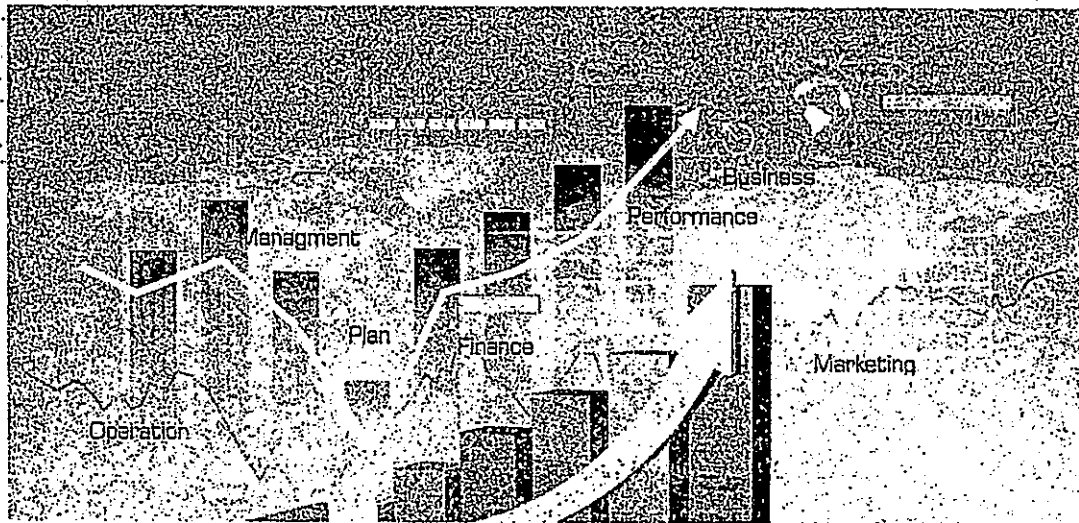


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SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE
AND REVENUE ON THE POINT OF PUBLIC IMPORTANCE RAISED
BY SENATOR FIDA MUHAMMAD IN THE SITTING OF THE
SENATE HELD ON 4th OCTOBER, 2022 REGARDING THE "OPENING
OF LCS AT APPRECIATED RATES BY THE BANKS".

PRESENTED BY
SENATOR SALEEM MANDVIWALLA
CHAIRMAN

SENATE SECRETARIAT

**REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE
AND REVENUE ON THE POINT OF PUBLIC IMPORTANCE RAISED
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SENATE HELD ON 4th October, 2022 REGARDING THE "OPENING
OF LCS AT APPRECIATED RATES BY THE BANKS.**

1. Senator Saleem Mandviwalla, Chairman of the Standing Committee on Finance, and Revenue have the honour to present, on behalf of the Committee, this report on discussion on the Point of Public Importance raised by Senator Fida Muhammad in the sitting of the Senate held on 4th October, 2022 regarding the "Opening of LCs at appreciated rates by the banks.

2. The composition of the Committee is as under:

1. Senator Saleem Mandviwalla	Chairman
2. Senator Sherry Rehman	Member
3. Senator Farooq Hamid Naek	Member
4. Senator Musadiq Masood Malik	Member
5. Senator Saadia Abbasi	Member
6. Senator, Shaukat Fayaz Ahmed Tarin	Member
7. Senator Mohsin Aziz	Member
8. Senator Faisal Saleem Rehman	Member
9. Senator Zeeshan Khanzada	Member
10. Senator Kamil Ali Agha	Member
11. Senator Syed Faisal Ali Subzwari	Member
12. Senator Muhammad Talha Mahmood	Member
13. Senator Anwar ul Haq Kakar	Member
14. Senator Dilawar Khan	Member
15. The Minister for Finance and Revenue	Ex-Officio Member

3. The following members attended the meeting on 11th November, 2022:-

1. Senator Saleem Mandviwalla	Chairman
2. Senator Senator Mohsin Aziz	Member
3. Senator Kamil Ali Agha	Member
4. Senator Faisal Saleem Rehman	Member
5. Senator Dilawar Khan	Member
6. Minister of State for Finance and Revenue	Ex-officio Member
7. Senator Kamran Murtaza	Mover
8. Senator Fida Muhammad	Mover
9. Senator Hidayat Ullah	Mover

4. The Governor State Bank of Pakistan briefed the Committee regarding the agenda that the problem of LCs began when the current account deficit increased last year and the exchange rate

was pressurized in May/June which led to more volatility, due to which the banks had a shortfall of inflow, as a result of which rates were charged at a risk premium. He added that a thorough investigation has been made, which would be finalized soon and action would be taken against the culprits. Senator Fida Muhammad and Senator Dilawar Khan said that the banks had charged the extra billions of rupees, and whether this amount be refunded back to the customers. The Chairman Committee inquired regarding the actions of the SBP against these banks. The Governor said that once the investigation is concluded, the SBP would resolve the issue according to their policy. The Minister of State for Finance and Revenue said that a penalty would be imposed on banks according to law. She further said that a reasonable charge is acceptable by the banks but overcharging is not acceptable. Senator Mohsin Aziz inquired regarding the amount which would be considered a reasonable overcharge.

5. Senator Dilawar Khan enlightened the Committee that commercial banks failed to inform their customers regarding the LC price during the opening. Secondly, he added, the remittances received against the LCs are converted to PKR. He inquired that whether the remittances provided to the customer are at the actual price of the dollar, or not. The Governor SBP said that the exporters have the flexibility to go to other banks looking for a better rate. In terms of importers, volatility of foreign exchange and liquidity issues come into play. Some banks overcharge the customers, in which case the customers have the option to wait. In case the customer does not want to wait, the bank would not be able to provide the rate of the prevailing day since the dollar would have to be borrowed by the bank. The banks can however, link the customer to the bank they are borrowing the dollars from, to keep the customer in loop. He added that the SBP is currently investigating this issue. The Minister of State for Finance and Revenue said that the investigations are being conducted and penalty would be deterring for the banks. The Committee directed the SBP to provide the detail regarding the issue of LCs and overcharging from the people. Whether this was a policy violation or not; and how much additional money was made by the banks individually and; whether the customers will be paid reparations or not.

6. The following members attended the meeting on 23rd November, 2022:-

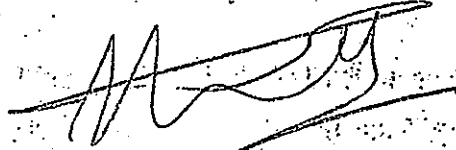
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|----------------------------------------|-------------------|
| 1. Senator Saleem Mandviwalla | Chairman |
| 2. Senator Kamil Ali Agha | Member |
| 3. Senator Dilawar Khan | Member |
| 4. State Minister for Finance, Revenue | Ex-Officio Member |
| 5. Senator Kamran Murtaza | Mover |
| 6. Senator Dr. Afnan Ullah Khan | Mover |

7. The Chairman Committee asked the Ministry whether the issue had been resolved yet, or not. The Minister of State for Finance and Revenue said that the said agenda items were

taken up during the last meeting, where it was discussed thoroughly. She requested the Chairman Committee to dispose of the agenda item, adding that they can be taken up again in case any specific issue arises and she assured that the investigation report containing all details would be submitted to the Committee. The Committee directed the SBP to submit the investigation report once finalized to the Committee. The Committee thereafter disposed of the agenda.



(Iffat Mustafa)
Secretary Committee



(Senator Saleem Mandviwalla)
Chairman Committee