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PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

*Islamabad, the 11th March, 1974*

The following Acts of Parliament received the assent of the President on the 7th March, 1974, and are hereby published for general information :—

An Act to provide for the nationalization of banking business in Pakistan

WHEREAS it is expedient in the public interest to provide for the nationalization of banking business in Pakistan;

It is hereby enacted as follows:

**1. Short title, extent and commencement.**—(1) This Act may be called the Banks (Nationalization) Act, 1974.

(2) It extends to the whole of Pakistan.

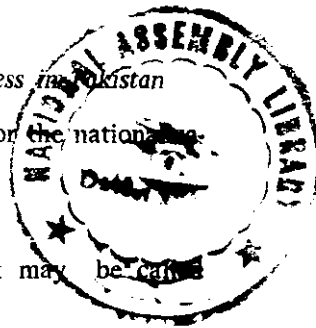
(3) It shall come into force at once and shall be deemed to have taken effect on the 1st day of January, 1974.

**2. Act to override other laws.**—This Act shall have effect notwithstanding anything contained in any other law for the time being in force or in any agreement, contract, award, memorandum or articles of association or other instrument.

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

(1) "bank" means—

- (a) a company registered under the Companies Act, 1913 (VII of 1913), and transacting, in or outside Pakistan, the business of banking as defined in clause (b) of section 5 of the Banking Companies Ordinance, 1962 (LVII of 1962), in respect of which no proceedings under Part III or Part IV of the said Ordinance have been taken or are pending immediately before the commencing day; and
- (b) a banking company incorporated by or under any law within the legislative competence of Parliament, including the State Bank, the National Bank of Pakistan, the Industrial Development Bank of Pakistan and the Agricultural Development Bank of Pakistan, but does not include—
  - (i) a bank which is an enemy firm within the meaning of the Defence of Pakistan Rules, or
  - (ii) a banking company incorporated outside Pakistan and transacting banking business in Pakistan, or



- (iii) a cooperative bank registered under the Cooperative Societies Act, 1925 (VII of 1925), or any other law for the time being in force relating to cooperative societies, not being a cooperative bank which is a scheduled bank, or
  - (iv) a Government Savings Bank to which the Government Savings Bank Act, 1873 (V of 1873), applies, or
  - (v) a corporation or company owned or controlled by a Province and carrying on banking business only within that Province;
- (2) "commencing day" means the 1st day of January, 1974;
- (3) "Council" means the Pakistan Banking Council constituted under this Act;
- (4) "Executive Board" means an Executive Board constituted under this Act;
- (5) "prescribed" means prescribed by rules made under this Act;
- (6) "State Bank" means the State Bank of Pakistan established under the State Bank of Pakistan Act, 1956 (XXXIII of 1956); and
- (7) other words and expressions used but not defined in this Act shall have the same meaning as in the Banking Companies Ordinance, 1962 (LVII of 1962).

**4. Exclusive right to establish bank.**—The Federal Government or a corporation wholly owned or controlled by the Federal Government shall have the exclusive right to establish a bank.

**5. Transfer and vesting of ownership, etc., of banks.**—(1) The ownership, management and control of all banks shall stand transferred to, and vest in, the Federal Government on the commencing day.

(2) All shares in the capital of a bank held by persons other than the Federal Government, a Provincial Government, a corporation owned or controlled by the Federal Government or the State Bank shall stand transferred to, and vest in, the Federal Government on the commencing day, free of all trusts, liabilities and encumbrances.

(3) The vesting of any shares in the Federal Government under sub-section (2) shall not affect the rights *inter se* of a shareholder and any other person who may have an interest in such shares and such other person shall be entitled to enforce his interest against the compensation awarded to the shareholder under section 6.

(4) The safety of all deposits in banks shall stand guaranteed by the Federal Government.

(5) The provisions of this Act and the vesting of the shares of the banks in the Federal Government thereunder shall not in any way affect the status of the banks as bodies corporate under the Companies Act, 1913 (VII of 1913).

