
BLOCKED ACCOUNTS

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CHAPTER 9

BLOCKED ACCOUNTS

1. Powers of the State Bank to block Non-Resident Accounts.

Section 6 of the Act confers powers on the State Bank to block accounts in Pakistan of any person resident outside Pakistan and to direct that payment of any sums due to a non-resident may be made only to such a blocked account.

2. Definition of Blocked Account.

A blocked account means an account opened as a blocked account at any branch or office in Pakistan of a bank authorized in this behalf by the State Bank or an account blocked by the order of the State Bank.

3. Banks authorized to maintain Blocked Accounts.

All Authorized Dealers in foreign exchange are permitted to maintain blocked accounts subject to the conditions laid down in this chapter. In certain cases, banks other than Authorized Dealers in foreign exchange may be authorized by the State Bank to maintain blocked accounts.

4. Opening of Blocked Accounts.

A blocked account may not be opened in the name of a resident of Pakistan unless it is held jointly with a non-resident. No blocked account may be opened by an Authorized Dealer or an existing 'free' account blocked except under directions from the State Bank.

5. Payment to Blocked Account deemed as a good Discharge.

Sub-section (1) (b) of Section 6 of the Act provides that where the State Bank has directed that any payment due to a non-resident may be made to a blocked account in his name with a bank in Pakistan, the crediting of the sum to the blocked account shall, to the extent of the sum credited, be a good discharge to the person making the payment.

6. Items payable to Blocked Accounts.

The State Bank may not approve certain remittances in settlement of liabilities to non-residents under the current Foreign Exchange regulations. Payments in discharge of such liabilities to non-residents can only be allowed to be made to blocked accounts. Amounts due to a Pakistani who has emigrated to another country and all amounts due to a resident of India will be allowed to be paid only into a blocked account of the beneficiary.

7. Procedure regarding Payments to Blocked Accounts.

Where State Bank directs that a payment be made to a blocked account only, it may be made either:

(i) by a banker's payment order marked 'payable to blocked account of _____ only' or

(ii) by a crossed cheque or warrant drawn in favour of the beneficiary and marked with the words "Payable to blocked account of payee only." Where such a cheque or warrant is sent to a non-resident, it is desirable that the payee should arrange for the opening of a blocked account with an Authorized Dealer before forwarding the cheque to that bank for collection. 'Form A-7' with the name of the payee as the transferee and clearly marked 'Blocked Account' must be submitted to the State Bank for prior approval. The collecting bank must endorse cheques, warrants or drafts so marked "received for the credit of blocked account at (Bank and Branch)" before presenting them for payment. The paying bank may not pay such instruments, unless they are properly marked and unless Form A-7 has been approved by the State Bank for payment to a blocked account. After payment has been made it must endorse the form on the back "Payment made to blocked account at (Bank and Branch)". The amount which the State Bank has directed to be placed to a blocked account, must be immobilized pending the opening of the account and may not be used for any other purpose except with the prior approval of the State Bank.

8. Pakistani Emigrants-Blocking of Accounts.

Bank accounts and securities belonging to Pakistan and foreign nationals residing permanently in Pakistan, who emigrate to foreign countries, should be treated as blocked. For blocking the accounts and securities of intending emigrants the State Bank will issue necessary instructions to their bankers. Sometimes Pakistan nationals who had gone abroad for purposes other than 'Migration', take up permanent residence in a foreign country. As and when such cases of their clients come to the knowledge of Authorized Dealers, it will be their responsibility to report them to the State Bank for instructions as to whether or not the bank account/securities of the person concerned should be blocked. In such cases pending receipt of instructions from the State Bank, the securities should be immobilized and no operation on the bank account should be allowed without its prior approval.

9. Operations on Blocked Accounts.

The State Bank may issue special instructions regarding operations on individual blocked accounts. In the absence of any such special instructions, no payments into or withdrawal from blocked accounts may be made unless prior approval of the State Bank has been obtained.

10. Use of Blocked Balances.

Balances held in blocked accounts may be invested in "approved securities" expressed to be payable in Rupees or in fixed deposit with the bank in which the account is held subject to the prior approval of the State Bank. Shares or securities in which investment is permitted by the State Bank must be bought through the bank with whom the blocked account is kept and registered in the name of the account holder, the address being his permanent residential address outside Pakistan. Alternatively, securities so purchased may be registered in the names of the banks keeping the blocked accounts or their nominees in Pakistan. The securities should not be held in bearer form and should not be sold or transferred without the permission of the State Bank.