

IMF WANTS FRIENDLY NATIONS TO GIVE FUNDS TO PAKISTAN BEFORE DEAL

Pakistan's government said the International Monetary Fund wants 'friendly' countries to honor their commitments to fund the cash-strapped country before the multilateral lender signs off on a \$6.5 billion bailout program. This has led to a delay in concluding talks with the IMF for the program, Pakistan Finance Minister Ishaq Dar told the upper house of parliament on Thursday. Certain countries had made pledges to support Pakistan during the IMF's review and it "is asking they should actually complete and materialize those commitments," he added.

Pakistani officials have been guiding for an IMF agreement in a few days and had planned to complete the program in June. However the nation has failed to meet multiple deadlines in the past.

The bailout funds from the IMF would throw an economic lifeline to Pakistan that's racing against time to avoid a default. The country needs to repay about \$3 billion of debt by June, while \$4 billion is expected to be rolled-over. Pakistan's dollar bonds due in 2031 rose 0.2 cents on the dollar on Friday, snapping seven days of losses. A pact with the IMF would also open up access to other financing avenues for Pakistan, which only has reserves for a few weeks of imports and whose currency is one of the weakest performers in Asia. Dar didn't name the countries who made commitments but Saudi Arabia, the United Arab Emirates, Qatar and China have helped in recent months and weeks by rolling over debts and giving dollar deposits and oil on credit. In early March, the Industrial & Commercial Bank of China Ltd. released \$500 million to Pakistan as the first installment of a \$1.3 billion loan.

Pakistan's government has completed all IMF demands, Dar said. The government has taken tough measures including raising taxes, energy prices and interest rates to unlock funding from its IMF loan program.

The government's popularity has plummeted in an opinion survey with the majority of respondents blaming prime Minister Shehbaz Sharif and his ministers for the economic crisis while showing support for his arch-rival Imran Khan. The former premier's growing popularity may force Sharif's coalition to boost welfare spending to woo voters ahead of elections later this year, Bloomberg Economics analyst Ankur Shukla wrote last month. And that would break its commitments to the IMF on fiscal consolidation and potentially jeopardize aid from the institution, he added.

The IMF has not indicated that political uncertainty is causing any delay in reviving the bailout, Sharif told reporters earlier this week. "We have accepted all the conditions, the very tough conditions set by the IMF," he said.

<https://www.bloomberg.com/news/articles/2023-03-16/imf-s-pakistan-agreement-delayed-by-third-party-financing>

FERTILISER EFFICIENCY: US ANNOUNCES \$4.5M NEW PROGRAMME FOR FARMERS

ISLAMABAD: The United States Thursday announced a \$4.5 million new programme to strengthen fertilizer efficiency and effectiveness for Pakistani farmers, and the two sides expressed their recommitment to tackling climate crisis through cooperation, mitigation and adaptation.

The second meeting of the Pakistan-US Climate and Environment Working Group was held in Islamabad on Thursday. Minister for Climate Change Sherry Rehman and the US Department of State's Assistant Secretary for the Bureau of Oceans and International Environmental and Scientific Affairs, Monica Medina, led the delegations.

According to a joint statement issued at the conclusion of the meeting, officials and experts engaged on climate and environment issues, including climate change, energy transition, water management, climate-smart agriculture, air quality, biodiversity, and waste management including plastics recycling. It stated that the delegations discussed the impacts of the devastating floods in Pakistan in 2022 and emphasized the importance of building resilience to the impacts of climate change.

The United States expressed support for Pakistan's "Living Indus" initiative to restore the ecological health of the Indus River Basin in Pakistan. "The two governments recommitted to tackling the climate crisis through cooperation on climate change mitigation and adaptation. Both governments resolved to continue deepening their bilateral partnership through the US-Pakistan "Green Alliance" framework," according to the joint statement. It added that the "Green Alliance" will help Pakistan and the US jointly face the climate, environmental, and economic needs of the present and future, especially through partnerships on agriculture, water, and clean energy.

Regarding agriculture, it added that the delegations discussed the importance of adopting modern farming practices and innovative seed varieties to bolster resilience against climate change.

On water management, the joint statement added that the two governments identified technical assistance, governance, and water efficiency mechanisms as areas ripe for cooperation. “Both governments emphasized the importance of supporting nature-based solutions and building community resilience to climate change,” it stated, adding that the United States and Pakistan also acknowledged their long history of working together to advance sustainable economic growth.

For example, in the 1960s, the statement added that the US supported Pakistan’s “Green Revolution” to improve agricultural crop yields and strengthen food security. “The delegations committed to advance future cooperation in agriculture, water, and energy transition through the US-Pakistan “Green Alliance” framework,” it added.

Through the Climate and Environment Working Group, the two governments made new commitments to partner together, it stated, adding that the US announced new programs in Pakistan, including a \$4.5 million program from the US Department of Agriculture to strengthen fertilizer efficiency and effectiveness for Pakistani farmers.

The US Agency for International Development (USAID) announced new activities in Pakistan to promote climate-smart agriculture and climate finance. The US Army Corps of Engineers will start sharing weather data on glacial melt with the Ministry of Climate Change and other local stakeholders to strengthen Pakistan’s flood forecasting and disaster response capabilities, it further stated.

It added that Pakistan informed the US about the approval of its new National Clean Air Policy and explained its recent waste management actions, including on plastics. “The United States and Pakistan also pledged to collaborate on a successful year as the 2023 Co-chairs of the Green Climate Fund Board,” it added.

In a roundtable discussion with a group of journalists at the US Embassy after the meeting, the US Department of State’s Assistant Secretary for the Bureau of Oceans and International Environmental and Scientific Affairs Monica Medina said that Pakistan is a “very important” partner of the US and the two sides are working closely on tackling the challenges posed by climate change. She said that plastic pollution has posed grave environmental hazards in Pakistan that need to be tackled, adding that it was astonishing to see that there are 6,000 plastic bag manufacturing factories in Pakistan. She said that she would be visiting flood-hit areas in Sindh today (Friday) and also holding meetings with the communities affected by the recent devastating floods. About the “Fertilizer Right” program, she said that it is a four-year, \$4.5 million project with local partners to help Pakistani farmers use fertilizer more efficiently and effectively, reducing environmental pollution and lowering costs for farmers.

On the real-time flood forecasting, she said that the US Army Corps of Engineers will immediately begin sharing snowpack assessments with several Pakistan government agencies to strengthen flood forecasting capacity. These assessments use satellite imagery and algorithms to estimate snow-covered areas and snowpack water volumes in five major watersheds in Pakistan: Upper Indus, Kabul, Chenab, Sutlej, and Lower Indus.

