

SPECIAL FOREIGN CURRENCY ACCOUNTS: SBP ALLOWS IT EXPORTERS TO RETAIN 35PC OF PROCEEDS

KARACHI: In order to encourage IT companies and freelancers to bring their foreign exchange earnings into the country, the State Bank of Pakistan (SBP) has advised the banks to mandatorily allow the retention of 35 percent of their export proceeds in special foreign currency accounts.

State Bank on Friday announced the amendment in its foreign exchange regulations aimed to facilitate exporters of software, IT & IT Enabled Services and bring more foreign exchange earnings into the country. Now IT exporters and companies can retain 35 percent of their export proceeds in special foreign currency accounts. However, such exporters need to be registered either with Pakistan Software Export Board (PSEB) or Pakistan Software Houses Association (P@SHA), and involved in the export of Software, Information Technology (IT) services, IT Enabled Services (ITeS).

According to SBP, these instructions are valid until March 31, 2023, and these instructions will be reviewed in the light of incremental export performance by IT sector and realization of export proceeds thereof during this period.

Exporters would also be allowed to use their retained funds for legitimate business payments or expenses abroad, as per the revised list of purposes issued by SBP. Banks can now provide facilitation of outward remittances from the retained proceeds through issuance of corporate debit cards after conducting necessary due diligence.

SBP has also advised banks to provide digital channels for opening and operation of these accounts. Banks to facilitate these exporters in opening their exporters' special FCY accounts and for carrying out remittances' transaction from their Exporters' Special FCY retention accounts by issuing corporate debit cards, and providing digital platforms including FX digital portal, after necessary due diligence and establishing mechanism for ongoing monitoring of permissible payments abroad to meet their business requirements, the SBP said. Furthermore, SBP has advised banks to institute a mechanism for facilitation and speedy resolution of the customers' complaints. Banks are required to nominate focal persons at Head Office level, and designate an appropriate officer at each branch dealing in foreign exchange business. Exporters can also approach SBP to share their suggestions and concerns.

SBP believed that the amendments will incentivize new entrants in this field to focus on exports and enable existing exporters to boost their business that in turn will create employment opportunities and increase foreign exchange earnings of the country. As per SBP instructions, in order to facilitate exporters of goods or services, the scope of utilization of funds held in exporters' Special Foreign Currency Account is being enhanced.

These funds can be used for payment of commission/ discount to the overseas agents/ buyers/ affiliates, payment for fee/ expenses related to advertisement, promotion, publicity, marketing, brand building, shelf spacing, etc., of products abroad through third party agent, e-commerce platforms, digital platforms or through company's own subsidiary/ liaison/ marketing office abroad.

In addition, payment for import of goods by exporters for the purpose of their own business, subject to compliance with applicable Import Policy Order and related laws/ regulations issued by any government department and SBP. In addition, they are allowed to make payments for software purchasing, hosting, licensing subscription, payments for dividends of domestic entities to their shareholders abroad, payments for product listing on different platforms, including affiliate platforms, payments for certification fees and payments for acquiring game development services and publishing services.

DIGITAL BANKS: SBP ISSUES NOCS TO FIVE APPLICANTS

KARACHI: The State Bank of Pakistan (SBP) has issued no objection certificates to five applicants for establishing Digital Banks. Now, each of five (05) applicants will incorporate a public limited company with Securities and Exchange Commission of Pakistan. Afterward, they will approach SBP for In-Principle Approval for demonstrating operational readiness and for commencement of operations under the pilot phase. Subsequently, they will commercially launch their operations after obtaining SBP's approval.

SBP has issued NOC to Easy Paisa DB (Telenor Pakistan B.V & Ali Pay Holding Ltd.), (ii) Hugo Bank (Getz Bros & Co., Atlas Consolidated Pte. Ltd. and M & P Pakistan Pvt. Ltd.), (iii) KT Bank (Kuda Technologies Ltd., Fatima Fertilizer Ltd. and City School Pvt. Ltd.), (iv) Mashreq Bank (Mashreq Bank UAE) and (v) Raqami (Kuwait Investment Authority through-PKIC and Enertech Holding Co).

In January 2022, SBP introduced a Licensing and Regulatory Framework for Digital Banks in line with international best practices and decided to issue up to five digital banks' licenses. The Framework was the first step towards introducing full-fledged digital banks in Pakistan. The digital banks are expected to provide all the banking services through digital means without any need for their customers to visit the bank branches, physically.

SECP ASKS ALL ISLAMIC FIS TO ENSURE SHARIAH COMPLIANCE

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has asked all Islamic financial institutions to establish Shariah compliance units as well as hire internal and external auditors.

According to the SECP's guidelines to Islamic financial institutions on Friday, every Islamic financial institution is encouraged to establish a Shariah compliance unit headed by a Shariah compliance officer suitably qualified, trained, and experienced in the field of Islamic finance. The Shariah compliance unit can work under the overall guidance and supervision of Shariah supervisory board, with parallel reporting to the head of the compliance department or internal audit department, as the case may be. The Shariah compliance officer can coordinate between the Shariah advisor, the Shariah advisory board, and management and may be entrusted with responsibility for review all the product proposals and related agreements, contracts, manuals, and process flow before presenting these to the Shariah supervisory board for approval ensure that the operations of Islamic financial institutions are in conformity with Shariah principles and rules and periodically submit a Shariah compliance report to the management on the overall Shariah compliance environment.

The SECP further directed that every Islamic financial institution is encouraged to strengthen its internal audit department, either by appointing an internal Shariah audit resource having relevant qualifications or expertise in the field of Islamic finance or by training at least one of its employees in the internal audit department for the purpose of internal Shariah audit from a reputable training institute.

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