

The Establishment of the Federal Bank for Cooperatives and Regulation of Cooperative Banking Act, 1977

Act No. IX of 1977

[9th January, 1977]

An Act to provide for the establishment of a Federal Bank for Cooperatives and regulation of Cooperative Banking.

Whereas it is expedient to provide for the establishment of a Federal Bank for Cooperatives and Regulation of Cooperative Banking, and for matters ancillary thereto;

And whereas the Provincial Assemblies of the North-West Frontier Province, the Punjab and Sind and Parliament, exercising the powers of the Provincial Assembly of Baluchistan under Article 234 of the Constitution of the Islamic Republic of Pakistan, have passed resolutions under Article 144 of the Constitution to the effect that Parliament may be law regulate the matter of cooperative banking;

It is hereby enacted as follows:---

1. Short title extent and commencement. --- (1) This Act may be called the Establishment of the Federal Bank for Cooperatives and Regulation of Cooperative Banking Act, 1977.

(2) It extends to the whole of Pakistan and also applies to the business of the Bank transacted outside Pakistan and to persons conducting such business.

(3) It shall come into force at once and shall be deemed to have taken effect on the 9th day of October, 1976.

2, Definitions. --- In this Act, unless there is anything repugnant in the subject or context,---

- (a) "approved securities" means securities in which a trustee may invest money under clause (a), clause (b), clause (bb), clause (c) or clause (d) of section 20 of the Trusts Act, 1882 and such other securities as the Federal Government may, by notification in the official Gazette, declare to be approved securities for purposes of this Act;
- (b) "Bank" means the Federal Bank for Cooperatives established under section 5;
- (c) "Board" means the Board of Directors constituted under section 9;
- (d) "Chairman" means the Chairman of the Board;

- (e) “Cooperative Bank” means a ‘banking society’ as defined in the Explanation to sub-section (2) of section 7 of the Cooperative Societies Act, 1925 other than a Provincial Cooperative Bank.
- (f) “Cooperative Society” means a society registered in Pakistan under any law for the time being in force relating to registration of cooperative societies and a “primary cooperative society” means such a society of which no other society is a member;
- (g) “borrower” means a person who has obtained a loan from the Bank or a Provincial Cooperative Bank and includes a surety or an indemnifier, but does not include the Federal Government or a provincial Government;
- (h) “demand liabilities” means liabilities which are to be met on demand and “time liabilities” means liabilities which are not demand liabilities;
- (i) “Director” means a Director for the time being of the Board;
- (j) “District judge” includes, in respect of areas where a District Judge does not have unlimited pecuniary jurisdiction in original civil suits, a High Court exercising original civil jurisdiction;
- (k) “family members” in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters;
- (l) “loan” include an advance, a cash credit, an overdraft, a packing credit, a bill discounted and purchased, letter of credit or any other financial accommodation or engagement provided by the Bank or a Provincial Cooperative Bank to a borrower;
- (m) “Managing Director” means Managing Director of the Bank and includes any person for the time being discharging the functions of the Managing Director;
- (n) “multi-unit cooperative society” means a cooperative society to which the Multi-Unit Cooperative Societies Act, 1942 applies and which ---
 - (i) is not a banking society as defined in the Explanation to sub-section (2) of section 7 of the Cooperative Societies Act, 1925; and
 - (ii) does not use as a part of its name the word “Bank” or “Banking” or any of its derivatives;
- (o) “prescribed” means prescribed by rules;
- (p) “Provincial Cooperative Bank” means a cooperative society the primary object of which is to make loans to the cooperative societies which are its members and which is notified, for the purposes of this Act, to the Bank

by the Provincial Government of the Province within which the cooperative society is registered or, until cooperative society is so notified, any one of the following, namely:---

- (i) the Baluchistan Provincial Cooperative Bank Ltd;
- (ii) the Frontier Provincial Cooperative Bank Ltd;
- (iii) the Punjab Provincial Cooperative Bank Ltd;
- (iv) the Sind Provincial Cooperative Bank Ltd;
- (q) "regulation" means a regulation made under this Act;
- (r) "rule" means a rule made under this Act;
- (s) "scheduled bank" has the same meaning as in the State Bank of Pakistan Act, 1956;
- (t) "State Bank" means the State Bank of Pakistan established under the State Bank of Pakistan Act, 1956.

3. Act to override other laws. --- (1) Except as provided in sub-section (2), this Act shall have effect notwithstanding anything contained in the Banks (Nationalization) Act, 1974, or any other law, excepting the State Bank of Pakistan Act, 1956, and the Banking Companies Ordinance 1962, as amended by this Act, for the time being in force or any instrument having effect by virtue of any law or any agreement, contract, award or memorandum or articles of association or other instrument.

