

[TO BE INTRODUCED IN THE NATIONAL ASSEMBLY]

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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 under:

1. **Short title and commencement.**- (1) This Act may be called the Foreign Exchange Regulation (Amendment) Act, 2014.

(2) It shall come into force at once.

2. **Amendment of Act VII of 1947.**- In the Foreign Exchange Regulation Act, 1947 (VII of 1947), after section 23J, the following new section shall be inserted, namely:-

“23K. Powers to impose penalty, etc.- (1) Without prejudice to the provisions of sections 3AA, 23 or 23B, if any person, contravenes any provision of this Act, or any order, rule, regulation or direction issued thereunder and it is necessary to take immediate action to deal with such contravention, an officer of the State Bank, not below the rank of Additional Director may, after giving him or it show cause notice to be replied within fifteen days and affording such person an opportunity of being heard, impose fine which may extend to one million rupees for each contravention, and where the contravention is a continuous one with a further penalty which may extend to twenty thousand rupees for each day during which such contravention continues.

(2) Where the person guilty of such contravention is a company or a body corporate, every director, manager, secretary or other officer or agent thereof shall be deemed guilty of such contravention, if the contravention was committed with his knowledge or consent or if he did not exercise due diligence to prevent the commission of the offence.

(3) If any person fails to pay any penalty imposed, within the time stipulated in the order imposing the penalty, the officer referred to in sub-section (1) may, without any notice to such person, recover the amount of such penalty from any account, or assets, monetary or otherwise, of the defaulter held with State Bank or any bank or a financial institution.

(4) If any bank or financial institution to which notice has been sent under sub-section (3) fails to debit the amount of penalty under the said sub-section, it shall itself be liable to pay such amount to the State Bank, as if it had itself committed the contravention.

(5) Any person aggrieved by an order passed and penalty imposed under this section may, within thirty days of the order, prefer appeal to the Governor State Bank”.

STATEMENT OF OBJECTS AND REASONS

State Bank of Pakistan (SBP) is the regulator of the foreign exchange regime in Pakistan and is responsible for the administration of the Foreign Exchange Regulation Act, 1947 (the Act). Since the promulgation of the Act, the volume of foreign currency transactions to and from Pakistan has considerably increased. It needs to have effective enforcement powers to regulate the foreign exchange business of banks and exchange companies. However, under the existing provisions of the Act, SBP has no direct power to impose monetary penalties on violation of provisions of the Act and has to follow a lengthy procedure of adjudication. It can only suspend or cancel the license of a bank or an exchange company on violation of any provision of the Act which often becomes more severe than the violations warrant.

In order to provide a deterrent and to enable SBP to take appropriate, effective and prompt remedial measures, this bill seeks to amend the Act to empower SBP, as a regulator, to impose penalties for violation of the provisions of the Act.

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