CHINESE LOAN ROLLOVER OF $2BN IN PROCESS: GOVT SOURCE

KARACHI: The rollover of a $2 billion Chinese loan to Pakistan that matured on March 23 is in process, a top government source told Reuters. With the country locked in unsuccessful talks to secure bailout funding from the International Monetary Fund (IMF), the rollover is critical for foreign exchange reserves that have dipped to just four weeks of import cover.

Earlier, China *granted* Pakistan a rollover of $2 billion in State Administration of Foreign Exchange (SAFE) deposits for one year -- helping the country in meeting one of the requirements set by the IMF for it to meet its external financing needs and move towards a staff-level agreement.

The rollover is not a loan but a financial deposit to be kept at the central bank. Finance ministry officials hoped that Pakistan would soon receive financing from Saudi Arabia and the United Arab Emirates as well amid the looming threat of the country defaulting on its external repayments. They added that a sum of $300 million was expected to be received from China this month, pushing the country's foreign reserves past the amount of $5 billion.

It is pertinent to note that a day earlier, Pakistan *claimed* that it received an indication from Saudi Arabia for additional loans that may help to break gridlock with the IMF and said that it was not planning to prematurely quit the $6.5 billion programme. "We have received an indication from Saudi Arabia about getting something," Dr Aisha Pasha, the minister of state for finance, had said after attending a meeting of a parliamentary committee, without explaining the loan amount.

One of the requirements under the IMF's Memorandum of Economic and Financial Policies (MEFP) is related to the Net International Reserves (NIR), which can only be fulfilled after receiving assurances from friendly countries to fund a balance of payment gap.

Pakistan has assured the IMF that it would raise its foreign exchange reserves to $10 billion by the end of June.

The IMF wants the country to receive assurances for up to $7 billion to fund this fiscal year's balance of payments gap.

RIYADH SIGNALS READINESS TO PROVIDE MORE CREDIT

ISLAMABAD: Pakistan claimed on Wednesday that it received an indication from Saudi Arabia for additional loans that may help to break gridlock with the International Monetary Fund (IMF) and said that it was not planning to prematurely quit the $6.5 billion programme. "We have received an indication from Saudi Arabia about getting something," Dr Aisha Pasha, the Minister of State for Finance, said after attending a meeting of a parliamentary committee, without explaining the loan amount.

She also informed the Senate Standing Committee on Finance that some progress was made a day earlier on a friendly country deposit, saying, "we will soon reach the stage to sign the Staff-Level Agreement with the IMF".

The IMF has asked Pakistan to arrange $6 billion in additional loans and at least half of those must be materialised before the board meeting. The funds are needed to avoid sovereign default and also increasing the foreign exchange reserves to a level sufficient to back 1.7 months of imports.

Pakistan had told the IMF that it would get $2 billion in additional loans from Saudi Arabia and $1 billion from the UAE to meet the additional financing requirements. Hamad Obaid Ibrahim Salim Al-Zaabi, Ambassador of the UAE also called on Finance Minister Ishaq Dar. The finance minister highlighted various avenues in which both countries could enhance their existing trade and investment relations, according to the finance ministry handout.

Sources said the IMF wanted the $3 billion to be arranged from a combination of bilateral and commercial loans.

It is obvious that the foreign commercial banks will not lend until there is a staff-level agreement with the IMF, Dr Aisha said while responding to a question after the meeting.

The ninth review talks ended inconclusively on February 9 and since then Pakistani authorities had been claiming to close the deal with the IMF "in few days".

Their relations soured after Prime Minister Shehbaz Sharif announced Rs50 per litre petrol subsidy on the advice of the Petroleum Division but without the endorsement of the finance ministry. We are telling the IMF that Saudi Arabia and the UAE will come through for us and because of these two countries, Pakistan would soon reach the staff-level agreement stage, the state minister said. She said IMF was taking time to independently verify that from them.

People and the industry have suffered a lot because of increase in prices of electricity, gas, rupee devaluation and the mini-budget but still the government is not able to conclude a deal with the IMF, Senator Mohsin Aziz of the PTI said.

