

STATE BANK OF PAKISTAN

(Incorporated under the State Bank of Pakistan Act, 1956)



THE STATE BANK OF PAKISTAN

Act, 1956

(As amended upto 13-03-2012)

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CONTENTS

CHAPTER I - PRELIMINARY

SECTIONS	Page
1. Short title, extent and commencement	1
2. Definitions	1

**CHAPTER II - ESTABLISHMENT,
INCORPORATION AND SHARE CAPITAL
OF THE BANK**

3. Establishment and incorporation of the Bank	4
4. Share Capital	4
5. Guarantee by Federal Government	5
6. Notice of Trust	5
7. Register of Shareholders	5

CHAPTER III - MANAGEMENT

8. Offices, Branches and Agencies	8
8A. Establishment and maintenance of subsidiary or trust	8
9. Central Board of Directors	9
9A. Functions and responsibilities of the Central Board	10
9B. Monetary and Fiscal Policies Co-ordination Board	11
9C. Limitation on Federal Government borrowing	13
10. Governor and Deputy Governor	14
11. Executive Committee	16
12. Local Boards, their constitution and functions	16
13. Qualifications and disqualifications of directors and members	17
14. Term of Office of directors and members	18
14A. Omitted.	19
15. Removal from and vacation of office of the Governor, Deputy Governor, directors and members	19
16. General and annual general meetings	20

CHAPTER IV - BUSINESS AND FUNCTIONS OF THE BANK

SECTIONS	Page
17. Business which the Bank may transact	22
17A. Rural Credit Fund	30
17B. Industrial Credit Fund	31
17C. Export Credit Fund	32
17D. Loans Guarantee Fund	33
17E. Housing Credit Fund	33
17F. Contributions and donations by the Bank	34
18. Open market and credit operations	35
19. Declaration of approved foreign exchange	35
20. Business which the Bank may not transact	35
21. Government business	36
22. Service Charges	37
23. International reserves portfolio	37
24. Sole right to issue bank notes	38
25. Legal tender	38
26. Issue Department	39
27. Denominations and form of bank notes	39
28. Re-issue of notes	39
29. Lost, stolen, mutilated or imperfect notes	39
30. Assets of the Issue Department	40
31. Suspensions of assets requirements	42
32. Liabilities of the Issue Department	42
33. Obligation to supply different forms of currency	42
34. Obligation of the Federal Government in respect of rupee coin	43
35. Offences and penalties relating to unauthorized issue of bills and bank notes	43
36. Minimum reserves	44
37. Scheduled banks	44
38. Power to require returns from Corporations	45
39. Publication of consolidated statements by the Bank	46
40. Returns	46

CHAPTER V - GENERAL

SECTIONS	Page
41. Reserve Fund	47
42. Allocation of surplus	47
43. Auditors	47
44. Government auditors	48
45. Power and duties of auditors	48
46. The Bank and its officers to be public officers	49
46A. Production of unpublished record of Bank, etc.	49
46B. Inconsistent directives not be issued	50
47. Pensions of Bank employees to be exempt from attachments, etc.	50
48. Exemption from Stamp Duty	50
49. Exemption from Taxes	51
50. Liquidation of the Bank	51
51. Act or proceeding of the Central Board not to be questioned	51
52. Omitted	51
53. Duty of Officers and Servants to maintain secrecy	51
54. Powers of Central Board to make regulations	52
54A. Provisions to override other laws	54
54B. Removal of difficulties	55
55. Repeal	56

THE SCHEDULE

AREAS SERVED BY THE VARIOUS SHARE REGISTERS

The State Bank of Pakistan Act, 1956

Act No. XXXIII of 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 interest with a view to securing monetary stability and fuller utilisation of the country's productive resources;

It is hereby enacted as follows:-

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement.

- (1) This Act may be cited as the State Bank of Pakistan Act, 1956
- (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.

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;
- (d) “bank notes” means notes made and issued by the Bank in accordance with Section 24 and include 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;
- ¹[(ff) “debentures” includes participation term certificates;
- (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” means respectively the Governor and Deputy Governor of the Bank;
- ²[(ii) “loans and advances” includes finances provided on the basis of participation in profit and loss, markup in price, leasing, hire –purchase or otherwise;
- (j) “Local Board” means a Local Board of members;
- (k) “member” means a member for the time being of a Local Board;

¹ Inst. by Ordinance, LVII of 1980, S.2.

² Inst. by Ordinance, LVII of 1980, S.2.

- (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 37³[;]
- ⁴(n) “securities” includes securities as defined in the Capital Issues (Continuance of Control) Act, 1947 (XXIX of 1947);
- (o) “shares” includes modaraba certificates.

³ Subs. by Ordinance, LVII of 1980, S.2 (c) and (d).

⁴ Added. by Ordinance, LVII of 1980, S.2 (c) and (d).

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 Daulat-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 State Bank of Pakistan or Bank Daulat-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 percent shall be held by the ⁵[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 ⁶[Federal Government], but not less than fifty-one percent of the additional share capital shall be issued to the ⁷[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 approval of the ⁸[Federal Government], be determined by the Central Board.

⁵ Subs. by Act. XXIII of 1972, S.6.

⁶ Subs. by Act. XXIII of 1972, S.6.

⁷ Subs. by Act. XXIII of 1972, S.6.

⁸ Subs. by Act. XXIII of 1972, S.6.

5. Guarantee by ⁹[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 Trust Act, 1882 and to be approved securities for the purposes of the Insurance Act, 1938 and the ¹⁰[Banking Companies Ordinance, 1962 (LVII of 1962)].

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, ¹¹[Lahore] and the 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;

⁹ Subs. by Act. XXIII of 1972, S.6.

¹⁰ Subs. by Ordinance, XXVII of 1981, Schedule 2.

¹¹ Subs. by P.O. 4 of 1975

(c) a company registered under the Companies Act, 1913, or 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 a scheduled bank;

(d) ¹²Deleted;

(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 ¹³[***] or any corporation incorporated by or under ¹⁴[a Federal Law or a Provincial Law] 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 the 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 transfers the shares to a party not being his successor in office, the transfer shall be made in the ¹⁵[manner prescribed] by regulations.

¹² Ordinance XXVII of 1981

¹³ Omitted by Ordinance, 27 of 1981, Schedule 2.

¹⁴ Subs. by Ordinance, 27 of 1981, Schedule 2.

