

CHAPTER 3

RESTRICTED AUTHORIZATION TO DEAL IN FOREIGN EXCHANGE

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CHAPTER 3

RESTRICTED AUTHORIZATION TO DEAL IN FOREIGN EXCHANGE

1. Restricted authorization to hotels to deal in foreign exchange.

(i) In exercise of the powers conferred by Section 3 of the Foreign Exchange Regulation Act, 1947, the State Bank may, on application made to it in this behalf, authorize any person to deal in foreign exchange. The State Bank may authorize dealings in all foreign currencies or may restrict to dealings in specified foreign currencies only. It may further authorize transactions of all descriptions in foreign currencies or restrict to specified transactions only.

(ii) The State Bank issues restricted authorization to deal in foreign exchange to 3, 4 & 5 Star Hotels to facilitate the foreign travelers to meet their local currency needs during their stay in Pakistan which includes boarding/lodging expenses, transportation, other local spending etc.

2. Application for restricted authorization.

(i) The intending 3, 4 & 5 Star Hotels may apply to the State Bank through Pakistan Hotels Association for restricted authorization (hereinafter referred to as 'authorization') to purchase foreign currencies from their customers. The application should contain full particulars i.e. name and address of the hotel, star rating, NTN/STRN, CNIC numbers of the Proprietors/Directors/Partners etc. and should be supported by the following documents:

- a) Copy of NTN/STRN Certificate of the Hotel.
- b) Copies of the CNICs of the Proprietors/Directors/Partners.
- c) DD/PO for the issuance/renewal of authorization as prescribed in the subsequent paragraphs.

(ii) Pakistan Hotels Association, after ascertaining the star rating and verifying the particulars and supporting documents submitted by the applicant, shall forward the application to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi.

(iii) The authorization will initially be granted for a period of three years renewable thereafter.

(iv) The fee for issuance of authorization and its subsequent renewals shall be Rs. 50,000 per location to be paid/submitted through DD/PO in favor of the State Bank of Pakistan.

(v) The application for renewal of authorization, alongwith DD/PO of the prescribed fee, should be received at the State Bank at least one month before expiry of authorization.

(vi) The State Bank reserves the right to grant or refuse to grant the authorization or renewal thereof without assigning any reason.

(vii) The authorized hotel shall immediately intimate any change in its constitution, ownership or directorship to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi.

3. Regulations for Hotels granted restricted authorization to deal in foreign exchange.

The hotels' activities under such Restricted Authorization shall be confined only to purchase of foreign currency notes, coins and travelers cheques from their customers. The State Bank reserves the right to visit the premises and inspect the records/books of accounts of the hotels as and when deemed necessary.

In terms of the above authorization, the hotels shall:

(i) sell the foreign currency notes, coins, travelers cheques received by them from their customers to an Authorized Dealer or an exchange company, within a period of one-week.

(ii) keep in record the receipts issued by the Authorized Dealer or exchange company against sale of such foreign currencies.

(iii) not be allowed to deposit these foreign currencies in their foreign currency accounts, if being maintained by them, or use the same for any other purpose.

(iv) issue proper computer generated receipts/vouchers for all transactions involving purchase of foreign currencies from the customers. Every receipt provided to the customer shall bear the name of hotel, date of transaction, nature of payment i.e. currency dealt, exchange rate and signature of the recipient. For this purpose, they shall install Electronic Cash Register or any other suitable electronic device.

(v) display the prevailing exchange rates applicable for purchase of major foreign currencies through notice/display boards at a prominent place for information of the customers. It shall also be advised to the customers, through these notice/display boards, to obtain receipts against sale of foreign currencies.

(vi) maintain proper books of accounts and provide all data, information, books of accounts and related record of their foreign exchange transactions as and when required by the State Bank for onsite inspection or offsite monitoring.

(vii) submit a monthly statement of the purchase of foreign currencies by 8th day of subsequent month to the Statistics & Data Warehouse Department, State Bank of Pakistan at hotels.sdwd@sbp.org.pk as per the prescribed format placed at the end of this chapter.

4. Punitive regulatory action on violation of State Bank's regulations.

The hotels granted restricted authorization shall strictly observe the above foreign exchange regulations/instructions as well as those issued by the State Bank from time to time. In case of violation of the State Bank's regulations or instructions issued thereunder, regulatory action may be taken against the delinquent hotel under section 23K of the Foreign Exchange Regulation Act, 1947.

5. Suspension or Cancellation of the Authorization.

The authorization granted to a hotel may be suspended or cancelled, if it fails to:

- a) submit prescribed monthly statements to the State Bank;
- b) sell foreign currencies purchased from the customers to an authorized dealer or exchange company within the stipulated time;
- c) follow regulations prescribed by the State Bank from time to time.

6. Inspection of hotels granted restricted authorization to deal in foreign exchange.

(i) The State Bank reserves the right to inspect the activities of a hotel at any time it finds appropriate to ensure adherence to the regulations issued by the State Bank.

(ii) The hotels are required to fully cooperate with the State Bank's inspection team and provide full disclosure of information required during the course of inspection, including but not limited to their activities, accounts, operations, IT systems and records.

(iii) The hotel or any of its officials shall not:

(a) obstruct or hinder the inspection team in carrying out their official duties under the State Bank's directives.

(b) provide false, misleading or inaccurate information to the State Bank's inspection team.

(iv) Deliberate obstruction to the State Bank's inspection team in the performance of their duties by the sponsors, directors, officials etc. will result in punitive action against the hotel and/or its sponsors/directors/officials. This may, inter alia, include suspension/revocation of the restricted authorization of the hotel, permanent disqualification of its sponsors and directors to undertake any foreign exchange business activity in any capacity.
