

Govt to amend Foreign Exchange Regulations Act 1947

ISLAMABAD: The government is planning to amend Foreign Exchange Regulations Act (Fera) 1947 to regulate outflow of funds through foreign currency accounts and local transportation of foreign exchange through greater clarity to the legal system.

“The proposed amendment has been approved by the Federal Cabinet and transmitted to parliament for enactment”, said the finance ministry adding the measure was part of the government’s efforts to enhance transparency of financial transactions.

“The amendments would substantially strengthen the State Bank of Pakistan’s (SBP) powers to issue necessary regulations/instructions relating to inland movement of foreign currency and enable it to monitor such movement”, the ministry said in a statement.

It said the finance ministry had proposed to amend the Fera 1947 by introducing a bill “FER (Amendment) Act 2019”, in the National Assembly to empower the SBP to regulate foreign exchange regime in the country more effectively.

The move was also part of the government’s efforts to comply with the Financial Action Task Force (FATF) requirements to regulate domestic movement of foreign exchange by proscribed organisations through cash couriers including transport services and considered a weakness of the state institutions in fighting terror financing and money laundering.

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Finance Minister Asad Umar said that there was no confusion in the existing FER laws to the best of his understanding because foreign travellers could take certain amounts abroad. In case of outflow for investment purposes, the SBP was empowered to allow funds up to \$5 million while in the case higher amounts; an approval of the Economic Coordination Committee of the Cabinet was mandated.

However, he said that some stakeholders believed there was some confusion in the law under which account holders used to take funds abroad. Hence, the SBP would be empowered to make further rules for application on outflow of funds. He said the government was in the process of updating protection of Economic Reforms Act of 1992 and Fera to stop the unchecked outflow of dollars through foreign currency accounts.

Informed sources said that some leading businessmen had taken benefit of the weaknesses in the laws to set up huge businesses.

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