

THE
BANKING LAWS
(As Amended Upto Date)

CONTAINING :

★ BANKING COMPANIES ORDINANCE, 1962
[As Amended by Banking Companies (Amdt.) Act (30 of 1972)]

WITH

★ STATE BANK OF PAKISTAN ACT, 1956
[As Amended by State Bank of Pakistan (Amdt.) Act (23 of 1972)]

★ BANKING COMPANIES RULES, 1963

AND

★ BANKING REFORMS POLICY (1972)

BY

CH. MUHAMMAD HANIF,
M.A., LL.B., M. Phil. (Laws) (London),
Barrister-at-Law,
Advocate, High Court

O (O) O SAWAN LTD LOKING
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FORM XIII*

[(See rule 15) (Section 63 (2))]

In the High Court of Judicature at..... Jurisdiction
No. of 19

In the matter of the Companies Act, 1913

And in the matter of the Banking Companies Ordinance, 1962.

And in the matter of..... a Banking Company.

List of Debtors of ordered to be wound up on.....

Serial No.	Name and address of debtor.											
1	2	3	4	5	6	7	8	9	10	11	12	13
If the original debtor is dead, give names and addresses of his legal representatives. (If the original debtor dies, after this list is filed in Court but before it is settled, substitute the names and addresses of his legal representatives).	Amount of debt due.	Rate of interest, if any, and the date up to which such interest has been calculated.	Description of papers, writings and documents, if any, relating to the debt.	Whether in respect of the debt the banking company holds personal security only or no security.	Whether in respect of the debt the banking company holds security other than personal security ; if so, give the nature and particulars of the security including the estimated value of security, names and addresses of persons having interest in such security or a right of redemption therein.	Particulars of guarantee where debt is guaranteed including names and addresses of guarantors and extent of guarantee.	Description of paper, writings and documents in support of the guarantee where debt is guaranteed.	Relief or reliefs claimed.				

Dated this day of 19 at
(No. 6 (7) IF (iv)/62.)

*This List should be verified by means of an affidavit.

(3)

THE
STATE BANK OF PAKISTAN, 1956

(ACT NO. XXXII OF 1956)

[AS SUBSEQUENTLY AMENDED BY]

1. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1958
2. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1961
3. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1963
4. ADAPTATION OF LAWS ORDER, 1964
5. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1965
6. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1965
7. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1967
8. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1970
9. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1971
10. FINANCE (SUPPLEMENTARY) ORDINANCE, 1972
11. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1972

[18th April, 1956]

An Act to provide for the establishment of the State Bank of Pakistan.

WHEREAS it is necessary to provide for the constitution of a State Bank to regulate the monetary and credit system of Pakistan and to foster its growth in the best national interests with a view to securing monetary stability and fuller utilisation of the country's productive resources ;

CHAPTER I

PRELIMINARY

1. *Short title, extent and commencement.* (1) This Act may be cited as the State Bank of Pakistan Act, 1956.

1. For Statement of Objects and Reasons, see Gaz. of P., 1956, Ext., dated the 6th April, 1956, p. 620.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once and except section 46, shall be deemed to have taken effect on and from the twelfth day of May 1948.

COMMENTARY

Subsequent Amendments. This Act has subsequently been amended by following enactments :—

1. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1958²
2. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1961³
3. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1963⁴
4. ADAPTATION OF LAWS ORDER, 1965⁵
5. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1965⁶
6. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1965⁷
7. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1967⁸
8. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1970⁹
9. STATE BANK OF PAKISTAN (AMENDMENT) ORDINANCE, 1971¹⁰
10. FINANCE (SUPPLEMENTARY) ORDINANCE, 1972^{11a}
11. STATE BANK OF PAKISTAN (AMENDMENT) ACT, 1972¹¹

All amendments envisaged by the aforementioned enactments stand duly incorporated at their appropriate places in the principal Act XXXII of 1956.

2. *Definitions.* In this Act, unless there is anything repugnant in the subject or context :—

- (a) "annual general meeting" means the annual meeting of the shareholders of the Bank;
 - (b) "approved foreign exchange" means currencies declared as such by any notification under section 19;
 - (c) "the Bank" means the State Bank of Pakistan;
2. Act No. 43 of 1958.
 3. Ordinance No. 5 of 1961.
 4. Act No. 17 of 1963.
 5. A.O. of 1964.
 6. Act No. 6 of 1965.
 7. 1965 Ordinance No. 52 of 1965.
 8. Act No. 1 1968.
 9. Ordinance No. 3 of 1970.
 10. Ordinance No. 23 of 1971.
 11. Ordinance No. 17 of 1972.
 12. Act No. 23 of 1972.

- (d) "bank notes" means notes made and issued by the Bank in accordance with section 24 and includes currency notes of the Government of Pakistan issued by the Bank;
- (e) "Central Board" means the Central Board of Directors of the Bank;
- (f) "Co-operative Bank" means a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in Pakistan relating to co-operative societies, the primary object of which is to provide financial accommodation to its members;
- (g) "Director" means a Director for the time being of the Central Board;
- (h) "general meeting" means the meeting of the shareholders of the bank convened for transacting such business as may be specified in the notice convening the meeting;
- (i) "Governor" and "Deputy Governor" mean respectively the Governor and Deputy Governor of the Bank;
- (j) "Local Board" means a Local Board of members;
- (k) "member" means a member for the time being of a Local Board;
- (l) "rupee coin" means one-rupee coin and one-rupee notes which are legal tender in Pakistan;
- (m) "scheduled bank" means a bank for the time being included in the list of banks maintained under sub-section (1) of section 37.

CHAPTER II

ESTABLISHMENT, INCORPORATION AND SHARE CAPITAL OF THE BANK

3. *Establishment and incorporation of the Bank.* (1) As soon as may be after the commencement of this Act, steps shall be taken to establish, in accordance with the provisions of this Act, a bank to be called the State Bank of Pakistan or Bank-e-Daulate-e-Pakistan, for the purposes of taking over, as from the first day of July, 1948, the management of the currency from the Reserve Bank of India, and carrying on the business of Central Banking.

(2) The Bank shall be a body corporate by the name of the State Bank of Pakistan or Bank-e-Daulate-e-Pakistan having perpetual succession and a common seal, and shall, by the said name sue and be sued.

4. *Share capital.* (1) The original share capital of the Bank shall be three crores of rupees divided into three hundred thousand

fully paid-up shares of the nominal value of one hundred rupees each, out of which not less than fifty-one per cent. shall be the ¹²[Federal Government] and the balance by the public.

(2) The share capital may be increased by a resolution of the Central Board subject to the approval of the ¹²[Federal Government], but not less than fifty-one per cent of the additional share capital shall be issued to the ¹²[Federal Government].

(3) The nominal value, issue price, the manner in which the new shares may be issued and allotted and their assignment to the registers of shareholders maintained under sub-section (1) of section 7 shall, subject to the approval of the ¹²[Federal Government], be determined by the Central Board.

5. Guarantee by ¹²[Federal Government]. Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of the Bank shall be deemed to be included among the securities enumerated in section 20 of the Trusts Act, 1889 and to be approved securities for the purposes of the Insurance Act, 1938 and the Banking Companies (Control) Act, 1948.

6. Notice of trust. (1) No notice of any trust in respect of any share of the Bank shall be receivable by the Bank nor shall the Bank be bound by any such notice given, expressly or otherwise, nor shall the Bank be regarded as a trustee in respect of any such share.

(2) Without prejudice to the provisions of sub-section (1), the Bank may, without any liability to the Bank, record in its books such directions given by the holder of a share for the payment of dividend or transfer or any other matter relating to such share as the Bank may think fit.

7. Register of shareholders. (1) Separate registers of shareholders to serve the areas specified in the Schedule shall be maintained at Karachi, Lahore and Dacca, and shares shall be transferable from one register to another.

