

Government of Pakistan
Finance Division
(Budget Wing)

No.F.4(1)NTR/2002-666/2022

Islamabad, the 18th May, 2022

OFFICE MEMORANDUM

SUBJECT: WITHDRAWAL OF OFFICE MEMORANDA REGARDING DEPOSIT OF WORKING BALANCES AND INVESTMENT OF SURPLUS FUNDS BELONGING TO PUBLIC SECTOR ENTITIES AND LOCAL/AUTONOMOUS BODIES UNDER FEDERAL GOVERNMENT

The undersigned is directed to refer to this Division's Office Memoranda No.F.4(1)/2002-BR-II, dated 2nd July, 2003, 6th September, 2004, 22nd September, 2005 and 23rd December, 2014 on the subject noted above and to state that Article 78 of the Constitution of Pakistan stipulates that all moneys received by or on behalf of Federal Government are deposited either as part of the Federal Consolidated Fund (FCF) or Public Account of the Federation (PAF). The cash balances of both FCF and PAF are maintained in the Central Account No.1 (Non Food) at State Bank of Pakistan (SBP). Under Article 79 of the Constitution of Pakistan, the custody, the payment of moneys there into and withdrawal there from, shall be regulated by an Act of the Parliament.

2. Federal Government has promulgated Public Finance Management (PFM) Act 2019 which is applicable to all matters of FCF and PAF. According to **Section 2(s)** of the PFM Act, Public Moneys means the moneys forming part of the FCF and PAF. In terms of **Section 22** of the Act, the operations of the FCF and PAF shall vest in the Finance Division under the overall supervision of the Federal Government. The **Section 23(2)** of the Act requires that no authority shall transfer Public moneys for investment or deposit from the Government account including the Assignments Accounts to other bank account without prior approval the Federal Government. Furthermore, **Section 45** of the Act provides overriding effect over all other laws and any law inconsistent with this Act.

3. Rule 4(4) of Cash Management and Treasury Single Account Rules, 2020 stipulates that no authority shall transfer public monies in contravention of **sub-section (2) of Section 23** of the Act Ibid.

4. Therefore, in order to align the existing arrangements with the above referred constitutional and legal provisions, this Division's Office Memoranda No.F.4(1)/2002-BR-II dated 2nd July, 2003, 6th September, 2004, 22nd September, 2005 and 23rd December, 2014 are hereby withdrawn with immediate effect. Further, the approval accorded to any Public Sector Entities with respect to maintain working balance are also hereby withdrawn.


(M. Arif Tahseen)
Deputy Secretary (NTR)
Tele: 051-9209318

All Federal Secretaries of the Divisions

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A copy is forwarded for information and necessary action to:

1. Auditor General of Pakistan, Islamabad
2. Governor, State Bank of Pakistan, Islamabad
3. Controller General of Accounts, Islamabad
4. Registrar, Supreme Court of Pakistan, Islamabad
5. Registrars of the High Courts (Islamabad, Lahore, Peshawar, Sindh, Balochistan)
6. Secretary, Senate Secretariat, Islamabad
7. Secretary, National Assembly Secretariat, Islamabad
8. All Heads of Attached departments, sub-ordinate offices under the Federal Government.
9. Finance Secretaries (Balochistan, Khyber Pakhtunkhwa, Punjab, Sindh, AJK, GB)
10. Accountants General of Pakistan Revenues (Islamabad, Lahore, Peshawar, Karachi, Quetta, Gilgit, Muzaffarabad)
11. All Provincial Accountants General.
12. Military Accountant General, Rawalpindi
13. Federal Treasury Offices, FTOs Islamabad and Karachi

Finance Division

1. All the Additional Finance Secretaries.
2. Economic Adviser, EA Wing, Finance Division, Islamabad
3. Director General (DPCO), Finance Division, Islamabad
4. Joint Secretary (Budget-II), Finance Division, Islamabad
5. All Joint Secretaries/Deputy Secretaries (Expenditure), Finance Division.
6. S.A. to Finance Secretary, Islamabad


(M. Arif Tahseen)
Deputy Secretary (NTR)

Copy to the Webmaster, Finance Division, Islamabad for uploading on the website.

Government of Pakistan
Finance Division
(Budget Wing)

No.F.4(1)/2002-BR.II

Islamabad, the 2nd July, 2003

OFFICE MEMORANDUM

Subject:- DEPOSIT OF WORKING BALANCES AND INVESTMENT OF SURPLUS FUNDS BELONGING TO PUBLIC SECTOR ENTERPRISES AND LOCAL/AUTONOMOUS BODIES UNDER FEDERAL GOVERNMENT:

The undersigned is directed to issue the following consolidated instructions for depositing working balances as well investment of surplus funds of the public sector enterprises and local/autonomous bodies. These instructions supersede all previous instructions issued from time to time in this regard.