**6. Compensation for transfer of ownership of shares in a bank.**—(1) Every person who stands registered as the holder of any share of a bank the ownership, management and control of which stands transferred to the Federal

1. Ins. by Act LXXVII of 1975.

Government by virtue of section 5 shall be entitled to receive from the Federal Government by way of compensation per share an amount determined in accordance with the provisions of section 7 in the form of bonds of the Federal Government, repayable at par at any time within a period of fifteen years in accordance with a redemption programme formulated by the Federal Government and bearing interest at the rate of one per cent above the bank rate notified by the State Bank from time to time :

Provided that, in formulating the redemption programme, the Federal Government may make provision for preferential redemption of the bonds of such class of persons who are of meagre means such as orphans, widows and pensioners, and the amount of compensation payable to whom does not exceed such maximum amount, as the Federal Government may deem fit :

Provided further that, where the amount so determined is not an exact multiple of one hundred rupees, the amount in excess of the nearest lower multiple of one hundred rupees shall be paid in cash.

(2) The bonds shall be negotiable and eligible as security for advances.

**7. Assessment of compensation.**—The amount of the compensation shall be the amount equal to the break-up value of the share as determined by an auditor appointed by the Federal Government from the balance sheet of the bank as on the 31st December, 1973, according to the principles laid down in rule 8 of the Wealth Tax Rules, 1963 :

Provided that in case of a share of the State Bank the amount of the compensation shall be the average of the closing quotations during six working days immediately preceding the commencing day on the Karachi Stock Exchange :

Provided further that, in respect of any share obtained at par from the Federal Government by any directors of the Central Board of Directors of the State Bank or a member of the Local Board of that Bank under the provisions of sub-section (3) of section 13 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the amount of compensation shall be calculated at the rate of one hundred rupees per share.

**8. Removal of previous management.**—(1) Every person holding office in any bank as chairman, director or chief executive by whatever name called, other than a person who holds such office by virtue of his appointment or nomination by the Federal Government or the State Bank, shall stand removed from his office on the commencing day and this removal shall not entitle him to any compensation and no such claim shall be entertained by any court, tribunal or other authority.

(2) The vacation of his office by a chairman, director or chief executive under sub-section (1) or otherwise shall not in any way absolve him of his liability, if any, under any law, contract or otherwise howsoever subsisting immediately before the commencing day or the day on which he ceases to hold such office.

(3) A chairman, director or chief executive by whatever name called ceasing to hold office under any of the aforesaid provisions shall entrust or cause to be entrusted to the person succeeding him in that office, in tact and in as good order as they existed on the day immediately preceding the commencing day all properties, all books of accounts and other records and documents belonging to or in the custody or control or pertaining to the affairs, of the bank.

(4) Central Boards of the banks mentioned in the Schedule, and all local bodies, area boards, managing committees, executive committees and similar other bodies for the management of any bank shall stand dissolved, and all members of such bodies shall stand removed from office, on the commencing day.

(5) For banks other than those mentioned in the Schedule, vacancies occurring under sub-section (1) and vacancies existing before the commencing day or occurring thereafter shall be filled by the Federal Government by appointing such persons as it deems fit.

**9. Pakistan Banking Council.**—(1) This section and section 11 shall apply to the banks mentioned in the Schedule and any new bank which may be constituted after the commencing day, whether by merger or reorganisation of the said banks or under the Companies Act, 1913 (VII of 1913).

(2) The Federal Government shall, by notification in the official Gazette, constitute a Council to be called the Pakistan Banking Council and consisting of:—

- (i) a Chairman;
- (ii) a Deputy Governor of the State Bank;
- (iii) an official of the Ministry of Finance, Government of Pakistan; and
- (iv) not more than five and not less than three members:

Provided that not less than three members shall be full-time members one of whom shall be appointed by the Federal Government to be the Secretary of the Council.

(3) The Council shall be a body corporate having perpetual succession and common seal, with power to acquire and hold property, and shall by the name given to it by sub-section (2) sue and be sued.