¹⁵ Subs. by Ordinance, 23 of 1971

Explanation:— The provisions of clause (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.
- (2) The Bank may establish branches, offices, and agencies in Pakistan, or, with the prior approval of the ¹⁶[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 ¹⁷[Federal Government], Provincial Governments, Provincial Co-operative Banks and other banking organizations;
 - (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 organizations engaged in the business of agricultural credit.

¹⁸[8A. Establishment and maintenance of subsidiary or trust.

Notwithstanding anything to this Act or in any other law for the time being in force, the Bank may establish and maintain a subsidiary or a trust for the following purposes, namely:-

- (a) for catering to all training needs of the Bank employees, financial sector and other agencies, organizations or institutions pertaining to banking and finance sector;

¹⁶ Subs, by Act, 23 of 1972.

¹⁷ Subs, by Act, 23 of 1972.

¹⁸ Inserted by IX of 2001, S.2 (w.e.f 20-02-2001.)

- (b) for handling the function of receipt, supply and exchange of Bank notes and coins which are legal tender;
- (c) for issue, supply, sale and purchase of prize bonds, holding draws thereof and other National Savings instruments; and
- (d) generally for carrying out any other business or discharging any functions incidental to, or connected with, the affairs of the Bank.

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.

¹⁹[(2) The Central Board shall consist of—

- (a) the Governor;
- (b) Secretary, Finance Division, Government of Pakistan; and
- (c) ²⁰ eight directors, including at least one from each province, who shall be eminent professionals from the fields of economics, finance, banking and accountancy, to be appointed by the Federal Government. Those appointed to the Board shall have no conflict of interest with the business of the Bank.

²¹(3) The Governor shall be the Chairman of the Central Board.

(4) All decisions of the Central Board shall be taken by majority of members present and voting and in the event of equality of the votes, the Governor may exercise a casting vote.

¹⁹ Subs. by Act, II of 1994, S.2.

²⁰ SBP Amendment Act, 2012 (Act no, IX of 2012 dated 13-3-2012)

²¹ Added by Act, 11 of 1994, S.2.

²²9A. Functions and responsibilities of the Central Board.

The Central Board shall, in order to secure monetary stability and soundness of the financial system—

- (a) Formulate and monitor monetary and credit policy and, in determining the expansion of liquidity, take into account the Federal Government's targets for growth and inflation and ensure that the Bank conducts monetary and credit policy in a manner consistent with these targets and the recommendations of the Monetary and Fiscal Policies Coordination Board with respect to macro-economic policy objectives:

Provided that the Governor may, in an emergency which in his opinion requires immediate action, take such measure as may be necessary in the circumstances and shall report such measure for the approval of the Central Board at its next meeting;

- (b) determine and enforce, in addition to the overall expansion of liquidity, the limit of credit to be extended by the Bank to the Federal Government, Provincial Governments and other agencies of the Federal and Provincial Governments for all purposes, it being understood that the Governments will meet their additional credit requirement directly from commercial banks through market based auctioning system to be conducted by the Bank;
- (c) approve the credit requirements of the private sector and intimate the same to the Monetary and Fiscal Policies Coordination Board;
- (d) tender advice to the Federal Government on the interaction of monetary policy with fiscal and exchange rate policy;
- (e) analyse and advise the Federal Government on the impact of various policies on the state of the economy;
- (f) submit a quarterly report to the Majlis-e-Shoora (Parliament) on the

²² Subs. Section 9-A by State Bank of Pakistan (Amendment) Act, XIII of 1997.

state of the economy with special reference to economic growth, money supply, credit, balance of payments and price developments; and

- (g) discharge such other functions as may be necessary for formulating monetary policy and regulating the monetary system or as may be assigned by the Federal Government].

²³9 B. Monetary and Fiscal Policies Co-ordination Board.

(1) There shall be a Board for the coordination of fiscal, monetary and exchange rate policies, hereinafter to be called ²⁴[the Co-ordination Board], consisting of :—

- | | | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------|----------|
| (i) | Federal Minister for Finance | Chairman |
| (ii) | Federal Minister for Commerce or
²⁵ [Secretary, Ministry of Commerce] | Member |
| (iii) | Deputy Chairman, Planning Commission | Member |
| (iv) | The Governor | Member |
| (v) | Secretary, Finance Division,
Government of Pakistan | Member |
| ²⁶ (vi) | two eminent macro or monetary economists with proven record of research and teaching to be appointed by the Federal Government. | |

(2) The ²⁷[Co-ordination Board] shall—

- (a) coordinate fiscal, monetary and exchange-rate policies; ²⁸[***]

²³ Section 9-B added by Act, II of 1994, S.3.

²⁴ Subs. For the word “the Board” by State Bank of Pakistan (Amendment) Act XIII of 1997.

²⁵ Added by State Bank of Pakistan (Amendment) Act XIII of 1997.

²⁶ SBP (Amendment) Act 2012 (Act No. IX of 2012 dated 13-3-2012)

²⁷ Inst. by State Bank of Pakistan (Amendment) Act, XIII of 1997.

²⁸ Omitted the words ‘foreign trade’ by State Bank of Pakistan (Amendment) Act, XIII of 1997.

- (b) ²⁹ [ensure consistency among macro-economic targets of growth, inflation and fiscal, monetary and external accounts;]
 - (c) ³⁰ [meet for the purposes of clauses (a) and (b) before the finalization of the budget to determine the extent of Government borrowing from commercial banks taking into account credit requirements of the private sector, liquidity expansion determined by the Central Board and expected changes in net foreign assets of the banking system];
 - (d) ³¹ [meet on a quarterly basis to review the consistency of macro-economic policies and to revise limits and targets set at the time of the formulation of the budget, keeping in view the latest developments in the economy];
 - (e) consider limits of the Government borrowing as revised from time to time in the meetings to be held before and after passage of the annual budget;
 - (f) review the level of Government borrowing in relation to the predetermined or revised targets after every quarter; and
 - (g) review the expenditure incurred in connection with raising of loans and Government borrowing.
- (3) The State Bank of Pakistan shall place before the Board—
- (a) relevant data relating to monetary expansion and Government borrowing; ³²[and]
 - (b) the assessment of the State Bank regarding the impact of economic policies of the Government on monetary aggregates ³³[.]

²⁹ Subs. Clause (b) by the State Bank of Pakistan (Amendment) Act, XIII of 1997.

³⁰ Subs. Clause (c) by the State Bank of Pakistan (Amendment) Act, XIII of 1997.

³¹ Subs. Clause (d) by the State Bank of Pakistan (Amendment) Act, XIII of 1997.

³² Added by the State Bank of Pakistan (Amendment) Act, XIII of 1997.