(2) A shareholder is qualified to be registered as such in any area in which he is ordinarily resident or has his principal place of business in Pakistan but no person shall be registered as a shareholder in more than one register and no person who is not :—

- (a) a citizen of Pakistan;
- (b) ordinarily resident in Pakistan for business or employment;
- (c) a company registered under the Companies Act, 1913, or a society registered under the Co-operative Societies Act, 1912, or any other

12. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

law for the time being in force in Pakistan relating to co-operative societies or a scheduled bank;

(d) a bank, company or co-operative society duly registered in an Acceding State; or

(e) a corporation or company incorporated by or under any law for the time being in force in any other country and having a branch in Pakistan;

shall be registered as a shareholder or be entitled to payment of any dividend on any share, and no person who having been duly registered as a shareholder ceases to be qualified to be so registered, shall be able to exercise any of the rights of a shareholder otherwise than for the purpose of the sale of his shares.

(3) Nothing in this Act prevents any Provincial Government, or the Government of any Acceding State, or any Corporation incorporated by or under an Act of the Government of Pakistan or an Act of any Provincial Government or an Acceding State from subscribing to the shares reserved for public subscription.

(4) The shares of the Bank may be held under his official designation by the holder of any public office which may be notified in the Gazette by the Local Board and in regard to transfers the following provisions shall apply, namely :—

(a) when a share is so held it shall be deemed to be transferred without any or further endorsement or transfer deed from each holder of the office to the succeeding holder of the office on and from the date on which the latter takes charge of the office; and

(b) when the holder of the office transfer the shares to a party not being his successor in office the transfer shall be made in the manner prescribed by regulation.

Explanation. The provisions of clauses (a) and (b) of this sub-section apply in the case of an office of which there are two or more joint holders in the same manner as they apply to an office of which there is a single holder.

CHAPTER III

MANAGEMENT

8. Offices, branches and agencies. (1) The head office of the Bank shall be situated in Karachi.

13. Subs. for the words "prescribed manner" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

(2) The Bank may establish branches, offices, and agencies in Pakistan, or with the prior approval of the ¹⁴[Federal Government] anywhere outside Pakistan.

(3) The Bank shall create a special Agricultural Credit Department, the functions of which shall be :—

(a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the ¹⁴[Federal Government], Provincial Governments, Provincial Co-operative Banking organisations ;

(b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with the Provincial Co-operative banks and any other organisations engaged in the business of agricultural credit.

9. Central Board of Directors. (1) The general superintendence and direction of the affairs and business of the Bank shall be entrusted to the Central Board of Directors which may exercise all the powers and do all acts and things that may be exercised or done by the Bank and are not by this Act expressly directed or required to be done by the Bank in general meeting or in annual general meeting.

(2) The Central Board shall consist of :—

(a) the Governor ;

(b) one or more Deputy Governors, if appointed ;

(c) six Directors nominated by the ¹⁵[Federal Government], one of whom shall be Government official ; and

(d) one Director elected in the manner prescribed by regulations made under this Act from amongst themselves by each group of the shareholders registered in each of the three registers.

10. Governor and Deputy Governor. (1) The Governor of the Bank shall be the chief executive officer and shall, on behalf of the Central Board, direct and control the whole affairs of the Bank.

(2) In the matters not specifically required by this Act or by regulations made thereunder to be by the Central Board or by the Bank in general meeting the Governor shall have authority to conduct the business, control the functions and manage the affairs of the Bank.

(3) Subject to the provisions of sub-section (1) of this section the Governor shall be appointed by the ¹⁵[Federal Government] for such term (not exceeding five years) and on such salary and terms and conditions of

14. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

15. Ibid. to 1972 (23 of 1972).
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331. Ibid. to 1972 (23 of 1972).
332. Ibid. to 1972 (23 of 1972).
333. Ibid. to 1972 (

(12) Where the Governor or a Deputy Governor during his term of office is incapacitated or is absent on deputation, leave or otherwise, the [Federal Government] may appoint any person qualified under sub-section (10) but who may not be qualified under clause (b) of that sub-section to act for the time being as the Governor or a Deputy Governor, as the case may be, in his place.

(13) The Governor or in his absence a Deputy Governor shall preside at meetings of the Central Board and Executive Committee and at general meetings and annual general meetings and in the event of an equality of votes shall have a second or casting vote.

11. Executive Committee. (1) There shall be an Executive Committee consisting of the Governor, Deputy Governor, if any, three Directors elected by the Central Board to represent respectively the areas specified in the Schedule and an officer appointed by the Central Government to act as member of the Executive Committee.

(2) Except when the Central Board is in session, the Executive Committee shall deal with and decide any matter within the competence of the Central Board.

12. Local Boards, their constitution and sanctions. (1) A Local Board shall be constituted for each of three areas specified in the Schedule and shall consist of :—

- (a) two members elected in the manner prescribed by regulations made under this Act from amongst themselves by the shareholders registered on the register for that area ; and
- (b) not more than three members nominated by the Central Government.

(2) The [Federal Government] shall in exercising this power of nomination endeavour to secure representations of territorial or economic interests not already represented and in particular the representation of agricultural interests and the interests of co-operative banks.

(3) A Local Board shall advise the Central Board on such matters as may be generally or specifically referred to it, and shall perform such duties as the Central Board may, by regulations, delegate to it.

13. Qualifications and disqualifications of directors and members. (1) No person shall be or shall continue to be a director or member :—

- (a) who is a member of the Central or Provincial Legislature ; or
- (b) who is a salaried Government official or a salaried official of an Acceding State ; or

17. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972.

(c) who if, or at any time has been, adjudicated an insolvent or has suspended payment or has compounded with his creditors ; or

(d) who is found lunatic or becomes of unsound mind ; or

(e) who is an officer or employee of any bank ; or

(f) who is a director of any bank other than the Bank, but he shall not be disqualified or cease to be a director if he is a director of a bank which is a society registered under the Co-operative Societies Act, 1912 or any other law for the time being in force in Pakistan relating to co-operative societies ; or

(g) who is not within six months from the date of his becoming a director or member, as the case may be, registered as a holder of unencumbered shares of the Bank of the nominal value of five hundred rupees ; or

(h) who absents himself from three consecutive meetings of the Central Board or Local Board without leave from the Central Board or Local Board, as the case may be.

(2) Nothing in clauses (b) and (g) of sub section (1) shall apply to the Government official nominated as a director by the Central Government.

(3) The [Federal Government] shall sell shares at par to a director or a member nominated by it under sections 9 and 12, seeking to obtain the minimum share qualification required under this section, but no such share shall be disposed of by such director or member otherwise than by resale to the [Federal Government] at par, and the Government shall have the right to order the retransfer at par of all or any of such shares to itself, whereupon all or any of such shares shall be deemed to have been transferred to it.

14. Term of office of directors and members. (1) The elected directors and members shall hold office for three years,¹⁸at the expiry of which they shall cease to hold office.]

(2) The directors and members nominated by the [Federal Government] shall hold office at the pleasure of the [Federal Government].

(3) Directors and members shall on the expiry of their term of office be eligible for re-election or re-nomination, as the case may be.

19. Bar to certain proceedings. No Court shall have power to issue any injunction against, or otherwise to stay, the holding of an election under this Act, for which notice has been issued by the appropriate office of the Bank].

18. Subs. for the words "and thereafter until there successors shall have been duly elected" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

19. Ins. by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

and 15. Removal from and vacation of office of the Governor, Deputy Governor, directors and members. (1) Subject to sub-section (2) the Central Government may remove from office :—

(a) the Governor or Deputy Governor if he becomes permanently incapable of performing his duties or subject to any of the disqualifications specified in sub-section (10) of section 10, or has done any act which is a breach of the trust reposed in him, or if continuance in office is regarded as manifestly opposed to the interests of the Bank ; and

(b) any director or member.

(2) An elected director or member shall not be removed from his office except upon a resolution passed by the Central Board in that behalf by a majority of not less than six directors.

(3) (a) The Governor, a Deputy Governor or a director may resign his office by statement to that effect in writing signed by him and addressed to the ²⁰[Federal Government].

(b) A statement of resignation by a Deputy Governor or director shall be addressed as above through the Governor.

(c) A member may resign his office by a statement to that effect in writing signed by him and addressed to the Central Board.

(d) On the acceptance of such a resignation by the ²⁰[Federal Government] or the Central Board, as the case may be, the office shall become vacant.

