

**THE BANK OF KHYBER ACT, 1991**  
**<sup>1</sup>[KHYBER PAKHTUNKHWA] ACT NO. XIV OF 1991**

**CONTENTS**

**PREAMBLE**

**SECTIONS**

1. Short title extent and commencement.
2. Overriding clause.
3. Definition.
4. Establishment and incorporation of the Bank.
5. Capital.
6. Register of share-holders.
7. Qualification of share-holders.
- <sup>2</sup>[8. Government to be shareholder.].
9. Head Office.
10. Board.
11. Constitution.
- <sup>3</sup>[12. Managing Director.]
13. Chairman.
14. Qualification and disqualification of Directors.
15. Term of office of Director.
16. Vacancies.
17. General and Special Meetings.

---

<sup>1</sup> Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted vide Khyber Pakhtunkhwa Act No. IX of 1996.

18. Vote of share-holders.
19. Business which the Bank is authorized to transact.  
<sup>1</sup>[19A. Shariah Board.]  
<sup>2</sup>[19B. Function of the Board.]
20. Business which the Bank cannot transact.
21. Exception.
22. Auditors.
23. Other Auditors.
24. Power to make bye-laws.
25. Pre-operational steps necessary for establishment of the Bank.

---

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

## THE BANK OF KHYBER ACT, 1991

### <sup>1</sup>[KHYBER PAKHTUNKHWA] ACT NO. XIV OF 1991.

*[First published after having received the assent of the Governor of the <sup>2</sup>[Khyber Pakhtunkhwa] in the Gazette of <sup>3</sup>[Khyber Pakhtunkhwa] (Extraordinary), dated the 20<sup>th</sup> June, 1991].*

### AN ACT TO ESTABLISH THE BANK OF KHYBER IN THE <sup>4</sup>[KHYBER PAKHTUNKHWA].

WHEREAS it is expedient to establish a bank for providing commercial banking and investment banking services in the <sup>5</sup>[Khyber Pakhtunkhwa] to:- Preamble.

- (a) mobilize private savings and public funds for diverting the same to productive channels and ensure their availability;
- (b) promote industrial, agricultural and other socio-economic processes through the active participation of private as well as public sectors in the province;
- (c) help under-developed areas and create employment opportunities specially in the rural areas of the province. Further, to guide and assist the people of <sup>6</sup>[Khyber Pakhtunkhwa] serving overseas, to effectively and profitably invest their foreign savings in the province as well as other parts of Pakistan;
- (d) create a diversified and sound port-olio for utilization of otherwise idle funds and their investments in the existing as well as new ventures specially in the pioneering of high-tech, agro-based, exportoriented and engineering projects to ensure maximum returns;
- (e) participate and seek the share of the Province in the capital market of Pakistan by way of subscription through the locally pooled resources in the

---

<sup>1</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>2</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>3</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>4</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>5</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>6</sup>Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

leading stock exchanges of the country and eventually paving the way for the establishment of stock market in the province; <sup>1</sup>[and]

- <sup>2</sup>[(f) the Bank may, in addition to commercial/conventional banking, develop and promote Islamic modes of banking in line with the policies, instruction and criteria as laid down by the State Bank of Pakistan for promotion of Islamic banking.]