³³ Subs. The 'semi-colon and word and' by State bank of Pakistan (Amendment) Act, XIII of 1997.

(c) ³⁴[[OMITTED]]

(4) The Planning Commission and the Ministry of Finance, Government of Pakistan shall, from time to time, bring to the notice of the Board the impact of monetary policy adopted by the State Bank on investment, growth and balance of payment.

(5) The Ministry of Commerce, Government of Pakistan shall, from time to time, bring to the notice of the Board the impact of the monetary policy by the State Bank on imports and exports.

(6) ³⁵ In carrying out its assigned functions of coordinating fiscal, monetary and exchange rate policies and for ensuring constituency among macro economics, targets of growth, inflation and fiscal, monetary and external accounts as laid down in sub-sections (1), (2), (3), (4) and (5), the coordination Board shall not take any measure that would adversely affect the autonomy of the State Bank of Pakistan as provided in this Act.

³⁶9C. Limitation on Federal Government borrowing.

(1) Notwithstanding anything contained in sections 9A and 9B, the Federal Government borrowing from the Bank shall be such that at the end of each quarter they shall be brought to zero barring the ways and means limit that shall be determined by the Central Board from time to time.

(2) The debt of the Federal Government owed to the Bank as on the 30th April, 2011, shall be retired not later than eight years from that date.

(3) If any of the provisions of sub-sections (1) and (2) are not observed by the Federal Government, the Finance Minister shall place before the Parliament a statement giving detailed justification for the said failure.

³⁴ Omitted 'clause (c)' by State Bank of Pakistan (Amendment) Act, XIII of 1997.

³⁵ Added by Ordinance, CX of 2002, S.2(w.e.f. 4-11-2002)

³⁶ SBP (Amendment) Act, 2012 (Act No. IX of 2012 dated 13-3-2012)

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 done 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) ³⁷Subject to sub-section (11), the Governor shall be appointed by the President for a term of three years, and on such salary and terms and conditions of service as the President may determine, except that neither the salary of the Governor nor his other terms and conditions of service shall be varied to his disadvantage after his appointment:

Provided that the Governor shall be eligible for re-appointment for another term of three years:

Provided further that no person shall hold the office of the Governor after attaining the age of sixty -five years.

³⁸(3A) At any time when the office of Governor is vacant, the Federal Government may appoint an Acting Governor:

Provided that the office of Governor shall be filled in within a period not exceeding three months.

(4) one or more Deputy Governors may be appointed by the ³⁹[Federal Government] for such period (not exceeding five years) and on such salary and such terms and conditions of service as the ⁴⁰[Federal Government] may determine, except that neither the salary of a Deputy Governor nor his other terms and conditions of service shall be varied to his disadvantage after his appointment.

³⁷ Subs. by Act, CX of 2002, S.2 (w.e.f. 4-11-2002).

³⁸ Inst. by Act, II of 1994 S.4.

³⁹ Added by Act, II of 1994 S.4.

⁴⁰ Added by Act, XXIII of 1994 S.4.

(5) A Deputy Governor shall perform such duties as may be assigned to him by the Central Board, ⁴¹[and shall be entitled to attend the meetings of the Central Board, but shall have no right to vote].

(6) ⁴²[Deleted]

(7) The Governor and a Deputy Governor shall devote their whole time to the affairs of the Bank.

(8) The Governor or a Deputy Governor, as the case may be, may, in addition to his duties as the Governor or a Deputy Governor, be entrusted by an order of the ⁴³[Federal Government] with such duties for such period as may be specified in the order.

(9) The Governor and a Deputy Governor shall on the expiry of their terms of office be eligible for reappointment.

(10) No person shall hold office as Governor or a Deputy Governor:

- (a) Who is a member of the Central or Provincial Legislature;
- (b) Who is employed in any capacity in the public service of Pakistan or of any Province of Pakistan ⁴⁴[***]or holds any office or position for which any salary or other remuneration is payable out of public funds;
- (c) Who is a director, officer or employee of any other bank or of a financial concern or has an interest as a shareholder in any other bank or financial concern: provided that nothing in this clause shall apply where the Governor or Deputy Governor is entrusted with additional duties under sub-section (8) above;

⁴⁵[(d) Deleted]

⁴¹ Added by Act, XXIII of 1994 S.4.

⁴² Sub-section 6 Omitted by Act. II of 1994 S.4.

⁴³ Subs. by Act. 23 of 1972.

⁴⁴ Words 'or of any acceding State' omitted by Ordinance, XXVII of 1981, Schedule 2.

⁴⁵ Clause (d) omitted by Act 2 of 1994, S.4.

(11) The ⁴⁶[Federal Government] may grant leave to the Governor and a Deputy Governor for such period and on such terms and conditions as may be specified by the ⁴⁷[Federal Government].

(12) Where the Governor or a Deputy Governor during his term of office is incapacitated or is absent on deputation, leave or otherwise, the ⁴⁸[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.

⁴⁹[(13) Notwithstanding anything contained in sub-section (3), the Governor may designate a Deputy Governor to preside the meetings of the Central Board during his temporary absence].

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 ⁵⁰[Federal 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 functions.

(1) A Local Board shall be constituted for each of the 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

⁴⁶ Subs. by Act, XXIII of 1972.

⁴⁷ Subs. by Act, XXIII of 1972.

⁴⁸ Subs. by Act, XXII of 1972.

⁴⁹ Subs. by Act, 2 of 1972 S.4.

⁵⁰ Subs. by Act, 23 of 1972.

shareholders registered on the register for that area; and

(b) not more than three Members nominated by the ⁵¹[Federal Government].

(2) The ⁵²[Federal Government] shall in exercising this power of nomination endeavour to secure representation of territorial or economic interest not already represented and in particular the representation of agricultural interest and the interest 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 ⁵³[***]; or
 - (c) who is, 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

⁵¹ Subs. by Act, 23 of 1972.

⁵² Subs. by Act, XXIII of 1972.

⁵³ Omitted by Ordinance, XXVII of 1981, Schedule.

- (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 clause (b) and (g) of sub-section (1) shall apply to the Government official nominated as a director by the ⁵⁴[Federal Government].

(3) The ⁵⁵[Federal Government] shall sell shares at par to a director or a member nominated by it under Section 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 ⁵⁶[Federal Government] at par, and the Federal Government shall have the right to order the transfer 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 ⁵⁷[***}on the expiry of which they shall cease to hold office⁵⁸[:]

Provided that out of the first Directors appointed under sub-section (2) of section 9, through draw of lots, two directors shall retire after one year, the other two shall retire after two years and the remaining three shall retire on completion of the full term of three years:

Provided further that the Federal Government may reconstitute the Board within one hundred and eighty days from the commencement of this Act.

