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Pakistani Rupee Gains Strength as FIA Targets Illegal Currency Trade

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Following a decisive crackdown on illegal currency smuggling, Pakistan's rupee has appreciated against the US dollar, contributing to a more stable economic outlook. The Federal Investigation Agency (FIA), in coordination with security forces, launched extensive raids this week targeting black market currency operations that undermine the formal exchange system and harm the economy.

On July 24, 2025, enforcement actions took place in Karachi, Peshawar, and Quetta, key centers for illicit currency flows involving Afghanistan and Iran. Malik Muhammad Bostan, chairman of the Exchange Companies Association of Pakistan (ECAP), confirmed that the rupee strengthened by approximately one rupee in the open market, reaching 283.45 per US dollar by July 25. According to the State Bank of Pakistan (SBP), this represents a

0.27% appreciation. Bostan noted the disruption of smuggling networks and forecasted further gains if regulatory efforts continue, possibly bringing the exchange rate closer to 270 or even 250 rupees per dollar. The crackdown addresses critical issues such as dollar hoarding and smuggling, which have depleted Pakistan's foreign reserves and negatively affected economic stability.

This initiative follows a similar military-backed operation in 2023 and signals increased involvement of security agencies in economic enforcement. Major General Faisal Naseer of the Inter-Services Intelligence (ISI) has been actively engaged in discussions with currency exchange firms to ensure compliance. The operation supports Pakistan's \$7 billion International Monetary Fund (IMF) program, which includes conditions to limit the gap between official interbank and open market exchange rates to within 1.25%, thus safeguarding remittances vital for the country's economy. However, Adnan Sheikh of Pakistan Kuwait Investment Company observed that dollars remain scarce in certain upscale areas of Karachi, where unofficial market rates are reportedly up to 5% higher than interbank rates.

While the rupee's recent gains offer a positive signal amid persistent economic challenges such as inflation and low foreign reserves, analysts urge caution. Past interventions have produced short-term improvements but have not resolved Pakistan's underlying structural deficits. Fahad Rauf of Ismail Iqbal Securities emphasized that sustained policy measures are necessary to prevent the black market's re-emergence and ensure lasting currency stability. For ordinary citizens, these enforcement actions represent an effort to uphold economic fairness, but continued vigilance and reform will be essential.