It is hereby enacted as follows:-

- |  |           |  |
|--|-----------|--|
| Short title<br>extent and<br>commencement. | <b>1.</b> | <p>(1) The Act may be called the Bank of Khyber Act, 1991.</p> <p>(2) It extends to the whole of the <sup>3</sup>[Province of the Khyber Pakhtunkhwa].</p> <p>(3) It shall come into force at once.</p>  |
| Overriding<br>clause.                      | <b>2.</b> | This Act shall have effect notwithstanding anything contained in any other law for the time being in force.  |
| Definition.                                | <b>3.</b> | <p>In this Act, unless there is anything repugnant in the subject or context:-</p> <p><sup>4</sup>[(a) “Bank” means Bank of Khyber established under this Act].</p> <p>(b) “Board” means the Board of Directors of the Bank;</p> <p>(c) “Director” means a Director of the Board;</p> <p>(d) “dividend” includes bonus;</p> <p>(e) “goods” includes bullion, wares and merchandise;</p> <p><sup>6</sup>[(f) “general meeting” means an annual or, as the case may be, an extra ordinary meeting of the shareholders of the Bank;]</p> <p>(g) “Government” means Government of the <sup>7</sup>[Khyber Pakhtunkhwa];</p> <p><sup>8</sup>[(gg) "Islamic Bank' or "Islamic banking" means a Bank conducting banking business in accordance with the teaching of Islam;]</p> |
| <sup>5</sup> [Deleted]                     |           |  |

---

<sup>1</sup> Added vide Khyber Pakhtunkhwa Act. No. V of 2004.

<sup>2</sup> Substituted vide Khyber Pakhtunkhwa Act. No. XIV of 2009.

<sup>3</sup> Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>4</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>5</sup> Deleted vide Khyber Pakhtunkhwa Act. No. IX of 1996.

<sup>6</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>7</sup> Substituted vide Khyber Pakhtunkhwa Act No. IV of 2011.

<sup>8</sup> Inserted vide Khyber Pakhtunkhwa Act No. V of 2004.

- (h) “meeting” includes an adjourned holding of the meeting;
- (i) “prescribed” means prescribed by bye-laws made under this Act;
- (j) “Managing Director” means the Managing Director of the Bank;
- <sup>1</sup>[(k) Deleted]
- <sup>2</sup>[(l) “special resolution” means a resolution, passed by a majority of not less than two-thirds of members, entitled to vote and are present in person or through proxy at a general meeting;]
- (m) “proxy” includes an attorney duly constituted under a power of attorney who may or may not be a shareholder of the Bank;
- (n) “Financial Year” of the bank means the period from 1st January to 31st December;
- (o) The words importing masculine gender includes feminine gender also. Words importing persons include any association, company, body corporate and corporation.
- 4.** (1) As soon as may be after the commencement of this Act, there shall be established in accordance with the provisions of this Act, a bank to be called <sup>3</sup>[Bank of Khyber] to carry on the business of banking. Establishment and incorporation of the Bank.
- (2) The Bank shall be a body corporate having perpetual succession and a common seal and shall by the name sue and be sued.
- 5.** <sup>4</sup>[(1) Subject to the provisions of this Act, the authorized capital of the Bank shall be fifteen billion rupees, divided into one billion five hundred million ordinary shares of ten rupees each. The share capital of the Bank shall comprise of ordinary shares and other permissible instruments. The bank shall not issue partly paid share. In case of issuance of shares for cash, the amount, payable on application, shall be the full nominal value of the shares, even if the shares are issued at discount.] Capital.
- (2) Out of the said capital there shall, from time to time, be issued such number of shares and on such terms, including the terms of brokerage and underwriting as the Board may decide.

---

<sup>1</sup> Deleted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>4</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

(3) The liability of the shareholders of the bank shall be limited to the amount not fully paid up on their shares.

(4) The majority of the shareholders of the Bank may by special resolution, increase or reduce the capital of the Bank.

(5) The shares of the Bank shall be movable property and each share shall be distinguished by its appropriate number.

Register of share-holders.

**6.** The Bank shall maintain at its Head Office a Register, to be called the Register of the shareholders of the Bank, and shall enter therein the particulars as may be prescribed.

Qualification of share-holders.

**7.** (1) No person shall be qualified to be registered as shareholder who by reason of anything contained in any laws for the time being in force is not competent to enter into any contract.

(2) A person, who subsequent to his registration is discovered to have been not qualified as aforesaid at the time of registration shall not be entitled to exercise any of the rights of a shareholder otherwise than for the purpose of the sale of his shares under the orders of a competent court.