Reducing Carbon Emissions: USAID’s efforts have so far helped Pakistan prevent 55 million tons of carbon dioxide emissions since 2017, helping the country achieve its goal of reducing greenhouse gas emissions by 30 percent by 2030.

FINANCIAL OBLIGATIONS: CHINESE FIRM URGES CPPA-G TO ALLOCATE MAXIMUM FUNDS

ISLAMABAD: China Power Hub Generation Company (Private) Limited (CPHGCL) has urged CPPA-G to allocate maximum funds to ensure that the company can fulfil its financial obligations.

China Power Hub Generation Company (Private) Limited (CPHGC) is a 2x660 MW coal-fired power plant with a dedicated coal jetty located in Hub, Balochistan.

CPHGC has always supported the vision of government of Pakistan to create an economically viable environment in the power sector by providing reliable energy solutions. In pursuance of this vision, the Project achieved its Commercial Operations Date (COD) on 17 August 2019. Since COD, CPHGC has generated more than 24.78 billion kWh of electricity till date. With reference to the subject matter captioned above, we would like to highlight again (as the same has already been communicated to GoP/CPPA-G through our various earlier correspondences and meetings) that the Company has to make payment for debt service of PKR 23.90 billion before 5th April, 2023. This payment includes PKR 16.12 billion for principal repayment against long-term loan, PKR6.29 billion for interest payment for long-term loan and PKR 1.49 billion for interest on working capital.

According to the company such funds requirement pertains to debt service only and does not include the funds requirement on account of coal procurement, CTS charges, O&M fee and insurance which has already been communicated to CPPA-G through a letter of February 17, 2023.

Considering funds requirement of the Company for debt service, CPPA-G has requested to prioritise higher allocation of funds to CPHGC so that the Company can fulfill its financial obligations in a timely manner and avoid default towards its long-term lenders which is not at all desirable by the counter-parts. But contrary to the funds' requirement, CPPA-G has merely allocated Rs 2.93 billion to CPHGC till March 10, 2023, against capacity payments which is substantially lower than what is required to fulfill the debt service requirement of the Company. Such lower allocation of funds by CPPA-G has put the Company in a critical situation and an immediate release of funds is requested from the Company's overdue receivables which can reinforce its dwindling financial position.

Moreover, the company's Capacity Purchase Price (CPP) receivables have also accumulated to a worrisome high level of Rs 63.85 billion including overdue receivables of Rs 46.07 billion as of March 10, 2023.

CPHGC has requested CPPA-G to allocate maximum funds to ensure that the company can fulfil its financial obligations and provide uninterrupted power supply to the National Grid and avoid contractual defaults thereof. Recently, China's Charge d' Affairs met with SAPM on Coordination, Syed Tariq Fatemi and conveyed concerns of Chinese power companies saying that their overdue receivables have reached \$ 1.5 billion.

SAPM on Coordination in a letter to Power Minister, a copy of which is available with Business Recorder, referred to his breakfast meeting with Chinese Charge d' Affaires, in which the latter stated that overdue payments to the Chinese IPPs currently stand at \$1.5 billion. This is causing huge concern among Chinese businesses, he added. Chinese Charge d' Affaires has complained that Chinese power plants at Hub, Sahiwal and Port Qasim are facing currency exchange restrictions, which was causing difficulty in coal import.

R 17-3-2023

AIR CARRIERS FACE 'VERY CHALLENGING' ENVIRONMENT AS \$290MN STUCK IN PAKISTAN: IATA

The International Air Transport Association (IATA), a trade association of global airlines, has warned that Pakistan has become "very challenging" to serve as carriers struggle to repatriate dollars, while \$290 million remains stuck in the crisis-hit country since January, reported the Financial Times on Thursday. The aviation body said \$290 million of funds were stuck in Pakistan as of January, up nearly a third since December, said the report.

Last year in December, IATA, which represents some 300 airlines comprising 83% of global air traffic, in a press release said that Pakistan has blocked \$225 million of airline funds for repatriation. The country was among the top markets where airline funds have been blocked from repatriation, IATA had said back then. "Airlines are facing long delays before they are able to repatriate their funds," Philip Goh, the IATA's Asia-Pacific head, was quoted as saying by FT. "Some airlines still have funds stuck in Pakistan from sales in 2022."

The development comes as Pakistan faces a balance of payment crisis with depleting foreign exchange reserves, with funds held by the central bank standing at a low level of \$4.3 billion. Meanwhile, the import cover is around one month with February's bill clocking in at \$4 billion, according to data available with the Pakistan Bureau of Statistics.

The South Asian country worries are also compounded by an incessant delay in reviving its bailout programme with the International Monetary Fund (IMF), a facility that has been stalled since November last year. The ongoing crisis has hit industries across the board and air carriers, which sell tickets in local currency but need to repatriate dollars to pay for expenses such as fuel, are no exception.

Last month, Virgin Atlantic announced that "it will be suspending services between London Heathrow and Lahore and Islamabad." However, the FT report, citing a person familiar with the matter, said the airline's decision was based on the economics of the route. Goh said: "If conditions persist that make the economics of operation to a country unsustainable, one would expect airlines to put their valued aircraft assets to better use elsewhere."

Earlier this month, the Senate Standing Committee on Aviation decided to send a recommendation in writing to the aviation ministry to call a collective meeting with all airline heads in order to dispel the negative opinion built about Pakistan and convince them to resume operations as usual.

However, [FT](#), citing data from an aviation analytics company Cirium, shared that foreign airlines have been reluctant to return to Pakistan, with fewer total flights scheduled for March 2023 than the same month in 2019. “If you can’t take money out of a country, then there’s no point in you even going there,” said Mark Martin, chief executive of aviation consultancy Martin Consulting, in the [FT](#) report.

R 16-3-2023

NEPRA GRILLS PD TEAM FOR PROPOSING SURCHARGE PLAN

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) Thursday grilled Power Division for proposing plan to impose surcharge of Rs 3.23 per unit from November 2023 onward to cover power sector inefficiencies, misgovernance and without analysing its impact on the already dwindling industry.

The authority, comprising Chairman Tauseef H Farooqi, Member Sindh, Rafique Ahmad Shaikh, Member KP, Maqsood Anwar Khan, Member Balochistan, Mathar Niaz Rana and Member Punjab, Amina Ahmed raised a number of questions on justification of new proposal of surcharge at Rs 3.23 per unit, just days after approval of additional surcharge of Rs 3.39 per unit. The government is projecting revenue of Rs 335 billion from this surcharge. Chairman Nepra, however, in a statement made it clear that the Authority has no power to stop surcharges of up to 10 percent of total revenue requirement of power sector.