⁵⁴ Substituted by Act XXIII of 1972

⁵⁵ Subs. Act, 23 of 1972.

⁵⁶ Subs. Act, 23 of 1972.

⁵⁷ Subs. by Ordinance, 23 of 1971.

⁵⁸ Colon substituted for full stop and provisos added by Act 2 of 1994, s.5

⁵⁹[(2) A Director or member shall not be removed from his office before the completion of his tenure except when he has done any act which is a breach of trust reposed in him or is guilty of misconduct:

Provided that he shall not be removed without a notice to show cause].

(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.

⁶⁰[14A. Omitted.]

15. Removal from and vacation of office of the Governor, Deputy Governor, directors and members.

⁶¹[(1) Subject to sub section (2), the ⁶²[President] may remove the Governor from his office, if he becomes permanently incapable of performing his duties, or is subject to any of the disqualification specified in

subsection (10) of section 10, or has done any act which is a breach of the trust reposed in him or is guilty of misconduct:

Provided that before taking action under this sub-section, the Governor shall be given a notice to show cause and an opportunity of being heard.]

(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 ⁶³[Federal Government].

⁵⁹ Subs. by Act, 2 of 1994, S.5.

⁶⁰ Omitted 'Section 14-A' by Act 2 of 1994, S.6.

⁶¹ Subs. by Act, 2 of 1994, S.7.

⁶² Subs. by Ordinance CX of 2002 S. 4 for 'Federal Government' (w.e.f. 4-11-2002).

⁶³ Subs. by Act, 23 of 1972.

- (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 ⁶⁴[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 ⁶⁵[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 the 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.

(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 auditor's report on the annual balance sheet and accounts.

⁶⁴ Subs. by Act, 23 of 1972.

⁶⁵ Subs. by Act, 23 of 1972.

(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 a maximum of ten votes, have one vote for each five shares, and such votes may be exercised either personally or by proxy; but the ⁶⁶[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.

⁶⁶ Subs. by Act, 23 of 1972

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 ⁶⁷[***]from, and the collection of money for the ⁶⁸[Federal Government] the Provincial Governments ⁶⁹[***], Local Authorities, banks and other persons: ⁷⁰[Provided that no interest shall be paid on deposit received from the ⁷¹[Federal Government], a Provincial Government ⁷²[***], 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 ⁷³[one hundred and eighty days] from the date of such purchase or rediscount, exclusive of days of grace;

(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;

⁶⁷ Omitted by Act, 1 of 1968.

⁶⁸ Subs. by Act, XXIII of 1972

⁶⁹ Omitted by Ordinance, XXVII of 1981, Schedule 2.

⁷⁰ Inst. by Act, 1 of 1968.

⁷¹ Subs. by Act, XXIII of 1972.

⁷² Omitted by Ordinance, XXVII of 1981, Schedule 2.

⁷³ Subs. By Ordinance XXIII of 1971

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 or 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 ⁷⁴[Federal Government or a Provincial 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 scheduled bank, or any corporation approved by the ⁷⁵[Federal Government] and having as one of its objects the 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 ⁷⁶[twelve and a half years] from the date of such purchase of rediscount;

⁷⁷[***]

Provided ⁷⁸[***] that the Bank may from time to time issue to a corporation which may have dealings with the Bank under this ⁷⁹[sub-clause] any directions

⁷⁴ Subs. by Ordinance, XXVII of 1981, Schedule 2.

⁷⁵ Subs. by Act, XXIII of 1972.

⁷⁶ Subs. by Ordinance, XLIII of 1981, S. 2.

⁷⁷ The original proviso Omitted by Act, XVII of 1963, S.3.

⁷⁸ The original word ‘further’ omitted by Act, XVII of 1963, S.3.

⁷⁹ Subs. by Ordinance, XXIII of 1971.

which can be issued to a banking company under the ⁸⁰[Banking Companies Ordinance, 1962] (LVII of 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 ⁸¹[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 ⁸²[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;

⁸³[(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 the sale of approved foreign exchange;

(b) The purchase, sale and rediscount of bills of exchange including treasury bills, drawn in or on any place in countries whose currency has been declared as approved foreign exchange and maturing within ⁸⁴[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 ⁸⁵[Local Authorities, scheduled banks or cooperative banks] of advances and loans repayable on demand or on expiry of fixed periods not exceeding ⁸⁶[one hundred and eighty days] against the security of:-

(a) stocks, funds and securities, other than immovable property, in

⁸⁰ Subs. by Ordinance, XXIII of 1971.

⁸¹ Subs. by Ordinance, XXIII of 1971.

⁸² Subs. by Ordinance, XXIII of 1971.

⁸³ Inst. by Ordinance, 23 of 1971.

⁸⁴ Subs by Act, 6 of 1965, S.2.

⁸⁵ Subs by Ordinance 5 of 1961, S.2.

⁸⁶ Subs by Ordinance XVI OF 1981, S.2.

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; ⁸⁷[or otherwise fulfil the requirements of clause (2) but are payable on demand]; and
- ⁸⁸[(d) promissory notes of any scheduled bank supported by such modaraba certificates or participation term certificates as are acceptable to the bank or by documents of title relating to goods, such documents having been transferred, assigned or pledged to any such bank as security for a loan or advance granted for *bona fide* commercial or trade transactions or for the purpose of financing seasonal agricultural operations of the marketing of crops];

⁸⁹[(4A) The making of loans and advances out of the Rural Credit Fund established under Section 17A for the purposes specified therein];

⁹⁰[(4B) The making of loans and advances out of the Industrial Credit Fund established under Section 17B for the purposes specified therein];

⁹¹[(4C) The making of loans and advances out of the Export Credit Fund established under Section 17C for the purposes specified therein];

(5) The making to the ⁹²[Federal Government or Provincial Governments] 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 agricultural or industrial development⁹³[, or for the financing of construction of houses,] in the country or co-operative banks of

⁸⁷ Subs by Ordinance 16 of 1981, S.2.

⁸⁸ Subs by Ordinance LVII of 1980, S.3.

⁸⁹ New Sub-section (4-A) Inst. by Ordinance, 5 of 1961.

⁹⁰ Inst. by Act, 1 of 1968.

⁹¹ Inst. by Ordinance V of 1971.

⁹² Subs. by Ordinance, XXVII of 1981, Schedule 2.

