

## ISQ Examination (Summer-2012)

### Retail & Consumer Banking Operations – Stage-III

- Q. A) Name the authority to which banks/DFIs should submit Suspicious Transaction Reports (STR) under Prudential Regulation (M-5).
- Q. B) Outline at least FOUR requirements that must be mentioned in Suspicious Transaction Report.
- Q. What precautions should be taken in issuance of a duplicate demand draft?
- Q. The operation of a limited company's account will be stopped due to death of one of the directors authorized to operate the account. Do you agree or disagree? Explain.
- Q. An accredited representative of Mr. Moin, a valued customer of your bank has approached you for issuance of a loose cheque. Can you issue a loose cheque to an accredited representative of Mr. Ahmad? If yes, what precautions must be taken? If no, what will be your basis for declining the request?
- Q. Mr. Ali, an account holder of your branch, has passed away. After having known about his death, you have received a cheque of Rs.50,000/- issued by him prior to his death. Will you allow payment of this cheque which is presented after drawer's death? Why or why not? Substantiate your answer with brief but valid reason(s).
- Q. Your branch sold a demand draft for Rs.50,000/- to Mr. B a stranger. A week later Mr. B calls on you and states that he has misplaced the draft. He requests you to cancel the lost draft and refund him the money. Would you accede to his request? If so, state the formalities which must be completed in this case. If no, on what pretext will you decline his request?
- Q. Correspondent banking is considered to be fraught with great risks and often found to be conduct of money laundering. Mention any FIVE factors which must be taken into account before establishing correspondent banking relationship.
- Q. You have received an email dated 24<sup>th</sup> April, 2012 from M/S ABC & Co. who maintain an account with your branch. The following are contents of the email:  
"On 18-04-2012, a sum of Rs.50, 000/- was paid in cash for credit to current account of M/s XYZ & Co. by our representative, Mr. Ahmad through an oversight. In fact this amount was intended for credit of account of M/S Sher

Muhammad & Co. maintained with local branch of Z Bank Ltd. It is requested that the same may be refunded to us or may be transferred for credit to the account of M/s Sher Muhammad & Co. with Z Bank Ltd.”

On verifying the transaction posted in the account of M/S XYZ & CO, it is discovered that a sum of Rs.50,000/- was deposited in this account on 18<sup>th</sup> April, 2012 by one Mr. Ahmad whose name appears in the depositing slip as the depositor. It is also revealed that the operation on the account is stopped under a garnishee order issued by Court of Law on 22.04.2012 and entire balance earmarked and kept at the disposal of the court.

How would you deal with the request of M/S ABC & CO? Give reasons for your answer.

- Q. Your customer, Mr. Abdul Qadir deposits a crossed cheque for Rs.50,000/- payable to Zaheer, drawn on ABC Bank. The cheque is endorsed as Zaheer. After having accepted above cheque for collection, you have sent it to ABC Bank in clearing with usual endorsement of the customer and the bank. The cheque is paid by ABC Bank and proceeds are credited in account of Abdul Qadir, who withdraws full amount of cheque from his account.

It later transpires that the endorsement on the cheque was forged and Zaheer, the true owner of the cheque, seeks payment of the amount of the cheque from your bank. The account of Mr. Abdul Qadir is opened shortly and all KYC/CDD formalities are complete. There is a credit balance of Rs.10,000/- in this account.

- A) Are you, as a collecting bank, liable for conversion? Can it be shown that you have acted negligently in handling the above cheque?
- B) Can the paying bank (ABC Bank) claim statutory protection?
- C) What are rights, if any, of Mr. Zaheer as the true owner of the cheque.

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