To a question whether there was a fallback option if the IMF deal does not materialise, Dr Aisha said, "government is not even contemplating without an IMF scenario".

She once again reiterated that the business as usual approach will not work and the structural reforms will have to be introduced to win the trust of the IMF.

Pakistan's credibility has become too low in the eyes of the IMF because of the past experiences, thus, the Fund is asking to take prior actions, Dr Aisha said. She said Pakistan has met all the prior actions and the only remaining touch point is the external financing gap. Malik Bostan, a representative of the foreign exchange companies, claimed before the committee that he could arrange foreign funds to address Pakistan's external sector woes.

The exchange companies can provide $1 billion interest-free per month to the government for a two-year period with the help of the overseas Pakistanis, Bostan said. He also demanded a licence for doing Hawala business – which is currently an illegal activity. Bostan, who was invited by the standing committee, also sought exemption from the condition of CNIC on selling up to $15,000 by the customers.

At a time when the finance ministry is already struggling to restore the IMF programme, an ill-prepared fuel subsidy scheme created more troubles for the Q Block.

Petrol subsidy is the idea of the Petroleum Division and the scheme is not designed yet, Dr Aisha said while responding to a question. She said the IMF was only in favour of the targeted subsidy. If it is plausible, targeted and executable only then the IMF will not have an issue with the petrol subsidy, the state minister observed.

It seems the minister of state for petroleum prematurely announced the Rs50 per litre subsidy last week in a news conference.

Senator Farooq H Naek of the PPP also criticised the government's untargeted and highly mismanaged wheat flour scheme, which he said had taken lives of people. Dr Aisha said the Punjab government could not effectively implement the wheat flour subsidy scheme.

CURRENCY DEALERS OFFER $24B IN LOANS TO GOVT

KARACHI: Currency dealers in open market have offered loans of $24 billion to the government for the next two years to help it stay away from the International Monetary Fund (IMF) programme, which has badly hit Pakistan's economy. Talking to The Express Tribune, Exchange Companies Association of Pakistan (ECAP) President Malik Bostan said, "We have offered $1 billion a month in financing to the government for the next two years to get rid of the IMF."

The government must pass an order to allow exchange companies to borrow US dollars directly from overseas Pakistanis, foreign firms and global exchange companies, he emphasised.

The loans will be free of cost and can be rolled over, if required. "We are in contact with millions of expatriate Pakistanis as they are our clients. They are ready to lend $1 billion a month to us (exchange companies) over the next 24 months, in addition to the usual inflows received by exchange companies." Bostan, along with other office-bearers of the association, floated the proposal in a meeting with Senate Standing Committee on Finance Chairman Saleem Mandviwala in Islamabad.

Central bank officers and other high officials were present in the huddle.

"Exchange companies are already supplying $300-400 million a month, totalling $4 billion a year, to the inter-bank market," he revealed, adding that the IMF had continued to come up with new conditions one after another, making it tough for Pakistan to give a push to its economy. He asked the government to further review its laws, rules and regulations for IT freelancers, who had deposits of billions of dollars in foreign banks. "If the regulations are softened, they will bring these deposits to Pakistan."

In February 2023, Finance Minister Ishaq Dar gave the go-ahead to Saylani Welfare Trust to raise $2 billion from overseas Pakistanis.

On Wednesday, Pakistani rupee maintained its downtrend for the second consecutive day, dropping 0.13%, or Rs0.37, to a one-week low at Rs283.92 against the US dollar in inter-bank market. The rupee had closed at Rs283.55 to a dollar on Tuesday, according to the SBP.

TR 30-3-2023

FOREX BUYERS, SELLERS: SENATE PANEL URGED TO REMOVE CNIC-VIDEO CONDITION

ISLAMABAD: Exchange Companies Association of Pakistan (ECAP) Chairman Malik Bostan Wednesday suggested to the Senate Standing Committee on Finance to remove the condition of the Computerised National Identity Card numbers and videos of buyers/sellers of foreign exchange up to US$15,000. Bostan made detailed recommendations to the committee to improve the dollar situation in the country. He claimed that the exchange companies provide monthly US$300 million to US$400 million and annually US$4 billion to the government through commercial banks. If the government gives permission of seeking dollars from overseas Pakistanis through the direct swap policy, the exchange companies can arrange up to US$12 billion per year.