(4) Any director or member vacating office under this section shall not be eligible to become a director or member, as the case may be, until the expiry of the term of office for which he was nominated or elected.

(5) In the event of a vacancy occurring amongst the nominated directors or members the ²⁰[Federal Government] shall fill the vacancy by nominating another director or member, as the case may be.

(6) In the event of a vacancy occurring amongst the elected directors or members before the expiry of their term of office, a new director or member, as the case may be, shall be elected for the remainder of the term by and from amongst shareholders registered on the same register as that from which the vacating director or member was elected.

16. General and annual general meetings. (1) The annual general meeting shall be held annually at Karachi, or a place in Pakistan where there is an office or branch of the Bank within three months from the date on which the annual accounts of the Bank are closed.

20. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

(2) In the said meeting the shareholders present shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year, and the auditors' report on the annual balance sheet and accounts.

(3) A general meeting may be convened by the Central Board at any other time.

(4) Every shareholder shall be entitled to attend at any general meeting ; and each shareholder who has been registered on a register, maintained under section 7 for a period of not less than six months ending with the date of the meeting, as holding five or more shares shall have one vote, and on a poll, each shareholder so registered shall, subject to maximum of ten votes, have one vote for each five shares, and such votes may be exercised either personally or by proxy ; but the ²⁰[Federal Government] as a shareholder may appoint any authority or person to be present at any general meeting or annual general meeting in which event the restriction of the maximum of ten votes shall not apply to the authority or person so appointed.

CHAPTER IV

BUSINESS AND FUNCTIONS OF THE BANK

17. Business which the Bank may transact. The Bank is authorised to carry on and transact the several kinds of business hereinafter specified, namely :—

(1) The accepting of money on deposit ²²[x x x] from, and the collection of money for the ²¹[Federal Government], the Provincial Government, Governments of such Acceding States as may be approved by the ²¹[Federal Government], Local Authorities, banks and other persons ;

²³[Provided that no interest shall be paid on deposits received from the ²¹[Federal Government], a Provincial Government, the Government of an Acceding State or a Local Authority] ;

(2) (a) The purchase, sale and rediscount of bills of exchange and promissory notes drawn on and payable in Pakistan and arising out of bona fide commercial or trade transactions bearing two or more good signatures, one of which shall be that of a scheduled bank, and maturing within ²⁴[one hundred and eighty] days from the date of such purchase or rediscount, exclusive of days of grace ;

21. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

22. The words "without interest" omitted by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).

23. Ins. by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).

24. Subs. for the word "eighty" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

(b) The purchase, sale and rediscount of bills of exchange and promissory notes, drawn on and payable in Pakistan and bearing two or more good signatures one of which shall be that of a scheduled bank and drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within fifteen months from the date of such purchase or rediscount, exclusive of days of grace;

Explanation. For the purposes of this sub-clause :—

(i) the expression "agricultural operations" includes animal husbandry and allied activities jointly undertaken with agricultural operations;

(ii) "crops" include products of agricultural operations;

(iii) the expression "marketing of crops" includes the processing of crops prior to marketing by agricultural producers or any organisation of such producers;

(c) The purchase, sale and rediscount of bills of exchange and promissory notes drawn on and payable in Pakistan and bearing the signature of a scheduled bank, and issued or drawn for the purpose of holding or trading in securities of the ²⁵[Federal Government], a Provincial Government or the Governments of such Acceding States as may be approved by the ²⁵[Federal Government] and maturing within ninety days from the date of such purchase or rediscount, exclusive of days of grace;

(d) The purchase, sale and rediscount of bills of exchange and promissory notes drawn and payable in Pakistan and bearing two or more good signatures one of which shall be that of a scheduled bank, or any corporation approved by the ²⁵[Federal Government] and having as one of its objects of making of loans and advances in cash or kind, drawn and issued for financing the development of agriculture, or of agricultural or animal produce or the needs of industry, having maturities not exceeding five years from the date of such purchase or rediscount :

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Provided ^{2*} that the Bank may from time to time issue to a corporation which may have dealings with the Bank under this ³[sub-clause] any directions which can be issued to a banking company under the ⁴[Banking

25. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

1. The original proviso omitted by State Bank of Pakistan (Amdt.) Act, 1963 (17 of 1963), S. 3.

2. The original word "further" omitted, *ibid.*

3. Subs. for the words "sub-section" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971) (Control) Act, 1948" *ibid.*

4. Subs. for the words "Banking Companies (Control) Act, 1948" *ibid.*

Companies (Control) Ordinance 1962] and in the event of anybody, while carrying out any direction hereunder, either wilfully making a false statement or wilfully omitting to make a material statement shall be punishable under ⁵[sub-section (1) of section 83 of the said Ordinance] and in the event of any contravention or default in compliance with any direction, any director or officer who is knowingly a party to the contravention or default shall be punishable under ⁶[sub-section (5) of section 83 of the said Ordinance] and the provisions of section 84 of the said Ordinance shall apply to such proceedings as if such corporation were a banking company ;

7[(e) the purchase, sale and rediscount of such debentures issued by a public company or Corporation established by or under any law for the time being in force as the Bank may from time to time approve in this behalf];

(3) (a) The purchase and sale of approved foreign exchange;

(b) The purchase and sale of approved foreign exchange including treasury bills, drawn in or on any place in countries whose currency has been declared as approved foreign exchange and maturing within ⁸[one hundred and eighty days] from the date of purchase, provided that no such purchase, sale or rediscount shall be made in Pakistan except with a scheduled bank;

(c) The keeping of balances with banks in countries whose currency has been declared as approved foreign exchange;

(4) The making to ⁹[Local Authorities, scheduled banks or co-operative banks] of advances and loans repayable on demand or on the expiry of fixed periods not exceeding ninety days against the security of :—

(e) stocks, funds and securities, other than immovable property, in which a trustee is authorised to invest trust money by any law for the time being in force in Pakistan;

(b) gold or silver or documents of title to the same;

(c) such bills of exchange and promissory notes as are eligible for purchase or rediscount by the Bank; and

(d) promissory notes of any scheduled bank supported by documents of title relating to goods, such documents having been transferred,

5. Subs. for "sub-section (1) of section 15 of the said Act" *ibid.*

6. Subs. for the words, brackets, figures and comma "sub-section (2) of section 15 of the said Act, and the provisions of section 16 of the said Act" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

7. Ins. by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

8. Subs. by the State Bank of Pakistan (Amdt.) Act, 1965 (6 of 1965), S. 2, for "ninety days".

9. Subs. by the State Bank of Pakistan (Amdt.) Ordinance, 1961 (5 of 1961), S. 2, for Local Authorities or scheduled banks".

assigned or pledged to any such bank as security for a cash credit or overdraft granted for *bona fide* commercial or trade transactions or for the purpose of financing seasonal agricultural operations or the marketing of crops;

(4-A) The making of loans and advances out of the Rural Credit Fund established under section 17-A for the purposes specified therein;

(4-B) The banking of loans and advances out of the Industrial Credit Fund established under section 17-B for the purposes specified therein;

(4-C) The making of loans and advances out of the Export Credit Fund established under section 17-C for the purposes specified therein;

(5) The making to the ¹³[Federal Government] Provincial Governments, or Governments of such Acceding States as may be approved by the Central Government of advances repayable in each case not later than three months from the date of the making of the advance;

(6) The making to institutions or banks, specially established for the purpose of promoting agriculture or industrial development in the country or co-operative banks of advances and loans for such amounts and on such terms and conditions as the Central Board may decide from time to time;

(6-A) As and when directed by the ¹³[Federal Government], the purchase, holding and sale of shares and debentures of any banking company as defined in section 5 of the Banking Companies Ordinance, 1962, or any financing corporation or institution;

(7) The issue and purchase of telegraphic transfers, demand drafts and other kinds of remittances made payable at its own branches, offices or agencies;

(8) The drawing, accepting, making and issue, on its own accounts or on account of the ¹³[Federal Government], as the case may be, of any bill of exchange, hundi, promissory note or engagement for the payment within or without Pakistan, or foreign currency payable to bearer or to a banker on demand; but no such business shall be carried on or transacted without the previous approval of the ¹³[Federal Government];

10. New sub-section (4-A) ins. *ibid.*

11. Ins. by State Bank of Pakistan (Amtd.) Act, 1967 (1 of 1968).

12. Ins. by State Bank of Pakistan (Amtd.) Ordinance, 1971 (23 of 1971).

13. Subs. for the words "Central Government" by State Bank of Pakistan (Amtd.) Act, 1972 (23 of 1972).

14. Subs. by the State Bank of Pakistan (Amtd.) Act, 1963 (17 of 1963), S. 2, for the existing sub-section (6-A) which was ins. by the State Bank of Pakistan (Amtd.) Ordinance, 1959 (4 of 1959), S. 2.