(4) The functions of the Council shall be—

- (i) making policy recommendations to the Federal Government for directing banking activities towards national socio-economic objectives;
- (ii) formulating policy guidelines for the banks;
- (iii) laying down performance *criteria* for banks, and taking steps for ensuring their observance;
- (iv) evaluating the performance of the banks in the context of national socio-economic objectives and policy guidelines issued to the banks;
- (v) determining the areas of co-ordination of the banks;
- (vi) formulating schemes under section 15;
- (vii) making recommendations to the Federal Government for the appointment of the President and members of an Executive Board;
- (viii) analysing and appraising financial statements, including Balance Sheets and Profit and Loss Accounts, of the banks and appointment of auditors of the banks;
- (ix) conducting such surveys, inquiries and appraisals as may be necessary for the purposes of this Act; and
- (x) exercising and performing such powers and functions of the Federal Government under this Act, and such other functions, as the Federal Government may assign to it.

(5) For the proper exercise of its functions, the Council may require information, returns or periodical and special reports from banks.

(6) The Council may appoint such officers, employees, experts and consultants as it may deem fit.

10. **Funds of Council.**—(1) There shall be constituted for the Council a fund to which shall be credited all sums received by the Council under sub-section (2) and out of which shall be defrayed all expenditure incurred by the Council, including expenditure on the emoluments of the Chairman, members and officers, servants, experts and consultants of the Council.

(2) Every bank to which the provisions of sections 9 and 11 apply shall make to the Council each year such payment to enable it to defray its expenses as the Council may, with the approval of the Federal Government, demand of the bank.

11. **General provisions pertaining to management of banks.**—(1) A bank shall have an Executive Board consisting of a President and not less than two and not more than four other members to be appointed by the Federal Government.

(2) The general direction and superintendence of the affairs and business of a bank shall vest in its Executive Board which may exercise all such powers and do all such acts, deeds and things as the bank was competent, immediately before the commencing day, to exercise or do in a meeting of the Board of Directors.

(3) The President shall be the chief executive of a bank and shall preside at the meetings of the Executive Board and direct, manage and control the affairs of the bank.

(4) In the exercise of their powers the Executive Board and the President of a bank incorporated by or under any special law shall not be subject to restrictions which do not apply to the Executive Board or the President of a bank registered under the Companies Act, 1913 (VII of 1913).

(5) The banks shall—

(i) operate within the policy guidelines laid down by the Council and make every effort for observance of the performance criteria laid

“(5A) Where the Council is satisfied that—

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- (a) in the public interest; or
- (b) to prevent the affairs of any bank being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the bank; or
- (c) to secure the proper management of any bank generally,

mer  
if :-

It is necessary to issue directions to banks generally, or to any bank in particular, it may, from time to time, issue such directions as it deems fit, and the banks, or the bank, as the case may be, shall be bound to comply with such directions.”

... was at any time in the service of The Federal Government or a Provincial Government or of a statutory body or corporation or board owned or controlled by any such Government or in the service of a bank and was dismissed; or

1. Ins. by Act LXXVIII of 1975.

- (v) he is a person against whom any action has been taken or any proceedings are pending under section 235 of the Companies Act, 1913 (VII of 1913), or section 83 of the Banking Companies Ordinance, 1962 (LVII of 1962) :

Provided that the Federal Government shall, before appointing any person satisfy itself that the person will have no such financial or other interest as is likely to affect prejudicially the performance by him of the functions of the office to which he is being appointed.

(7) The Chairman and members of the Council and the President and members of an Executive Board shall be appointed by the Federal Government and shall hold office during the pleasure of the Federal Government on such terms and conditions as may be determined by it.

(8) The Chairman and members of the Council and the President and members of an Executive Board shall, in the discharge of their functions act on sound business principles and be guided by such directives in matters of policy involving the public interest as may be given to the Council by the Federal Government, which shall be the sole judge as to whether or not any matter is a matter of policy involving the public interest.