Exchange companies have provided around US$4 billion to the present government during April 2022 to March 2023. He further recommended that the exchange companies be permitted home delivery facility to compete with the Hawala/Hundi business. They can take the biometric device to the door step of the buyers and sellers to fulfil requirements of the State Bank of Pakistan (SBP). The system is Hawala/Hundi is improving day by day and we need to compete with this informal economy. If the exchange companies provide facilities at the doorstep of the buyers and sellers, people will prefer to carry out transactions through the exchange companies.

"One-time permission should be given to the accountholders to deposit cash foreign currency in their bank accounts without asking source of the foreign exchange. We can easily generate US$2-4 billion by giving this permission to the accountholders," he suggested. He apprehended that the amnesty schemes are not allowed by the International Monetary Fund (IMF), but the permission can easily generate huge amount of foreign exchange in the country. He briefed the committee that the know your costumer (KYC) should be done for the buyers/sellers of foreign exchange, but the State Bank of Pakistan (SBP) should remove the restriction of making videos or submitting CNICs of the buyers/sellers of foreign exchange.

The association discussed various recommendations and assured that if policies are revised and restrictions are given relaxation by keeping in view the current economic situation of the country, dollar stability can be achieved. He said that Pakistan is an economically stable country if the focus is given on agriculture and natural resources. He said that it does not require an IMF deal. In its recommendations, stress was given on cease of Afghan Transit and allowing deposits up to 15,000 dollars without verification. The exchange companies association claimed that they bought four billion dollars in the country last year and has the capacity to bring one million dollar every month. He suggested that the exchange companies and overseas Pakistani should be given the status of export industry to compete with the black market as well as Hawala and Hundi.

ECAP Chairman stated that the multiple taxation is creating serious problems for the exchange companies and Federal Board of Revenue (FBR) must resolve the issue of sales tax/Federal Excise Duty on the exchange companies. He suggested that rewards of 20-25 percent should be given to the officials who intercept cases of border smuggling, especially at the Pak-Afghan border. He said that there is no shortage of foreign exchange in the country, but the market cannot be regulated by force. There is a need to give free hand to the exchange companies. Malik Bostan stated that the FATF compliance of the foreign exchange companies in Pakistan is the best in the world. He suggested that the government should provide incentives to freelancers to bring their US$2 billion into the country.

LIST OF HIGH-RISK COUNTRIES 'EU REMOVAL WILL EASE FINANCIAL TRANSACTIONS'

ISLAMABAD: Pakistan welcomed the European Union's decision to remove Pakistan from the list of high-risk countries on Wednesday. "We welcome the decision by the European Union to remove Pakistan from the list of high-risk countries thus recognising Pakistan's performance in overcoming technical issues in its Anti-Money Laundering/Countering Financing of Terrorism," Foreign Office spokesperson Mumtaz Zahra Baloch said in a statement.

This follows UK's decision to remove Pakistan from a similar list in November 2022, she said. "The removal from the list will ease financial transactions between entities from Pakistan and the European Union. Pakistan looks forward to building on this development for mutually beneficial economic cooperation with the European Union and sharing its experience in the up-gradation of AML/CFT regimes with partner countries," she added.

THREE AIRPORTS: ECC ALL SET TO RECONSIDER ENGAGING IFC AS TRANSACTION ADVISER

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet is all set to reconsider Aviation Division's summary on engagement of International Finance Corporation (IFC), an arm of World Bank, as Transaction Advisor for outsourcing of airports (Islamabad, Karachi, Lahore) on Thursday (today). Aviation Division, in its summary to the ECC, noted that in view of international better practices, the federal government has been considering various options to outsource the operation of major airports in Pakistan with the aim of effecting an improvement in passenger service and optimizing the realization of their revenue potential for the last few years.