(9) (a) Subject to clause (b) the purchase and sale of securities of countries whose currency has been declared as approved foreign exchange with an unexpired currency of not more than ten years;

(b) The restrictions relating to maturity shall not apply to securities held by the Bank on the date on which this Act comes into force or any securities that may be received as assets under the Pakistan (Monetary System and Reserve Bank) Order, 1947;

(10) (a) The purchase and sale of securities of the ¹⁴[Federal Government], a Provincial Government or the Government of an Acceding State of any maturity or of such securities of a Local Authority as may be specified in this behalf by the ¹⁴[Federal Government] by notification in the official Gazette on the recommendation of the Central Board;

(b) Securities, debentures and shares fully guaranteed as to principal and interest by the ¹⁴[Federal Government] shall be deemed for the purpose of this section to be securities of that Government;

(c) The amount of such securities held at any time in the Banking Department shall be so regulated that:—

(i) the total value of such securities shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and three-fifths of the liabilities of the Banking Department in respect of deposits;

(ii) the value of such securities maturing after one year shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and two-fifths of the liabilities of the Banking Department in respect of deposits;

(iii) the value of such securities maturing after ten years shall not exceed the aggregate amount of the share capital of the Bank and the Reserve Fund and one-fifth of the liabilities of the Banking Department in respect of deposits;

(11) The custody of monies, securities and other articles of value and the collection of the proceeds, whether principal, interest or dividends of any such securities;

(12) The sale and realisation of all property, whether movable or immovable which may in any way come into the possession of the Bank in satisfaction, or part satisfaction of any of its claims;

(13) The acting as agent to the ¹⁴[Federal Government], any Provincial Government, the Government of any Acceding State, or any Local Authority in the transaction of any of the following kinds of business, namely:—

(a) the purchase and sale of gold or silver or approved foreign exchange;

15. New section 14 ins. by the State Bank of Pakistan (Amtd.) Act, 1972 (23 of 1972).

- (b) the purchase, sale, transfer and custody of bills of exchange, securities or shares in any company;
- (c) the collection of the proceeds, whether principal, interest or dividends, of any securities or shares;
- (d) the remittance of such proceeds at the risk of the principal, by bills or exchange payable either in Pakistan or elsewhere; and
- (e) the management of public debt;
- (14) The purchase and sale of gold coin and gold or silver bullion;
- (15) The opening of an account with or the making of an agency arrangement with, and the acting as agent or correspondent of a bank incorporated in any country outside Pakistan or the principal currency authority of any country under the law for the time being in force in that country or any international bank formed by such principal currency authorities, and the investing of the funds of the Bank in the shares of any such international bank;
- (16) (a) Subject to clauses (b) and (c) the borrowing of money for a period not exceeding three months for the purpose of the business of the Bank, and the giving of security for money so borrowed;
- (b) No money shall be borrowed under this sub-section from any person in Pakistan other than a scheduled bank or from any person outside Pakistan other than a bank which is the principal currency authority of any country under the law for the time being in force in that country;
- (c) The total amount of borrowings from persons in Pakistan shall not at any time exceed the amount of the share capital of the Bank;
- (17) The making and issue of bank notes, subject to the provisions of this Act;
- (18) The performance of the functions of the Bank under the International Monetary Fund and Bank Act, 1953;
- (19) Establish credits and give guarantees; and
- (20) Generally, the doing of all such matters and things as may be necessary, incidental to or consequential upon the exercise of its powers or the discharge of its duties or functions under this Act.

¹⁵[17A.] *Rural Credit Fund.* (1) The Bank shall establish and maintain a Fund to be called the Rural Credit Fund to which shall be credited:

- (a) an initial sum of one crore of rupees to be subscribed by the Bank; and

15. New section 17-A ins. by the State Bank of Pakistan (Amtd.) Ordinance, 1961 (5 of 1961), S. 3.

- (b) appropriations of such amount from the surplus profits of the Bank as may be determined by the Bank in consultation with the ¹⁴[Federal Government].
- (2) The Rural Credit Fund shall be applied by the Bank to the following objects, namely:
 - (a) The making of medium-term loans and advances to co-operative banks, repayable on the expiry of a fixed period, not exceeding three years from the date of making thereof, against such security as the Bank may, from time to time, ¹⁵[specify] in this behalf;
 - (b) The making of medium-term and long-term loans and advances to rural credit agencies created or established by or under any law for the time being in force on such terms and conditions as the Bank may, from time to time, ¹⁶[specify] in this behalf;
 - (c) Where the Bank is satisfied that any co-operative bank to which a loan or advance as is referred to in sub-section (4) of section 17 has been made is unable to repay the same in time, the converting of such loan or advance into a medium-term loan or advance, as the case may be, in accordance with the provisions of clause (a);
 - (d) The making of short-term and medium-term loans and advances to scheduled banks as re-finance against their loans and advances made for financing such agricultural operations as may be approved by the Bank from time to time].

Explanation. For the purposes of this clause and section 17D, "agricultural operations" shall include improvement of land, procurement of agricultural inputs, agricultural machinery and other requirements of agriculture].

¹⁸[17B.] *Industrial Credit Fund.* (1) The Bank shall establish and maintain a Fund to be called the Industrial Credit Fund to which shall be credited:

- (a) an initial sum of one crore of rupees to be subscribed by the Bank, and
- (b) appropriations of such amount from the surplus profits of the Bank as may be determined by bank in consultation with the ¹⁴[Federal Government].
- 14. Subs. by Act 23 of 1972.
- 15. Subs. for the word "prescribe" by State Bank of Pakistan (Amtd.) Ordinance, 1971 (23 of 1971).
- 16. *Ibid.*
- 17. Subs. by State Bank of Pakistan (Amtd.) Act, 1972, for clauses (d) and (e) which were ins. by State Bank of Pakistan (Amtd.) Ordinance, 1970 (3 of 1970).
- 18. Ins. by State Bank of Pakistan (Amtd.) Act, 1967 (1 of 1968).

(2) The Industrial Credit Fund shall be applied by the Bank to the following objects, namely :—

- (a) The banking of medium-term and long-term loans and advances to co-operative banks and such institutions as the Bank may deem fit repayable on the expiry of a fixed period, not exceeding five years from the date of the Banking thereof, against such security as the Bank may, from time to time,¹⁹ [specify] in this behalf;
- (b) The making of medium-term and long-term loans and advances to industrial credit agencies created or established by or under any law for the time being in force on such terms and conditions as the Bank may, from time to time,²⁰ [lay down] in this behalf;
- (c) Where the Bank is satisfied that any institution to which a loan or advance as is referred to in clause (4) of section 17 has been made is unable to repay the same in time, the converting of such loan or advance into a medium-term or long-term loan or advance, as the case may be, in accordance with the provisions of clause (a)²¹ ; and]
- (d) The financing of a system of guarantees in accordance with rules to be made by the Bank to cover a portion, not exceeding twenty-five per cent. of any bona fide loss that a scheduled bank is proved to the satisfaction of the Bank to have incurred in any transaction of medium-term or long-term loan to a party seeking to establish a new industrial project of small or medium size].

²³[17C. *Export Credit Fund.* (1) The Bank shall establish and maintain a Fund to be called the Export Credit Fund, to which shall be credited :—

- (a) an initial sum of two crores of rupees to be subscribed by the Bank out of its surplus profits; and
- (b) appropriations of such amount from the surplus profits of the Bank as may be determined by the Bank in consultation with the Federal Government.