(2) Nothing in,---

- (a) section 36 of the State Bank of Pakistan Act, 1956, shall apply to the Chairman or a Director, other than the Managing Director;
- (b) clause (iv) of sub-section (1) of section 14 of the Banking Companies Ordinance, 1962 shall apply to shares of the Bank held by the State Bank.
- (c) section 27, section 28, clause (b) of sub-section (6) of section 40, clause (c) of sub-section (1) of section 42, Parts III and IV, or section 89 of the Banking Companies Ordinance, 1962 shall apply to the Bank;
- (d) clause (c) of sub-section (1), or sub-section (2), (3), (4) and (5) of section 11, sub-section (3) of section 14, sections 15, 15-A, 15-B, 15-C or 20 sub-section (3) or (6) of section 25, sub-section (4) or (5) of section 40, or section 41-A, 41-B, 41-C, or 83 of the Banking Companies Ordinance, 1962 shall apply to the Chairman or a Director other than the Managing Director.

4. Power to exempt, and suspend operation of Act, in certain cases.--- The Federal Government may, by notification in the official Gazette, and subject to such conditions

as may be specified in the notification, exempt the Bank from, or suspend the application to the Bank of, all or any of the provisions of this Act, either generally or for such period as may be so specified.

5. Establishment of the Bank. --- (1) As soon as may be after the coming into force of this Act, the Federal Government shall take steps to establish, in accordance with the provisions of this Act, a bank to be called "The Federal Bank for Cooperatives" to carry out the purposes of this Act.

(2) The Bank shall be a body corporate having perpetual succession and a common seal, with Powers to acquire, own, hold and dispose of any Property, and shall be the name assigned to it by sub-section (1) sue and be sued.

(3) The Bank shall be deemed to be a banking company for the purposes of the State Bank of Pakistan Act, 1956 the Banking Companies Ordinance, 1962 and any other law for the time being in force relating to banking companies, excepting the Banks (Nationalization) Act, 1974.

6. Share capital. --- (1) The initial share capital of the Bank shall be twenty crores of rupees divided into two thousand fully paid up shares of the nominal value of one hundred thousand rupees each and shall be fully subscribed by the Federal Government, the Provincial Government and the State Bank of Pakistan in the following manner:---

(a)	Federal Government.	Rs. 2.00 crores.
(b)	State Bank.	Rs.15.00 crores.
(c)	Government of the Punjab.	Rs. 1.00 crores.
(d)	Government of Sind.	Rs. 1.00 crores.
(e)	Government of N.W.F.P.	Rs. 0.50 crores.
(f)	Government of Baluchistan.	Rs. 0.50 crores

(2) The share capital may be increased from time to time by a resolution of the Board with the approval of the Federal Government, and the capital so increased shall be fully subscribed by the Federal Government, the Provincial Governments and the State Bank of Pakistan.

7. Offices and branches. --- (1) The head office of the Bank shall be at Islamabad.

(2) The Bank shall establish one Regional Office in each Province and may establish Offices, Branches and Agencies at such places as the Board may think fit.

8. Direction and superintendence. --- The general direction and superintendence of the affairs and business of the Bank shall vest in a Board of Directors constituted in accordance with section 9, which may exercise all such powers and do all such acts and things as may be exercised or done by the Bank, subject to the provisions of this Act.

- 9. Board. --- (1)** The Board shall consist of ---
- (a) the Chairman;
 - (b) all the directors for the time being of the Central Board of Directors of the State Bank;
 - (c) the Managing Director;
 - (d) two directors to be nominated by the Federal Government of whom one shall be an officer of the Ministry of the Government of Pakistan concerned with the subject of cooperatives and the other a non-official; and
 - (e) two directors from each Province to be nominated by the Federal Government on the recommendation of each Provincial Government, of whom one shall be a non-official.

(2) The Governor for the time being of the State Bank shall be the Chairman of the Board.

(3) Unless the Federal Government otherwise directs in any case, a non-official Director referred to in clause (d) or clause (c) of sub-section (1) shall hold office for a period of three years and shall, subject to the provisions of this Act be eligible for re-appointment:

Provided that such a Director shall not hold office for more than six consecutive years, and in computing the period of six years, any break of less than three years in continuity of office shall be disregarded.

(4) A Director referred to in clause (b) of sub-section (1) and an officer who is nominated Director under clause (d) or clause (e) of that sub-section, shall hold office during the pleasure of the Federal Government.

(5) No act or proceeding of the Board shall be invalid by reason only of the existence of any vacancy in, or defect in the constitution of the Board.