The amount collected from surcharge will be used to pay interest on loans of Power Holding Company (PHL) and government liabilities toward IPPs and Chinese power projects. However, circular debt of Rs 2.6 trillion which, according to Chairman Nepra is a monster, will remain at the same level. Of Rs 2.6 trillion, Rs 1.9 trillion are towards generators, Gencos payables to Gencos, Rs 100 billion Rs PHL and loans of Rs 765 billion backed by government guarantee. Power Division’s team led by joint Secretary (Power Finance) Mahfooz Ahmed Bhatti admitted that inefficiency and misgovernance are key reasons for the circular debt in addition to theft and under recovery. He said, Power Division has submitted IPPs payment plan to Finance Division. Previously, Nepra had approved surcharge of Re 1 per unit from November 2023, in addition to existing surcharge of Paisa 43 per unit.

The Authority expressed its displeasure at frequent submission of surcharges on consumers who are already overburdened due to higher cost of electricity.

The chairman in his remarks said that those who are habitual in not paying their bills, will be laughing at the surcharges on those who are regularly paying bills. He enquired if this surcharge would control the flow of circular debt only or reduce circular debt stock of Rs 2.6 trillion. A representative of CPPA-G, Naveed clarified that of Rs 335 billion, Rs 209 billion will be utilized to reduce circular debt flow. He said, Rs 400 billion of LPS will also be recovered through surcharge as this is not covered in working capital. Last year, growth in circular debt flow was Rs 336 billion and estimates for current fiscal year are more or less the same. Member KP asked what is the guarantee that Power Division will not come again for imposition of another surcharge to bridge its unmet requirements, and questioned as to how much surcharge will be imposed.

Chairman Nepra questioned why the government is in a hurry to bring the case of Rs 2.23 per unit new surcharge when its application will commence from November 2023; the Power Division did not give any clear answer. On a question from Member Sindh, Rafique Shaikh why should consumers bear the burden of incompetence of electricity companies the Power Division representative said that the government is taking different measures to improve power sector including private sector participation, provincialisation of Discos and outsourcing recovery of high loss feeders.

Member Sindh maintained that if high loss feeders are outsourced, the stock of circular debt will reach Rs 3 trillion. The Authority was informed that after imposition of surcharge of Rs 2.23 per unit, tariff of industry will reach Rs 38 per unit, in addition to taxes and other charges. The Authority noted that with increase in tariff demand for electricity decreases and theft increases. Chairman Nepra observed that the direction in which we are going, there will be no improvement in the power sector.

Member Balochistan Mathar Niaz Rana expressed his concern at the possible impact of surcharge on industry as LSM data has already showed negative growth. “You don’t have any assessment on how the price hike will affect the industry,” he added. Representative of Karachi Chamber of Commerce and Industry, Tanveer Barry said that the Chamber has rejected the proposed surcharge on electricity bill because there are inefficiencies of Discos that are to be paid by the consumers of Karachi and now demand will increase and imported fuel will be used in costliest plants. He said, cumulative price of industrial tariff will reach Rs 50 per unit. He suggested that the Authority, comprising Chairman and Members should make their comments part of determinations so that people should know the Authority’s views. Arif Bilwani, Imran Shahid, and Aneel Mumtaz also offered comments on the proposal.

R 17-3-2023

GOVT REQUESTS ANOTHER INCREASE OF RS1.80 IN ELECTRICITY SURCHARGE: COMES UNDER FIRE FROM NEPRA, CONSUMERS FOR ADDING BURDEN OF RS335B

ISLAMABAD: The federal government's recent decision to increase the power surcharge by Rs1.80 per unit has been met with criticism from officials of the National Electric Power Regulatory Authority (Nepra) as well as consumers.

Nepra had earlier allowed the government to recover Rs1.43 per unit surcharge from power consumers starting from the next financial year. However, the government petitioned for an increase of Rs1.80 per unit, bringing the surcharge to Rs3.23 per unit, claiming it was necessary to pay off circular debt and cover the cost of power theft by power distribution companies (DISCOs). This move is expected to burden electricity consumers across the country with an additional Rs335 billion.

Members of Nepra have raised concerns over the government's decision, questioning the need for an early increase in next year's power surcharge. Maqsood Anwar, Member Nepra-Khyber Pakhtunkhwa, expressed fear that the government might submit more applications to raise surcharges in the future.

Member Sindh, Rafiq Shaikh, criticised the power ministry officials, questioning why consumers should be penalised for the poor performance of DISCOs. He called for resolving the problems of electricity companies and for protecting the rights of users.

Member Balochistan Nepra, Muthar Niaz Rana, also expressed similar concerns, calling for governance issues within the companies to be addressed.

The federal government claims that circular debt is rising rapidly, standing at Rs2600 billion, which includes payments to Independent Power Plants (IPPs) and Power Holding Company's debt. Nepra officials, however, argue that the imposition of a surcharge will not resolve the issue of circular debt and have questioned the power sector ministry's actions. Tanveer Bari, a representative of Karachi Chamber of Commerce and Industry (KCCI), stated that the industry rejects the request for a surcharge increase, highlighting that in the current situation, the tariff of the industrial sector will reach Rs50 per unit.

It is worth mentioning that Nepra has already allowed the federal government to impose an additional surcharge of Rs3.39 per unit and Rs1 per unit from March-June 2023 and July-June 2024, respectively, with a cumulative impact of Rs149 billion on power consumers.

With the application of an additional Rs3.39 per unit, the total surcharge becomes Rs3.82 per unit for the four months of 2022-23, having an impact of Rs75 billion. For FY 2023-24, the additional surcharge will be reduced to Rs1 per unit, to cover the additional markup charges of PHL loans not covered through the already applicable FC surcharge of 0.43 per unit.

According to the Nepra decision issued in the matter of the motion of the federal government, with respect to the recommendation of consumer-end Tariff for XWDISCOs and K-Electric, the total surcharge becomes Rs1.43 per unit for FY 2023-24, having an impact of Rs74 billion. The authority has decided to allow the application of the surcharge to be recovered from different categories of consumers of K-Electric, for the period from March to June 2023 and for FY 2023-24.

