

STATE BANK OF PAKISTAN
EXCHANGE POLICY DEPARTMENT
KARACHI

FE Circular No. 03

July 16, 2019

The Presidents/Chief Executives of all
Authorized Dealers in Foreign Exchange

Dear Sir/Madam,

REVISION OF SELECTED CHAPTERS OF THE FOREIGN EXCHANGE MANUAL

As Authorized Dealers are aware, the State Bank of Pakistan is in the process of revising the Foreign Exchange (FE) Manual in consultation with different stakeholders, including Authorized Dealers, in the phased manner. In this respect, seven chapters of the FE Manual have already been revised through FE Circular No. 14 dated November 29, 2018 and placed at the SBP's website.

2. Now, the following three chapters of the Manual also stand revised:

S.No.	Chapter No.	Title of Chapter
1	Chapter 8	Non-Resident Rupee Accounts.
2	Chapter 9	Blocked Accounts
3	Chapter 11	Dealings in Foreign Currency Notes and Coins etc. by the Authorized Dealers

3. The above revised chapters of the FE Manual are being replaced with the existing chapters at the SBP's website which are available at the link: http://www.sbp.org.pk/fe_manual/index.htm.

4. Authorized Dealers are advised to bring the above development to the notice of all their constituents for meticulous compliance.

Yours truly,

sd/-
(Arshad Mehmood Bhatti)
Director

NON-RESIDENT RUPEE ACCOUNTS

1. Introduction.
2. Opening and Maintaining of Non-resident Rupee Accounts of Persons other than Banks.
3. Status of existing Non-resident Rupee Accounts.
4. Accounts of United Nations and its Organizations.
5. Joint Accounts of Residents and Non-residents.
6. Operations on Non-resident Rupee Accounts - Repatriable.
7. Operations on Non-resident Rupee Accounts- Non-repatriable.
8. Submission of Statements>Returns to State Bank.

CHAPTER 8

NON-RESIDENT RUPEE ACCOUNTS

1. Introduction.

Accounts of individuals, firms or companies resident outside Pakistan are designated as non-resident accounts. For the purpose of this chapter, a person shall be treated as non-resident if his/her period of stay in Pakistan during a calendar year is less than 183 days, in aggregate. This chapter sets out the regulations governing non-resident rupee accounts opened and maintained by the following individuals and entities other than banks:

- a) Overseas Pakistanis.
- b) Foreign nationals except those who have obtained work visa/permit to work in Pakistan.
- c) Firms, companies, etc. which are incorporated/registered outside Pakistan.

2. Opening and Maintaining of Non-resident Rupee Accounts of Persons other than Banks.

- (i) Authorized Dealers may open and maintain the following two categories of non-resident rupee accounts of the individuals and entities mentioned in Para 1 above:
 - a) Non-resident Rupee Account-Repatriable (NRAR).
 - b) Non-resident Rupee Account-Non-repatriable (NRAN).
- (ii) These accounts may be opened by the Authorized Dealers without prior approval of the State Bank. In this respect, Authorized Dealers must follow their standard operating procedures for opening and maintaining of such accounts and ensure compliance of all applicable AML/CFT regulations/guidelines including identification of ultimate beneficial ownership and purpose of the account. Further, Authorized Dealers may also collect all documents related to account opening through their overseas branches, representative offices or banking subsidiaries abroad. In this respect, the Authorized Dealers should ensure that the account opening forms etc. and trained staff are available at aforesaid branches, representative offices or subsidiaries abroad. The overseas branch, representative office or banking subsidiary, after fulfilling account opening formalities, shall forward related documents to the head office/designated branch of the Authorized Dealer in Pakistan for further processing.
- (iii) Authorized Dealers shall distinctively mark these accounts in their books and maintain them in a separate ledger. Existing resident PKR accounts of Pakistanis and foreign nationals can be converted into non-resident rupee account – non-repatriable upon confirmation of their status as non-resident.

3. Status of existing Non-resident Rupee Accounts.

Existing accounts of individuals and entities, as mentioned in Para 1 above, shall be treated as Non-resident Rupee Accounts- Non-repatriable. In this context, Authorized Dealers shall develop their systems to allow operations on such accounts as per the instructions contained in para 7 of this chapter.