(3) Shares shall be registered in the names of individuals, limited companies or corporate bodies. Not more than 4 persons shall be registered as joint holders of any shares.

(4) In the event of death of any one or more of the persons named in the register as joint holders of any share, the survivor or survivors shall be the only person or persons recognized by the Bank as having any title to or interest in such share. If the deceased was a sole shareholder, his nominee or nominees and the legal heirs (where no such nomination was made) shall be the only persons recognized by the Bank as having any title to his interest in the shares.

<sup>1</sup>[**8. Government to be major shareholder.**---Subject to the provisions of this Act, Government shall be a major shareholder of the Bank but shall not hold less than fifty-one percent shares of the total shares issued.]

Head Office.

**9.** The Head Office of the Bank shall be located at Peshawar.

Board.

**10.** The general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Board which may exercise all powers and do all such acts and things as 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 annual general meeting.

Constitution.

**11.** <sup>2</sup>[(1) The Board shall consist of the following nine Directors, namely:

(a) three Directors shall be elected by the shareholders in a general meeting of the shareholders, whose term of office shall be three years;

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

- (b) four Directors, to represent Government, in the following manners:
  - (i) two official Directors, one of whom shall be Additional Chief Secretary to Government and other shall be Secretary to Government of Finance Department; and
  - (ii) two Directors, having requisite background in banking and finance, and fulfilling the criteria prescribed for independent Director, nominated by the Chief Minister, for a period of three years and may be re-appointed for another three years term only, however the Chief Minister may remove them at any time;
- (c) Managing Director; and
- (d) one Director, to be nominated by a foreign or local institutions, as the case may be, by virtue of their shares in the Bank:

Provided that the Chief Minister may nominate an independent Director, having requisite background in the banking and finance, until a Director is nominated by a foreign or local institutions.]

<sup>1</sup>[(2) The election of Directors after share floatation in the stock market shall be conducted in accordance with the bye-laws made under section 24.]

<sup>2</sup>[12. **Managing Director.-** <sup>3</sup>[(1) The Managing Director shall be appointed by the Board, for a period of not less than three years, on such terms and conditions, as the Board may determine:

Provided that such terms and conditions of service shall not be varied to his disadvantage during his term of office.]

<sup>4</sup>[(1A) The Managing Director shall be a senior professional banker, who fulfills the fit and proper test criteria of the State Bank of Pakistan.

(1B) Notwithstanding anything contained in the bye-laws or any agreement between the Bank and the Managing Director the Board may, by resolution passed by not less than three fourth of the total number of Directors for the time being, remove the Managing Director before the expiration of his term of office.

(1C) On expiry of term of office, the Managing Director shall be eligible for re-appointment for such period as may be determined by the Board, up to three years.]

---

<sup>1</sup> Added vide Khyber Pakhtunkhwa Act No. IX of 1996.

<sup>2</sup> Substituted vide Khyber Pakhtunkhwa Act No. IX of 1996.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>4</sup> Inserted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

(2) The Managing Director shall be the Chief Executive Officer of the Bank and shall, subject to any bye-laws made in this behalf, administer and control, on behalf of the Board, the affairs of the Bank.]

Chairman.

**13.** The <sup>1</sup>[Chairperson] of the Board shall be nominated by Government from amongst official Directors. <sup>2</sup>[He/She] shall preside over Board's meeting but shall not exercise executive powers. <sup>3</sup>[He/She] shall, however, have the casting vote.

Qualification and disqualification of Directors.

**14.** (1) No person, <sup>4</sup>[other than the Director nominated by foreign/local institutions under clause <sup>5</sup>[(d)], and the Directors appointed by <sup>6</sup>[Chief Minister] under clause (b), of section 11] including the Managing Director shall be qualified to serve as Director unless he is a holder in his own right of unencumbered shares of the bank equal to the nominal amount of amount of hundred thousand rupees at the least.