2. As a part of its programme for further development of the financial sector, the Government is pursuing actively a policy of privatizing public sector banks and creating an even playing field for public and private sector financial institutions. In view of this, it has been decided to revise the policy on banking facilities for public sector enterprises and local/autonomous bodies.

Working Balances:

3. Under the new policy, public sector enterprises and local/autonomous bodies can deposit their working balances required for their operations with any public or private bank subject to the following requirements:

(a) For the sake of the safety and security of deposits, the bank/financial institutions taking a deposit should have a minimum "A" rating (long-term) as appearing on the web-site of the State Bank of Pakistan. This "A" rating refers to the rating scale used by Pakistan Credit Rating Agency and JCR-VIS Credit Rating Company for banks incorporated in Pakistan and Moody's, Fitch's and Standard & Poor's rating for foreign banks operating in Pakistan. Rating scales of other agencies acceptable to the State Bank should be equivalent to the rating of the above mentioned companies. Information and clarification on this matter may be obtained from Banking Policy Department of the State Bank of Pakistan;

(b) The process of selection of bank(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of the bank(s) as well as the terms of

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deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks;

- (c) The risk associated with keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank;
- (d) In case the rating of the deposit taking bank drops below "A", the concerned enterprise/local/autonomous body will shift new deposits within a period of one month and old deposits within a period of two months to a bank/(s) with at least "A" rating;
- (e) The working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or savings bank account.

Surplus Funds:

4. It has been decided to allow the public sector entities to invest their surplus funds in the non-government securities/TFCs/shares also, upto a maximum of 20% of the total funds under management. This relaxation will not be available to public sector enterprises/autonomous bodies that have statutory restrictions on their investing in non-government securities. Corporate entities, which receive support from the current budget, are also excluded from the policy. Public sector entities, which are holding trust funds such as pension funds, benevolent funds or insurance funds, will devise their investment policies through their own Boards.

5. Eligibility criteria of non-government investment instruments will be as follows:

- (a) Non-government debt instruments should have a major rating category of A and above;
- (b) Public listed shares/units should have a total return comprising the dividend paid and appreciation in value, which exceeds the average six months Treasury Bill rate for the last three years. The formula for the calculation of the total return would be provided by the Securities and Exchange Commission of Pakistan (SECP) from time to time;
- (c) Initial Public Offerings (IPOs) of shares of existing companies should have a track record of three year profitability at least equal to the average of twenty best performing companies on Karachi Stock Exchange;

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- (d) Total investment in debt instrument of a company not to exceed 10% of size of the issue or 10% of the total size of funds managed by the public sector entity, whichever is lower;
- (e) Total investment in the shares of a company not to exceed 5% of the paid up capital of that company or 5% of the total funds managed by the public sector entity, whichever is lower; and
- (f) Investment in shares of Greenfield projects/companies will not be eligible.

6. Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

7. The Principal Accounting Officer of the ministry concerned will be responsible for the implementation of the above instructions regarding the PSEs/local/autonomous bodies under his control. The Chief Executive of PSE/Local/Autonomous body will be required to issue a certificate on annually basis that the above instructions are being followed in respect of the working balance and surplus funds of the organization.

8. All the PSEs/local/autonomous bodies under your administrative control may please be directed to keep their working balances and invest their surplus funds in accordance with the above mentioned policy instructions.

9. This issues with the approval of the Finance Secretary.

Samiullah

(SAMIULLAH)

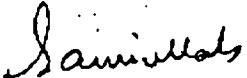
Asstt. Economic Adviser (BR.II)

Phone: 9209243

All Secretaries of the Federal Government:

Copy forwarded to:

1. Auditor General of Pakistan, Constitution Avenue, Islamabad.
2. Controller General Accounts, Federal Bank for Cooperative's Building, Islamabad.
3. Chairman, Securities and Exchange Commission of Pakistan, Islamabad.
4. Director of Accounts, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi.
5. All Joint Secretaries, Finance Division, Islamabad.
6. All Financial Advisers/Deputy Financial Advisers attached to administrative Divisions of the Federal Government.
7. Finance Secretaries, Governments of Punjab, Sindh, NWFP, and Balochistan, with the request that similar action be taken in respect of autonomous organizations under their administrative control.
8. Prime Minister's Secretariat (Internal), Islamabad.


(SAMIULLAH)

Government of Pakistan
Finance Division
(Budget Wing)

No.F.4(1)/2002-BR.II

Islamabad, the 6th September, 2004

OFFICE MEMORANDUM

Subject:- **DEPOSIT OF WORKING BALANCES AND INVESTMENT OF SURPLUS FUNDS BELONGING TO PUBLIC SECTOR ENTERPRISES AND LOCAL/AUTONOMOUS BODIES UNDER THE FEDERAL GOVERNMENT:**

The undersigned is directed to refer to Finance Division's Office Memorandum of even number dated 2nd July, 2003 on the above subject and to say that the competent authority has been pleased to amend the instructions contained therein by deleting the words "(long-term)" in paragraph 3(a) after the words "a minimum "A" rating".