10. Managing Director. --- (1) The Managing Director shall be appointed by the Federal Government on such terms and conditions as the Federal Government may determine and shall hold office during the pleasure of the Federal Government.

(2) Subject to sub-section (1), the Managing Director may, by writing under his hand addressed to the Federal Government, resign his office.

(3) The Managing Director shall be the whole-time Chief executive of the Bank and shall perform such functions as are assigned to him by or under this Act.

(4) If at any time the Managing Director is absent or is unable to perform his functions due to any cause, the Federal Government may authorise any other person not

disqualified under section 11 to discharge for the time being the functions of the Managing Director on such terms and conditions as the Federal Government may think fit.

11. Disqualifications of Managing Director and Directors. --- No person shall be or shall continue to be the Managing Director or a Director who ---

- (a) is or becomes a member of Parliament or a Provincial Assembly; or
- (b) is or at any time has been adjudicated an insolvent or suspends or has suspended payment or compounds or has compounded with his creditors; or
- (c) is a minor; or
- (d) is or is found to be a lunatic or becomes of unsound mind; or
- (e) is or has at any time been convicted for any offence which in the opinion of the Federal Government is an offence involving moral turpitude; or
- (f) was at any time in the service of the Federal Government or a Provincial Government or a Corporation or body owned or controlled by any such government or in the service of any bank and was dismissed or disqualified for employment; or
- (g) is not a citizen of Pakistan or ceases to be a citizen of Pakistan; or
- (h) is a person against whom action has been taken or any proceedings are pending under section 235 of the companies Act, 1913, or section 83 of the Banking companies ordinances 1962.

12. Meetings of the Board. --- (1) Seven Directors shall form a quorum for a meeting of the Board.

(2) Subject to sub-section (1), the meetings of the Board shall be held in such a manner as may be prescribed:---

Provided that until rules are made in this behalf, such meetings shall be convened by the Chairman.

(3) At the meetings of the Board, each Director shall have one vote and, in the event of equality of votes, the Chairman shall have a second or casting vote.

(4) All meetings of the Board shall be prescribed at by the Chairman and, in his absence, by a Director chosen for the purpose by the Directors present from amongst their number.

13. Fees for attending meeting. --- A non-official Director shall be paid such fees, travel costs and other expenses for attending the meetings of the Board as the Board may determine.

14. Indemnity of Directors. --- (1) A Director shall not be personally responsible for the acts of any other Director or of any other officer or servant of the Bank or for any loss or expense resulting to the Bank by reason of insufficiency or deficiency in value of or title to any property or security acquired or taken on behalf of the Bank, or by wrongful act of any person under a liability to the Bank, or for anything done by him in good faith in the discharge of his duties.

(2) Every Director shall be indemnified by the Bank against all losses and expenses reasonably incurred by him in the discharge of his duties except such as are caused by his willful act or default.

15. Advisory Committee. --- (1) The Bank may constitute an Advisory Committee consisting of ---

- (a) the Managing Director, who shall be the Chairman thereof;
- (b) one representative each of the Ministries of the Government of Pakistan concerned with the subjects of finance and cooperatives;
- (c) two representatives each of the Provincial governments, of whom one shall be a non-official;
- (d) the chief executive of each of the Provincial cooperative Banks; and
- (e) the Executive Director incharge of the Agricultural Credit Department in the State Bank.

(2) All meetings of the Advisory Committee shall be presided at by the Chairman thereof and, in his absence, by a Member chosen for the purpose by the Members present from amongst their number.

(3) The Advisory committee shall advise the Bank on such matters as may be referred to it by the Board from time to time and may make recommendations on its own motion to identify areas of improvement in service, facilities to customers of co-operative societies, including measures for meeting regional credit requirements.

(4) The meetings of the Advisory Committee shall be convened by the Chairman thereof at such time and place as he may deem fit, and the non-official members of the Advisory committee shall be paid such fees, travel cost and other expenses for attending the meetings as may be determined by the Board.

16. Officers and Servants. --- (1) The Bank may appoint or employ such officers and servants as it considers necessary for the efficient performance of its functions on such terms and conditions as may be laid down by regulations;

Provided that, until regulations are made in this behalf, the conditions may be determined by the Board or by the Managing Director, to the extent he is authorised by the Board.

(2) The Managing Director and every officer and employee of the Bank shall be deemed to be a public servant with in the meaning of section 21 of the Pakistan Penal Code.

(3) For the purpose 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 officer and employee of the Bank acting in his official capacity as such shall be deemed to be a public officer.

(4) The provisions of section 123 of the Evidence Act, 1872 shall apply to the unpublished records relating to the affairs of the Bank and the Managing Director shall be deemed to be the officer or head of the department concerned.