⁹³ Inst by Act XXIII of 1972

advances and loans for such amounts and on such terms and conditions as the Central Board may decide from time to time;

⁹⁴[(6A) As and when directed by the ⁹⁵[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 (LVII of 1962) or of any financing corporation or institution];

⁹⁶[(6B) The providing of finances to scheduled banks or financing institutions on the basis of participation in profits ⁹⁷[and losses] and on such other terms and conditions as the Central Board may decide from time to time];

(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 account or on account of the ⁹⁸[Federal Government], as the case may be, of any bill of exchange, hundi, promissory note or engagement for the payment within or without Pakistan, of 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 ⁹⁹[Federal Government];

(9) (a) Subject to sub-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;

⁹⁴ Subs. by Act, 17 of 1963, S.2.

⁹⁵ Subs. by Act, 23 of 1972.

⁹⁶ Clause (6-B) Inst. By Ordinance, XLVII of 1979. It shall be deemed to take effect from 01-07-1979. See Ordinance, XLVII of 1980, S.2.

⁹⁷ Subs. by Ordinance, 47 of 1980, S.2.

⁹⁸ Subs. by Act, 23 of 1972.

⁹⁹ Subs. by Act, XXIII of 1972.

(10) (a) The purchase and sale of securities of the ¹⁰⁰[Federal Government] or a Provincial Government of any maturity or of such securities of a Local Authorities as may be specified in this behalf by the ¹⁰¹[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 ¹⁰²[Federal Government] shall be deemed for the purpose of this section to be securities of that Government;

¹⁰³(c) The amount of such securities held at any time in the Banking Department shall be so regulated that the total value of such securities shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and four fifths of the liabilities of the Banking Department in respect of deposits];

¹⁰⁴[(11) The custody of monies, securities, and other articles of value and the collection of the proceeds, whether principal or interest, profit, dividend or other return 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 ¹⁰⁵[Federal Government], any Provincial Government, ¹⁰⁶[***] 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;

¹⁰⁰ Subs. by Ordinance, 1981, Schedule.2.

¹⁰¹ Subs. by Act, XXIII of 1972.

¹⁰² Subs. by Act, XXIII of 1972.

¹⁰³ Subs. by Act, XXIII of 1966, S.2..

¹⁰⁴ Subs. by Act, LVII of 1980 S.3(b).

¹⁰⁵ Subs. by Act, XXIII of 1972.

¹⁰⁶ Omitted by Ordinance, XXVII of 1981, Schedule 2.

- (b) the purchase, sale, transfer and custody of bills of exchange, securities or shares in any company;
- ¹⁰⁷[(c) the collection of the proceeds, whether principal or interest, profit, dividend or other return, of any securities];
- (d) the remittance of such proceeds at the risk of the principal, by bills of exchange payable either in Pakistan or elsewhere ¹⁰⁸[***];
- (e) the management of public debt; ¹⁰⁹[and
- (f) the transaction of special drawing rights with the International Monetary Fund];
- (14) The purchase and sale of gold coin and gold or silver bullion;
- (15) The opening of an account with or the making of any 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 ¹¹⁰[international or regional bank formed by such principal currency authorities, ¹¹¹[***] the investing of the funds of the Bank in the shares and securities of any such international or regional bank]; ¹¹²[and the holding and transacting of special drawing rights with the International Monetary Fund];
- (16) (a) Subject to sub-clauses (b) and (c) the borrowing of money ¹¹³[***] for the purpose of the business of the Bank, and the giving of security for money so borrowed.

¹⁰⁷ Subs by Ordinance, LVII of 1980, S.3(c)

¹⁰⁸ Omitted by Ordinance, XI of 1969, Schedule 2.

¹⁰⁹ Added by Ordinance, XI of 1969, Schedule.2.

¹¹⁰ Subs for 'International Bank formed by such principal currency authorities and the investing of the funds of the bank in the shares of such International bank', by Act XXIII of 1966, S.2(2)

¹¹¹ Word, 'and' omitted by Ordinance XI of 1969, S.2.

¹¹² Added by Ordinance XI of 1969, S.2.

¹¹³ Words 'for a period not exceeding three months' omitted by Act, XXVI of 1975.

- (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;
- ¹¹⁴[(18) The exercise of powers and the performance of functions and duties entrusted to the Bank by or under this Act or any other law for the time being in force];
- ¹¹⁵[(18A) The entering into clearing and payments arrangements with any country or group of countries, on a general or regional or sub-regional basis, participation in the formation and settlement of international payments transactions under such arrangements, and incurring financial and other obligations relating thereto];
- (19) Establish credits and give guarantees;
- ¹¹⁶[(19A) Establish funds for the purposes of this Act or for any specified purposes as the Federal Government may notify in this behalf; and the purposes of any such fund, its management and any contributions to be made and the rules of the operations of each such fund shall be such as the Central Board may from time to time, determine; 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.

¹¹⁴ Subs by Ordinance, XVI of 1981.

¹¹⁵ Inst by Ordinance, XIII of 1973.

¹¹⁶ Clause (19A) inst by Ordinance 44 of 2000, S.2(b).

¹¹⁷[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 specified by the Bank; and
- (b) appropriations of such amount from the surplus profits of the Bank as may be determined by the Bank in consultation with the ¹¹⁸[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 the making thereof, against such security as the Bank may, from time to time, ¹¹⁹[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, ¹²⁰[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 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 loan or advance, as the case may be, in accordance with the provisions of clause (a);

¹²¹[(d) The making of short-term and medium-term loans and advances

¹¹⁷ Inst by Ordinance V of 1961.

¹¹⁸ Subs by Act, 23 of 1972.

¹¹⁹ Subs by Ordinance XXIII of 1971.

¹²⁰ Subs by Ordinance XXIII of 1971.

¹²¹ Subs by Ordinance 23 of 1972.

to scheduled banks as refinance 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.

¹²²**[17 B . 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 the Bank in consultation with the ¹²³[Federal Government].

(2) The Industrial 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 cooperative 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 making thereof, against such security as the Bank may, from time to time, ¹²⁴[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, ¹²⁵[lay down] in this behalf; and

¹²² Inst by Act 1 of 1968.

¹²³ Subs by Act 23 of 1972.

¹²⁴ Subs by Ordinance XXIII of 1971.

¹²⁵ Subs by Ordinance XXIII of 1971.

(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) ¹²⁶[; and]

¹²⁷[(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 transactions of medium-term or long-term loan to a party seeking to establish a new industrial project of small or medium size.]

¹²⁸**[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 ¹²⁹[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 given for financing exports from Pakistan, on such

¹²⁶ Subs for full-stop Ordinance III of 1970.