The power division has explained that the additional surcharge is intended to cover the markup charges of PHL loans not covered through the already applicable FC surcharge of Rs. 0.43 per unit. With these additional surcharges, an additional amount of Rs75 billion will be billed for the period from March-June 2023, against which around Rs68 billion will be recovered at an expected recovered rate of 90%.

Similarly, for FY 2023-24, with the additional surcharge of Rs1 per unit, an amount of around Rs74 billion will be recovered, assuming a recovery rate of 90%.

TR 17-3-2023

PHC WANTS UNANIMOUS POLICY ON CNG PRICES

PESHAWAR: Chief Justice Peshawar High Court (PHC) has asked the relevant institutions to formulate a unanimous policy to determine the price of CNG per kilogram. A two-member bench of the PHC comprising Chief Justice PHC Justice Qaiser Rasheed and Justice Abdul Shakoor heard a case against low gas pressure and load-shedding in the province. The bench expressed shock to know that the CNG association fixes the prices of the commodity.

The CJ questioned OGRA whether it had given a free hand to consumers as well to fix prices for CNG for themselves like the CNG Association. He said it was a wrong practice and ordered all relevant institutions to sit together and decide a unanimous policy in this respect, and present a report to the court in the next hearing scheduled for May 9. Earlier, Chairman OGRA Masroor Khan apprised the court that before 2016, OGRA was fixing the prices of CNG and later the CNG Association was authorised to determine the prices by themselves.

The petitioner (CNG Association) said that KP was a gas-producing province and its gas production was 400 to 450 mmcf/d while the province's requirement in winter was 330 to 350 mmcf/d. It said that gas load-shedding and low pressure were illegal and against the Constitution.

The chairman OGRA contended that the authority only issues licences and due to the gas situation, no license was issued from 2011 to 2020; however, only 43 licenses were issued based on the government policy in 2020. Justice Qaiser Rashid said that OGRA was awarding licences to companies while people did not have access to gas. He said that two CNG stations had been established at every kilometre and people were deprived of the facility.

The chairman OGRA said that the supply of gas was SNGPL's job and it could better tell the reason for low gas pressure, adding that if the gas company does not give NOC, then OGRA cannot issue licences. Later, the court adjourned the hearing of the case till May 9.

SINDH LABOUR MINISTER SUGGESTS MINIMUM MONTHLY WAGE OF RS44,000 FOR LABOURERS

Sindh Labour and Human Resources Minister Saeed Ghani has said that a labourer in Sindh should get a minimum monthly wage of Rs44,000, given the current state of inflation in the country. Taking part in the pre-budget discussion in Sindh Assembly on Thursday, he said Sindh had become the first province in the country to raise the minimum monthly wage from Rs17,500 to Rs25,000, but this should further be raised, given the high inflation these days.

The minister told the house that they were trying to mediate affairs between the employers, factory owners and labourers to find a middle ground to resolve the minimum wage issue so that an underprivileged worker could honourably feed his family members.

Out of over 600,000 labourers registered with the Sindh Employees' Social Security Institution (SESSI), the Benazir Mazdoor Card (BMC) has been issued to over 100,000 workers in the province, he added.

Ghani said the National Database and Registration Authority had been given the task to issue BMCs to the remaining labourers till May 1 this year. He said that SESSI during the flood emergency of the last years had established medical camps in eight affected districts of the province where its doctors had provided free treatment services and medicines to over 27,000 patients. He nullified the impression that the ruling Pakistan Peoples Party in Sindh was against the latest digital census in the country, saying that such a perception was nothing but baseless propaganda against the party. Ghani said the PPP should be duly given the credit that the latest census drive was being held in the country merely after six years instead of the stipulated period of ten years. He said that earlier the Sindh chief minister had raised the issue of the controversial results of the last census in the Council of Common Interests, and the PPP had also taken up the issue in the parliament.

The labour minister said the provinces received fiscal resources on the basis of census results, and a province failed to get its due fiscal share if its population was not accurately counted. He demanded that complete transparency should be maintained in the census drive. He said the head of every family should receive a text message on his cellular phone informing him about the census data of his house after he went through the enumeration process.

Taking part in the pre-budget discussion, Leader of Opposition Haleem Adil Sheikh said that owing to alleged rampant corruption in the affairs of the provincial government, the people of Sindh were deprived of basic necessities of life, including health, education and sanitation services. He lamented that sanitation affairs of the province were in shambles so much so that the entire province had virtually transformed into a garbage dumping site. Sheikh said the Sindh government had failed to provide clean potable water to every household in the province, while the concerned residents had no option but to depend on the water tanker service for this basic facility. He claimed that the government-run hospitals in the province failed to provide basic treatment services despite the fact that the health department had a budgetary allocation of billions of rupees.

Sheikh said the government had also failed to resolve the issue of out-of-school children despite spending over Rs1,000 billion on the education sector. He alleged that corrupt practices had become rampant in every department of the government, and the annual audit report issued by the auditor general also revealed a similar sorry state of affairs about government. He said no operation against the heinous dacoits in lawless riverine areas of Sindh could succeed until there was definite action against the influential backers of these heavily armed bandits. He lamented that the Karachi police had failed to protect its own headquarters from the terrorists and there was no hope that the lives and belongings of the people in the city would remain safe.

The opposition leader further said that the Sindh government had failed to complete the Safe City project to secure the residents of Karachi despite the delay of several years. He said two legislators of Pakistan the Tehreek-e-Insaf (Arsalan Taj and Shahnawaz Jadoon) were behind bars, but the production orders were not being issued by the assembly secretariat to let them attend the proceedings of the house. He said he was hopeful that Speaker Agha Siraj Khan Durrani would issue production orders in favour of the two imprisoned lawmakers of the PTI. He also condemned the action of the law-enforcement agencies at Zaman Park, Lahore, to arrest Imran Khan.

TN 17-3-2023

SC DISPOSES OF APPEALS AGAINST RIBA VERDICT

ISLAMABAD: The Supreme Court has formally dismissed as withdrawn two appeals after the State Bank of Pakistan and the National Bank of Pakistan withdrew their challenge against the last year's verdict by the Federal Shariat Court to end interest-based banking in five years.

The matter was fixed for hearing before Chief Justice of Pakistan (CJP) Umar Ata Bandial in chambers the other day, with senior counsel Salman Akram Raja representing the central bank and Saad Hashim representing the NBP.

The lawyers told Justice Bandial that they had instructions to withdraw the appeals on behalf of the two government banks.

However, appeals moved by three private commercial banks — the MCB Bank, the United Bank Ltd and the Allied Bank Ltd. — were still pending.