(2) No person shall be qualified to serve as a Director:-

- (a) if he is a salaried officer of any Government whether within or outside Pakistan unless he is specially nominated by Government;
- (b) if he has been convicted of an offence involving moral turpitude;
- (c) if he was at any time in the service of the Bank and was dismissed or his services had been terminated by the Bank;
- (d) if he is a Director of any commercial bank other than a bank sponsored or established by or under the authority of Government or the State Bank of Pakistan for the development of industry or agriculture in the country, or a bank which is a society registered under Co-operative Societies Act, 1925 or any other law for the time being in force in Pakistan relating to co-operative societies;
- (e) if he is in the employment of any banking company, whether on salary or on commission and is engaged in the performance of any continuous service for remuneration for any such company:

<sup>7</sup>[Provided that this clause shall not apply to a Director nominated by foreign/local institutions under clause (a) of section 11;]

- (f) if he is for the time being disqualified for membership of anybody established by or under any law for the time being in force of which

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>4</sup> Substituted vide Khyber Pakhtunkhwa Act No. IX of 1996.

<sup>5</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>6</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>7</sup> Added vide Khyber Pakhtunkhwa Act No. IX of 1996.



the constituent members are wholly or partly chosen by means of election.

- (3) The office of a Director shall be vacated:-
- (a) if the person holding it resigns his office or dies;
  - (b) if he accepts or holds any other office of profit under the Bank;
  - (c) if he is, or at any time has been, adjudicated an insolvent, or compounds with his creditors or suspends payment;
  - (d) if he is declared lunatic, or of unsound mind by a court of law;
  - (e) if he has absented himself from three consecutive meetings of the Board, or for a continuous period of six months, whichever is longer, without leave of absence from the Board;
  - (f) if he ceases to hold in his own right the amount of shares required to qualify him for the office;
  - (g) if he incurs any of the disqualifications mentioned in sub-section (2).

<sup>1</sup>[(4) Deleted]

<sup>2</sup>[15. Deleted]

**16.** (1) Any vacancy occurring on the Board by the death, resignation, removal or disqualification of any Director shall be filled by the remaining Directors, who shall co-opt a duly qualified person to fill in the vacancy.

Vacancies.

Provided that where a vacancy occurs in the office of a Director appointed by <sup>3</sup>[Chief Minister], the vacancy shall be filled only by appointment by the <sup>4</sup>[Chief Minister].

(2) Any Director so appointed shall be deemed to have held office from the date on which the Director in whose place he is appointed was appointed, or, when such Director was co-opted or appointed under sub-section (1), from the date on which his immediate predecessor was appointed, as the case may be.

(3) Any Director co-opted under sub-section (1) shall retire at the next <sup>5</sup>[election of Directors] may be and the vacancy so occurring on the Board shall be filled by election as provided under this Act.

---

<sup>1</sup> Deleted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Deleted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>4</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>5</sup> Substituted vide Khyber Pakhtunkhwa Act No. IX of 1996.

General and Special Meetings.

17. <sup>1</sup>[(1) A general meeting of shareholders shall be held every year, after close of financial year, within the specified period. The shareholders, present, shall be entitled to discuss the annual accounts and other matters, required to be discussed, in general meetings.]

<sup>2</sup>[(2) General meeting shall be convened and held as required, in such manner and at such time and place, as may be prescribed.]

Vote of shareholders.

18. <sup>3</sup>[(1) Every shareholder shall be entitled to attend meeting and each share-holder, who has been registered as such, shall, when present in person and on a show of hands, have one vote, and, on a poll, each shareholder, so registered, shall have one vote for every single share, held by such shareholder.]

<sup>4</sup>[Proviso Deleted]

(2) On a poll, votes may be given either personally or by proxy, but Government as a shareholder may appoint any person to be present at any general meeting and to vote on its behalf.