¹²⁷ Inst by Ordinance III of 1970 S.4(b).

¹²⁸ Inst by Ordinance, XXIII of 1972.

¹²⁹ Subs by Act, XXIII of 1972.

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.

¹³⁰**[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 ¹³¹[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 percent of any *bona fide* loss that a scheduled bank is proved, to the satisfaction of the Bank, to have incurred in any transaction of a 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.

¹³²**[17E. Housing Credit Fund.**

(1) The Bank shall establish and maintain a fund to be called the Housing Credit Fund to which shall be credited:-

¹³⁰ Inst by Act, XXIII of 1972.

¹³¹ Inst by Act, 23 of 1972.

¹³² Added by Act, XLVII of 1979.

- (a) an initial sum of five crores of rupees to be subscribed by the Bank; and
 - (b) appropriations of such amount from the profits of the Bank as may be determined by the Bank in consultation with the Federal Government;
- (2) The Housing Credit Fund shall be applied by Bank to the following objects, namely:-
- (a) the making of medium-term and long-term loans and advances to scheduled banks and other financing institutions, especially created or established by or under any law for the time being in force for the financing of construction of houses, as refinance against their medium-term and long-term loans and advances given for –
 - (i) financing construction or purchase of houses or for purchase or development of land on which houses are to be constructed or for repair or reconstruction of houses damaged by natural calamities; and
 - (ii) undertaking housing projects, including acquisition of land, planning and development of sites and construction of houses for disposal by sale, on such terms and conditions as to security and other matters as the Bank may from time to time lay down in this behalf; and
 - (b) the purchase, holding or sale of debentures of financing institutions especially created or established by or under any law for the time being in force for the purpose of housing development.

¹³³**[17F. Contributions and donations by the Bank.**

Notwithstanding anything contained in this Act or any other law for the time being in force, the Bank may contribute or donate funds to a body corporate in Pakistan for the study or promotion of, or research in, banking, economics and allied subjects.

¹³³ Added by Ordinance, XVI of 1981, S.3.

¹³⁴**18. Open market and credit operations.**

(1) The Bank may operate in the financial markets buying and selling outright (spot or forward) or under repurchase agreement of Government securities purchased in the secondary market or such other means as may be deemed expedient, and by lending or borrowing claims and marketable instruments, as well as precious metals and conduct credit operations with banks operating in Pakistan, with lending-based on adequate collateral.

(2) The Central Board shall determine the types of instruments and activities and other operational methods of monetary control including Shariah-based instruments to be used for open market and credit operations and it shall announce the conditions under which the Bank stands ready to enter into such transactions.

(3) For the purpose of regulating the monetary and credit system the Bank may issue certificates of deposit and new instruments including those that are Shariah-compliant.

19. Declaration of approved foreign exchange.

On the recommendation of the Central Board, the ¹³⁵[Federal Government] may, by notification in the official Gazette, declare the currency of any country ¹³⁶[or any monetary unit of account] 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;

¹³⁴ SBP(Amendment) Act 2012 (Act No. IX of 2012 dated 13-3-2012)

¹³⁵ Subs for 'Central Government' by Act XXIII of 1972, S.6.

¹³⁶ Inst by Ordinance XLVIII of 1993, S.8.

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

¹³⁷[(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;

(3A) 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) ¹³⁸[Omitted]

21. Government business.

(1) The Bank shall undertake to accept monies for account of the ¹³⁹[Federal Government and Provincial Governments] 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 ¹⁴⁰[Federal Government] and Provincial Governments 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.

¹³⁷ Clause 3 and (3A), subs for clause (3), by Act XVII of 1963, S.3.

¹³⁸ Subsection (6) omitted by Act, II of 1994, S.9.

¹³⁹ Subs for "Federal Government, Provincial Government and Governments of such acceding States as may be approved by the Federal Government", by Ordinance XXVII of 1981, Schedule 2.

¹⁴⁰ Subs for "Central Government" by Act XXIII of 1972, S.6.

- (b) Nothing in this sub-section shall be deemed to prevent the ¹⁴¹[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 ¹⁴²[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 ¹⁴³[Federal Government] shall decide the conditions and its decision shall be final.

¹⁴⁴ **22. Service Charges.**

(1) The Bank shall make public from time to time the standard service charges at which it is prepared to provide financial accommodation to the borrowing entities.

(2) In respect of finance provided by the Bank it may determine, from time to time, the terms and conditions either generally or specially.

¹⁴⁵ **23 International reserves portfolio.**

(1) The Bank may directly or indirectly purchase, hold and sell currencies, financial and capital instruments, including indices and derivatives, issued by governments, agencies, local authorities, corporate and supranational in countries, wherever issued, whose currency has been declared as approved foreign exchange and the remaining effective maturity of which is determined to be of not more than thirty years at the time of purchase:

¹⁴¹ Subs for “Central Government” by Act XXIII of 1972, S.6

¹⁴² Subs for “Central Government” by Act XXIII of 1972, S.6

¹⁴³ Subs for “Central Government” by Act XXIII of 1972, S.6

¹⁴⁴ S.22 subs by Ordinance CX of 2002, S.5, (wef 04-11-2002).

¹⁴⁵ SBP (Amendment) Act, 2012 (Act No. IX of 2012 dated 13-3-2012)

Provided that 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. the permissibility of each of asset class shall be determined by the Central Board.

(2) The Bank may appoint managers, custodians, consultants and any other professional advisors for the effective management of foreign exchange reserves of the country.

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 ¹⁴⁶[Federal Government] on the recommendations of the Central Board.

(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.

¹⁴⁷[(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

¹⁴⁶ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁴⁷ Subs by Act, XXIII of 1972, S.5.

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 Issue 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, ¹⁴⁸[special drawing rights held with the International Monetary Fund], approved foreign exchange or securities as are permitted under this Act to form part of the assets of the Issue Department.

27. Denominations 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 the¹⁴⁹ [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 soiled.

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 the¹⁵⁰[Federal Government] or the Bank the value of any lost, stolen, mutilated or imperfect bank note.

¹⁴⁸ Inst by Ordinance XI of 1969, S.3.

¹⁴⁹ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁵⁰ Subs for "Central Government", by Act XXIII of 1972, S.6.