(SAMIULLAH)

Asstt. Economic Adviser (BR.F.)

Phone: 9209243

All Secretaries of the Federal Government:

Copy forwarded to:

1. The Auditor General of Pakistan, Constitution Avenue, Islamabad.
2. The Controller General of Accounts, CGA Complex, G-5/2, Islamabad.
3. The Chairman, Securities and Exchange Commission of Pakistan, Islamabad.
4. The Director of Accounts, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi.
5. The Director, Banking Policy Department, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi.
6. All Joint Secretaries, Finance Division, Islamabad.
7. All Financial Advisers/Deputy Financial Advisers attached to administrative Divisions of the Federal Government.
8. Finance Secretaries, Governments of Punjab, Sindh, NWFP, and Balochistan, with the request that similar action be taken in respect of autonomous organizations under their administrative control.
9. Prime Minister's Secretariat (Internal), Islamabad.



(SAMIULLAH)

Government of Pakistan
Finance Division
(Budget Wing)

No.F.4(1)/2002BR-II - 460

Islamabad, the 22nd September, 2005

OFFICE MEMORANDUM

Subject:- **DEPOSITS OF WORKING BALANCES AND INVESTMENT OF SURPLUS FUNDS BELONGING TO PUBLIC SECTOR ENTERPRISES AND LOCAL/AUTONOMOUS BODIES UNDER FEDERAL GOVERNMENT:**

The undersigned is directed to refer to this Division's OM of even number, dated 2nd July, 2003 on the above subject. The para 3(a) of the said OM may please be read as follows:

3(a):For the sake of the safety and security of deposits, the banks/financial institutions taking a deposit should have a minimum "A" rating as appearing on the web-site of the Credit Rating Agency. This "A" rating refers to the rating scale used by Pakistan Credit Rating Agency and JCR-VIS Credit Rating Company for banks incorporated in Pakistan and Moody's Fitch's and Standard & Poor's rating for foreign banks operating in Pakistan. Rating scales of other agencies acceptable to the State Bank should be equivalent to the rating of the above mentioned companies. Information and clarification on this matter may be obtained from Banking Policy Department of the State-Bank of Pakistan".


reg
(Muhammad Younas)
Assistant Economic Adviser (BR-II)
Phone: 9209243

All Secretaries of the Federal Government:

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Copy forwarded to:-

1. Auditor General of Pakistan, Constitution Avenue, Islamabad.
2. Controller General Accounts, Federal Bank for Cooperative's Building, Islamabad.
3. Chairman, Securities and Exchange Commission of Pakistan, Islamabad.
4. Director of Accounts, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi.
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7. Finance Secretaries, Governments of Punjab, Sindh, NWFP and Balochistan, with the request that similar action be taken in respect of autonomous organizations under their administrative control.
8. Prime Minister's Secretariat (Internal), Islamabad.


(Muhammad Younas)

Government of Pakistan
Finance Division
(Budget Wing)

No.F.4(1)/2002-BR-II

Islamabad the 23rd December, 2014

OFFICE MEMORANDUM

SUBJECT: DEPOSIT OF WORKING BALANCES AND INVESTMENT OF SURPLUS FUNDS BELONGING TO PUBLIC SECTOR ENTERPRISES AND LOCAL/AUTONOMOUS BODIES UNDER FEDERAL GOVERNMENT.

The undersigned is directed to refer Finance Division's O.M. No. F.4(1)/2002-BR-II dated 2nd July, 2003 (As amended from time to time) on the above noted subject and to clarify that the term "A" rating (long term) used in Para-3(a) of the said memorandum means and includes all the categories of "A" in the rating scale of Pakistan Credit Rating Agency (PACRA). These categories are detailed below:-

AAA	Highest credit quality
AA+, AA,, AA-	Very high credit quality
A+, A, A-	High credit quality.

Qamar

(M.Qamar -uzzaman Farooqui)
Joint Secretary (BI)

All the Secretaries of the Federal Government

Copy forwarded to:

1. The Auditor General of Pakistan, Constitution Avenue, Islamabad.
2. The Controller General of Accounts, CGA Complex, G-5/2, Islamabad.
3. The Chairman, Securities Exchange Commission of Pakistan, Islamabad.
4. The Director of Accounts, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi.
5. The Director, Banking Policy Department, State Bank of Pakistan, Central Directorate, I.I. Chundrigar Road, Karachi
6. All Additional Finance Secretaries/Joint Secretaries, Finance Division, Islamabad.
7. All Financial Advisers/ Deputy Financial Advisers attached to administrative Divisions of the Federal Government.
8. Finance Secretary, Government of Punjab, Sindh, Khayber Pakhtunkhwa and Balochistan.
9. Prime Minister's Office (Internal), Islamabad.

Qamar
Joint Secretary (BI)

Copy also for:

PS to Finance Secretary,