

(3 Hours)

[Total Marks : 100

- N.B. 1) Attempt any four questions from Q. Nos.1 to 7.
2) Q.No.8 is compulsory.
3) All questions carry equal marks.
4) Your answers must be supported by relevant decided case-law wherever necessary.

1. State the main functions of Reserve Bank of India in respect of the following :-
 - a) Regulation of Currency.
 - b) Banker to the Government
 - c) Banker's bank.
 - d) Bank Rate.

2. a) Briefly discuss the provisions of the Banking Regulation Act, 1949, relating to -
 - i) Licensing of banking companies.
 - ii) Inspection of Banks.
b) Explain the meaning of the term 'Bank' and State the main functions of the bank regarding :-
 - i) Lending of money
 - ii) Accepting deposit from public.

3. a) Explain the banker-customer relationship in the Context of Debtor-creditor, as a trustee, and as an agent.

b) How banker customer relationship, is terminated?

4. a) State the right of banker to claim lien over the securities and right of set-off.
b) What procedures the banker should follow when garnishee order is issued to him ?

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- c) Write note on :-
Circumstances under which the law requires the banker to make disclosure of customer's account.
5. a) What is meant by 'negotiation' under NI Act, 1881.
b) Point out the distinction between 'bill of exchange' and 'cheque'.
c) What is a crossing of a cheque ? State the kinds of crossings.
6. a) Who is a holder in due course state the benefits and privileges enjoyed by him.
b) How negotiation is complete in case of order cheques?
7. In which cases bill of exchange is required to be presented for acceptance? Discuss the rules relating to presentment for acceptance and presentment for payment. In what circumstances presentment is excused?
8. Solve any of the following three problems giving reasons thereof :-
a) Can you treat the following documents as a cheque?
i) A document was drawn absolutely in the form of a cheque and was made payable to "Cash or Order".
ii) A company issued a cheque on its banker appending a receipt to the cheque and it ordered the bank to make the payment provided the receipt form at foot thereof is duly signed, stamped and dated.
iii) A District Board had its funds in a Government Treasury and used to withdraw money by issuing orders in the form of cheques. Can you call these orders as a cheque?

b) Mr. 'B' maintains a current account with a Bank the balance being Rs.30,000/- credit. He has been arrested for having cheated out Mr. 'S' of Rs.25,000/-. A cheque for Rs.20,000/- issued by Mr. B is presented for payment when bank receives a notice from the lawyer of Mr.S, asking the bank not to effect any payment in the above account as the balance thereof represents the proceeds of cheating.

As banker how will you deal with the above situation?

c) A Bank holds a standing order authority from its customer Mr. Deepak Arora, to pay Rs.5000/- per month in respect of the rent of his flat. Owing to lack of funds the last three payments have not been made. Bank now receives a letter from the owner of the flat asking specifically whether payment has been held up for lack of funds, or otherwise.

As a banker how would you answer this enquiry?

d) One U was one of the directors and principal shareholder of the plaintiff company. Cheques payable to the company were indorsed by him to himself in his capacity as director and paid into his personal account with the Defendant Bank for collection. The bank received the money and allowed him to withdraw. Afterwards, when the company went into liquidation, the liquidator commenced action against the bank for conversion of its cheques. Is bank liable ?

Whether bank can claim protection as collecting banker?