In this regard, the federal cabinet conveyed various decisions, and in compliance with these, inter alia, Expression of Interest (EoI) was also invited to hire an audit firm for preparing proposals for corporatisation of airports. Federal cabinet also constituted committee of Ministers to oversee the entire process. However the process could not attain finality. During a meeting held on December 30, 2022, the Prime Minister, inter alia directed that outsourcing of the operation of three airports viz. Karachi, Lahore and Islamabad, shall be completed expeditiously by engaging a leading International Financial Institution (IFI) under the Public-Private Partnership Authority Act, 2017.

Section 31 of the Act ibid read with regulation 5(2) of the Public-Private Partnership Authority (Direct Contracting of IFIs as Transaction Advisers) Regulations, 2023 provides for the hiring of an IFI as a Transaction Advisor through direct contracting subject to the approval of Public-Private Partnership Authority Board.

Accordingly, after due consideration of a request from the Pakistan Civil Aviation Authority (PCAA), the Public-Private Partnership Authority Board allowed them to directly engage an IFI as Transaction Advisor for outsourcing the operation of three airports on January 11, 2023. Subsequently, the PCAA engaged with all IFIs eligible for direct engagement as Transaction Advisors under the Regulations.

However, only IFC, a part of the World Bank Group, indicated their interest. They were asked to share their experience and other credentials which were evaluated against the selection criteria approved by the PCAA Board and were considered as qualified to work as transaction advisor. In terms of regulations 6 and 7 of the Regulations, the PCAA Board allowed the PCAA to negotiate with the IFC for settling the terms of their engagement.

The sources said, after protracted negotiations and giving due consideration to the views of Ministry of Finance, Federal Board of Revenue and Ministry of Foreign Affairs, a draft Transaction Advisory Agreement (TASA) was reached with the IFC which was presented before the PCAA Board in its meeting held on March 2, 2023.

The PCAA Board approved the presented draft TASA subject to legal vetting by the Ministry of Law and Justice. At the same time PCAA Board observed that since the TASA is based on success fee model with penalties for failure to proceed with the transaction on the part of the client, there is a need for strong political commitment for the outsourcing of the operation of three target airports from Pakistan side.

Aviation Division informed the ECC that in view of the past experience a clear demonstration of such a commitment will also be crucial not only for the completion of this process but more importantly, promoting good competition and thus fetching true monetary benefits from outsourcing of the airports. At the same time, it will also help in building confidence of the IFC as to our adherence to the terms and conditions of TASA and payment of their fee etc. in dollar terms. For these reasons, the PCAA Board directed that the draft TASA be placed before the Economic Coordination Committee of the Cabinet for information and concurrence.

The sources maintained when the proposed draft was placed before the ECC in its last meeting some of stakeholders raised objection on the way the Aviation Division presented the summary without prior consultation as per the Rules of Business. After hearing comments from relevant Ministries, the ECC directed Aviation Division to submit the summary after consultation with Law and Justice Division and Privatisation Division.

NON-PAYMENT OF RS321.733M DUTY BY KESC: ECC TO APPROVE PACT TO SETTLE 27-YEAR-OLD DISPUTE TODAY

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet, which is scheduled to meet on Thursday (Mar 30), will approve a pact to settle 27-year old legal dispute of Rs 312.733 million, a part of which has already been deposited with Collectorate of Customs Karachi, well-informed sources told Business Recorder.

Sharing the details, sources said, KESC (now K-Electric) imported high voltage equipment and electrical material for rehabilitation and expansion of Transmission, Grid and Distribution system during 1995-96. However, owing to non-payment of custom duty amounting to Rs. 321.733 million by KESC, 40 consignments of equipment remained blocked at the port.

The ECC in its meeting held on May 18, 1998 deliberated and decided that the issue of payment of duties/taxes and demurrage should be looked into by a committee, to be convened by the then Secretary Water and Power. ECC further decided that the equipment lying at the port should be released immediately on submission of indemnity/guarantee by the KESC.

Consequently, CBR (now FBR) released the equipment on submission of indemnity bonds ofRs.32.1.733 million by KESC. However, the issue remained unresolved till the time of privatisation and later included in Implementation Agreement (IA) of April 2009, as an unsettled issue.

K-Electric filed a writ petition in the Sindh High Court in 2018 and the case was dismissed by the court with the direction that "liability of Rs.321 million outstanding towards duty and taxes for more than 20 years shall be paid by the petitioner within four weeks from the date of the order."

