

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
CORPORATE AND BANKING LAW
Associateship

Q.1 Please write the alphabet of the selected choice in the answer column:

Q.2 Give brief answers to the following questions:

- A) Can a bill of exchange, other than a cheque, be made ‘not negotiable’?**
- B) A banker after having advanced money to a customer against bearer Bonds receives notice that the bonds are the property of a third party. Can he nevertheless retain them as security for the advance made, and, if necessary, sell them?**
- C) What is meant by a ‘continuing guarantee’?**

Q.3 You are maintaining account of ABC & Co., Ltd., in which a cheque is presented at your counter for credit to the Company’s account. The cheque is made payable personally to Mr. Fayyaz Ahmed, the Chief Executive of the Company, and is crossed “Payee’s Account only”.

Will you accept the cheque for collection and credit it to the Company’s Account?

First answer YES or NO and then give your reasons for your answer.

Q.4 You have received an application from Mr. Abdul Sattar for finance as working capital for his business. He offers you as security mortgage over an immovable property. On examining the title documents you find that the property is held in the name of Mr. Abdul Sattar as guardian of his two minor children.

Will you accept the property as security?

First answer YES or NO and then give your reasons for your answer.

Q.5 A police officer comes to your branch and states that he is inquiring into the assets of a senior Government Officer and wants a statement of his account and details of transactions in the account for the last two years. He does not give you a written request and states that the inquiry is very secret and he wants the documents confidentially. Will you give him the information?

First answer YES or NO and then give your reasons for your answer.

Q.6 You have opened a D.A. Letter of Credit at nil margin against which documents negotiated by a foreign bank have been received. On examination you find that the documents contain a number of discrepancies.

The opener is prepared to accept the documents and asks you to waive the discrepancies. He undertakes to make payment on maturity. Are you bound to accept the Customer's request?

First answer YES or NO and then give your reasons for your answer.

Q.7. A Customer requests you to issue a guarantee in favour of his supplier from whom he is to receive goods on 180 day credit. As security he offers his personal guarantee and undertakes that he will make payment to his supplier in time and the guarantee will not be encashed. The Customer is a very good customer with an excellent track record of having always fulfilled his commitments to the bank. Will you issue the guarantee?

First answer YES or NO and then give your reasons for your answer.

Q.8 Discuss the precautions and documents a bank must take before –
A) opening account of a Limited Company; and
B) providing finance to the Company against mortgage of the Company's fixed assets.

Q.9 What precautions will you take when accepting mortgage of a property held by an illiterate pardah nasheen lady to secure finance to be provided to her husband for his business?

Q.10 A Customer has been sanctioned finance against hypothecation of stocks. He has provided you stock reports on the basis of which you have allowed him to draw against his sanctioned facility.

On routine inspection, you find that he is not holding stocks as per his stock reports submitted to the Bank.

What are your options for taking action against the Customer?

Q.11 Discuss the difference between
A) liability of partners of a firm for finance provided to the firm; and
B) liability of directors of a limited company for finance provided to the company.

Q.12 A very good Customer of your bank, holding large deposits, has died. His son comes to you and asks you to let him draw money from his father's account.

Explain what steps you will take to help the family and at the same time protect the interests of the Bank.