Business which the Bank is authorized to transact.

19. <sup>5</sup>[(1)] In addition to the role that may be assigned to it to function as <sup>6</sup>[banker]/treasury to Government, the Bank would carry on and transact <sup>7</sup>[Islamic Banking,] commercial banking and investment business within the Province and subject to approval of the Competent Authority under the law for the time being in force; at any place/places in and outside Pakistan hereinafter specified, i.e.:-

(a) to accept/receive deposits and maintain cash and various other accounts of the customers as per custom, usage, practice and laws governing commercial banks in Pakistan. Also to open, operate on current, overdraft, loan and other accounts, to deposit any money with or borrow or obtain accommodation, money or facilities, with or without securities from any bank or banks, finance/discount houses in the Province and other provinces of Pakistan and Central Banks of Countries abroad where the Bank's branches or representative offices are located <sup>8</sup>[,] <sup>9</sup>[and from Pakistani and foreign donors and development agencies, unilateral, bilateral, multilateral and regional, and financial institutions including, but not limited to, the Asian Development Bank, Deutsche Investitionsund Entwicklungsgesellschaft mbh, the International Finance Commission, the World Bank, and their respective affiliates.]

(b) to place its funds with other banks and accept other bank funds and finalize agency arrangements/correspondent relationship with Banks within and outside the Province and local as well foreign banks in any province of Pakistan or abroad.

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>4</sup> Deleted vide Khyber Pakhtunkhwa Act No. IX of 1996.

<sup>5</sup> Renumbered vide Khyber Pakhtunkhwa Act No. V of 2004.

<sup>6</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>7</sup> Inserted vide Khyber Pakhtunkhwa Act No. V of 2004.

<sup>8</sup> Replaced vide Khyber Pakhtunkhwa Act No. IX of 1996.

<sup>9</sup> Added vide Khyber Pakhtunkhwa Act No. IX of 1996.

- (c) to draw, make, accept, execute, endorse, discount, re-discount, execute and negotiate bills, drafts, cheques, warrants, promissory notes and other negotiable instruments to issue guarantees and indemnities, and to give valid and effectual discharges.
- (d) to buy, sell, hypothecate, pledge, mortgage, endorse, negotiate, transfer and or otherwise deal in promissory notes, debentures, bonds, Treasury Bills, shares of companies and all other kinds of securities including government securities, trustee securities, municipal bonds etc. receive or pay principal and mark up amounts. However, in case of Government's guarantee no other securities would be required.
- (e) to receive and hold in safe custody securities, or other movable property whatsoever. To recover and take possession of and manage all lands, houses, buildings and other property mortgaged to or otherwise manage the same and to make, sell and dispose of all lands, houses, goods merchandise and property of every description, whether belonging to the Bank absolutely or in trust or as security, and for any such purpose to exercise all such powers and authorities and adopt proceedings as the Bank might or could exercise.
- (f) To purchase or take on lease or other terms any lands, houses, or buildings for the purpose of offices or premises suitable for carrying on its business at any place and to build, alter and furnish any offices, houses or premises.
- (g) To sue or be sued, to commence, prosecute, continue and defend all actions, suits or legal proceedings whether civil, criminal or revenue including proceedings to procure or establish the bank-ruptcy or insolvency of any person, firm, company or corporation or liquidation or winding up of any company, to compromise or refer to arbitration any claims or disputes either in such suits or proceedings or otherwise; to appoint solicitors, advocates, pleaders and other legal agents; to make, sign, verify, execute plaints, petitions, written statements, warrants of authority or any other papers, writings or documents expedient or necessary to be made, signed, executed, verified presented or filed.
- (h) To carry on any other investment finance business specifically allowed by the Controller of Capital Issues or any other authority having jurisdiction with the exception of Insurance business as defined in the Banking Companies Act, 1962 and the Insurance Act, 1938.
- (i) Subject to the consent of the Controller of Capital Issues or any other authority having jurisdiction to carry on all or any of the following business:-
  - (i) To undertake the business of leasing and leasing operations of all kinds of property, plant, machinery and equipment, etc;
  - (ii) to constitute trust and act as trustees of any deeds with a view to the issuing of Modarabas.
- (j) The advancing and lending of money to Courts of Wards upon the security of estates in their charges or under their superintendence and the realization of such advances or loans and any interest due thereon;