Finally, K-Electric aggrieved by the order of the High Court of Sindh, filed a civil suit in 2019 before the Supreme Court which in its interim order of May 6, 2019 directed the petitioner to deposit 25 percent of the claimed liability of Rs 321.733 million and directed Government of Pakistan to discharge its obligation under Article 8.7 of Amended Implementation Agreement.

Consequently, K-Electric deposited Rs. 80.5 million in the government treasury. During hearing of the case on October 05, 2022, the Supreme Court directed Government of Pakistan to resolve the matter within three months.

The sources said, to comply with the order of Supreme Court and to resolve a long pending issue related to the implementation of Article 8.7 of the AIA, the Prime Minister on December 26, 2022 constituted a high level committee with following composition: (i) Minister for Power (Chairman); (ii) Minister for Privatisation (Member); (iii) Minister of State for Finance (Member); (iv) Secretary, Finance Division (Member); (v) Secretary, Power Division (Member); (vi) Secretary, Law and Justice Division (Member); (vii) Secretary, Privatisation Division; and (viii) Chairman FBR.

Federal Minister for Power Division chaired two meetings of the committee and amicably concluded the issue by devising a settlement mechanism, which is mutually agreed and signed by all stakeholders.

According to the agreement, K-Electric would pay 50 per cent of the total disputed customs duty and taxes amounting to Rs 312,733,000 from its own revenue/profit and not charge it to its consumers.

However, as K-Electric has already deposited Rs 80,500,000 on May 13, 2019 to the Collector Customs Karachi therefore, the power utility company will only deposit remaining amount of Rs 80,366,500 to the Collector Customs by March 31, 2023, making total aggregating to Rs 160,866,500, ie, equivalent of 50 per cent of the total disputed amount of Rs 321,733,000. For the remaining 50 per cent, K-Electric will file a tariff petition before Nepra to allow it as a pass through amount in tariff. Consequent upon approval from Nepra, KE will also deposit the remaining 50 per cent amount with Collector of Customs FBR with 90 days of tariff approval.

However, in case, Nepra does not approve the payment, the payment of remaining 50 per cent as a pass through in KE's tariff, the matter will be brought before the federal government for a mutually acceptable resolution.

Once the complete amount of Rs 321,733,000 is received by FBR in the manner agreed between the parties, the indemnity bonds submitted by KE with the Customs/FBR will be released forthwith. Further, the amount to be paid by KE as per agreement shall be treated as the final settlement.

However, KE's Chief Financial Officer, Aamir Ghaziani, in a letter to Mahfouz Bhatti, joint Secretary (Power Finance) Power Division, with reference to the settlement mechanism regarding the disputed customs duty and taxes amount of Rs 321,733,000 between KE and the Federal Board of Revenue argued that as per clause 1 of the Settlement Mechanism, it was decided that KE will pay 50% of the total disputed Customs duty and tax amount of Rs 321,733,000 out of which KE has already deposited Rs 80,500,000 on May 13, 2019 to the Collector Customs, Karachi and will deposit the remaining amount of Rs 80,366,500 to the Collector of Customs, Karachi by March 31, 2023.

According to him, the Settlement Mechanism was placed before the Supreme Court in 2019 and the Court was apprised that the formal approval of the Federal Cabinet is awaited. "We understand that the Settlement Mechanism agreed between the parties is to be placed before the ECC of the Cabinet and will then be ratified by the Cabinet, which is awaited," he said, adding that KE understands that the payment of Rs 80,366,500will be required after written intimation of Cabinet approval for the Settlement Mechanism to KE.

R 30-3-2023

JAPANESE COMPANY 'OFFERS PAKISTAN CHEAP RUSSIAN OIL, NIGERIAN LNG'

A Japan's leading trading company has reportedly offered Pakistan to sell Russian oil and Nigerian Liquified Natural Gas (LNG) to Pakistan at 35 per cent less than the global market's prices.