The SBP and NBP appeals were withdrawn from the Supreme Court in line with the Nov 9 announcement by Finance Minister Ishaq Dar that the two banks would immediately withdraw appeals against the FSC's verdict, directing the government to eliminate Riba-based banking from the country by Dec 31, 2027.

In the April 28 verdict, the Shariat court declared the prohibition of interest in all forms and manifestations as Islamic and in accordance with the Holy Quran and Sunnah.

The FSC said in its order that a five-year deadline was reasonable to convert Pakistan's economy into an equitable, asset-based, risk-sharing and interest-free system.

Announced by a three-judge bench — consisting of FSC Chief Justice Muhammad Noor Meskanzai, Justice Dr Syed Muhammad Anwer and Justice Khadim Hussain M. Shaikh — the verdict had directed the federal as well as the provincial governments to complete necessary legislative amendments in the concerned laws and bring them into conformity with the injunctions of Islam.

It also ordered the government to adopt Shariah-compliant modes in future while borrowing from domestic or foreign sources.

The SBP, in its appeal, had contended that being the premier custodian and regulator of the financial and monetary framework of Pakistan, the bank was deeply committed to ensuring compliance with the injunctions of Islam while protecting the stability and security of Pakistan's financial sector that functions as part of the global financial system.

However, while Islamic modes of finance were a growing area of interest for foreign providers of finance, the adoption of particular modes of finance with respect to any particular advance was not in the hands of the state of Pakistan and its various instrumentalities, the SBP said in the petition.

SC ASKS NAB FOR RECORD OF RECOVERIES THROUGH PLEA DEALS

ISLAMABAD: The Supreme Court ordered the National Accountability Bureau (NAB) on Thursday to furnish a complete record of recoveries it had made through voluntary returns, or plea bargain, of misappropriated funds over the last decade, as well as the amount the bureau disbursed to the federal and provincial governments.

Chief Justice of Pakistan (CJP) Umar Ata Bandial, who headed a three-judge Supreme Court bench, observed it was being said that NAB had made huge recoveries in recent years.

The bench had taken up a challenge to the amendments made in the National Accountability Ordinance (NAO) in August last year. Mumtaz Yousaf, the bureau's additional prosecutor general (APG), informed the court that NAB had retrieved an unspecified amount of money under the voluntary return scheme and other heads on misappropriated funds. Khawaja Haris Ahmed, who is representing petitioner Imran Khan in the case, informed the court that NAB always compiled a report on annual basis mentioning the amount it had recovered from individuals accused of misappropriating funds.

Justice Ijazul Ahsan, pointing towards senior counsel Makhdoom Ali Khan, regretted that instead of taking one step forward, the government had taken several steps back by making amendments in the NAB law. After the amendments, the onus to establish the actual beneficiary, or who indirectly controls benami properties, had been shifted to the prosecution to prove that a certain accused owned the properties and its title documents, which was beyond his known source of income, but parked somewhere else.

"The main onus has been placed on the prosecution and it is next to impossible to prove as to who is the ostensible beneficiary of the properties in question," regretted Justice Ahsan.

The CJP said that through the amendments, the definition of 'benamidar' has been changed and instead of updating a law in keeping with changing needs, the government went back to outdated laws in force since centuries.

The actual beneficiary always manages properties or assets parked somewhere else by remote control, Chief Justice Bandial observed.

The CJP earlier recalled if the properties were parked in the name of spouses, relatives or associates, the first task would be to establish whether the benamidars have known sources of income to amass such wealth. But the latest amendments had made it difficult to establish that the properties had been amassed through tainted money. Makhdoom Ali Khan contended that the Supreme Court had to look at both sides of the story, recalling how the apex court had, through various judgements, laid down tests to determine benamidars.

The counsel regretted that in many cases NAB had named wives in corruption references even if they had their own sources of income and were taxpayers as well. Mr Khan said if the bureau accuses an individual of holding benami properties, it should have some basis or facts to underpin such an accusation. He contended that the petitioner had based his case on speculations and suppositions. Every statute comes before the court for interpretation, the counsel argued. By amending the law, the legislature is asking NAB to bring something concrete against an accused before charging the individual with corruption, Mr Khan said.

The counsel recalled the 2003 oil spill in the sea off Karachi which had polluted Pakistani waters and had devastated marine life during the rule of then president Pervez Musharraf. Islamabad filed a suit for damages in an international court, but it turned out that the owners were hiding behind multiple layers. Still Pakistan managed to win damages to the tune of \$100 million, but then an individual wrote a letter to then prime minister recalling that billion of dollars were paid in damages after the 1989 Exxon Valdez oil spill.

Nothing happened against the ship's owners since the prime minister at the time lost interest due to fears that the bureau could file a case against him for "causing damage to the national exchequer".

Dawn 17-3-2023

17 ACCUSED GET BAIL IN RS54BN BANK LOAN FRAUD CASE

The Sindh High Court (SHC) has granted bail to 17 National Bank of Pakistan (NBP) and Hascol Petroleum Limited (HPL) officials in the Rs54 billion bank loan fraud case. The Federal Investigation Agency (FIA) had booked NBP and HPL officials on fraud, criminal breach of trust and money laundering charges.

The FIA claimed that NBP and HPL officials had committed financial fraud in the form of bank loans, and funded and non-funded financial facilities in violation of the banking laws, causing wrongful loss to the national exchequer of Rs54 billion and gain to HPL.

According to the prosecution, the applicants were involved in the bank scam amounting to Rs54 billion, which was extended to HPL as loan from 2015 to 2020 by at least 22 banks as financial facilities. The FIA accused the applicants of embezzlement by committing deliberate default in repaying the banks.

The applicants' counsel said the FIA had no jurisdiction to investigate the matter in view of Section 20 of the Financial Institution (Recovery of Finances) Ordinance, 2001, and Section 84 of the Banking Companies Ordinance, 1962, as this was a case of restructuring of loan. They said the investigation report shows that from 2014 to 2017, HPL was regularly paying off the loans with markup satisfactorily, and in return receiving enhanced loans, so the default, if any, was not deliberate but the result of force majeure.

In any case, they added, negotiation between the banks and HPL for restructuring the loans was under way, and hopefully, an agreement would be reached sooner rather than later. They also said that the offence with which their clients had been charged did not fall within the prohibitory clause of Section 497(i) of the Criminal Procedure Code (CrPC), and in such cases bail was the rule and refusal was the exception. They added that there was a delay in the registration of the FIR that had not been explained, and although the final charge sheet was submitted on July 19, 2022, the charge was yet to be framed against the applicants.

