

[AS PASSED BY THE NATIONAL ASSEMBLY]

A

BILL

further to amend the Banks (Nationalization) Act, 1974

WHEREAS it is expedient further to amend the Banks (Nationalization) Act, 1974 (XIX of 1974) for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. **Short title and commencement.-** (1) This Act may be called the Banks (Nationalization) (Amendment) Act, 2018.

(2) It shall come into force at once.

2. **Substitution of section 17, Act XIX of 1974.-** In the Banks (Nationalization) Act, 1974 (XIX of 1974), for section 17, the following shall be substituted, namely:-

"17. Disposal of profits.- Subject to the law by or under which a bank has been established, the State Bank Act, 1956 (XXXIII of 1956) and the Banking Companies Ordinance, 1962 (LVII of 1962) and complying with all regulatory requirements, a bank may declare dividend after-

- (a) it has drawn up its quarterly, half-yearly or annual balance sheet and profit and loss account and has its quarterly, half-yearly accounts reviewed or annual audited, as the case may be, 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 regulations or which are usually provided for the bankers; and
- (c) a copy of the balance sheet and profit and loss account along with the review or audit report, as the case may be, 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 recommendation of the State Bank, order a second review or audit of the accounts of the bank and appoint such auditor for such purpose as it deems fit."

STATEMENT OF OBJECTS AND REASONS

It is normal practice of companies including banking companies to declare interim dividend to shareholders thereby portraying a good image of the organization as well as sending positive sentiments to prospective investors through stock exchanges. The existing provisions of section 17 of the Banks (Nationalization) Act, 1974 however restrict nationalized banks from declaring interim dividend to their shareholders. Therefore, necessary amendment in the law is being proposed thereby allowing nationalized banks to declare interim dividend to meet their shareholders/investors expectations. The proposed amendment will also align the Banks (Nationalization) Act provision with section 183 of the Companies Act, 2017, explanation of which covers interim dividend as well.

2. This Bill is designed to achieve the aforesaid purpose.

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