4. Accounts of United Nations and its Organizations.

In terms of Section 5 of Article-II of the Schedule appended to the United Nations (Privileges and Immunities) Act, 1948, the accounts of United Nations and its organizations are free from financial controls. Authorized Dealers should, therefore, treat such accounts maintained with them as "Resident Accounts".

5. Joint Accounts of Residents and Non-residents.

There is no bar on non-resident foreign nationals/ non-resident Pakistanis on opening and maintaining non-resident rupee accounts-repatriable/non-repatriable jointly with residents. These accounts should, however, be treated as non-resident accounts irrespective of the fact whether the accounts are to be operated individually or jointly.

6. Operations on Non-resident Rupee Accounts –Repatriable.

All operations of non-resident rupee accounts-repatriable shall be governed by the regulations set out below:

i) General Instructions.

- a) An initial deposit up to Rs. 5,000/- may be made in the account from domestic sources, if required.
- b) Authorized Dealer may issue cheque book, ATM/Debit card to the account holder. Further, supplementary ATM/Debit cards may also be issued in the name of family members of the account holder resident in Pakistan.
- c) In case debit cards are used outside Pakistan, settlement thereagainst shall be made by the Authorized Dealer through interbank.
- d) The account holder may give power of attorney to a person resident in Pakistan to operate the account.
- e) Authorized Dealers may allow operations of these accounts through digital banking which may include internet/mobile banking, etc.
- f) In case above account becomes dormant due to non-operation as per the existing regulations, it can be made operative by fulfilling usual formalities at domestic as well as overseas branch, representative office or banking subsidiary of the Authorized Dealer.
- g) Authorized Dealers will ensure ongoing monitoring of these accounts to mitigate ML/FT risk, as in case of resident account.

ii) Credits to the Non-resident Rupee Accounts - Repatriable

Non-resident rupee accounts - repatriable shall be fed with:

- a) Remittances received from abroad through banking channel.
- b) Funds approved/allowed for remittance abroad either by State Bank or by the Authorized Dealers under general authority delegated, subject to applicable terms and conditions.
- c) Transfer of funds from other non-resident rupee account-repatriable with the same Authorized Dealer in Pakistan.
- d) Profit/interest accrued on the amount lying in the non-resident rupee account-repatriable.
- e) Proceeds of Government of Pakistan's debt securities, term deposits and profit/interest on such securities/certificates received on account of investments made through non-resident rupee account-repatriable as mentioned at sub-para (iii) (e) below.
- f) Refund of amounts debited incorrectly or over-charged.

iii) Debits to the Non-resident Rupee Accounts - Repatriable

Non-resident rupee accounts- repatriable can be debited for the following purposes:

- a) Any payment in PKR to the persons resident in Pakistan including utility bill payments, education fee, hospital, insurance premium, hotel bills, travel agent's payments etc. through any permissible mode.
- b) Settlement of import bills by non-resident importer against goods/services exported from Pakistan.
- c) Transfer of funds to other resident, non-resident rupee accounts- non-repatriable with any Authorized Dealer in Pakistan.
- d) Transfer of funds to other non-resident rupee accounts- repatriable with the same Authorized Dealer in Pakistan.
- e) Remittances and payments outside Pakistan to the extent of balances available in the account.
- f) Investments in Governments of Pakistan's debt securities (T-bills, PIBs, Sukuk and any other registered debt security), term deposit/remunerative account with the same bank provided such investment shall be made by the Authorized Dealers through the special instructions received from the account holder in this behalf.
- g) Debits in lieu of applicable government taxes/duties etc. bank charges and reversal of any incorrect/wrong credit entry.

7. Operations on Non-resident Rupee Accounts –Non-repatriable.

All operations of non-resident rupee accounts- non-repatriable shall be governed by the regulations set out below:

- a) Authorized Dealer may issue cheque book, ATM/Debit card to the account holder. Further, supplementary ATM/Debit cards may also be issued in the name of family members of the account holder resident in Pakistan.
- b) Funds available in these accounts shall be treated as non-repatriable and can only be used for making payments/withdrawals etc. in Pakistan only.
- c) Authorized Dealers may allow all legitimate debit and credit transactions in these accounts as are permissible to a resident PKR accounts. However, the funds

available in these accounts cannot be used abroad through ATM/Debit cards or other Alternative Delivery Channels.