- (k) The investing of the funds of the Bank in, or the underwriting of any stocks, funds, shares, securities, participation term certificates, bonds or scripts or other securities for money issued by a public limited company or any corporation established by or under any law for the time being in force or under the authority of the Government or the State Bank of Pakistan, converting and covering the same into money when required, and altering and transposing any such investment for or into any other such investments.
- (l) The paying, receiving, collecting and permitting money, billion and securities under any agreement with the State Bank of Pakistan as its agent on behalf of Government undertaking and transacting any business which the State Bank of Pakistan may from time to time entrust to it;
- (m) The taking over of the business, including the capital assets and liabilities of any other bank, with the sanction of Government.
- (n) With the previous permission in writing of Government and the State Bank of Pakistan:-
- (1) the investing of the funds of the Bank in any bank incorporated outside Pakistan; and
  - (2) participating in the management and administration of any such bank in which the funds of the Bank have been invested;
- (o) The advancing of money on non-interest basis and according to the various modes of financing as approved by the State Bank of Pakistan from time to time;
- (p) The undertaking of lease financing.
- (q) To open documentary letters of credit for imports as well as exports after completing all the statutory requirements.

<sup>1</sup>[(qq) Deleted]

- (r) Generally, the doing of all such matters and things as may be incidental or subsidiary to the transacting of the various kinds of business including foreign exchange business hereinbefore specified.

<sup>2</sup>[(2) Non-payment of any dues payable to the Bank in the prescribed manner under this Act shall be recovered as arrears of land revenue under any law for the time being in force.]

<sup>3</sup>[**19A. Shariah Board.**---(1) For purpose of Islamic banking, there shall be constituted by the Board a Shariah Board, comprising of Chairman and members, appointed as per criteria laid down by the State Bank of Pakistan in its Guidelines, with such number of members and for such period as provided in the said Guidelines.

(2) The meeting of the Shariah Board and its quorum shall be as per the Guidelines of the State Bank of Pakistan.]

---

<sup>1</sup> Deleted vide Khyber Pakhtunkhwa Act No. XIV of 2009.

<sup>2</sup> Added vide Khyber Pakhtunkhwa Act No. V of 2004.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>1</sup>[**19B. Function of the Sharia Board.**--- (1) The functions of Shariah Board shall be as defined in the Guidelines for Islamic Institutions issued by the State Bank of Pakistan from time to time.

(2) The Shariah Board shall submit reports to the Board as required by the Board or under the Guidelines of the State Bank of Pakistan.

(3) The Shariah Board shall perform any other functions as may be assigned to it by the Board.]

- 20.** (a) The Bank shall not make any advance or loan upon the security of its shares; (b) discount or buy or advance or lend to any individual or partnership-firm an amount exceeding in the whole at any one time such sum as may be prescribed; (c) the bank shall not discount or buy or advance or lend or open cash credits on the security of any negotiable instrument of any individual or partnership firm, payable in the town or at the place where it is presented for discount which does not carry on it the several responsibilities of at least two persons or firms unconnected with each other in general partnership.
- Business which the Bank cannot transact.

Provided that nothing in this section shall be deemed to prevent the Bank from granting overdrafts and loans without security, to such extent as may be prescribed.

- (d) grant to any person who has been elected or appointed as a Director and for so long as he continues to hold that office any advance, loan, credit limit, guarantee or other facilities granted before his election or appointment as a Director:

Provided that nothing in this clause shall prevent the Bank from continuing or renewing any such advance, loan, credit limit, guarantee or other facilities as may have already been granted to such person before his election or appointment as a Director.