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:-

¹⁵¹[(a) of the total amount of the assets, assets of such value as the ¹⁵²[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 ¹⁵³[, special drawing rights held with the International Monetary Fund or approved foreign exchange]; and

¹⁵⁴[(b) the remainder of the assets shall be held in—

- (i) rupee coins;
- (ii) rupee securities of any maturity;
- (iii) such bills of exchange and promissory notes payable in Pakistan as are eligible for purchase by the Bank under sub-clauses (a), (b) and (d) of clause (2) of Section 17;
- (iv) promissory notes obtained by the Bank in respect of advances and loans made under clause (4) of Section 17 against such securities as are mentioned in sub-clauses (a) and (b) of that clause; and
- (v) promissory notes obtained by the Bank in respect of advances and loans made under clause (6) of Section 17.]

Provided that the assets falling to the share of the Government of Pakistan under the provision 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.

¹⁵¹ Subs by Ordinance, LII of 1965, S.2.

¹⁵² Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁵³ Inst by Ordinance XI of 1969, S.3.

¹⁵⁴ Subs by Act, XXIII of 1966, S.3.

(2) For the purposes of this section, gold coin and gold bullion shall be valued at the market value of the fine gold content thereof, silver bullion shall be valued at¹⁵⁵ [the market value of the fine silver content thereof], rupee coin shall be valued at its face value and rupee securities and securities specified in subsection (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.

¹⁵⁶[(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;
- (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.]

(5) Restrictions relating to maturity shall not apply to securities mentioned in sub-section (4) 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.

¹⁵⁵ Subs for “0.0744103 grams of fine gold per rupee”, by Ordinance XXXVIII of 1977, S.2.

¹⁵⁶ Subs by Ordinance 52 of 1965, S.2(2).

31. Suspensions of assets requirements.

Notwithstanding anything contained in the foregoing provisions, the Bank, may with the previous sanction of the ¹⁵⁷[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, ¹⁵⁸[special drawing rights held with the International Monetary Fund], 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 ¹⁵⁹[Federal Government] shall supply 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.

¹⁵⁷ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁵⁸ Inserted by Ordinance XXXVII of 1977, S.3, (w.e.f. 10th May, 1969).

¹⁵⁹ Subs for "Central Government", by Act XXIII of 1972, S.6.

(3) The ¹⁶⁰[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 ¹⁶¹[Federal Government], determine rupee coins which are not required for purposes of circulation against payment.

34. Obligation of the ¹⁶²[Federal Government] in respect of rupee coin.

The ¹⁶³[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 ¹⁶⁴[Federal Government] under the preceding section.

35. Offences and penalties relating to unauthorized issue of bills and bank notes.

(1) No person in Pakistan other than the Bank or as expressly authorised by this Act, the ¹⁶⁵[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 persons, 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 ¹⁶⁶[Federal Government] shall make or issue any promissory note expressed to be payable to the bearer of the instrument.

(3) Any person contravening the provision of this section shall be punishable upon conviction with fine which may extend to double the amount of

¹⁶⁰ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶¹ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶² Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶³ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶⁴ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶⁵ Subs for "Central Government", by Act XXIII of 1972, S.6.

¹⁶⁶ Subs for "Central Government", by Act XXIII of 1972, S.6.

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.

¹⁶⁷**36. Minimum reserves.**

(1) The Bank may require banks or financial institutions to hold minimum reserves on deposit accounts with the Bank in pursuance of its monetary policy objectives.

(2) The Bank may require the banks and financial institutions to hold special reserves on deposit accounts with the Bank in pursuance of its monetary policy or risk management of banking or financial sector and may provide for any remuneration or return on such special reserves.

(3) The Bank shall, by regulations, establish the method of calculating the minimum reserves required to be maintained under sub-section (2).

37. Scheduled banks.

(1) The Bank shall maintain at all its offices and branches an up-to-date list of banks declared by it to be scheduled banks under clause (a) of subsection (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 227F 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 reserves of an aggregate value of

¹⁶⁷ SBP (Amendment) Act, 2012 (Act No, IX of 2012 dated 13-3-2012)

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 interest of its depositors;

(b) direct the descheduling 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 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 the 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 transaction under Section 17 to furnish returns ¹⁶⁸[referred to in] under sub-section (3) of Section 36, and if it does so require, the provisions of sub-section (6), (7) and (8) of Section 36 shall apply, so far as may be, to such Corporation as if it were a scheduled bank.

¹⁶⁸ Sub for “prescribed under”, Ordinance XXIII of 1971, S.10.

39. Publication of consolidated statements by the Bank.

The Bank shall compile and publish in such manner and at such times as the ¹⁶⁹[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 ¹⁷⁰[Federal Government] a weekly account of the Issue Department and of the Banking Department in such form as the ¹⁷¹[Federal Government] may, by notification in the official Gazette, direct. The ¹⁷²[Federal Government] shall cause these accounts to be published weekly in the official Gazette.

(2) The Bank shall also, within¹⁷³ [four] months from the date on which the annual accounts of the Bank are closed, ¹⁷⁴[release to the public and simultaneously] transmit to the ¹⁷⁵[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 ¹⁷⁶[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 ¹⁷⁷[Federal Government] a statement showing the name, address and occupation of, and the number of shares held by each shareholder of the Bank.

¹⁶⁹ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷⁰ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷¹ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷² Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷³ Subs for, “two” by Act II of 1994, S.11(a).

¹⁷⁴ Inserted by Act II of 1994, S.11(b).

¹⁷⁵ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷⁶ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

¹⁷⁷ Subs for, “Central Government”, by Act XXIII of 1972, S.6.

CHAPTER V

GENERAL

41. Reserve Fund.

¹⁷⁸[The securities of the value of three crores of rupees contributed by the ¹⁷⁹[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 prior approval of the Federal 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 profit a dividend on the shares at a rate to be fixed by the ¹⁸⁰[Federal Government] from time to time. ¹⁸¹[***] Any surplus remaining thereafter shall be paid to the ¹⁸²[Federal Government].

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.

¹⁷⁸ Subs for, original section by Ordinance, XXIII of 1971, S.11.

¹⁷⁹ Subs for, "Central Government", by Act XXIII of 1972, S.6.

¹⁸⁰ Subs for, "Central Government", by Act XXIII of 1972, S.6.

¹⁸¹ Words "which shall not be less than 4% per annum" omitted by Ordinance LVII of 1980, S.7.

¹⁸² Subs for, "Central Government", by Act XXIII of 1972, S.6.

(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 43 the ¹⁸³[Federal Government] may any time appoint the Auditor-General or such auditors as it thinks fit to examine and report upon the accounts of the Bank.

45. Power and duties of auditors

(1) Every Auditor shall be supplied with 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 and other documents of the Bank, and may, at the expense of the Bank, if appointed by it, or at the expense of the ¹⁸⁴[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 to the ¹⁸⁵[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 state of 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.

