



IMPOSITION OF PENALTIES ON BANKS UNDER SECTION 23-K OF FER ACT

How to Avoid and Mitigate the Penalties – Techniques & Tools



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 **Movenpick Hotel, Karachi**

Workshop Overview

It is a critical reality that non-compliance of SBP instruction can cost Banks not in terms of monetary value but the reputation as well. If some banks get away with questionable behavior initially, it doesn't mean that regulators won't eventually come knocking on their door.

After amendment in FER Act, SBP has put in place vigorous compliance and monitoring mechanism the violation of which attracts heavy penalties against banks. This session will provide the audience with the tool and techniques necessary to understand the gravity of the matter so that they may avoid/minimize penalties.

Following are areas where ADs are getting regular penalties under Section 23 of FERA yet they do not improve primarily because some of the dealing officers do not aware of the existing regulations of SBP in the area of trade and FX. The session will not only focus the below areas but also cover other aspect with case studies to improve the abilities of ADs to enhance their existing knowledge base.

Who Should Attend

- Compliance Officers / MLROs in banks, financial institutions, exchange companies
- Trade Finance Managers and operations staff
- Internal auditors and risk management teams
- Senior management / Board members with oversight of AML/CFT compliance
- Legal and regulatory affairs staff
- External auditors and consultants who advise financial organisations

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Workshop Outline

Export

- Failure of Banks to exercise CDD/KYC while on-boarding exporter & issuance of FIs
- Failure to corroborate contents/description of FIs with GDs
- Validation of exporters & issuance of FIs on open account basis without mandatory CDD
- Non/ Delayed/misreporting in V-20 on EORS
- Non/delayed reporting of realization in V-21 Statement
- non reporting /Misreporting/ Duplicate reporting in ITRS
- Failure to credit export proceeds within 3 working days
- legacy Export Advance Payment Data
- Non Submission of Pre-Adjudication Documents against export overdue cases
- Violation of instructions regarding drawing of title documents.

Import

- Failure to corroborate contents/description of FIs with GDs
- Difference in assessed and declared value of imported goods
- Variation in prices of imported goods above the required threshold
- Various violations in case of Import Advance Payment.
- Open contract/collection against copies of shipping documents
- Allowing import on FOC basis without due diligence
- Allowing import of finished goods on open a/c in negation of EPD instruction.
- Non-Submission of Monthly Regulatory Statements and reporting
- Import of goods against Inco Terms not allowed in term of FE Regulation
- Failure to adhere the requirement as mentioned in the framework for managing TBML

Irregularities in Commercial Remittance

- Allowed monthly remittance of CDC more than USD 100,000/- (or > 100 days) –
- Allowed monthly remittance of demurrage charges above USD 100,000.
- Remittance against acquisition of services from abroad without registering the contract with SBP.
- Allowed remittance of Royalty/Franchise /Technical Fees without due diligence
- Allowed IT related payment/profit/dividend without designation from SBP.
- Allowed remittance of games etc. under the guise of IT payment mentioned in para 14
- Failure of ADs to identify the breach of SBP requirement for submission of cases to FEOD for approval above a certain threshold

Private Foreign Currency Accounts

- Opening of FCY Accounts of a person not allowed in terms of regulation.
- Use of FCY Accounts for commercial purposes.
- Allowed deposit of foreign currency notes of more than USD 10,000 in a single day without non presentation of original receipt of acquisition of FX.

Others Areas

- Failure to comply instruction in other areas of FE manual.
- Forwarding Applications to the SBP/FEOD without due diligence.
- Failure to provide services/Information regarding provision of FX services for studies and medical services



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