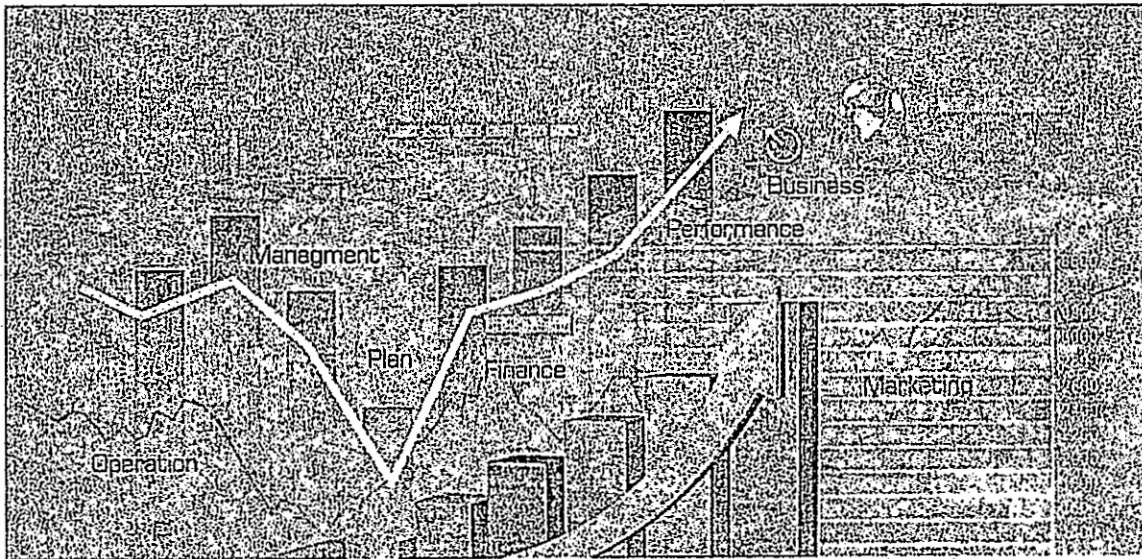


# SENATE OF PAKISTAN



## REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE  
AND REVENUE ON THE MATTER REFERRED BY THE HON'BLE  
CHAIRMAN SENATE ON 12<sup>TH</sup> AUGUST, 2022 REGARDING THE  
BRIEFING BY M/O FINANCE ON THE DETAILS OF INCREASE IN  
US DOLLAR SINCE 1ST MAY 2022 TILL DATE, DETAILS OF  
IRREGULARITIES IN OPENING OF LCS FOR IMPORTERS BY  
COMMERCIAL BANKS DURING THIS TIME, ACTION TAKEN BY  
THE STATE BANK IN THIS REGARD, ISSUE MOVED BY SENATOR  
SAIFULLAH ABRO".

PRESENTED BY  
SENATOR SALEEM MANDVIWALLA  
CHAIRMAN

## SENATE SECRETARIAT

**REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON THE MATTER REFERRED BY THE HON'BLE CHAIRMAN SENATE ON 12<sup>TH</sup> AUGUST, 2022 REGARDING THE BRIEFING BY M/O FINANCE ON THE DETAILS OF INCREASE IN US DOLLAR SINCE 1ST MAY 2022 TILL DATE, DETAILS OF IRREGULARITIES IN OPENING OF LCS FOR IMPORTERS BY COMMERCIAL BANKS DURING THIS TIME, ACTION TAKEN BY THE STATE BANK IN THIS REGARD, ISSUE MOVED BY SENATOR SAIFULLAH ABRO".**

I, 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 the matter referred by the Hon'ble Chairman Senate on 12<sup>th</sup> August, 2022 regarding the briefing by M/O Finance on the details of increase in US dollar since 1<sup>st</sup> May 2022 till date, details of irregularities in opening of LCs for importers by commercial banks during this time, action taken by the State Bank in this regard, issue moved by Senator Saifullah Abro:

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 of the Committee attended the meeting on 07th September, 2022:

1. Senator Saleem Mandviwalla	Chairman
2. Senator Farooq Hamid Naek	Member
3. Senator Saadia Abbasi	Member

4. Senator Mohsin Aziz	Member
5. Senator Kamil Ali Agha	Member
6. Senator Faisal Saleem Rehman	Member
7. Senator Zeeshan Khanzada	Member
8. Senator Muhammad Talha Mahmood	Member
9. Senator Anwar-ul-Haq Kakar	Member
10. Senator Dilawar Khan	Member
11. Senator Saifullah Abro	Mover

4. At the outset, Senator Saifullah Abro showed his serious reservations on the briefing material provided to the Committee regarding agenda item II. He informed that when US Dollar was at Rs.186 in April, and suddenly started increasing, it reached to Rs. 239 in July. During this time, the importers that wanted to open LCs were charged Rs.15-20 rupees more than official exchange rate by commercial banks. The banks that blackmailed importers by front-loading, what actions did the SBP take against them? He referred that previous Finance Minister said that due to smuggling from Afghanistan, the dollar rate was rising. Why have we not been able to control this smuggling? We should come together as a country in these difficult times. He further elaborated that his question was how many LCs have been opened, which banks tried to charge higher rates, what was the rate of dollar at inter-bank, and what actions did the state bank take against them, from 1st May till date. The Minister of State for Finance said that there is a criteria for opening LCs, we did not ban or restrict any product that was export oriented. Now that we are opening LCs, that is also criteria based; whichever industries need minor portions that need to be imported have been given permission. While Ministry of Finance along with SBP took immediate action against banks charging higher rates for dollar at inter-bank. The Chairman Committee directed the Ministry of Finance and SBP to provide all the details asked in the question raised by Senator Saifullah Abro regarding how many LCs have been opened, which banks tried to charge higher rates, what was the rate of dollar at inter-bank, and what actions did the state bank take against them, from 1<sup>st</sup> May till date within 3 weeks to the Committee.

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 Muhamimad	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 23<sup>rd</sup> November, 2022:-

- |  |                   |
|--|-------------------|
| 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 alongwith the details sought during the meeting held on 7<sup>th</sup> September, 2022 by Senator Saifullah Abro and on 11<sup>th</sup> November, 2022 by the Committee. The Committee thereafter disposed of the agenda.



**(Iffat Mustafa)**  
Secretary Committee



**(Senator Saleem Mandviwalla)**  
Chairman Committee.