The assistant attorney general and the investigating officer opposed granting bail to the applicants. An SHC division bench comprising Justice Mohammad Iqbal Kalhoro and Adnanul Karim Memon said the FIR somehow showed that 30 people had initially been booked as accused in the alleged offence.

The bench said that on March 6, through a supplementary challan, six more accused had been let off by the IO, leaving 16 accused out of the 32 accused earlier recommended for trial by the prosecution.

The court said the IO was still unsure about how many accused he might let off, since, according to his statement, it mainly depends upon the discovery of fresh material in favour of the accused.

The court said the IO had also confirmed that for the time being, the investigation was over and the accused had fully cooperated with him in the investigation. The bench said that it was claimed that different commercial banks in connivance with the HPL management had extended various funded and non-funded financial facilities without obtaining tangible securities from HPL, then allowed their restructuring, i.e. conversion of short-term facilities into long-term facilities and securing those long-term facilities against fixed assets.

The court said the banks failed to analyse the price and foreign exchange risks while granting credit facilities to HPL in letter of credits (LCs) beyond the cash conversion cycle of the customer as well as the industry, granting trade facilities in excess of the genuine working capital requirement of HPL.

The bench said the banks further failed to compare HPL's actual local purchases with inland LCs opened by the banks on behalf of HPL in favour of Byco, diluting security structure and thus mala fide, causing wrongful gain and loss to the banks. It said that prima facie either no evidence or very scanty evidence had been collected by the prosecution to show that the accused had earned material gain out of it.

The bench said that the entire case of the prosecution was based on documentary evidence that the prosecution had already collected and submitted in the trial court through the final and supplementary charge sheets.

The court said that there was no apprehension of the documentary evidence being tampered with by the applicants if they were to be released on bail.

The court said one of the presidents of the bank, who had been assigned a specific role in the FIR and in the final charge sheet, had been exonerated by means of the supplementary charge sheet. When the bench asked the IO to explain his release, he said the accused had informed him that he had acted on the note sheets prepared and sent to him by his subordinates. The court said the IO surprisingly found a reasonable justification to let him off the charges.

The bench said the IO could not satisfy the court that the responsibility of the exonerated accused as lessor was somehow different than the liability of the accused who had been sent up by him for trial. The court said the IO had categorically expressed that he did not require the custody of the applicants because he had already concluded the investigation in which the applicants had fully cooperated with him.

The bench said that although the federal law officer opposed granting bail to the applicants, he could not deny the factual position that all the offences the applicants had been charged with did not fall within the prohibitory clause of Section 497(i) of the CrPC. When the bench asked the IO why the applicants should be allowed to rot in jail, he could not think of an answer. He pleaded that a reasonable surety be imposed upon each of the accused.

The court granted bail to the applicants with a surety of Rs1 million each, directing them to submit their passports to the Nazir. The bench also confirmed the interim pre-arrest bail of one applicant with the same conditions.

TN 17-3-2023

SBP PROPERTIES: SC BARS MANORA, HYDERABAD CANTT BOARDS FROM TAKING COERCIVE STEPS

ISLAMABAD: The Supreme Court has barred the Cantonment Boards Hyderabad and Manora from taking coercive measures regarding sealing the State Bank of Pakistan (SBP) properties within their limits.

A three-member bench, headed by Chief Justice Umar Ata Bandial, on Thursday, heard an appeal of the SBP against the Division Bench of Sindh High Court, Karachi, order dated 23-08-23.

The Hyderabad and the Manora Cantonment Boards issued challans/demand notices to the appellant in respect of its property/properties and demanded immediate payment of the property tax. Faisal Siddiqui, appearing on behalf of the SBP, submitted that the appellant is the central bank of the country established under the SBP Act for carrying out sovereign functions of the federal government, therefore, no property tax can be imposed/collected from the applicant. He informed that the High Court of Balochistan, Khyber-Pakhtunkhwa and Punjab, had affirmed the impugned status of the SBP properties. However, the Sindh High Court (SHC) directed the Central Bank to approach the relevant authority for seeking exemption under the provisions of the Cantonments Act, 1924.

The SBP has challenged the jurisdiction and authority of the Cantonment Boards to levy property tax in respect of its properties or properties of its subsidiary being the property in occupation of the federal government for the public purposes situation within the limits of the cantonment throughout Pakistan.

The SBP and all of its subsidiaries are the wholly-owned entity of the federal government, a regulatory body, performing sovereign functions which no other private or government entity is or can perform; thus the applicant is entitled for exemption as provided in Article 165 of the Constitution, read with Section 99(2)(f) of the Cantonments Act, 1924, said the petition.

It said that the entire share capital of the applicant is wholly owned by the federal government and can only be increased or decreased after the approval of the federal government as enunciated in Section 4(1) of the SBP Act. It states that the Central Bank is purely performing functions of the federal government on its behalf as such functions cannot be performed by any other organisations in the country.

The applicant is entirely a federal subject as also reflected in the Fourth Schedule Part I of the Constitution. The petition further states that the applicant has its subject properties in the limits of Cantonment Board and the respondents (Director Military Lands and Cantonment, Karachi and others) are adamant to levy property tax on the applicant on the ground that the organisation is a commercial entity and subject to levy of Property Tax.

The respondents have out rightly refused to extend the exemption as available under Section 99(2)(f) of the Act. The law on the subject is clear that if any building is in occupation of the federal or the provincial governments it shall be exempted from the payment of property tax.

The petition stated that if any premises is owned by the applicant or any of its subsidiaries and trust such premises shall be deemed to be in occupation of the federal government because the sole purpose of the applicant is to advance the objectives and policy of the federal government. Any income made by the applicant is income of the federal government as provided in Section 42 of the SBP Act and exemption of such income from income tax and wealth tax is provided under section 49 of the SBP Act. The order of the SHC Division Bench is against the legal issues raised in the petition.

The SHC has forced the applicant to agitate the claim of exemption before the Cantonment Board, which is already coercing the applicant for payment of property tax. The respondents are required not to proceed in excess of their jurisdiction, and not to take any coercive actions or steps for sealing the properties of the applicant situated within the limits of the Cantonments throughout Pakistan.

NEW FATF GUIDELINES: SHELL COMPANIES AND BENEFICIAL OWNERSHIP

Shell companies are considered the safest means to stash wealth created through criminal activities. Incorporation of shell companies is not illegal but they are normally formed in tax havens where secrecy laws do not permit disclosure of ownership therefore, corrupt politicians, civil and military bureaucrats, members of judiciary and businessmen including large corporations involved in tax evasion or criminal activities feel secure in shifting their ill-gotten wealth to such jurisdictions to avoid legal proceedings.

