

5

Foreign Exchange Adjudication

Foreign Exchange Adjudication was established at State Bank of Pakistan (SBP) in 1990 in the wake of amendments made in 1987 in Foreign Exchange Regulation Act (FERA), 1947 by virtue of which trials of certain trade related violations of FERA, 1947 were brought under the jurisdiction of Adjudicating Officers in place of Sessions Judges. Consequent upon establishment of State Bank of Pakistan Banking Services Corporation, this function was transferred and housed at SBP BSC.

5.1 Overview

The Foreign Exchange Adjudication (FEA) Courts, established under Section 23B of Foreign Exchange Regulation Act, 1947, are housed at SBP BSC. The judicial proceedings are conducted under Adjudication Proceedings and Appeal Rules, 1988 to ensure fair and just resolution of complaints for protection of economic interests of the country and rights guaranteed to the stakeholders through thirteen country-wide courts. These courts are empowered to impose penalties subject to presence of substantial evidence for willful contravention. The courts approach relevant authorities for recovery of penalties in exercise of Section 23J of the FER Act 1947.

In order to ensure expeditious judicial process, SBP BSC has divided FEA function into three wings at Head Office viz. (i) Courts (ii) Registrar and (iii) Administration & Recovery.

5.2 Key Stakeholders

- Importers and Exporters
- Exchange Policy Department, SBP
- Legal Services Department, SBP
- Banks / Authorized Dealers (ADs)
- Foreign Exchange Operations Department

5.3 Key Performance Highlights during the Year

Box 5.1: Key performance Highlights during FY20

- Increased realization of export proceeds by 19% during FY20 as compared to previous year
- Increased disposal of cases by 61% during FY20 as compared to previous year
- Increased On-site hearings by 37% during FY20 as compared to previous year
- Repatriated around USD 57 million of export proceeds during the last quarter of FY20 despite limitations imposed due to COVID-19

5.3.1 Repatriation of Export Proceeds

Exporters with outstanding export proceeds are provided an opportunity to regularize their position by arranging for realization of their overdue export earnings. Since the establishment of Foreign Exchange Adjudication mechanism in 1990, FEA courts have managed repatriation of USD 1.07 billion from the exporters who earlier failed to bring export proceeds back within stipulated timelines while violating the

provisions contained in section 12(1) of FERA, 1947. The repatriation position for the last 5 years is depicted in **Fig 5.1**:

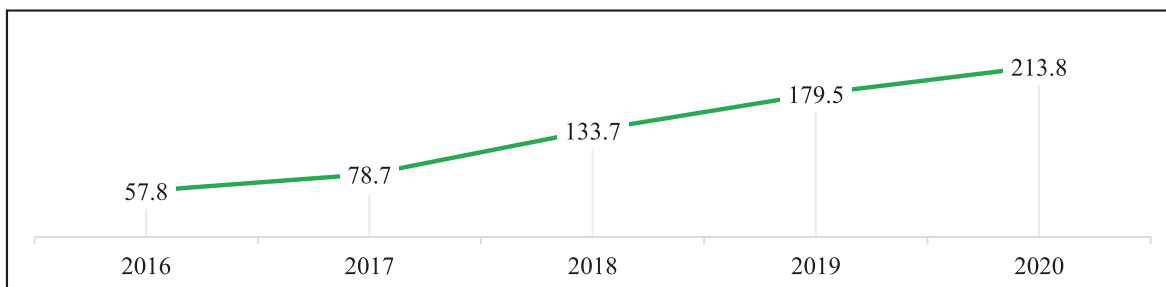


Figure 5.1: Realization of Export Overdue Proceeds (in million US Dollars)

During FY20, export proceeds equivalent to USD 213.8 million (highest ever in a year) were realized as compared to USD 179.5 million in FY19 registering an increase of 19%. Total outstanding export proceeds at the year-end stood at USD 923 million.

5.3.2 Disposal of Cases

During FY20, a total of 12,787 new cases were lodged which brought the total workload for the year to 35,812 cases. Moreover, an increase of 61% was witnessed in the disposal of cases as FEA courts disposed 12,334 cases as compared to 7,682 cases in the preceding year. **Table 5.1**

Table 5.1: Disposal of Cases

| Adjudication Courts | Number of Cases | | % Change |
|---------------------|-----------------|---------------|------------|
| | FY19 | FY20 | |
| Karachi | 3,682 | 4,074 | 11% |
| Lahore | 2,113 | 5,866 | 178% |
| Faisalabad | 543 | 657 | 21% |
| Multan | 313 | 401 | 28% |
| Sialkot | 583 | 992 | 70% |
| Quetta | 149 | 207 | 39% |
| Rawalpindi | 299 | 137 | -54% |
| Total | 7,682 | 12,334 | 61% |

5.3.3 On-site and Off-site Hearings

Before COVID-19 pandemic, during the first 9 months of FY20, the courts conducted 281,366 on-site hearings, which was 37% higher than 205,000 hearings in same period in the previous year. While adopting the strategy to combat COVID-19 through effective use of available technology and means of virtual communication, follow up of off-site cases continued and FEA Courts managed to repatriate around USD 57 million of export proceeds from April to June, 2020.

5.3.4 Analysis of Entire Portfolio of FEA Courts

An in-depth analytical review of the entire operational data of all FEA courts was conducted during the year. This detailed exercise provided an in-depth outlook of the challenges that may be streamlined through improved operational guidelines and policy interventions. Accordingly, necessary measures were taken to improve operations in challenging areas.

5.4 Future Outlook

SBP BSC aims at enhancing operational efficiency in its adjudication function through enhanced use of technology. It is also in the process of developing Electronic Complaint Lodgment and Management System under the bank-wide Knowledge Management program which will facilitate smooth and timely transfer of information between the Foreign Exchange Operations and Foreign Exchange Adjudication functions. This initiative will ensure timely lodgment of complaints by the complainant and efficient and expeditious proceedings of cases at FEA courts.