(9) No directive by the Federal Government or policy guidelines or decisions by the Council or the Executive Board of a bank or the President of the Board shall be in contravention of the provisions of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), or the Banking Companies Ordinance, 1962 (LVII of 1962).

(10) The Federal Government may constitute such consultative bodies at the Provincial and other levels, as may, in its opinion, be necessary for gathering information from the public to identify areas of improvement in service, facilities to customers and the public including measures for meeting regional credit requirements.

**12. Fidelity and secrecy.**—(1) The Chairman and members of the Council, every bank, members of its board of management and chief executive, by whatever name called, shall observe, except as otherwise required by law, the practices and usages customary among bankers and, in particular, shall not divulge any information relating to the affairs of its constituents except in circumstances in which it is, in accordance with law or practice and usages customary among bankers, necessary or appropriate for a bank to divulge such information.

(2) The Chairman and members of the Council, members of the board of management of every bank, every administrator, auditor, adviser, officer or other employee of the Council or a bank shall, before entering upon his office, make a declaration of fidelity and secrecy in such form as may be prescribed.

*Explanation.*—In the case of any such person employed in connection with the affairs of a bank as is not required by any provision of this Act to vacate any office held by him, the requirements of this sub-section shall be deemed to be satisfied if such person has already filed with the bank a declaration more or less to the effect of the prescribed form.

**13. Provisions regarding staff.**—(1) Save as otherwise provided in this Act, all officers and other employees of a bank shall continue in their respective

offices and employments on the same terms and conditions, including remuneration and rights as to pension and gratuity, as were applicable to them immediately before the commencing day.

(2) Notwithstanding any law or any provision contained in a contract, agreement, letter of appointment rules or regulations of a bank, every officer and employee of a bank shall be liable to transfer to any of its branches in or outside Pakistan or to any other bank :

Provided that his status and emoluments shall not be adversely affected.

**14. Certain claims for compensation barred.**—No person including a chairman, director, chief executive by whatever name called, a shareholder, a constituent or an officer or employee of a bank shall have any right, whether in contract or otherwise, to any compensation other than that expressly provided for by this Act, for any loss or damage directly or indirectly incurred by reason of the operation of any of the provisions of this Act or any rule or order made or direction issued thereunder.

**15. Schemes for reorganisation of banks, etc.**—(1) The Council may, in consultation with the State Bank and with due regard to the interest of the depositors, prepare a scheme for improving the management and operation of a bank or group of banks to serve the needs of development of the economy.

(2) A scheme prepared under sub-section (1) may *inter alia* provide for all or any of the following matters, namely :—

- (i) the reconstitution of a bank or a group of banks into a new bank registered under the Companies Act, 1913 (VII of 1913), or a Corporation incorporated under a Federal law, the amalgamation of two or more banks or the merger of one or more banks in another bank ;
- (ii) formulation or reformulation of memorandum or articles of association of a bank or reconstituted or amalgamated bank ;
- (iii) modification of the capital structure of a bank or reconstituted or amalgamated bank ;
- (iv) additions to or deletions from the kind of business in which a bank may engage and the place or places where it may carry on its business ; and
- (v) changing the name of an existing bank or naming a reconstituted or amalgamated bank.

(3) A scheme prepared under sub-section (1) shall be submitted to the Federal Government for approval and shall, after it has been approved by the Federal Government, with or without modification, be published in the official Gazette and shall take effect on such date as may be specified therein.