- 21.** Notwithstanding anything contained in this Act, the Bank is authorised to:- (a) grant advances or loans to its officers and staff for the purpose of building residential houses, including the cost of land, on such security, including immovable property, and on such terms and conditions and for such periods as may be prescribed; (b) grant advances or loans to such small and medium industries as may, from time to time, be specified by the Board on such conditions as may be prescribed; (c) grant or subsidies, from time to time, pensions, gratuities, bonuses or other funds created for the benefit of its officers and staff or their dependents;
- Exceptions.

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

- (d) contribute to the promotion of research in banking and allied subjects; and
- (e) donate funds for any charitable objects or to any charitable institutions or societies.

Auditors. **22.** <sup>1</sup>[(1) Not more than two independent audit firms, which shall be Chartered Accountants, shall be appointed at the general meeting with fixed remuneration.]

(2) The first auditors of the Bank may be appointed and their remuneration fixed by the Board before the general meeting and if so appointed shall hold office only until the first general meeting. All auditors elected under this section shall severally be and continue to act as auditors until the first general meeting after their respective elections;

<sup>2</sup>[Provided that if any casual vacancy occurs in the office of any auditor, appointed under this section, the vacancy may be filled by the Board.]

Other Auditors. **23.** (1) To ensure strict internal controls, the Bank shall appropriately structure its Internal Audit Department which will be directly reporting to the Board of Directors. Further, the Bank will also be subject to audit/inspection by the Inspection Teams of the State Bank of Pakistan. <sup>3</sup>[Finance Department of Government] may also depute independent public auditors when over it deems fit.

(2) The auditors shall at all reasonable times have access to the books, accounts and other documents of the Bank if appointed by it, and at the expense of the Government if appointed by it. The auditor may employ accountants or other persons to assist him in investigating such accounts, and may, in relation to such accounts, examine any Director, or any officer of the Bank.

(3) The auditors shall make a report to the shareholders and government upon the annual balance sheet, the statement of profit and loss accounts, and in every such report they shall state whether, in their opinion, the balance sheet and the statement of profit and loss accounts are full and fair statements containing the prescribed particulars and properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs and in case they have called for any explanation or information from the 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 Board at the General Meeting.

Power to make bye-laws. **24.** The board may make bye-laws not inconsistent 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. This may include the manner for inviting share capital from the private and public sectors, laying down formats for Share Application Forms, Transfer Forms and other forms, procedure for Allotment of Shares, dealing with lost and defaced

<sup>1</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>2</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

<sup>3</sup> Substituted Vide Khyber Pakhtunkhwa Act No. XLVI of 2022.

shares, transfer of shares, increasing of capital, cancellations, election of directors, quorum, filling in casual vacancies of directors, their remuneration, recording of monthly, half yearly and annual accounts and books of accounts, secrecy, indemnity of Directors and employees, the Organogram, job descriptions and rules governing the employees and lending policies, delegation of powers to Officers/Committees and other ancillary matters for smooth functioning of the bank.

**25.** Government may appoint a suitable senior professional banker having the same qualifications as those prescribed for a Managing Director to initiate pre-operational work to ensure prompt commencement of business by the Bank. Such appointed person shall be designated as the first Managing Director and will have full powers to appoint qualified supporting staff on merits and on such terms and conditions as those generally prevailing in the banking business in Pakistan. All such appointments and terms and conditions shall be purely temporary and subject to confirmation/regularization in accordance with the provisions of this Act or the bye-laws framed thereunder.

Pre-operational steps necessary for establishment of the Bank.

**26.** No suit, prosecution or other legal proceedings shall lie against the Chairman, Managing Director or any other official of the bank or Government for anything which is done in good faith or is intended to be done under this Act or bye-laws framed under it.