

**[AS PASSED BY THE NATIONAL ASSEMBLY]**

**A  
BILL**

*further to amend the State Bank of Pakistan Act, 1956*

**WHEREAS** it is expedient further to amend the State Bank of Pakistan Act, 1956 (XXXIII of 1956), in the manner and for the purposes hereinafter appearing;

It is hereby enacted as under:-

**1. Short title and commencement.-** (1) This Act shall be called the State Bank of Pakistan (Amendment) Act, 2021.

(2) It shall come into force at once.

**2. Substitution of preamble, Act XXXIII of 1956.-** In the State Bank of Pakistan Act, 1956 (XXXIII of 1956), hereinafter referred to as the said Act, for the preamble, the following shall be substituted, namely:-

"WHEREAS it is necessary to provide for the constitution of State Bank to achieve domestic price stability by way of regulating the monetary and credit system of Pakistan and, without prejudice to said primary objective, contribute to the stability of the financial system of Pakistan and supporting the general economic policies of the Federal Government to foster development and fuller utilization of the country's productive resources;"

**3. Amendments of section 2, Act XXXIII of 1956.-** In the said Act, in section 2,-

(a) after the omitted clause (a), the following new clause shall be inserted, namely:—

"(aa) "advanced degree" means a postgraduate qualification;"

(b) after clause (ff), the following new clause shall be inserted, namely:—

"(ffa) "development finance activity" means to undertake an activity to promote any activity of any priority sector such as agriculture, small and medium enterprises, housing or other such sectors;"

(c) after clause (i), the following new clause shall be inserted, namely: —

(ia) "international reserves" mean the Bank's foreign exchange reserves;"

(d) after clause (k), the following new clauses shall be inserted, namely: —

“(ka)”monetary liabilities” means the total liabilities of the Bank as reflected in the annual audited financial statements at the balance sheet date as reduced by the sum of following liabilities of the same date, namely: —

- (i) deposits of the Government;
- (ii) amounts owing to the International Monetary Fund, the World Bank, Asian Development Bank or other such institutions;
- (iii) deposits of foreign central banks or sovereign wealth funds;
- (iv) utilized swap lines of foreign central banks; and
- (v) balances of participant central banks under any clearing union;

(kb) “price stability” means the maintenance of low and stable inflation guided by the government’s medium-term inflation target;

(kc) “recognized university” means a university or equivalent academic institution recognized by the Higher Education Commission of Pakistan;”;

(e) after clause (o), the following new clause shall be inserted, namely: —

“(oa) “Government” means the Federal or a Provincial Government or a Local Government, as the case may be;”.

**4. Amendment of section 3, Act XXXIII of 1956.** —In the said Act, in section 3, after sub-section (2), the following new sub-section shall be added, namely:-

“(3) Subject to this Act, the Bank shall have the power to acquire, hold and dispose of movable and immovable property of any kind, to enter into contracts and to undertake all activities necessary for the achievement of its objectives.”.

**5. Substitution of section 4, Act XXXIII of 1956.**- In the said Act, for section 4, the following shall be substituted, namely: —

**"4. Share capital.**- (1) The authorized capital of the Bank shall be five hundred billion Rupees, divided into five billion shares of one hundred Rupees each. The authorized capital may be increased by the resolution of the Board, subject to the approval of the Federal Government.

(2) The paid-up capital of the Bank shall be one hundred billion Rupees, divided into one billion shares of one hundred Rupees each, which shall be made up through issuance of bonus shares by capitalizing of profits or general reserve or through subscription of shares in cash by the Federal Government.

(3) The capital shall be fully paid-up and held exclusively by the Federal Government and shall not be transferable to any other person or entity.

(4) The Board may, with the prior approval of the Federal Government, increase the paid-up capital from time to time by a resolution, which shall be made up in the same manner as specified in sub-section (2).

(5) No reduction in either the authorized capital or paid-up capital shall be made at any time.

(6) The nominal value, issue price, the manner in which the new shares may be issued and their assignment to the register of shareholders shall be determined by the Board.

(7) Notwithstanding the amount of paid-up capital prescribed in sub-section (2), the paid-up capital and general reserves of the Bank shall increase to eight percent of its monetary liabilities through allocation from the distributable profit as determined in section 42."

**6. Insertion of new sections, Act XXXIII of 1956.** — In the said Act, after section 4, substituted as aforesaid, the following new sections 4A, 4B and 4C shall be inserted, namely:-

**"4A. Re-capitalization.-** In the event that in the audited annual financial statements of the Bank, the sum of paid-up capital and general reserves falls below zero, then—

- (a) the Board, with the advice of the external auditors of the Bank, shall examine and prepare a report on the causes and extent of the shortfall within a period not exceeding thirty calendar days;
- (b) in the event that the Board approves the report under clause (a), the Bank shall request the Federal Government for a capital contribution to remedy the deficit with a view to restoring the capital to the level of prescribed paid-up capital under section 4; and
- (c) upon receipt of the request under clause (b), the Federal Government shall, within a period not exceeding thirty calendar days, transfer to the Bank the necessary amount in cash or in negotiable debt instruments with a specified maturity issued at prevailing market-related interest rates.

**4B. Objectives.-** (1) The primary objective of the Bank shall be to achieve and maintain domestic price stability.

(2) Without prejudice to the Bank's primary objective, the Bank shall contribute to the stability of the financial system of Pakistan.

(3) Subject to sub-sections (1) and (2), the Bank shall support the Government's general economic policies with a view to contributing to fostering the development and fuller utilization of Pakistan's productive resources.

**4C. Functions of the Bank.-** The functions of the Bank to achieve the objectives set forth in section 4B and as further described in this Act, shall be to—

- (a) determine and implement monetary policy;
- (b) formulate and implement the exchange rate policy;
- (c) carry out and disseminate research relevant to Bank's objectives and functions;
- (d) hold and manage all international reserves of Pakistan;
- (e) issue and manage the currency of Pakistan, including regulating their denominations;
- (f) collect and produce statistics relevant to the Bank's objectives and functions;
- (g) operate and exercise oversight over payment systems;
- (h) license, regulate and supervise scheduled banks and financial institutions that fall under the domain of the Bank as further specified in this Act or any other Act;
- (i) resolve scheduled banks and other financial institutions that fall under the domain of the Bank as further specified in this Act or any other Act;
- (j) adopt and implement macro-prudential policy measures for scheduled banks and financial institutions that fall under the domain of the Bank;
- (k) act as the banker, financial adviser and fiscal agent to the Government, and its agencies, on the mutually agreed terms and conditions;
- (l) promote financial inclusion in Pakistan;
- (m) develop financial market infrastructures;
- (n) participate in international councils and organizations, including multilateral, international financial institutions,
- (o) cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions; and
- (p) carry out any ancillary activities incidental to the exercise of its objectives under this Act."

**7. Substitution of sections 9, 9A, 9B and 9C, XXXIII of 1956.-** In the said Act, for sections 9, 9A, 9B and 9C, the following shall be substituted, namely:-

**"9. Board of Directors.-** (1) Subject to section 9D, oversight of the affairs and functions of the Bank shall be entrusted to the Board of Directors, which shall supervise the management and the Bank's administration, operations and have the right of access to all the activities of the Bank.