**16. Removal of doubts.**—For the removal of doubts, it is hereby declared that—

- (a) all assets, rights, powers, authorities and privileges and all property, movable or immovable, cash balances, reserve funds, investments and all other rights and interests arising out of such property as were immediately before the commencing day in the ownership, possession, power or control of a bank, whether within or outside Pakistan, shall, unless other provisions are made for their redistribution



in accordance with a scheme prepared under sub-section (1) of section 15, continue to vest in that bank, and all borrowings, liabilities, including contingent liabilities, and obligations of a bank of whatever kind subsisting immediately before the commencing day shall, unless other provisions as aforesaid are made for their discharge or performance, continue to be the borrowings, liabilities and obligations of that bank;

- (b) all contracts, deeds, bonds, agreements, powers of attorney, other than those in favour of a person vacating his office under this Act, grant of legal representation and other instruments of whatever kind subsisting or having effect immediately before the commencing day to which a bank is a party or which are in favour of a bank shall be of as full force and effect against or in favour of a bank as they were immediately before the commencing day; and
- (c) if, on the commencing day, any suit, appeal or other legal proceeding of whatever nature which is by or against the bank or to which the bank is a party is pending in any court or before a tribunal or other authority, the same shall not abate, be discontinued or be, in any way, prejudicially affected by any provision of this Act.

**17. Disposal of profits.**—Subject to the provisions of the law by or under which a bank has been established and the provisions of the State Bank Act, 1956 (XXXIII of 1956), and the Banking Companies Ordinance, 1962 (LVII of 1962), a bank shall not declare any dividend on its share capital unless—

- (a) it has drawn up its annual balance sheet and profit and loss account and has its accounts audited by an auditor qualified to act as such under the Banking Companies Ordinance, 1962 (LVII of 1962);
- (b) it has made adequate provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other contingencies for which provision is necessary under any law or which are usually provided for by bankers; and
- (c) a copy of the balance sheet and profit and loss account along with the audit report has been supplied to the State Bank and the Federal Government and the latter has approved the declaration of such dividend:

Provided that, before according such approval, the Federal Government may, of its own motion or on the recommendation of the State Bank, order a second audit of the accounts of the bank and appoint such auditor for the purpose as it thinks fit.

**18. Indemnity.**—No suit, prosecution, or other legal proceedings shall lie against the Federal Government, the State Bank, the Chairman or members of the Council, the President or members of the Executive Board or any officer of the Federal Government or the State Bank or a bank for any thing in good faith done or purporting to be done under this Act or any rule or order made or direction issued thereunder or for any damage caused or likely to be caused by anything done or purporting to be done as aforesaid.

**19. Bar of jurisdiction.**—No provision of this Act or of any rule or order made or direction issued thereunder shall be called in question by or before any court or other authority.

**20. Power to make rules.**—The Federal Government may, by notification in the official Gazette, make rules to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

**21. Adaptation of laws.**—Any court, tribunal or authority required or empowered to enforce the Companies Act, 1913 (VII of 1913), or the memorandum or articles of association of a bank registered thereunder, or any other law for the time being in force shall construe the said Act, memorandum or articles of association or such other law with such adaptations as are necessary to bring the same into accord with the provisions of this Act.

**22. Penalty.**—(1) Whoever contravenes any of the provisions of this Act or the rules made thereunder shall be punishable with imprisonment for a term which may extend to five years, or with fine, or with both.

(2) No person shall be prosecuted under this Act except with the sanction of the Federal Government or an officer authorised by it in this behalf.

**23. Removal of difficulties.**—If any difficulty arises in giving effect to any provision of this Act, the Federal Government may make such order not inconsistent with the provisions of this Act as may appear to it to be necessary for the purpose of removing the difficulty.

**24. Repeal of Ordinance I of 1974.**—The Banks (Nationalisation) Ordinance, 1974 (I of 1974), is hereby repealed.

### THE SCHEDULE

[See sections 8 and 9]

- (1) Australasia Bank Limited.
- (2) Bank of Bahawalpur Limited.
- (3) Commerce Bank Limited.
- (4) Habib Bank Limited.
- (5) Lahore Commercial Bank Limited.
- (6) Muslim Commercial Bank Limited.
- (7) National Bank of Pakistan.
- (8) Punjab Provincial Co-operative Bank Limited.
- (9) Standard Bank Limited.
- (10) United Bank Limited.
- (11) Sarhad Bank Limited.
- (12) Premier Bank Limited.
- (13) Pak Bank Limited.
- (14) Habib Bank (Overseas) Limited.