- d) Authorized Dealers may extend loan facilities for local consumption to these account holders, subject to compliance with applicable prudential regulations.
- e) The account holder may give power of attorney to a person resident in Pakistan to operate the account.
- f) Authorized Dealers may allow operations of these accounts through digital banking which may include internet/mobile banking, etc.
- g) In case above account becomes dormant due to non-operation as per the existing regulations, it can be made operative by fulfilling usual formalities at domestic as well as overseas branch, representative office or banking subsidiary of the Authorized Dealer.
- h) Authorized Dealers will ensure ongoing monitoring of these accounts to mitigate ML/FT risk, as in case of resident account.

8. Submission of Statements>Returns to State Bank.

i) Authorized Dealers shall submit a consolidated monthly statement showing debit and credit transactions executed from these accounts through their head/principle office by 7th of the ensuing month for each reference month to Statistics & Data Warehouse Department of the State Bank on the Annexure-I & Annexure-II.

ii) Authorized Dealers shall ensure proper reporting of the transactions conducted from these accounts in their monthly foreign exchange returns through ITRS and maintain complete record including underlying documents for SBP inspection.

Annexure- I

i). Non-Resident Rupee Account – Repatriable (NRAR).

NAME OF AUTHORIZED DEALER												
Statement in respect of Transactions conducted through Non-Resident Rupee Accounts - Repatriable for the Month of _____												
			Credits				Debits					
	Total Number of Accounts	Opening Balance	Inward Remittances	Remittable Funds (Approved by SBP or ADs.	Transfer from other NRAR with the same bank.	Proceeds/ interest received from investment made through NRAR	Payments/ Withdrawal through any mode in Pakistan	Settlement of import bills by non- resident importer	Transfer to other resident and NRAN & NRAN.	Remittance / Payments Abroad	Investment made from the NRAR.	Closing Balance
	1	2	3	4	5	6	7	8	9	10	11	12
Overseas Pakistani												
Foreign nationals												
Firms and Companies etc.												
Total												

Annexure- II

ii). Non-Resident Rupee Accounts Non-repatriable (NRAN).

NAME OF AUTHORIZED DEALER						
Statement in respect of Transactions conducted through Non-resident Rupee Accounts- Non-repatriable for the Month of _____						
			Credits		Debits	
	Total Number of Accounts	Opening Balance	inward Remittances	Local credits in NRAN through any permissible mode	Disbursements/ Payments/ Withdrawals from NRAN through any permissible mode in Pakistan	Closing Balance
	1	2	3	4	5	6
Overseas Pakistani						
Foreign nationals						
Firms and Companies etc.						
Total						

BLOCKED ACCOUNTS

1. Introduction.
2. Definition of Blocked Account.
3. Banks authorized to maintain Blocked Accounts.
4. Opening of a New or Designation of an Existing Account as Blocked Account.
5. Payment to Blocked Account deemed as a Good Discharge.
6. Payments to a Blocked Accounts.
7. Procedure regarding Payments to Blocked Accounts.
8. Operations on Blocked Accounts.
9. Use of Blocked Balances.

CHAPTER 9

BLOCKED ACCOUNTS

1. Introduction.

Section 6 of the Foreign Exchange Regulation Act, 1947 empowers the State Bank to block the accounts in Pakistan of any person resident outside Pakistan and direct that payment of any sums due to that person shall only be made to a blocked account. In other words, amounts due to a person resident outside Pakistan, to whom remittances cannot be allowed, shall be credited to the blocked accounts of that person to ensure that the funds are not directly remitted or otherwise used in a manner contrary to the provisions of the Act.

2. Definition of Blocked Account.

A “blocked account” means an account opened as a blocked account at any office or branch in Pakistan of a bank authorized in this behalf by the State Bank or an account blocked by the order of the State Bank.

3. Banks authorized to maintain Blocked Accounts.

All Authorized Dealers are permitted to open and maintain blocked accounts subject to the conditions laid down in subsequent paragraphs of this chapter. In certain cases, banks other than the Authorized Dealers may also be authorized by the State Bank to open and maintain blocked accounts.

4. Opening of a New or Designation of an Existing Account as Blocked Account.

The State Bank may direct an Authorized Dealer to open a new or designate an existing account as “Blocked Account”. A blocked account may also be opened as a joint account in the name of a resident and a non-resident. No blocked account may be un-blocked or an existing 'free' account may be blocked by an Authorized Dealer except under the directions from the State Bank.

