

# SENATE OF PAKISTAN

REPORT NO.22 OF 2020



*House of the Federation*

**REPORT OF THE STANDING COMMITTEE ON FINANCE,  
REVENUE AND ECONOMIC AFFAIRS**

**ON**

**THE FOREIGN EXCHANGE REGULATION (AMENDMENT)  
BILL, 2019, AS PASSED BY THE NATIONAL ASSEMBLY,**

**PRESENTED BY:**

**SENATOR FAROOQ HAMID NAEK**

## SENATE SECRETARIAT

### REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, AND ECONOMIC AFFAIRS ON THE FOREIGN EXCHANGE REGULATION (AMENDMENT) BILL, 2019

I, Senator Farooq Hamid Naek, Chairman, Standing Committee on Finance, Revenue and Economic Affairs, have the honour to present, on behalf of the Committee, this report on a Bill further to amend the Foreign Exchange Regulation Act, 1947, [The Foreign Exchange Regulation (Amendment) Bill, 2019], as passed by the National Assembly and referred by the House to the Committee on 1<sup>st</sup> January, 2020, for consideration and report.

2. The composition of the Standing Committee is given as under: -

(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Syed Shibili Faraz	Member
(3)	Senator Ayesha Raza Farooq	Member
(4)	Senator Mushahid Ullah Khan	Member
(5)	Senator Musadik Masood Malik	Member
(6)	Senator Dilawar Khan	Member
(7)	Senator Muhammad Akram	Member
(8)	Senator Muhammad Talha Mahmood	Member
(9)	Senator Imam-ud-Din Shouqeen	Member
(10)	Senator Mohsin Aziz	Member
(11)	Senator Mian Muhammad Ateeq Shaikh	Member
(12)	Senator Anwar ul Haq Kakar	Member
(13)	Senator Sherry Rehman	Member
(14)	Advisor the Prime Minister for Finance and Revenue	Ex-Officio Member



3. The Committee considered the said Bill in its meetings held on 6<sup>th</sup>, 7<sup>th</sup> & 31<sup>st</sup> January, 2020, at Parliament House, Islamabad. The last meeting of the Committee was attended by the following:-

(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Syed Shibili Faraz	Member
(3)	Senator Ayesha Raza Farooq	Member
(4)	Senator Dilawar Khan	Member
(5)	Senator Muhammad Talha Mahmood	Member
(6)	Senator Mushahid Ullah Khan	Member
(7)	Senator Mohsin Aziz	Member
(8)	Senator Anwar ul Haq Kakar	Member
(9)	Senator Sherry Rehman	Member

4. The Committee considered the Foreign Exchange Regulation (Amendment) Bill, 2019, clause by clause and observed that clause 2 of the Bill i.e. insertion of new Section 8A, Act VII of 1947, could be misused and would affect the common man, therefore, keeping in view the larger public interest, the Committee unanimously rejected the clause 2 of the Bill and proposed the following amendments in the said Bill:-

**CLAUSE 2**

(I) that Clause 2 of the Bill shall be omitted.

**CLAUSE 3**

(II) that Clause 3 of the Bill shall be renumbered as Clause 2 and in renumbered Clause 2, in paragraph (C), for sub-paragraph (ii) the following shall be substituted, namely:-

**"(ii) in the proviso, the expression "and is not declared by the Federal Government under the proceeding sub-section to be cognizable for the time being" shall be omitted and for full stop, at the end, a colon shall be substituted and thereafter the following new proviso shall be added namely:-**

**"Provided further that if a person not authorized under section 3, 3A or 3AA is found involved in illegal foreign exchange business the complaint as required in this sub-section shall not be required."**

5. After due deliberation, the Committee unanimously recommended that the Bill, as reported by the Committee, may be passed by the House and also gave approval for presentation of this report to the House.