(2) The Export Credit Fund shall be applied by the Bank to the following objects, namely :—

- (a) The making of medium-term and long-term loans and advances to scheduled banks and other credit institutions created or established by or under any law for the time being in force, as refinance against their medium-term and long-term loans and advances

- 19. Subs. for the word "prescribe" by the State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).
- 20. Subs. for the word "prescribe" by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968) in this behalf;
- 21. Subs. for full-stop by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).
- 22. Ins. *ibid.*
- 23. Ins. by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

given for financing exports from Pakistan, on such terms and conditions as to security and otherwise as the Bank may, from time to time, lay down in this behalf;

- (b) The making of loans and advances, directly or through scheduled banks or other credit institutions created or established by or under any law for the time being in force, to private or Government sponsored institutions in foreign countries, for the purpose of enabling them to import goods from Pakistan, on such terms and conditions as the Bank may, from time to time, lay down in this behalf].

²⁴[17D. *Loans Guarantee Fund.* (1) The Bank shall establish and maintain a Fund to be called the Loans Guarantee Fund to which shall be credited :—

- (a) an initial sum of two crores of rupees to be subscribed by the Bank out of its surplus profits, and
- (b) appropriations of such amounts from the surplus profits of the Bank as may be determined by the Bank in consultation with the Federal Government.

(2) The Loans Guarantee Fund shall be applied by the Bank to the financing of a system of guarantees in accordance with a scheme to be made by the Bank to cover a portion, not exceeding fifty per cent. of any bona fide loss that a scheduled bank is proved, to the satisfaction of the Bank, to have incurred in any transaction of loan or advance made for the financing of approved agricultural operations and such needs of such small borrowers as may be determined by the Bank from time to time].

18. *Power of direct discount.* ²⁵[1] [Notwithstanding the provisions of section 230 of the Companies Act, 1913 (VII of 1913), and section 58 of the Banking Companies Ordinance, 1962 (LVII of 1952) where] in the opinion of the Central Board or of the Governor, circumstances so warrant, the Bank may, notwithstanding any limitation contained in 1[sub-clauses] (a) and (b) of sub section (2) or 1[sub-clauses] (a) and (b) of 1[clause] (3) or 1[clause] (4) of section 17 :—

- (a) purchase, sell or discount any of the bills of exchange or promissory note specified in 1[sub-clauses] (a) or 1[sub-clause] (b) of 1[clause] (2) or 1[sub-clause] (b) of 1[clause] 3 of section 17, though such bill or promissory note does not bear the signature of a scheduled bank; or

- 24. Ins. by State Bank of Pakistan (Amdt.) Act, 197 (23 of 1972).
- 25. Subs. for the word "where" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).
- 1. For the words "paragraphs", "subsection" and "paragraph" wherever occurring in subsection (1), the words "sub-clauses", "clause" and "sub-clause" substituted respectively by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).

(b) make advances or loans repayable on demand or on the expiry of fixed periods not exceeding ninety days against the various forms of security specified in [clause] (4) of section 17 or against the security of goods or when the advance loan is made to a banking company against such other form of security as the Bank may consider sufficient.

(2) Where a banking company, to which an advance or loan has been made under the provisions of [clause] (b) of sub-section (1) of this section is wound up, any sums due to the Bank in respect of such advance or loan shall subject only to the claims, if any, of any other banking company in respect of any prior claim or advance made by such banking company against any security, be a first charge on the assets of the banking company.

19. Declaration of approved foreign exchange. On the recommendation of the Central Board, the Federal Government may, by notification³ in the official Gazette, declare the currency of any country to be approved foreign exchange for all or any of the purposes of this Act.

20. Business which the Bank may not transact. The Bank shall not, except as authorised under this Act :—

(1) engage in trade or otherwise have a direct interest in any commercial, industrial or other undertaking except such interest as it may in any way acquire in the course of the satisfaction of any of its claims, but all such interest shall be disposed of at the earliest possible moment ;

(2) purchase its own shares or the shares of any other bank or of any company, or grant advances or loans upon the security of any such shares ;

(3) advance money on the mortgage, or otherwise on the security, of immovable property or documents of title relating thereto, except where such advance is made to any of its officers or servants for building a house for his personal use against the security of the said house ;

(3-A) become the owner of any immovable property except where ownership is necessary for the use of such property by the Bank, or for the residence, recreation or welfare of its officers or servants ;]

(4) make unsecured advances and loans ;

(5) draw or accept bills payable otherwise than on demand ; and

(6) allow interest on deposits on current account.

21. Government business. (1) The Bank shall undertake to accept monies for account of the [Federal Government], Provincial Governments

2. Subs. for the word "paragraph" by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).

3. For notifn. declaring the Lebanese Pound and Swiss France to be approved for all the purposes of the Act, see Gaz. of P., 1965, Ext., p. 1127.

4. Subs. by the State Bank of Pakistan (Amdt.) Act, 1963 (17 of 1963), S. 3, for the original clause 3.

and Governments of such Acceding States as may be approved by [Federal Government] and to make payments up to the amount standing to the credit of their accounts respectively and to carry out their exchange, remittance and other banking operations, including the management of public debt.

(2) (a) The [Federal Government] and Provincial Government shall entrust the Bank, on such conditions as may be agreed upon between the Government concerned and the Bank with all their money, remittance, and banking transactions in Pakistan, and, in particular, shall deposit free of interest all their cash balances with the Bank.

(b) Nothing in this sub-section shall be deemed to prevent the [Federal Government] and any Provincial Government from carrying on money transactions, at places where the Bank has no office, branch or agency or from holding at such places such balances as they may require.

(c) The [Federal Government] and each Provincial Government shall entrust the Bank, on such conditions as may be agreed upon between the Government concerned and the Bank, with the management of the public debt and with the issue of any new loans.

(d) In the event of any failure to reach agreement on the conditions referred to in this section, the [Federal Government] shall decide the conditions and its decision shall be final.

22. Bank rate. The Bank shall make public from time to time the standard rate at which it is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under this Act.

23. Obligation to buy or sell foreign exchange. The Bank shall sell to or buy from authorised dealer in Pakistan, approved foreign exchange at such rates of exchange, at such places and on such conditions as the [Federal Government] may from time to time by general or special order determine.

Explanation. In this section "authorised dealer" means a person for the time being authorised under section 3 of the Foreign Exchange Regulation Act, 1947, to deal in foreign exchange.

24. Sole right to issue bank notes. (1) The Bank shall have the sole right to issue bank notes made payable to bearer on demand in Pakistan in accordance with the provisions hereinafter made provided that the currency notes of the Government of Pakistan supplied to the Bank by the Government may be issued by it for a period which shall be fixed by the [Federal Government] on the recommendation of the Central Board.

5. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

(2) Any person contravening this authority or committing any other offence specified in section 35, shall be liable to the penalties therein mentioned.

25. Legal tender. (1) Subject to the provisions of sub-section (2) every bank note shall be legal tender at any place in Pakistan for the amount expressed therein and shall be guaranteed by the Federal Government.

(2) On the recommendation of the Central Board the Federal Government may, by notification in the official Gazette, declare that, with effect from such date as may be specified in the notification, any series of Bank Notes of any denomination shall cease to be legal tender and exchangeable:

Provided that any Note of such series may, within such period after the date so specified as the Federal Government may by a like notification, appoint in this behalf, be tendered for exchange at such offices, branches and agencies, if any, of the Bank as may be specified for the purpose, and any such office, branch or agency shall exchange the Note.]

26. Issue Department. (1) The issue of bank notes shall be conducted by the Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Department as hereinafter defined in section 32.

(2) The Issue Department shall not issue bank notes to the Banking Department or to any person except in exchange for other bank notes or for such coin, bullion, approved foreign exchange or securities as are permitted under this Act to form part of the assets of the Issue Department.

27. Denomination and form of bank notes. Bank notes made and issued by the Bank shall be in such denominations and of such design, form and material as may be approved by the [Federal Government] on the recommendations of the Central Board.

28. Re-issue of notes. The Bank shall not re-issue bank notes which are torn, defaced or excessively spoiled.

29. Lost, stolen, mutilated or imperfect notes. Notwithstanding anything contained in any enactment or rule of law to the contrary, no person shall as of right be entitled to recover from the Federal Government or the Bank the value of any lost, stolen, mutilated or imperfect bank note.