5. Payment to Blocked Account deemed as a Good Discharge.

Sub-section (1)(b) of Section 6 of the Act provides that where the State Bank has directed that any payment due to a non-resident may be made to a blocked account in his name with a bank in Pakistan, the crediting of the sum to the blocked account shall, to the extent of the sum credited, be a good discharge to the person making the payment.

6. Payments to a Blocked Accounts.

The State Bank may not approve certain remittances in settlement of liabilities to a particular person resident outside Pakistan. Payments in discharge of such liabilities to such person may be allowed to be made to a blocked account subject to such terms and conditions as may be specified by the State Bank.

7. Procedure Regarding Payments to Blocked Accounts.

Where the State Bank directs that a payment be made to a blocked account, it may be made either:

(i) by a banker's payment order/cheque marked 'payable to blocked account of _____ only' or

(ii) by a crossed cheque or warrant drawn in favour of the beneficiary and marked with the words "Payable to blocked account of payee only."

(iii) Where such a cheque or warrant is sent to the payee, it is desirable that the payee should arrange for the opening of a blocked account with an Authorized Dealer in Pakistan before forwarding the instrument to that bank for collection. Application mentioning the name of the payee as the transferee and clearly marked 'Blocked Account' must be submitted to the State Bank for prior approval. The collecting bank must endorse cheques, warrants or drafts so marked "received for the credit of blocked account at (Bank and Branch)" before presenting them for payment. The paying bank shall not pay such instruments, unless they are approved by the State Bank for payment to a blocked account. After payment has been made, the bank must endorse the instrument as "Payment made to blocked account at (Bank and Branch)". The amount which the State Bank has directed to be credited to a blocked account, must be immobilized pending the opening of the account and may not be used for any other purpose except with the prior approval of the State Bank.

8. Operations on Blocked Accounts.

The State Bank may issue special instructions regarding operations on blocked accounts. In the absence of any such special instructions, no payments into or withdrawal from blocked accounts may be made unless prior approval of the State Bank has been obtained.

9. Use of Blocked Balances.

Balances held in blocked accounts may be invested in approved government debt securities" expressed to be payable in Rupees or in fixed deposit with the bank in which the account is held subject to the prior approval of the State Bank. Such investment must be made through the bank with whom the blocked account is kept and registered in the name of the non-resident account holder or his/her nominee(s) in Pakistan. The securities should not be held in bearer form and should not be sold or transferred without the permission of the State Bank. The income generated through investments in securities and sale proceeds of such securities must only be credited to the blocked account of the respective non-resident.

**DEALINGS IN FOREIGN CURRENCY NOTES AND COINS ETC. BY THE
AUTHORIZED DEALERS**

1. Introduction.
2. Purchase of foreign currency notes from the public.
3. Purchase of foreign currency notes and coins etc. from other Authorized Dealers, Exchange Companies and Hotels.
4. Disposal of non-convertible currency notes.
5. Availability of adequate stock of foreign currency notes with the Authorized Dealers.
6. Ensuring quality of foreign currency notes.
7. Sale of foreign currency notes to the public.
8. Sale of foreign currency notes and coins etc. to other Authorized Dealers.
9. Disposal of surplus foreign currency notes
10. Acceptance of surplus foreign currency notes by SBP-Banking Services Corporation from the Authorized Dealers..
11. Provision of foreign currency notes by SBP-Banking Services Corporation to the Authorized Dealers.

CHAPTER 11

DEALINGS IN FOREIGN CURRENCY NOTES AND COINS ETC. BY THE AUTHORIZED DEALERS

1. Introduction.

Authorized Dealer's license to deal in foreign exchange includes an authorization to deal in foreign currency notes and coins as well. In addition to Authorized Dealers, the State Bank has granted licenses to Exchange Companies and issued restricted authorizations to selected hotels to deal in foreign currency notes and coins etc. as per the scope of business mentioned in their licenses/authorizations.

This chapter sets out the regulations which govern the purchase and sale of foreign currency by the Authorized Dealers.

2. Purchase of foreign currency notes from the public.

All incoming persons, whether Pakistani or foreign national, can bring with them without any limit foreign currencies and other instruments against the submission of a declaration to the Customs authorities on amount exceeding US\$ 10,000 or equivalent in terms of SBP Notification No. F.E.1/2012-SB dated the 16th June, 2012, wherever applicable. Such currencies/instruments may be freely purchased by the Authorized Dealers against payment in PKR. Authorized Dealers may also purchase foreign currencies withdrawn by the account holders from their foreign currency accounts and from the walk-in-customer against payment in PKR subject to fulfillment of applicable AML/CFT regulations/guidelines issued by the State Bank. Authorized Dealers should issue a certificate of currency encashment on the prescribed form (Appendix V-9).

