

# 5 Foreign Exchange Adjudication

*Foreign Exchange Adjudication was established at SBP in 1990 in the wake of amendments made in 1987 in 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 BSC.*

## 5.1 Overview

FEA, established under Section 23B of Foreign Exchange Regulation Act, 1947, is housed at 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 12 country-wide Adjudication Offices run by independent AOs. These Adjudication Officers are empowered to impose penalties subject to presence of substantial evidence for willful contravention. These AOs approach relevant authorities for recovery of penalties in exercise of Section 23J of the FER Act 1947.

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

## 5.2 Key Stakeholders

- Exporters
- Importers
- EPD, SBP
- Government Departments
- ADs - Banks
- LSD, SBP
- FEOD - BSC

## 5.3 Key Performance Highlights during the Year

### *Box 5.1: Key performance Highlights during FY21*

- Realized USD 182.3 million export proceeds despite global economic hardships, lockdown due to COVID-19 and Work From Home limitations
- Developed efficient MIS for penalty, accounting for over 16,000 decided cases entries
- Achieved highest-ever penalty recovery amounting to Rs. 26 million from exporters
- Disposed-off 11,711 outstanding cases lodged by FEOD BSC against delinquent exporters

### 5.3.1 Repatriation of Export Proceeds

The adjudication proceedings commenced in 1990. Since then, a total of USD 1,253 million has been repatriated through BSC's adjudication function. FY21 alone proved to be a year of substantial progress for BSC wherein export proceeds equivalent to USD 182.3 million were realized which equates to almost 15 percent of the total realization since inception of adjudication proceedings (Fig 5.1). This phenomenal growth in repatriation is the reflection of background efforts made during the year in terms of capacity building of adjudication officers and allied team members, development of effective MIS, digitization of

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complaints receipt through Internal Case Management, and introduction of “Complaint Management System” - an Oracle based custom-built application for maintaining systematic record of export overdue cases.

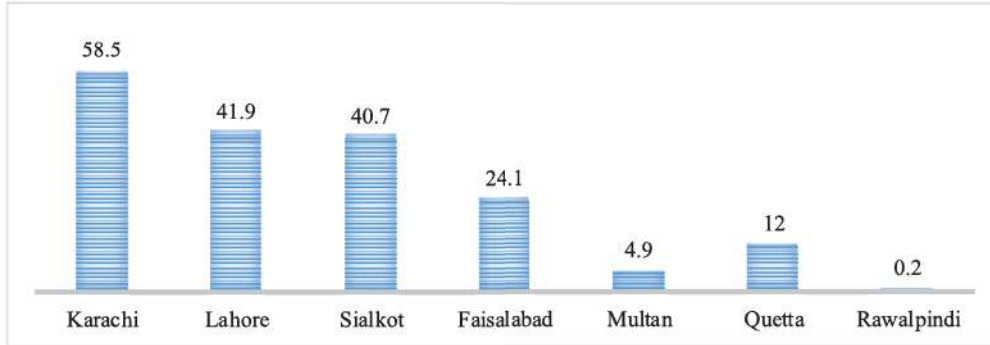


Fig 5.1: Location-wise Realization of Export Overdue Proceeds (in million USD)

### 5.3.2 Disposal of Cases

11,711 cases were disposed of during FY21 which is 18 percent of the total cases disposed of since inception. Moreover, 10,384 new cases were lodged during FY21 (Fig 5.2)

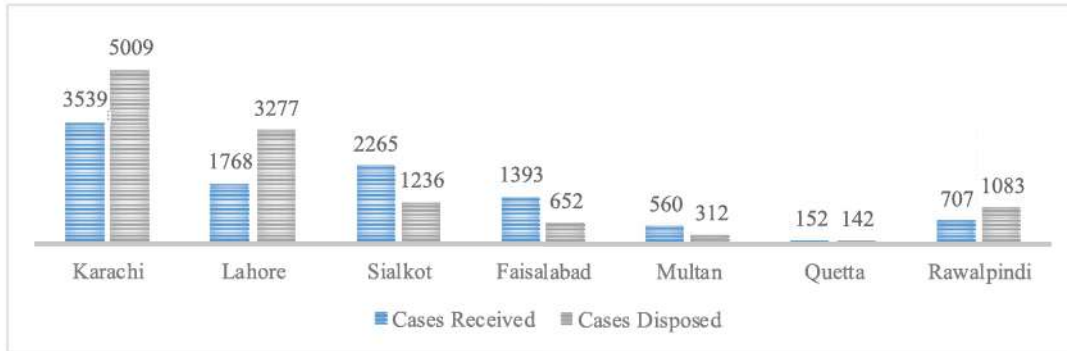


Fig 5.2: Location-wise Disposal of Export Overdue Cases

### 5.3.3 Recovery of Penalty Imposed on Defaulting Exporters

Cases of long outstanding recoveries were rigorously pursued and efficient MIS of penalty was developed at north and south regions (comprising of Adjudication Offices located at Punjab, Sindh and Baluchistan respectively). This endeavor has resulted in an all-time high recovery of Rs. 26 million penalty from defaulting exporters during FY21. This single year recovered amount of penalty accounts for around 46 percent of total recovery made from exporters since inception of FEA Courts in 1990 (Fig 5.3)

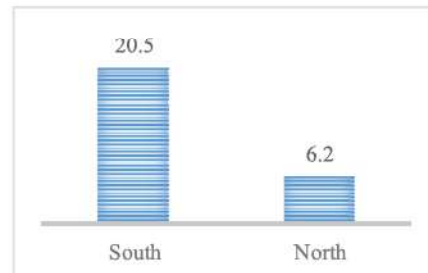


Fig 5.3: Penalty Recovered (in million Rs.)

### **5.3.4 MIS of Penalty**

During FY21, an efficient MIS of penalty accounting for over 16,000 case entries was developed. The information related to penalty imposed and recovered was physically checked and entered into the database after proper scrutiny. This MIS has enabled timely follow-up of cases with ADs and issuance of recovery certificates to District Revenue Authorities.

### **5.3.5 Knowledge Management-based Electronic Complaint Lodgment and Management System**

In line with the ongoing organization wide initiative of Knowledge Management, BSC initiated a developmental project 'Knowledge Management-based Electronic Complaint Lodgment and Management System at HOK'. This initiative has facilitated in smooth and efficient lodgment of complaints and its proceedings.

### **5.3.6 Standardization of Court Documents**

During FY21, adjudication-related documents including show cause notices, summons, notices to other Government agencies etc. were standardized for uniformity and efficiency in proceedings.

## **5.4 Future Outlook**

BSC aims at enhancing operational efficiency in its adjudication function through enhanced use of technology and improved skill set of officers involved in Adjudication process. BSC is in the process of developing Recovery Module in Electronic Complaint Lodgment and Management System under organization-wide Knowledge Management program which will facilitate end-to-end desired automated environment resulting in timely follow-up of cases with ADs and issuance of recovery certificates to District Revenue Authorities.