6. Subs. by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972) for original sub-section (2).

7. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

30 Assets of the Issue Department. (1) The assets of the Issue Department shall not be less than the total of its liabilities and shall be maintained as follows:—

(a) of the total amount of the assets, assets of such value as the Federal Government, in consultation with the Bank, may, by notification in the official Gazette, specify shall be held in gold coins, gold bullion, silver bullion or approved foreign exchange; and

(b) the remainder of the assets shall be held in rupee coins, rupee securities of any maturity and such bills of exchange and promissory notes payable in Pakistan as are eligible for purchase by the Bank under paragraphs (a), (b) and (d) of sub-section (2) of section 17;

Provided that the assets falling to the share of the Government of Pakistan under the provisions of Pakistan (Monetary System and Reserve Bank) Order, 1947, which are held by the Reserve Bank of India pending their physical transfer to the Bank shall form a part of the assets.

(2) For the purposes of this section gold coin and gold bullion shall be valued at [0.0744103] grants of fine gold per rupee, silver bullion shall be valued at the market value or the fine silver content thereof, rupee coin shall be valued at its face value and rupee securities and securities specified in sub-section (4) shall be valued at the market rate for the time being, obtaining.

(3) Of the gold coin and gold or silver bullion held as assets not less than seventeen-twentieths shall be held in the custody of the Bank including its branches, offices or agencies, and the gold or silver belonging to the Bank which is in any other bank or in any mint or treasury or in transit may be reckoned as part of the assets.

(4) For the purposes of this section, the approved foreign exchange which may be held as part of the assets shall be in any of the following forms, namely:—

(a) balances standing to the credit of the Bank with the principal currency authority of a country whose currency is an approved foreign exchange, or at any bank in such country;

8. Subs. by State Bank of Pakistan (Amdt.) Ordinance, 1965, S. 2, for the original clause (a).

9. Subs. for the figure "0 1866.21" by Finance (Supplementary) Ordinance, 1972 (17 of 1972), S. 3. This amendment was made in implementation of Exchange Reforms Policy introduced on 11th May, 1972. The figure of "0. 1866 21" was earlier Subs. by State Bank of Pakistan (Amdt.) Act, 1958 (43 of 1958), S. 2, for "0. 268601".

10. Subs. by the State Bank of Pakistan (Amdt.) Ordinance, 1965 (52 of 1965), S. 2, for the original sub-section (4).

- (b) bills of exchange bearing two or more good signatures, having a maturity not exceeding one hundred and eighty days and drawn on and payable at any place in a country whose currency is an approved foreign exchange; and
- (c) securities of a Government with an unexpired currency of not more than five years and payable in a currency which is an approved foreign exchange.]

31. Suspension of assets requirements. Notwithstanding anything contained in the foregoing provisions, the Bank may, with the previous sanction of the ¹¹[Federal Government], for periods not exceeding thirty days in the first instance, which may with the like sanction be extended from time to time by periods not exceeding fifteen days, hold as assets gold coin, gold or silver bullion, or approved foreign exchange of less aggregate amount than that required by paragraph (a) of sub-section (1) of section 30.

32. Liabilities of the Issue Department. (1) The liabilities of the Issue Department shall be an amount equal to the total of the amount of the bank notes for the time being in circulation.

(2) For the purposes of this section any bank note which has not been presented for payment within forty years from the first day of July following the date of its issue shall be deemed not to be in circulation and the value thereof shall notwithstanding anything contained in sub-section (2) of section 26 be paid by the Issue Department to the Banking Department; but any such bank note, if subsequently presented for payment, shall be paid by the Banking Department.

33. Obligation to supply different forms of currency. (1) The Bank shall issue rupee coin on demand in exchange for bank notes and bank notes on demand in exchange for coin which is legal tender under the Pakistan Coinage Act.

(2) The Bank shall in exchange for bank notes of five rupees or upwards supply bank notes of lower value or coins which are legal tender under the said Pakistan Coinage Act, in such quantities as may in the opinion of the Bank be required for circulation. The ¹¹[Federal Government] shall apply such coins to the Bank on demand and if it fails to do so at any time the Bank shall be released during the period of such failure from its obligation to supply them to the public.

(3) The ¹¹[Federal Government] shall take over from the Bank at such times and in such quantities as the Bank may, with the previous approval of the ¹¹[Federal Government], determine rupee coins which are not required for purposes of circulation against payment.

11. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

34. Obligation of the ¹²[Federal Government] in respect of rupee coin. The ¹²[Federal Government] shall not re-issue any rupee coins taken over under sub-section (3) of section 33 nor put into circulation any rupee coin except through the Bank and the Bank shall not dispose of rupee coin otherwise than for purposes of circulation or by delivery to the ¹²[Federal Government] under the preceding section.

35. Offences and penalties relating to unauthorised issue of bills and bank notes. (1) No person in Pakistan other than the Bank or as expressly authorised by this Act, the ¹²[Federal Government] shall draw, accept, make or issue any bill of exchange, hundi, promissory note or engagement for the payment of money payable to bearer on demand, or borrow, owe or take up any sum or sums of money on the bills, hundis or notes payable to bearer on demand of any such person but such cheques, or drafts, including hundi, payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent.

(2) Notwithstanding anything contained in the Negotiable Instruments Act, 1881, no person in Pakistan other than the Bank, or as expressly authorised by this Act, the ¹²[Federal Government] shall make or issue any promissory note expressed to be payable to the bearer of the instrument.

(3) Any person contravening the provisions of this section shall be punishable upon conviction with fine which may extend to double the amount of the bill, hundi, promissory note or engagement in respect whereof the offence is committed.

(4) No prosecution under this section shall be instituted except on complaint made on behalf of the Bank.

36. Cash reserve of scheduled banks to be kept with the Bank. (1) Subject to sub-section (2) every scheduled bank shall maintain with the Bank a balance the amount of which shall not at the close of business on any day be less than five per cent of the demand liabilities and two per cent of the time liabilities of such bank in Pakistan.

(2) The requirements of this section as to the maintenance of balances in the Bank may from time to time, by notification in the official Gazette, be varied or for such period and subject to such condition as may be specified in the notification, be dispensed with by the ¹²[Federal Government].

Explanation. For the purposes of this section liabilities shall not include the paid-up capital or the reserves, or any credit balance in the

12. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

profit and loss account of such bank or the amount of any loan taken from the Bank.

(3) Every scheduled bank shall send to the Bank returns signed by two responsible officers of such bank containing such information as may be deemed necessary for carrying out the purposes and objects of this Act at such periods of time as the Bank may from time to time direct.

(4) If at the close of business on any day before the day fixed for the next return under the preceding sub-section the balance held at the Bank by any scheduled bank is below the minimum fixed by sub-section (1) or varied under sub-section (2), such scheduled bank may be ordered by the Bank to pay to the Bank in respect of such day penal interest at a rate three per cent above the bank rate on the amount by which the balance with the Bank falls short of the fixed minimum, and if on the day on which the next return is due such balance is still below the fixed minimum as disclosed by this return, the rate of penal interest may be increased to a ratio of five per cent, above the Bank rate in respect of that day and each subsequent day on which the balance held at the Bank at the close of business on that day is below the fixed minimum.

(5) When under the provisions of sub-section (4) penal interest at the increased rate of five per cent, above the bank rate has become payable by a scheduled bank, if thereafter on the day fixed for the next return under sub-section (3) the balance held at the Bank is still below the fixed minimum as disclosed by this return :

(a) every director and officer of the scheduled bank, who is knowingly and wilfully a party to the default, shall by order of the Bank be punishable with fine which may extend to five hundred rupees and with a further fine which may extend to five hundred rupees for each subsequent day on which the default continues ; and

(b) the Bank may prohibit the scheduled bank from receiving after the said day any fresh deposit, and if default is made by the scheduled bank in complying with such prohibition every director and officer of the scheduled bank who is knowingly and wilfully a party so such default or who through negligence or otherwise contributes to such default shall by order of the Bank be punishable in respect of each default with fine which may extend to five hundred rupees for each day after the first on which a deposit received in contravention of such prohibition is retained by the scheduled bank.