6. The Bill as reported by the Committee is at Annex-A and the Bill as passed by the National Assembly is at Annex-B.

  
**(HYDER ALI)**  
JS/Secretary (Committee)

  
**(SENATOR FAROOQ HAMID NAEK)**  
Chairman (Committee)

Islamabad, the  
31<sup>st</sup> January, 2020

at the end, a colon shall be substituted and thereafter the following new proviso shall be added namely:-

**“Provided further that if a person not authorized under section 3, 3A or 3AA is found involved in illegal foreign exchange business the complaint as required in this sub-section shall not be required.”.**

(d) after sub-section (3A) the following new sub-section shall be inserted, namely:-

**“(3B) A Tribunal taking cognizance under sub-section (1) shall conclude the proceedings within six months. The Tribunal may, by giving cogent reasons in writing, extend the said period by six months further.”.**

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### **STATEMENT OF OBJECTS AND REASONS**

Foreign Exchange Policy and operations in Pakistan are governed under the provisions of Foreign Exchange Regulation Act, 1947 (FERA, 1947), which empowers the State Bank of Pakistan to regulate flows of foreign exchange into and out of the country. However, the State Bank of Pakistan does not have explicit powers under FERA, 1947 to issue any regulation / instruction relating to the inland movement of foreign currencies.

Furthermore, it has also been considered necessary to enhance the punishments provided in section 23 of FERA, 1947 to create firmer deterrence against contravention of various provision of the Act.

This bill, therefore, seeks to amend FERA, 1947 in order to enable the State Bank of Pakistan to regulate the foreign exchange regime in Pakistan more comprehensively as well as to strengthen the effectiveness of the Act.

**DR. ABDUL HAFEEZ SHAIKH,**  
Advisor to the Prime Minister on Finance and Revenue

[AS PASSED BY THE NATIONAL ASSEMBLY]

A  
BILL

*further to amend the Foreign Exchange Regulation Act, 1947*

WHEREAS it is expedient further to amend the Foreign Exchange Regulation Act, 1947 (VII of 1947) for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. **Short title and commencement.**- (1) This Act may be called the Foreign Exchange Regulation (Amendment) Act, 2019.

(2) It shall come into force at once.

2. **Insertion of new section 8A, Act VII of 1947.**- In the Foreign Exchange Regulation Act, 1947 (VII of 1947), hereinafter referred to as the said Act, after section 8, the following new section shall be inserted, namely:-

**"8A. Movement of foreign currency within Pakistan.** - (1) Any person shall be free to move or transfer foreign currency upto a maximum of ten thousand US dollars or equivalent in other currencies, physically or otherwise within Pakistan, whereas, limits for authorized dealers, exchange companies and money changers shall be prescribed by the State Bank.

(2) Inland movement exceeding the limit under sub-section (1) shall require prior permission of the State Bank subject to procedure and conditions prescribed by the State Bank."

3. **Amendment of section 23, Act VII of 1947.**- In the said Act, in section 23,-

(a) In sub-section (1),-

(i) after the word "with", the word "rigorous" shall be inserted; and

(ii) for the word "two", the word "five" shall be substituted;

(b) in sub-section (2), the expression "for such period as the Federal Government may from time to time, by notification in the official Gazette, declare" shall be omitted;

(c) in sub-section (3),-

(i) the expression "and not declared by the Federal Government under the preceding sub-section to be cognizable for the time being" shall be omitted; and

(ii) in the proviso, the expression "and is not declared by the Federal Government under the preceding sub-section to be cognizable for the time being" shall be omitted and for full stop, at the end, a colon shall be substituted and thereafter the following new provisos shall be added, namely:-

'Provided further that if a person not authorized under section 3, 3A or 3AA is found involved in illegal foreign exchange business including sale, purchase, exchange or transfer of foreign currency, physically or otherwise, the complaint as required in this sub-section shall not be required;

Provided further that complaint shall also not be required in case a person other than the person authorized under section 3, 3A or 3AA violates section 8A of the Act. However, in case of malicious prosecution, the concerned official of investigation agency shall be proceeded against in accordance with law'; and

(d) after sub-section (3A) the following new sub-section shall be inserted, namely:-

'(3B) A Tribunal taking cognizance under sub-section (1) shall conclude the proceedings within six months. The Tribunal may, by giving cogent reasons in writing, extend the said period by six months further.'.

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Furthermore, it has also been considered necessary to enhance the punishments provided in section 23 of FERA, 1947 to create firmer deterrence against contravention of various provision of the Act.

This bill, therefore, seeks to amend FERA, 1947 in order to enable the State Bank of Pakistan to regulate the foreign exchange regime in Pakistan more comprehensively as well as to strengthen the effectiveness of the Act.

**DR. ABDUL HAFEEZ SHAIKH,**

*Adviser to the Prime Minister on Finance and Revenue*