has been updated with training material, tutorials and presentations in FE areas.

#### 4.2.2 Emphasis on Automation

FEOD is actively promoting automation of its major work processes to shift towards system-based processing and monitoring as well as reducing the paperwork for efficient disposal of cases referred to it.

Various automation initiatives have been taken to streamline the departmental processes. Issuance and certification process of export forms (known as “E” forms) is being carried out. Towards this end, FEOD has successfully brought on board all major stakeholders including EPD, Statistics and Data Warehouse (S&DWH), Commercial Banks and Customs. After strenuous efforts spreading over six months, User Acceptance Testing (UAT) has been signed off by the Pakistan Banks Association (PBA) representative committee. Currently, a test run of the system is in progress where “E” forms

are being issued both electronically and manually in selected bank branches. A complete roll out of the electronic system is likely to be completed by the end of second quarter of FY16. Meanwhile, the Authorized Dealers, association of exporters and other stakeholders are being given detailed orientation by SBP and FBR all over the country. This will not only create much needed efficiency in the system of issuance of “E” forms but also help in curbing its misuse. A project for automated verification of “E” forms is also in progress, which will make the procedure more efficient and error free.

Other automation projects have also been developed to streamline the scrutiny and payment of subsidy claims under different schemes approved by the Ministry of Commerce and Ministry of Trade, and to enhance the utility of International Transaction Reporting System (ITRS) for monitoring of FE transactions. Fifty percent of the automation process has been completed, while remaining will be completed upon availability of IT resources.

#### **4.2.3 Interactions with Internal Stakeholders**

FEOD has continuously been working to maximize synergy among different internal stakeholders for achieving the policy objective of efficient and transparent FE operations in the country. Specifically, FEOD has been interacting with various other departments of SBP and SBP BSC including Banking Inspection Department (BID), EPD, S&DWH, ISTD and FEAD with a view to resolving long pending issues for improving its overall operations. These interactions have resulted in a well-defined division of functions between EPD and FEOD.

#### **4.2.4 Sensitization of External Stakeholders**

The department has also started to strengthen the consultative process with external stakeholders, primarily with Authorized Dealers dealing in trade finance. The aim is to drive their attention towards various critical areas of processing of FE transactions and reporting to SBP under FE Manual. It has been impressed upon them to improve their internal monitoring system and increase technical capacity, especially in those branches that are away from the Head Offices.

In addition, FEOD has also started interactions with other stakeholders including trade associations, shipping agents associations and Customs to convey regulatory concerns and listen to their ideas and constraints. These consultations have resolved the outstanding problems, improved the system and minimized the fraudulent use of trade related transactions.

#### **4.2.5 Improvement in the Recovery of Export Overdue Cases**

Since last year, FEOD has pursued an approach to intensify pre-adjudication formalities for realization of export overdue. This has shifted the focus away from lodging complaints with FEAD, thus reducing the submission of complaints against violation of different provisions of FERA 1947. Resultantly, 90 percent of export overdue bills, ageing three months and below are now being realized before lodging of complaints with FEAD.

#### **4.2.6 Updating and Revision of Foreign Exchange Manual-2002**

A joint project has been initiated with EPD to update the Foreign Exchange Manual (FEM) 2002 by incorporating Circulars/Circular Letters issued by EPD from time to time. The FEM has been consolidated and the final draft will soon be available on SBP website.

Further, to synchronize various instructions relating to foreign exchange in line with international trade practices, a project has been initiated concurrently to revise the exchange regulations. This work shall be done jointly by FEOD, EPD and PBA along with other stakeholders.

#### 4.2.7 Capacity Building of Authorized Dealers

FEOD, EPD and Institute of Bankers Pakistan (IBP) have jointly designed a course for capacity building of the ADs officers dealing with foreign exchange and trade finance, which will be focused to improve the understanding and compliance of FERA and FEM. This initiative will eventually be transformed into an exclusive FE certification program which, in future, may become a pre-requisite for the officers of ADs working in foreign trade. In this regard a two-day training program was conducted by officers of FEOD at IBP in May 2015, which was attended by 30 officers of ADs.

#### 4.2.8 Interaction with Foreign Exchange Operations Divisions of Field Offices

With a view to improving the working environment of Foreign Exchange Operations (FEO) divisions at Field Offices, Director FEOD had held meetings at various offices to share a unified vision with FEO teams and to get firsthand knowledge of their working and practices. These interactions have motivated FE officers in Field Offices and helped them in aligning their practices with those of Head Office. This has also resulted in better supervision of the working at the Field Offices. Moreover, it is planned to give training to Chief Managers in order to make them conceptually aware of FE functions and equip them with necessary tools to oversee FE operations at their offices.

#### 4.2.9 Development of Key Performance Indicators for Foreign Exchange Officers

KPIs for the officers of the department have been redefined to make them result-oriented rather than process-oriented. Further, the performance standard has also been revisited so that it can be measured in quantifiable terms. The performance measurement standards include turnaround time of case disposal, efficient utilization of automation, subject knowledge, coordination with stakeholders, and coordination between Head Office Karachi (HOK) and Field Offices (FOs).

#### 4.2.10 Subsidy Schemes

FEOD and Field Offices also process and pay performance-based subsidy to exporters as per policies announced by the Ministries of Textile Industry and Commerce. During FY15, Ministry of Textile announced a new scheme styled as Drawbacks on Local Taxes and Levies (DLTL) 2015 for exporters of textile, which would replace the earlier DLTL scheme, some claims of which are still pending and are being paid. Subsidies on export of Sugar and Wheat were also announced by the Ministry of Commerce and Ministry of National Food Security and Research (MNFSR). Moreover, the Ministry of Commerce has launched its own subsidy scheme on the lines of Ministry of Textile DLTL 2015 scheme for specified commodities of non-textile sectors. Efforts have been made to put in place systems for automated scrutiny of these claims based on soft data of claims. This has facilitated quick disposal of cases, provided adequate funds are available.

### 4.3 Highlights

Some of the operational highlights of FEOD are listed in **Table 4.1:**

(1)	Percent of export overdue cases recovered by FEOD without prosecution	66 percent (USD 296.52 million in value)
(2)	Percent of export overdue cases referred to FEAD for prosecution	34 percent (USD 141.32 million in value)
(3)	Payment of DLTL Scheme	39,279 cases (Rs 4.04 billion in value)
(4)	Payment of subsidy on export of sugar	1,195 cases (Rs 3.25 billion in value)
(5)	Payment of subsidy on export of wheat / flour	99 cases (Rs 49.52 million in value)
(6)	Permission of permits issued for export of raw cotton	495
(7)	Number of cases related to approvals dealt in Operations Division	6,681

#### **4.4 Future Outlook**

To achieve objectives of improving market efficiency and transparency, FEOD will keep its focus on achieving automation and improving internal capacity building. Specifically, it will continue emphasis on the automation of processes of software exporters' registration and file management. Qualitative monitoring of commercial remittances would be enhanced through effective utilization of International Transaction Reporting System (ITRS). Further, capacity building program of ADs, which was launched last year, will be converted into a certification program. FEOD will continue deepening its partnerships with external stakeholders for ensuring better FE management and compliance of regulatory instructions. Revision of FEM would be completed within the stipulated time.