Explanation. In this sub-section "officer" includes Manager, Secretary, Branch Manager and Branch Secretary.

(6) Any scheduled bank failing to comply with the provisions of sub-section (3) shall by order of the Bank be liable to pay to the Bank a penalty of one hundred rupees for each day during which the failure continues.

(7) Whoever in any return under this section wilfully or recklessly makes a statement false in any material particular or wilfully or recklessly omits to state a material particular shall by order of the Bank be punishable with fine which may extend to one thousand rupees in respect of each such return.

(8) The penalties imposed by sub-sections (4), (5), (6) and (7) shall be payable on demand made by the Bank and in the event of refusal by the defaulting bank, director or officer to pay on such demand, may be levied by a direction of the principal Civil court having jurisdiction in the area where an office of the defaulting bank is situated, such direction being made only upon application made in this behalf to the Court by the Bank, with the previous sanction of the ¹³[Federal Government.]

37. *Scheduled banks.* (1) The Bank shall maintain at all offices and branches an up-to-date list of banks declared by it to be scheduled banks under clause (a) of sub-section (2).

(2) The Bank shall, by notification, in the official Gazette :—

(a) declare any bank to be scheduled bank which is carrying on the business of banking in Pakistan and which :—

(i) is a banking company as defined in section 277-F of the Companies Act, 1913, or a co-operative bank, or a corporation or a company incorporated by or established under any law in force in any place in or outside Pakistan ;

(ii) has a paid-up capital and reserve of an aggregate value of not less than five lakhs of rupees :

Provided that in the case of a co-operative bank, an exception may be made by the Bank ;

(iii) satisfies the Bank that its affairs are not being conducted in a manner detrimental to the interests of its depositors :

(4)(b) direct the de-scheduling of any scheduled bank which ceases to fulfil the requirements mentioned in clause (a) or goes into liquidation or otherwise wholly or partly ceases to carry on banking business ;

Provided that the Bank may, on application of the scheduled bank concerned and subject to such conditions, if any, as it may impose, defer

13. Subs. for the words "Central Government" by State Bank of Pakistan (Amtd.) Act, 1972 (Act 23 of 1972).

14. For notifn, under this clause, see Gaz. of P., 1956, Pt. V, p. 275 and *ibid.*, 1957, Pt. V, p. 32.

the making of a direction under clause (b) for such period as the Bank considers reasonable to give the scheduled bank an opportunity of fulfilling requirements mentioned in sub-clauses (ii) and (iii) of clause (a);

(c) alter the description in the list of scheduled banks whenever any scheduled bank changes its name.

Explanation. In sub-section (2) the expression "value" means the real or exchangeable and not the nominal value of the capital and reserves and the valuation made by the Bank shall be final.

38. *Power to require returns from Corporations.* The Bank may require any Corporation with which it has any transactions under section 17 to furnish returns ¹⁵[referred to in] sub-section (3) of section 36, and if it does so require the provisions of sub-sections (6), (7) and (8) of section 36 shall apply, so far as may be, to such Corporation as if it were a scheduled bank.

39. *Publication of consolidated statements by the Bank.* The Bank shall compile and publish, in such manner and at such times as the ¹⁶[Federal Government] may direct, a consolidated statement from such information as may be received under this Act.

40. *Returns.* (1) The Bank shall prepare and transmit to the ¹⁶[Federal Government] a weekly account of the Issue Department and of the Banking Department in such form as the ¹⁶[Federal Government] may, by notification in the official Gazette, direct. The ¹⁶[Federal Government] shall cause these accounts to be published weekly in the official Gazette.

(2) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the ¹⁶[Federal Government] a copy of the annual accounts signed by the Governor, the Deputy Governor, if any, and the chief accounting officer of the Bank, and certified by the auditors, together with a report by the Central Board on the working of the Bank throughout the year, and the ¹⁶[Federal Government] shall cause such accounts and report to be published in the official Gazette.

(3) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the ¹⁶[Federal Government] a statement showing the name, and occupation of and the number of shares held by each shareholder of the Bank.

¹⁵ Subs. for the words "prescribed under" by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

¹⁶ Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

CHAPTER V

GENERAL

¹⁷[41. *Reserve/Fund.*] The securities of the value of three crores of rupees contributed by the ¹⁶[Federal Government] for the purpose shall be held by the Bank as part of its Reserve Fund which may also receive such appropriations out of the annual profits as the Bank may, with the approval of the Central Government, from time to time decide.]

42. *Allocation of surplus.* After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and such other contingencies as are usually provided for by bankers, there shall be paid to the shareholders out of the net annual profits a dividend on the shares at a rate to be fixed by the ¹⁸[Federal Government] from time to time, which shall not be less than 4% per annum. Any surplus remaining thereafter shall be paid to the ¹⁸[Federal Government].

¹⁸[43. *Auditors.*] (1) Not less than two auditors shall be elected and their remuneration fixed at the annual general meeting. The auditors may be shareholders, but no director, member or other officer of the Bank shall be eligible during his continuance in office to be so elected. Any auditor so elected shall be eligible for re-election on vacating office.

(2) All auditors elected under this section shall be and continue to act as auditors until the first annual general meeting after their respective elections.

(3) Any casual vacancy in the office of any auditor elected under this section may be filled by the Central Board.

44. *Government auditors.* Without prejudice to anything contained in section 34, the ¹⁸[Federal Government] may at any time appoint the ¹⁹[Comptroller and Auditor-General] or such auditors as it thinks fit to examine and report upon the accounts of the Bank.

45. *Powers and duties of auditors.* (1) Every auditor shall be supplied a copy of the annual balance sheet, and it shall be his duty to examine the same together with the accounts and vouchers relating thereto; and every auditor shall have a list delivered to him of all books kept by the Bank, and shall at all reasonable time have access to books, accounts

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17. Subs. for the original section by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

18. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act, 1972 (23 of 1972).

19. Subs. by A.O., 1964, Art 2 and Sch. for "Auditor-General".

and other documents of the Bank, and may, at the expense of the Bank, if appointed by it, or at the expense of the¹⁸[Federal Government], if appointed by that Government employ accountants or other persons to assist him in investigating such accounts and may, in relation to such accounts, examine any director or officer of the Bank.

(2) The auditors shall make a report to the shareholders or the¹⁸[Federal Government], as the case may be, upon the annual balance sheet and accounts, and in any such report they shall state whether in their opinion the balance sheet is a full and fair balance sheet containing all necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank and, in case they have called for any explanation or information from the Central Board, whether it has been given and whether it is satisfactory. Any such report made to the shareholders shall be read, together with the report of the Central Board, at the annual general meeting.

46. The Bank and its officers to be public officers. (1) For the purposes of section 124 of the Evidence Act, 1872, the provisions of Part IV of the Code of Civil Procedure, 1908, and the provisions of rule 27 of Order V, and rule 52 of Order XXI of the said Code, the Bank and any officer of the Bank acting in his capacity as such shall be deemed to be a public officer.

(2) The provisions of section 123 of the Evidence Act shall apply to the unpublished records relating to the affairs of the Bank and the Governor shall be deemed to be the officer or head of the department concerned.

(3) Every officer of the Bank shall be deemed to be a public servant within the meaning of section 21 of the Pakistan Penal Code (Act XLV of 1860.)

47. Pensions of Bank employees to be exempt from attachments, etc. Notwithstanding anything contained in any law for the time being in force pension granted by the Bank to its officers and servants shall not be liable to seizure, attachment or sequestration by process of any court in Pakistan at the instance of a creditor, for any demand against the pensioner or in satisfaction of a decree or order of any such court.

48. Exemption from stamp duty. The Bank shall not be liable to the payment of any stamp duty under the Stamp Act, 1899.

49. Exemptions from income-tax, super-tax and business profits tax and provision for deductions at source of income-tax on dividends. (1) Notwithstanding anything contained in the Income-tax Act, 1922, or the Business Profits Tax Act, 1947, or any other law for the time being in force

20. Ins. by State Bank of Pakistan (Amtd.) Ordinance, 1971 (23 of 1971).

in Pakistan relating to income-tax, super-tax or business profits tax, the Bank shall not be liable to pay any income-tax, super-tax, or business profits tax on any of its income, profits or gains.