In cases where the foreign currency offered for sale by a traveller had been originally obtained from an Authorized Dealer, the repurchase should be endorsed on the traveller's passport in the case of Pakistan nationals only.

3. Purchase of foreign currency notes and coins etc. from other Authorized Dealers, Exchange Companies and Hotels.

Authorized Dealers may also purchase foreign currency notes, coins and other instruments freely from other Authorized Dealers, Exchange Companies and hotels licensed/authorized by the State Bank.

4. Disposal of non-convertible currency notes.

Many countries have restrictions on import of their own currency notes and do not allow their repatriation through banking system. Surplus collection of such foreign currency notes can be disposed of in the international centres at market rates. Authorized Dealers should arrange with their overseas branches or correspondents to keep them fully informed of such restrictions on such currencies' import, repatriation and also about demonetization, currency re-organization etc. in foreign countries. Such information may also be passed on by the Authorized Dealers to those Exchange Companies/hotels which are their customers.

5. Availability of adequate stock of foreign currency notes with the Authorized Dealers.

It is the responsibility of Authorized Dealers to ensure that adequate stocks of foreign currency notes are available with their authorized branches at all times for meeting the requirements of their customers. For this purpose, Authorized Dealers may replenish their stocks of foreign currency notes either by purchasing the same from other Authorized Dealers/Exchange Companies or by importing them from their overseas branches and correspondents.

6 Ensuring quality of foreign currency notes.

In order to ensure provision of good quality notes to the public, Authorized Dealers should avoid stapling of foreign currency notes and deliver the same from their counters in unstapled condition with proper banding of note packets, if so required.

7. Sale of foreign currency notes to the public.

Authorized Dealers may sell foreign currency notes to persons proceeding abroad within the amount of foreign exchange allowed through special permission by the State Bank or under the authority delegated to them in Chapter 17 subject to compliance of the related provisions.

8. Sale of foreign currency notes and coins etc. to other Authorized Dealers.

Authorized Dealers may freely sell foreign currency notes, coins and other instruments to other Authorized Dealers.

9. Disposal of surplus foreign currency notes.

When Authorized Dealers are unable to dispose of their holdings of foreign currency notes by sale to the public or other Authorized Dealers, they may dispose of the same by receiving credit thereagainst in their Nostro accounts as per the following:

- i) By exporting surplus foreign currency notes to their branches, correspondents or agents abroad.
- ii) By selling surplus foreign currency notes to the Exchange Companies operating in Pakistan.

10. Acceptance of surplus foreign currency notes by SBP-Banking Services Corporation from the Authorized Dealers.

Authorized Dealers are also allowed to sell their surplus foreign currency notes (US Dollar, UK Pound Sterling, Euro and UAE Dirham) to SBP-Banking Services Corporation, Karachi Office as per the following procedure:

- i. Authorized Dealers having above-mentioned surplus foreign currencies will approach the SBP-Banking Services Corporation, Karachi Office.
- ii. Packets of foreign currency notes (100 pieces) only in the denomination of 50 and above will be acceptable.
- iii. The packets will be opened and notes will be counted by the staff of SBP - Banking Services Corporation, Karachi Office in the presence of the representative of the concerned Authorized Dealer.
- iv. Counted currency notes will be re-packed and sealed under the joint signatures of representatives of the concerned Authorized Dealer and official of SBP-Banking Services Corporation, Karachi Office.
- v. The Authorized Dealer will remain responsible for any forged/counterfeit notes, if found subsequently in the deposited currency.
- vi. SBP will provide credit of the counter value in the Nostro Account of the AD in the same value date, on confirmation of balances from SBP-Banking Services Corporation, Karachi Office.

11. Provision of foreign currency notes by SBP-Banking Services Corporation to the Authorized Dealers.

Authorized Dealers may purchase foreign currency notes from SBP-Banking Services Corporation, Karachi Office after giving credit of counter value in SBP's Nostro account in the respective currency. SBP-Banking Services Corporation, Karachi Office will provide foreign currency notes to the Authorized Dealer on having confirmation from the State Bank to the above effect.