¹⁸³ Subs for, "Central Government", by Act XXIII of 1972, S.6.

¹⁸⁴ Subs for, "Central Government", by Act XXIII of 1972, S.6.

¹⁸⁵ Subs for, "Central Government", by Act XXIII of 1972, S.6.

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 ¹⁸⁶[person in the service] of the Bank acting in his capacity as such shall be deemed to be public officer.

(2) The provisions of Section 123 of the Evidence Act shall apply to the unpublished records ¹⁸⁷[***] of the Bank and the Governor shall be deemed to be the officer or head of the department concerned.

¹⁸⁸(3) Every ¹⁸⁹[person in the service] 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)]

¹⁹⁰[46A. Production of unpublished record of Bank, etc.

(1) No court tribunal or other authority shall be entitled to compel the Bank or any person in the service of the Bank to produce, or as the case may be, give any evidence derived from, any unpublished record of the Bank.

(2) No court, tribunal or other authority shall permit anyone to produce or give evidence derived from, any unpublished record of the Bank, except with the prior permission in writing of the Governor who may give or withhold such permission as he thinks fit.

(3) Notwithstanding anything contained in this Act or any other law for the time being in force, a report prepared by the Bank on a banking company under Section 40 of the Banking Companies Ordinance, 1962 (LVII of 1962), shall be

¹⁸⁶ Subs for, "officer" by Ordinance XVI of 1981, S.6(a) and shall deemed always to have been so substituted.

¹⁸⁷ Words "relating to the officers", omitted by Ordinance XVI of 1981S.6(b) and shall be deemed always to have been so omitted.

¹⁸⁸ Added by Ordinance, XXIII of 1971, S.12

¹⁸⁹ Subs for, "officer" by Ordinance XVI of 1981, S.6(c) and shall deemed always to have been so substituted.

¹⁹⁰ Inserted by Ordinance, XVI of 1981, S.7.

deemed to be unpublished for the purposes of sub-sections (1) and (2) even if a copy of such report has been supplied to the banking company to which the report pertains or to the Federal Government or to the Pakistan Banking Council constituted under Section 9 of the Banks (Nationalisation) Act, 1974 (Act XIX of 1974).

¹⁹¹**[46 B . Inconsistent directives not be issued.**

(1) No Governmental or quasi Governmental body or agency shall issue any directive, directly or indirectly, to any banking company or any other financial institution regulated by the Bank which is inconsistent with the policies, regulations and directives issued by the Bank pursuant to ¹⁹²[or in exercise of its powers under this Act or any other law in force.

(2) The Bank, the members of the Central Board or the staff of the Bank, shall not take instructions from any other person or entity, including government or quasi-government entities. The autonomy of the Bank shall be respected at all times and no person or entity shall seek to influence the members of the Central Board and Monetary Policy Committee or the staff of the Bank in the performances of their functions or interfere in the activities of the Bank.]

47. Pensions of Bank employees to be exempt from attachments, etc.

Notwithstanding anything contained in any law for the time being in force pension, ¹⁹³[gratuity and provident fund] 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 Bank¹⁹⁴[and any subsidiary or trust established by it] shall not be liable to the payment of any Stamp Duty under the Stamp Act, 1899.

¹⁹¹ Inst “new section 46-B” by State Bank of Pakistan (Amendment) Act XIII of 1997, S.4.

¹⁹² SBP (Amendment) Act 2012 (Act No. IX of 2012 dated 13-3-2012)

¹⁹³ SBP (Amendment) Act 2012 (Act No. IX of 2012 dated 9-3-2012)

¹⁹⁴ Inst by Ordinance IX of 2001, S.3 (w.e.f. 20th February, 2001).

¹⁹⁵**[49. Exemption from Taxes.**

Notwithstanding anything in the Wealth Tax Act, 1963 (XV of 1963), and Income Tax Ordinance, 1979 (XXXI of 1979), or any other law for the time being in force relating to wealth tax, income tax or super tax the Bank and any subsidiary, or trust, established by it shall not be liable to pay wealth tax, income tax or super-tax on their income or wealth.]

50. Liquidation of the Bank.

The Bank shall not be placed in liquidation save by order of the ¹⁹⁶[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. ¹⁹⁷ Omitted

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

¹⁹⁵ Section 49 subs by Ordinance, IX of 2001, S.4. (w.e.f. 20th February, 2001).

¹⁹⁶ Subs for, "Central Government", by Act XXIII of 1972, S.6.

¹⁹⁷ SBP (Amendment) Act, 2012 (Act No. IX of 2012 dated 13-3-2012)

guilty of an offence and shall on conviction by a court of competent jurisdiction be punished with imprisonment of either description 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. Powers of the Central Board to make regulations.

(1) ¹⁹⁸[***] 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 ¹⁹⁹[:

Provided that the terms and conditions of service of Governor and Deputy Governor shall be determined by the Federal Government.]

(2) In particular and without prejudice to the generality of the foregoing provision, 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 or candidates for election or regarding the validity of elections;
- (c) the maintenance of the share registers, the manner in which and the conditions 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

¹⁹⁸ Words "Subject to the approval of the Federal Government", omitted by Act II of 1994, S.12(a)(i).

¹⁹⁹ Colon subs for full-stop and proviso added by Act II of 1994, S.12(a)(ii).

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 of²⁰⁰[***] 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 Board and the delegation of powers and functions to Local Boards;
- (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 effect of its use;

²⁰⁰ Words "Deputy Governor", omitted by Act II of 1994,S.12(b).

- (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 ²⁰¹[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.

²⁰²**[54A. Provisions to override other laws.**

This Act shall have effect notwithstanding anything contained in any other law for the time being in force or any agreement, contract, memorandum or articles of association.

²⁰¹ Subs for, “subsection”, by Act I of 1968.

²⁰² Section 54A and 54B added by Ordinance, XLVII of 1980, S.8.

54 B . Removal of difficulties.

If any difficulty arises in giving effect to any of the provision of this Act the Federal Government may make such order as may appear to it to be necessary for the purpose of removing the difficulty.]

XVII OF 1955

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

²⁰³[THE SCHEDULE]

(See Section 7)

AREAS SERVED BY THE VARIOUS SHARE REGISTERS

(1) The Karachi area, served by the Karachi Register, shall consist of the Provinces of Sindh 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.

²⁰⁴[***]

²⁰³ Subs by Ordinance, XXIII of 1971, S.13.

²⁰⁴ Para 3 omitted by P.O. IV of 1975, Schedule.

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