50. Liquidation of the Bank. The Bank shall not be placed in liquidation save by order of the²²[Federal Government] and in such manner and on such terms and conditions as it may direct.

51. Act or proceeding of the Central Board not to be questioned. No act or proceeding of the Central Board or a local Board shall be questioned on the ground merely of the existence of any vacancy in or any defect in the constitution of such Board.

52. Power of Government to supersede the Central Board. (1) If in the opinion of the²²[Federal Government] the Bank fails to carry out any of the obligations imposed on it by or under this Act the²²[Federal Government] may by notification in the official Gazette declare the Central Board to be superseded and thereafter the general superintendence and direction of the affairs of the Bank shall be entrusted to such agency as the²²[Federal Government] may determine and such agency may exercise the power and do all acts and things which may be exercised or done by the Central Board under this Act.

(2) When action is taken under sub-section (1) the²²[Federal Government] shall cause a full report of the circumstances leading to such action and of the action taken to be laid before the Central Legislature at the earliest possible opportunity and in any case within three weeks of the re-assemble thereof after the issue of the notification superseding the Central Board.

53. Duty of officers and servants to maintain secrecy. (1) Except in the performance of his duties under this Act every officer or servant of the Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of the Bank not published by it, and with regard to all matters relating to the financial or monetary affairs of any institution, person, body of persons, any Government or authority whether in Pakistan or outside that may come to his knowledge in the performance of his duties.

(2) Every such officer or servant who communicates any such matter, except when required by law to do so or in the discharge of his duty as such, shall be guilty of an offence and shall on conviction by a court of competent jurisdiction be punished with imprisonment of either description

21. Sub-section (2) and proviso thereto omitted by State Bank of Pakistan (Amtd.) Act, 1967 (1 of 1968)

22. Subs. for the words "Central Government" by State Bank of Pakistan (Amtd.) Act, 1972 (23 of 1972).

for a term which may extend to six months or with fine which may extend to Rs. 500 or with both.

(3) No court shall take cognizance of any offence punishable under this section except upon complaint in writing by a person authorised in this behalf by the Governor.

54. Power of the Central Board to make regulations. (1) Subject to the approval of the ²³[Federal Government], the Central Board may make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing provisions, such regulations may provide for all or any of the following matters, namely :—

- (a) the manner of holding and conducting of elections under this Act, the votes of shareholders and the manner in which they may be exercised by shareholders at such elections ;
- (b) the final decision of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections ;
- (c) the maintenance of the share registers, the manner in which and the condition subject to which shares may be held and transferred, suspension and the manner of suspension of transfer of shares from one register to another and generally, all matters relating to the rights and duties of shareholders ;
- (d) the manner in which general meetings and annual general meetings shall be convened and held, their quorum, the procedure to be followed thereat, votes of the shareholders and the manner in which they may be exercised ;
- (e) the manner in which notices may be served on behalf of the bank upon shareholders or other persons ;
- (f) the manner in which meetings of the Central Board, Executive Committee and Local Boards and committees of the Central and Local Boards shall be convened and held, their quorum, the procedure to be followed at such meetings, votes of Deputy Governor, directors and members and the manner in which they may be exercised and the appointment and election of Chairman of such meetings except as otherwise provided by this Act ;
- (g) the conduct of business of the Executive Committee and Local Boards and the delegation of powers and functions to Local Boards ;

23. Subs. for the words "Central Government" by State Bank of Pakistan (Amdt.) Act 1972 (23 of 1972).

(h) the delegation of powers and functions of the Central Board, the Governor, Deputy Governor, directors or officers of the Bank ;

(i) the formation of committees of the Central Board, their supervision by the Central Board, and the conduct of business in such committees ;

(j) recruitment of officers and servants of the Bank including the terms and conditions of their service, constitution of superannuation, beneficial and other funds, with or without bank's contribution, for the officers and servants of the Bank; their welfare ; providing amenities, medical facilities, grant of loans and advances ; their betterment and uplift ;

(k) the manner and form in which contracts binding on the Bank may be executed ;

(l) the provision of an official seal of the Bank and the manner and effects of its use ;

(m) the manner and form in which the balance sheet of the Bank shall be drawn up, and in which the accounts shall be maintained ;

(n) the remuneration of directors and members ;

(o) the relations of the scheduled banks with the Bank and the returns to be submitted by the scheduled banks to the Bank ;

(p) the regulations of clearing houses for the scheduled banks ;

(q) the circumstances in which, and the conditions and limitations subject to which, the value of any lost, stolen, mutilated or imperfect bank note may be refunded as of grace ;

(r) the denomination, form, issue, negotiability, encashment and repatriation of the instruments mentioned in ²⁴[clause] (8) of section 17 ;

(s) notice of trust ; and

(t) generally for making any provision necessary or convenient for the conduct of the business, discharge of functions and for purposes of management of the Bank.

(3) Copies of all regulations made under this section shall be available to the public on payment.

55. Repeal. (1) The State Bank of Pakistan Ordinance, 1955, is hereby repealed.

(2) Any rules or regulations made, order passed, notification issued, thing done, action taken or proceedings commenced under any of the provisions of the State Bank of Pakistan Ordinance, 1955, or deemed to have been so made, passed, issued, done, taken or commenced shall continue in force and be deemed to have been made, or as the case may

24. Subs. for the word "sub-section" by State Bank of Pakistan (Amdt.) Act, 1967 (1 of 1968).

be, passed, issued, done, taken or commenced under the corresponding provision of this Act.

25 [THE SCHEDULE]

(See section 7)

Areas served by the various Share Register.

1. The Karachi area, served by the Karachi Register, shall consist of the Provinces of Sind and Baluchistan.
2. The Lahore area, served by the Lahore Register, shall consist of the Provinces of the Punjab and the North-West Frontier and the Islamabad Capital Territory.
3. The Dacca area, served by the Dacca Register, shall consist of East Pakistan.]

25. Subs. by State Bank of Pakistan (Amdt.) Ordinance, 1971 (23 of 1971).

(4)

THE

BANKING REFORMS POLICY (1972)

[COMMENTS.—Reproduced below is the text of the speech made by the Minister for Finance, Planning and Development, Dr. Mubashir Hassan, while announcing the reforms in the banking system of Pakistan in the national hook-up of Radio Pakistan and on the Rawalpindi/Islamabad Television Station on 19th May, 1972.]

I am addressing you tonight to announce details of reforms in the banking system of Pakistan.

Before outlining the scheme of the reforms I would like to tell you that over the last 24 years, the banking system has undergone a phenomenal expansion. The number of branches of the scheduled banks in Pakistan have increased from 195 in 1948 to over 3600 in 1972. The deposits have increased from Rs. 88 crores in 1948 to over Rs. 1900 crores in 1972. The bank credit recorded an increase from Rs. 20 crores in 1948 to Rs. 1250 crores in 1972. Seventy one branches of Pakistani banks are operating abroad.

While the banks flourished, the banking system became an instrument of aggravating inequalities of income and wealth in the country. The distribution of bank credit favour those with large accounts. Concentration of economic power brought in its fold many evils that are known to all of us. Unbridled capitalism fed on it. In March, 1971, over 30 per cent of the total scheduled bank advances were given in the account brackets of Rs. 50 lakhs and above. In December, 1971, the two cities of Karachi and Lahore had 673 branches out of a total of 2397 branches in West Pakistan. These two cities also accounted for 52 per cent of the total deposits and 69 per cent of the total advances of scheduled banks. Cruel distortions existed in the distribution of credit. It tended to concentrate in the manufacturing and commercial sector, though 43 per cent of the national income is contributed by agriculture it receives only 10 per cent of the total bank credit.

1. The reforms proclaimed in the Banking Reforms Policy (1972) have been implemented by two enactments, namely:—
 - (1) Banking Companies (Amendment) Act, 1972 (30 of 1972) and
 - (2) State Bank of Pakistan (Amendment) Act, 1956.
- All amendments envisaged by these enactments are incorporated at their appropriate places in the principal Ordinance and Act at pp. 9-148 *supra*.