The Japanese company partners with an Irish company for the purpose. It is learnt that the representative of the Japanese company made this offer to the ambassador of Pakistan in Tokyo. The meeting was arranged by Pak-Japan Business Council president Rana Abid Hussian, who is a leading Pakistani businessman in Japan.

The company's representative informed the Pakistani envoy about the details of oil and LNG supplies. He said the company and its partner company in Ireland have a license to sell Russian oil and Nigerian LNG and that if the Pakistani government is interested in buying oil and gas, the Japanese company will be able to sell it at a price lower than global rates.

On the occasion, Ambassador Raza Bashir Tarar said Pakistan could consider this offer while adhering to the international laws. "We will inform the relevant departments with all the details of this offer and if there is a response from Islamabad, the Japanese company will be informed," the Pakistani envoy was quoted as having said.

Pakistani entrepreneur Rana Abid Hussain was of the view that Pakistan is currently facing a serious economic crisis, so it should not have any problem in purchasing cheap oil and gas keeping in mind all the international laws.

Nation 30-3-2023

PETROLEUM DEALERS REFUSE TO PARTICIPATE PAKISTAN FUEL SUBSIDY SCHEME

Pakistan Petroleum Dealers Association Wednesday refused to participate in the government's proposed subsidized petrol scheme due to practical difficulties in its implementation. According to the association's chairman, Sami Khan, the scheme is difficult to apply and may result in conflicts between the dealers and the public. It's good to hear that the Pakistani government is taking steps to reduce the burden on the lower income group by reducing the prices of petroleum products. It remains to be seen how much the prices will be reduced and how effective the plan will be in providing relief to the targeted groups. The decline in global oil prices is definitely a positive factor in this regard.

The government's plan to reduce fuel prices for certain segments of society may face some hurdles due to the need to create additional resources and the IMF's conditions. It will be interesting to see how the negotiations with the IMF progress and whether the government can implement its plan to provide relief to lower-income groups. Khan also pointed out that the government did not consult with the association before proposing the scheme, and that the energy sector is already facing a circular debt issue. He further noted that the staff working at petrol pumps may not be equipped with the necessary computer and banking systems to implement the scheme. The association is calling for the government to consult with stakeholders and equip petrol pump staff with the latest gadgets before applying any new schemes. It remains to be seen how the government will respond to these concerns and whether it will be able to successfully implement the proposed scheme.

PR 29-3-2023

BANKING LOBBY OVERPOWERS FINANCE MINISTRY: DECISION TO IMPOSE TAXES ON BANKS INVOLVED IN CURRENCY MANIPULATION STILL PENDING

ISLAMABAD: For over three months, the Ministry of Finance has been sitting on the central bank's inspection report against commercial banks in a foreign currency manipulation case, delaying action against them despite clear incidences of charging 'higher spreads.'

The action against at least eight commercial banks has been put on hold despite Finance Minister Ishaq Dar's repeated vows to impose heavy taxes on the commercial banks for reportedly making exorbitant profits, taking Rs25 billion to Rs50 billion, by playing with the value of the rupee against the US dollar.

"The SBP has conducted a limited scope inspection of the matter and furnished its report to the Finance Division on December 27, 2022," the central bank informed the Senate Standing Committee on Finance on Wednesday.

The date of submission of the report underscores that the federal government and central bank were deliberately delaying action against the banks. The federal government had an opportunity last month to slap additional taxes, through a mini-budget that it has been claiming to impose, in lieu of fines.

Nevertheless, the State Bank of Pakistan (SBP)'s written reply to the committee gives the impression that the central bank was not in the mood to take any early decisive action against the commercial banks despite determining that they were over-charging.

"It was observed that the overall increase in foreign exchange (FX) income of the banks was mainly driven by higher spreads due to heightened volatility, however, in some cases, the banks charged higher spreads," according to the SBP's brief.

SBP's Executive Director, Arshad Mahmood Bhatti, stated in the meeting that there was a shortage of dollars and importers were chasing the limited availability but "banks went beyond logical spread".

Neither the SBP representative nor the Additional Secretary of Finance, Amjad Mehmood, gave a firm date for taking punitive action against the banks.

"SBP was in the process of imposing monetary penalties on the banks. However, the enforcement action was put on hold because of our understanding that the federal government was considering using a fiscal option with regard to high FX earnings of the banks," according to the SBP's written statement in the committee.