Government authorities feel helpless in tracing their wealth due to vague information available with them. Moreover, shell companies have normally no presence in the public domain and to legitimize wealth, transactions between shell companies take place with no visible business activities.

The United Kingdom and some other European countries such as Luxembourg, Austria, Denmark, Sweden, Switzerland, the Netherlands, Jersey, Ireland and Germany are considered ideal for shell companies due to their secrecy laws offering incentives to foreigners to attract investments.

For example, Germany exempts from tax foreign income of non-resident corporations. Similarly, Ireland offers multinational establishments low tax rates on investments.

The Netherlands and Switzerland are world-famous tax havens. They just refuse to share information where they consider that the request does not conform to their procedure which, for seeking information from banks is quite complex.

For these reasons, wealthy families hide their wealth in these locations by creating anonymous, letterbox and special purpose shell companies with no physical existence, where they can conceal actual ownership, escape labor laws and social contributions with assurance of control over the resources and the company itself. Therefore, despite extensive reporting from different platforms and active measures by various watchdogs as well as law enforcement agencies of a variety of jurisdictions, the share of illicit flow of funds in the global GDP is not diminishing and as per United Nation Office on Drug and Crime (UNODC) it is close to 2.5% or US\$800 billion to US\$2 trillion.

The global community through its consensus and efforts has prioritized this issue and the Financial Action Task Force (FATF) is continuously asking its member states to implement beneficial ownership guidelines to ensure knowledge of Ultimate Beneficial Ownership. For this purpose FATF issued comprehensive guidelines on 'Beneficial Ownership of Legal Persons' on March 10, 2023. FATF members agreed in March 2022 to introduce strict guidelines related to beneficial ownership by amending FATF recommendation 24 to make sure that competent authorities have access to, and up to date information on true ownership of companies in the hope that this step would help prevent organized criminal gangs, corrupt and sanction evaders from using anonymous shell companies to store their dirty money and camouflage illicit activities.

The FATF's guidelines will enable countries to identify, design and implement appropriate measures as per the revised Recommendation 24 that requires all jurisdictions to ensure access to beneficial ownership information by reserving it with a public authority, beneficial ownership registry or its like. This step would help in identifying real owners of shell companies and tracing illegally obtained assets.

The guidance explains types and sources of relevant information, and mechanism and sources to obtain such information. This includes the multi-pronged approach, which consists of combining information from, among others, companies themselves, public authorities in a registry, or alternative mechanism if it ensures rapid and efficient access to beneficial ownership information.

FATF's mutual evaluations demonstrated that countries using a multi-pronged approach were more effective in preventing the misuse of legal persons for criminal purposes and ensuring transparency of beneficial ownership than countries using a single approach.

The revised recommendation demands that all jurisdictions including the corporate sector financial and Designated Non-Financial Businesses and Professions (DNFBPs) should adopt risk-based approach to mitigate the potential money laundering and terrorist financing risks.

The guidelines also require that each member state should devise a mechanism to a) identify and describe the different types, forms and basic features of legal persons in the country; b) identify and describe the processes for: (i) creating those legal persons; and (ii) obtaining and recording basic and beneficial ownership information on those legal persons; c) make the above information publicly available, and d) assess the ML/TF risks associated with the different types of legal persons, and to manage and mitigate risks that are so identified.

Similarly, the guidelines also require from the member jurisdictions to identify and assess the risk pertaining to foreign legal persons having sufficient links to the country.

In addition, the countries should take appropriate steps to manage and mitigate the risks they identify and determine what constitutes a sufficient link for a legal person not created in the country based on risk, but indicatively such a sufficient link could, for instance, be said to exist when the legal person: (a) Has a permanent establishment or branch or agency in the country; (b) Has significant business activity—defined either in terms of a monetary threshold, or by such other parameters as may be suitable to a country's situation—in the country; (c) Has significant (in relation to the size of the relevant market and/or the impact of the business activity in the relevant market or the areas/sectors in which a legal person operates) ongoing business relations with financial institutions or DNFBPs subject to AML/CFT regulations in the country; (d) Has significant (determined with reference to the average price of the real estate/corresponding asset market in the country, or the quantity of real estate held) real estate or other investment in the country, including any asset subject to registration, such as ownership of high value commercial or residential real estate, securities market investment or other assets and (e) Employs staff, or is a tax resident (e.g., by reason of having its place of effective management or administration there) in the country.

In the light of above comprehensive guidelines, Pakistan should also streamline its affairs, improve its mutual legal assistance mechanism and strengthen cooperation with foreign jurisdictions.

The Federal Board of Revenue (FBR) has not considered all the above guidelines in the draft rules notified vide SRO 229(1)/2023 on February 28, 2023 for the purpose of section 181E of the Income Tax Ordinance, 2001 requiring every particulars of its beneficial owners in such form and manner as may be prescribed and also update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners.

Various leaks have exposed names of wealthy Pakistani individuals, including politicians, retired army officers, members of judiciary and bureaucrats owning shell companies to hide their assets.

The main hurdle in the past was obtaining beneficial ownership information due to which not even a single investigation could be completed. However, as per amendment of Recommendation 24, each state will become responsible to make beneficial ownership information public.

Taking advantage of these initiatives, Pakistan being a responsible state should work closely with the global community synchronizing its Anti-Money Laundering and Terrorist Financing (AML/TF) regime in line with global practices.

The Anti-Money Laundering Act, 2010 despite 2020 amendments, still needs improvements as some of its provisions are incoherent with international best practices. Similarly, regulations issued by the FBR or Securities and Exchange Commission of Pakistan (SECP) are in dire need of improvement.

It is about time we address the anomalies in our system so that in 2024, when every country would be adhering to FATF requirements, Pakistan would be ahead in claiming to have information about those who plundered the country's resources parking the loot in offshore havens.

R 17-3-2023

WHAT IS HAPPENING AT CREDIT SUISSE — THE SWISS BANK THAT HAD AT LEAST 1400 PAKISTANI ACCOUNTS

LAHORE: A year after it faced a massive data leak, Credit Suisse, one of the world's largest private banks, is facing a sharp fall in the price of its shares. And while the Swiss National Bank has agreed to cushion the bank's fall with a \$50 billion loan aimed at avoiding default, the bank continues to be in the line of fire over questionable practices.

The current crisis comes as the result of a string of scandals over many years, top management changes, multi-billion dollar losses and an uninspiring strategy can be blamed for the mess that the 167-year-old Swiss lender now finds itself in.