17. Business and functions. --- (1) The Bank shall be the principal financing institution for meeting the credit needs of Provincial Cooperative Banks and multi-unit cooperative societies.

(2) The Bank may carry on, transact or do the several kinds of business and acts hereinafter specified, namely: ---

- (i) accept money on deposit;
- (ii) borrow funds from the Federal Government, financial institutions as defined in clause (f) of section 2 of the National Development Finance Corporation Act, 1973 and such other financing institutions in or outside Pakistan as are approved in this behalf by the Federal government, against the security of its assets or otherwise;
- (iii) raise funds for the purpose of the Bank's operation through issue and sale of bonds and debentures;
- (iv) make secured loans and advances to Provincial cooperative Banks, multi-unit cooperative societies and, subject to the regulations framed for the purpose, to the officers and staff of the Bank;
- (v) for the purpose of securing its loans and advances, accept pledge, mortgage, hypothecation or assignment of any kind of movable or immovable property or documents of title or guarantee of the Federal Government or a Provincial government and such other securities as the bank may deem fit'
- (vi) draw, accept, discount, buy or sell or rediscount bills of exchange or promissory notes bearing two or more good signatures, one of which shall be that of a scheduled bank or a Provincial Cooperative Bank'
- (vii) issue guarantees and give indemnities in relation to its business;
- (viii) subscribe to the debentures, being debentures repayable within a period not exceeding ten years, of any body corporate specially established for the promotion of business of cooperative societies;

- (ix) deliver, receive, collect and remit any securities;
- (x) acquire, maintain and transfer all movable or immovable properties, including residential premises, for carrying on business;
- (xi) open accounts or enter into any agency arrangement with any bank or financial institution in or outside Pakistan.
- (xii) Invest its funds in Government Securities and other approved securities and if so directed by the Board and with the approval of the Federal Government, in the share capital of ---
 - (a) a Provincial Cooperative Bank upto an amount not exceeding twenty-five per cent of the fresh capital contributed by the Provincial Government of the Province with which that Provincial Cooperative Bank is registered; and
 - (b) a multi-unit cooperative society upto an amount not exceeding twenty-five per cent of its paid-up capital;
- (xiii) sell and realize property, movable or immovable which may in any way come into the ownership, possession or control of the Bank in the satisfaction or part satisfaction of any of its claims and the acquisition and the holding of, and generally the dealing with, any right, title or interest in any property, movable or immovable, which may be the Bank's security for any advance or loan or connected with any such security;
- (xiv) assist the Federal Government and the Provincial Governments in formulating schemes for the development and revitalization of the cooperative movement in the country in general and the provincial Cooperative Banks in particular.
- (xv) assist Provincial Cooperative Banks in preparing their seasonal and developmental loaning programmes and conduct appraisal and undertake feasibility study of projects covered by such loaning programmes;
- (xvi) encourage the development of special cooperative projects the objects or area of operation of which may extend to more than one Province;
- (xvii) organize training in cooperation and cooperative banking for the employees of the Provincial Cooperative Banks and other cooperative societies;
- (xviii) ensure proper utilization of loans obtained from the Bank;
- (xix) carry out research on problems of rural credit and on such other matters as have a bearing on the development of the cooperative movement in the country;
- (xx) lend money in the inter-bank call money market;

- (xxi) issue letters of credit;
- (xxii) appoint attorneys and agents;
- (xxiii) subject to regulations framed for the purpose, maintain and operate the provident fund and other funds created for the benefit of its employee;
- (xxiv) perform such functions and exercise such powers as may be entrusted to or conferred upon it by or under any law; and
- (xxv) generally do all such matters and things as may be necessary, incidental to or consequential upon exercise of its powers or the discharge of its duties or functions under this Act or any other law.

18. Prohibited business. --- The Bank shall not undertake any kind of business other than that authorised by or under this Act, and in particular it shall not---

- (i) engage in any trade or otherwise have a direct interest in any commercial, industrial or other undertaking except such interest as it may any way acquire in the course of satisfaction of any of its claims, but all such interest shall be disposed of at the earliest possible moment;
- (ii) purchase its own shares or purchase or subscribe to the shares of any bank other than a Provincial cooperative Bank or of any company or make any advance or loan or open any credit or give any financial accommodation upon the securities of its own shares or allow any debtor to set off his debts or part of his debts to the Bank against such shares;
- (iii) accept, buy, discount or advance, lend or open any credit or give accommodation or rediscount a bill of exchange or promissory note bearing two or more good signatures, one of which is not that of a scheduled bank or of a Provincial Cooperative Bank; or
- (iv) make unsecured advances and loans.

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