
BLOCKED ACCOUNTS

1. Introduction.
2. Definition of Blocked Account.
3. Banks authorized to maintain Blocked Accounts.
4. Opening of a New or Designation of an Existing Account as Blocked Account.
5. Payment to Blocked Account deemed as a Good Discharge.
6. Payments to a Blocked Accounts.
7. Procedure regarding Payments to Blocked Accounts.
8. Operations on Blocked Accounts.
9. Use of Blocked Balances.

CHAPTER 9

BLOCKED ACCOUNTS

1. Introduction.

Section 6 of the Foreign Exchange Regulation Act, 1947 empowers the State Bank to block the accounts in Pakistan of any person resident outside Pakistan and direct that payment of any sums due to that person shall only be made to a blocked account. In other words, amounts due to a person resident outside Pakistan, to whom remittances cannot be allowed, shall be credited to the blocked accounts of that person to ensure that the funds are not directly remitted or otherwise used in a manner contrary to the provisions of the Act.

2. Definition of Blocked Account.

A “blocked account” means an account opened as a blocked account at any office or branch 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 are permitted to open and maintain blocked accounts subject to the conditions laid down in subsequent paragraphs of this chapter. In certain cases, banks other than the Authorized Dealers may also be authorized by the State Bank to open and maintain blocked accounts.

4. Opening of a New or Designation of an Existing Account as Blocked Account.

The State Bank may direct an Authorized Dealer to open a new or designate an existing account as “Blocked Account”. A blocked account may also be opened as a joint account in the name of a resident and a non-resident. No blocked account may be un-blocked or an existing 'free' account may be blocked by an Authorized Dealer except under the 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. Payments to a Blocked Accounts.

The State Bank may not approve certain remittances in settlement of liabilities to a particular person resident outside Pakistan. Payments in discharge of such liabilities to such person may be allowed to be made to a blocked account subject to such terms and conditions as may be specified by the State Bank.

7. Procedure Regarding Payments to Blocked Accounts.

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

(i) by a banker's payment order/cheque 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."

(iii) Where such a cheque or warrant is sent to the payee, it is desirable that the payee should arrange for the opening of a blocked account with an Authorized Dealer in Pakistan before forwarding the instrument to that bank for collection. Application mentioning 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 shall not pay such instruments, unless they are approved by the State Bank for payment to a blocked account. After payment has been made, the bank must endorse the instrument as "Payment made to blocked account at (Bank and Branch)". The amount which the State Bank has directed to be credited 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. Operations on Blocked Accounts.

The State Bank may issue special instructions regarding operations on 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.

9. Use of Blocked Balances.

Balances held in blocked accounts may be invested in approved government debt 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. Such investment must be made through the bank with whom the blocked account is kept and registered in the name of the non-resident account holder or his/her nominee(s) 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. The income generated through investments in securities and sale proceeds of such securities must only be credited to the blocked account of the respective non-resident.