The central bank further stated that on March 21, the SBP sought clarity from the Ministry of Finance related to the government's stance on the use of the fiscal option.

The finance ministry officials have been repeatedly saying that in order to recover around Rs37 billion in taxes, the government wanted to impose up to 41% additional income tax on the quantum of money that the banks made on FX income. "If the government does not intend to proceed with the fiscal option, SBP will initiate enforcement action in accordance with its supervisory framework," according to the SBP.

It added, however, that "Although the bank's gross foreign exchange income increased significantly in the first half of 2022 as compared to the first half of 2021, allocation of the additional income to various components of foreign exchange business is quite difficult due to complexities involved in their calculations and record keeping."

The SBP said that the banks record income from various components, like interbank transactions, transactions with customers, and FX derivative transactions under a single head of "FX Income" in their financial statements.

As such, it is difficult to ascertain the portion of FX income attributable to customer's transactions alone, according to the central bank.

Further, the "FX income" is a gross income head, which does not include allied administrative, operating expenses and tax-related expenses, stated the SBP.

In September last year, the deputy governor of SBP had told the Senate Standing Committee on Finance that show-cause notices had been served to the National Bank of Pakistan, Allied Bank Limited, Bank Al Habib, Standard Chartered Bank, Meezan Bank, Habib Bank Limited, HabibMetro Bank and the United Bank Limited.

The allegation was that these banks quoted higher dollar rates to importers on some of the transactions and made substantial profits, according to the deputy governor. The banks quoted very high rates on some of the transactions, which created more volatility and uncertainty.

The hearing took place the day Pakistan's rupee further shed its value to nearly Rs284 to a dollar on Wednesday.

The Additional Secretary of Finance, Amjad Mehmood said that the federal government was taking a cautious approach because any action will have an impact on the banking industry.

According to the SBP, the heightened volatility, uncertainty, short foreign exchange liquidity and short net open foreign exchange positions of the banks were the main reasons behind charging higher spreads during the May to August 2022 period. To ensure that the banks follow a reasonable and transparent approach in pricing their transactions and to improve the market conduct in future, SBP held meetings with the banks and warned them about their practices and advised them to rationalise the spreads being charged to the customers, said SBP in a statement.

TR 30-3-2023

BRITAIN EYES SHAKE-UP IN LISTING RULES TO ATTRACT MORE COMPANY FLOTATIONS

LONDON: Britain's financial watchdog said on Wednesday it will consult on streamlining its company listing rules to help London compete better with New York in company floats. It said it would consult on replacing its twin-track standard and premium company listing regime with a single regime and set of requirements.

Britain made some changes to listing rules in 2021 to help attract tech company flotations as part of a wider set of reforms to keep London a globally competitive financial centre after being largely cut off from the European Union by Brexit.

The decision by UK chip designer Arm to only list in New York has added to calls for further changes, with the London Stock Exchange saying that “pace and precision” is needed in reforms. “Rather than simply lamenting these decisions or insisting that a few regulatory levers would change the outcomes, it is important to recognise there has not until now been a fundamental discussion about the entire ecosystem,” Financial Conduct Authority chief executive Nikhil Rathi said in a speech.

The watchdog will publish a blueprint for further reform of the listings regime, he said. “We plan to propose replacing our current standard and premium listing segments for shares in commercial companies with a single listing category with one set of requirements,” Rathi said in a speech. “We can see the value in allowing experienced investors the flexibility to form their own judgement in making investment decisions based on issuers’ disclosures and rely on their considerable negotiating power.” The watchdog will propose scrapping requiring companies to have a three-year financial track record as a condition of listing, a challenge for start ups, Rathi said.

A more permissive approach to dual class share structures - whereby founders can retain control of a company - would also be proposed.

Compulsory shareholder votes for large corporate transactions, and for related party transactions - seen as an issue for Arm’s owner - would also be scrapped under the draft proposals, Rathi said. But there was a need to be realistic about how much of an impact regulatory reform can achieve given many factors influence where a company lists, he said.

R 30-3-2023