

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
CORPORATE AND BANKING LAW
Associateship

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

Q.2 Study the following cases and give very brief answers.

- A)** Bank 'A' has extended finance to a minor for a sum of Rs.100,000 against the guarantee of his brother who is a major. Can a guarantee for such an advance be enforced against the guarantor?
- B)** Under what circumstances a bank can pay away the balance standing to the credit of a deceased customer's account without submission of succession certificate. Specify the procedure that may be observed by a bank if your answer is in affirmative.
- C)** Bank 'A' sent an offer letter to a prospective borrower for the Running Finance facility of Rs.500,000 against pledge of shares at 40% margin on the market value. The prospective borrower accepted the offer with the condition that the margin on shares would be applicable at 30% on the market value. Discuss the status of this offer and whether the bank is obliged to release the finance.
- D)** 'A' agreed to supply copper coins to the Central Bank of Serileon at an agreed price of say \$100 per kg. subject to the condition that the letter of credit in his favour must be received at his counter latest by August 12th, 2010. Central Bank of Serileon established the letter of credit in favour of 'A' through Bank 'Y' on August 10th which was advised to 'A' by the correspondent of Bank 'Y' on August 15th. Answer the following:
 - i)** Whether the terms of the offer have been complied with?
 - ii)** If the prices of cooper have gone up in the international market what options are available to 'A'.
- E)** Bank 'A' has extended finance to his client 'B' against the guarantee of 'C'. Can the banker continue to make further advances to his customer after becoming aware of the guarantor's mental incapacity?
- F)** An open cheque is presented for payment, but before the money has passed from the banker to the person presenting it, an order is received from the drawer stopping its payment. The holder is then informed that the drawer stopped payment, but he insists on payment on the ground that presentation was prior to the receipt of the 'stop'. Was the banker correct in refusing the payment?

Q.3 How does hypothecation arrangement differ from pledge? List the various precautions a bank must take while accepting an item under hypothecation to safeguard its interest against his finance.

Q.4 Mr. Khaliq has given to your bank a guarantee for repayment of a finance granted to his brother Matin. Matin is in default and Khaliq has died. Can the bank recover the amount from the heirs of late Mr. Khaliq?

Answer “YES” or “NO” first and then give reasons for your answer.

Q.5 You are maintaining an account of Mr. and Mrs. Ghafoor. You receive a letter from them from Canada stating that they have now settled there and requesting that you send them the statements of their Account to their new address in Canada. Will you agree?

Answer “YES” or “NO” first and then give reasons for your answer.

Q.6 You have sanctioned finance for a customer for which you have to obtain Finance Agreement as per the printed copy provided in the bank which has blanks to be filled up according to the terms of the Sanction advice in each case. The Customer is in a hurry and is not prepared to wait till a document with all blanks filled in is prepared and he wants to draw immediately a part of the sanctioned finance. He is prepared to sign the document with blanks and asks you to fill them up later. Will you agree?

Answer “YES” or “NO” first and then give reasons for your answer.

Q.7 A customer has been provided finance against hypothecation as per stock reports provided by him. On a surprise check, you find that there are no stocks in his godown. Can you take criminal action against the Customer?

Answer “YES” or “NO” first and then give reasons for your answer.

Q.8 Discuss what main documents a bank must obtain when opening the account of a Public limited company giving the purpose of each document.

Q.9 A customer comes to you with a letter of credit and documents for export made by him and requests you to negotiate his documents under that Letter of Credit. On examination you find that the documents are not in accordance with the terms of the Credit. The Customer insists that you negotiate the documents and states that he will arrange with the importer to waive the discrepancies and accept the documents. He offers to leave with you the negotiation amount and release it only if and when the documents are accepted by the importer. Discuss how you will handle this case.

Q.10 A customer who has been provided finance is in default. The bank’s claim will be time barred in two months’ time. In reply to your legal notice demanding payment, he comes to you and offers to pay a part of the outstanding amount and promises to pay the balance in one year’s time. Discuss what precautions you will take to ensure recovery in case the customer does not keep his promise to pay within one year.

- Q.11** You are maintaining an account of Mr. Samad in his sole name. Some one comes to you and says that he is the son of Mr. Samad and informs you that his father has suffered a stroke and is in hospital and cannot sign. He wants to know the balance in his father's account and wants to draw some money from the account to pay his father's hospital bill. Discuss how you will handle his request.
- Q.12** Discuss what points must be specially taken care of when drafting a guarantee to be obtained from a third party individual for repayment of finance you are asked to provide to a customer.