The bank's troubles began when a whistleblower gave an insight into the bank's dirty businesses. It revealed the hidden fortunes of its wealthy clients in 128 countries, ranging from business owners to politicians and those probed, and sometimes convicted, in connection with various criminal activities.

Many Pakistani names were also found in the leaked data. To be more precise, around 1,400 individuals in Pakistan were linked with around 600 accounts opened in Credit Suisse. These included individuals who were under the radar of the National Accountability Bureau (NAB).

The list also included the former head of the Pakistani intelligence agency, General Akhtar Abdur Rahman Khan. As reported by The New York Times, Khan "helped funnel billions of dollars in cash and other aid from the United States and other countries to the mujahideen in Afghanistan to support their fight against the Soviet Union." Credit Suisse denied the allegations soon afterwards.

Similarly, several politically exposed persons opened their accounts at a time when they were public office holders and they didn't mention it in their assets declaration submitted to the Election Commission of Pakistan. One such individual received a substantial amount of funds in Credit Suisse at the prime of his political career. One of the richest accounts held at the bank was of a Pakistani politician.

Average maximum balance in accounts held by Pakistanis was 4.42 million Swiss francs (Rs 841 million) compared with the overall average of the leaked data which stood at 7.5 million Swiss francs (Rs1.42 billion).

Decades of dirty money

When a bank collapses, it borrows money from other solvent banks or governments to pay back its depositors. That's essentially what Credit Suisse is headed towards as it takes a loan from Switzerland's central bank.

Credit Suisse has been plagued by a series of scandals, leading to a significant decline in its shares and a perception that it is the weakest link in the Swiss banking industry.

The bank's woes include the collapse of Greensill, costing the bank around \$10 billion and leading to fines and remedial measures from Swiss financial regulator Finma. Credit Suisse also lost more than \$5 billion from the implosion of US hedge fund Archegos, and was fined \$475 million for involvement in a bribery scandal in Mozambique.

In addition, former Chairman Antonio Horta-Osorio resigned after violating Switzerland's Covid quarantine rules, and a media investigation alleged that the bank held billions of dollars in dirty money for decades.

Credit Suisse was also fined in a money laundering case linked to a Bulgarian cocaine network and has settled old disputes in the US and France. The bank was forced to postpone its annual report and acknowledged "material weaknesses" in its internal controls. Market panic ensued after comments from Credit Suisse's main shareholder that it would not invest more money in the bank.

Previously a leak from Credit Suisse had exposed the hidden wealth of major clients, including hundreds of Pakistanis, according to media reports. The leaked data revealed that the bank catered to criminals, dictators, intelligence officials, and political actors with outsized wealth.

Compliance experts said many of these customers should not have been allowed to bank at Credit Suisse. The leak identified \$8 billion in potentially problematic assets. 1,400 Pakistani citizens were linked to around 600 Credit Suisse accounts. The head of Pakistan's intelligence agency was listed as holding amounts worth millions of dollars in Credit Suisse accounts.

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RELIEF RALLY ON BANK RESCUE LIFTS RISKIER CURRENCIES; DOLLAR SLIPS

March 17, 2023

SINGAPORE, March 17 (Reuters) - The U.S. dollar slipped on Friday after authorities and banks moved to ease stress on the financial system, taking the heat off most major currencies that tumbled this week in the wake of bank turmoil.

Action to rescue First Republic Bank (FRC.N) in the U.S. on Thursday boosted risk appetite globally on Friday as fears of a global banking crisis eased, making way for surges in the Australian and New Zealand dollars.

The antipodean currencies are traditionally shunned in times of risk aversion. The Aussie jumped 0.76% to \$0.6708 in Asia trade on Friday, while the kiwi rose 0.69% to \$0.6239.

With oversight by authorities, large U.S. banks injected \$30 billion in deposits into First Republic, which was caught up in a widening crisis triggered by the collapse of two other mid-size U.S. banks over the past week.

The move followed Credit Suisse's (CSGN.S) announcement earlier on Thursday that it would borrow up to \$54 billion from the Swiss National Bank, after the central bank threw a financial lifeline to the embattled Swiss lender.

Credit Suisse had similarly become embroiled in widespread contagion following the implosion of U.S.-based Silicon Valley Bank (SVB), which resulted in a 30% plunge in its shares earlier in the week.

But even as the market rout stoked fears about the health of Europe's banks, the European Central Bank (ECB) went ahead with a hefty 50-basis-point rate hike at its policy meeting on Thursday.

ECB policymakers sought to reassure investors that euro zone banks were resilient and that if anything, the move to higher rates should bolster their margins.

The euro's reaction to the decision was fairly muted, though it gained more ground in Asia trade on Friday, rising 0.33% to \$1.0647. "The euro zone banking sector remains in reasonably solid shape," said Wells Fargo international economist Nick Bennenbroek. "Should market strains ease and volatility recede in the weeks and months ahead, persistent inflation should in our view be enough to elicit further (ECB) tightening."

Elsewhere, sterling edged 0.4% higher to \$1.2159, while the Swiss franc rose 0.35%. Earlier in the week, the Swissie had plunged the most against the dollar in a day since 2015.

The Japanese yen remained elevated, as traders still looked to safety assets, still fearing that recent stress unfolding across banks in the U.S. and Europe could be just an early stage of a widespread systemic crisis. It was last 0.56% higher at 133.01 per dollar, on track to rise more than 1% for the week.

Japan's Ministry of Finance, Financial Services Agency and Bank of Japan officials will meet on Friday evening to discuss financial markets, the Nikkei newspaper reported, amid fears of the U.S. banking crisis.

"The market gyrations of the past week are not rooted in a banking crisis, in our view, but rather are evidence of financial cracks resulting from the fastest interest rate hike campaigns since the early 1980s," said analysts at BlackRock Investment Institute. "Markets have woken up to the damage caused by that approach - a recession foretold - and are starting to price it in."

The Federal Reserve's monetary policy meeting next week now moves to centre stage. Some investors are hoping that the Fed could slow down on its aggressive rate-hike campaign in a bid to ease the stress on the financial sector. "The turmoil in the banking sector is complicating the outlook for Fed policy, but the impact may be more nuanced than the Fed simply reversing course," said Philip Marey, senior U.S. strategist at Rabobank.

The U.S. dollar index fell 0.31% to 104.07.

<https://www.reuters.com/markets/currencies/dollar-slips-banks-rescue-makes-room-relief-rally-2023-03-17/>