

**THE INSTITUTE OF BANKERS PAKISTAN**  
**ISQ Examination (Winter-2011)**

**Corporate & Banking Law**  
**Associateship**

**Q.1** You have received documents negotiated under a sight letter of credit opened by you. Description of goods in the invoice is different from the description specified in the letter of credit. You have communicated the discrepancy to the negotiating bank and rejected the documents and informed it that the documents are held by you to its order.

The importer now requests you to waive the discrepancy and accept the documents. He also undertakes to make payment for the same on arrival of the ship carrying the consignment.

State whether you are obliged to accept the request of the importer?

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

**Q.2** A Customer has been granted a Running Finance limit of rupees ten million out of which he has drawn a sum of rupees six million and there is a cushion of rupees four million still available. The terms and conditions of advance provide for accrued mark-up to be paid quarterly by the seventh day after the end of each quarter. The Customer has not paid the mark-up for one quarter and requests you to debit the same to his Running Finance account against the available cushion.

State whether you will accept the request?

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

**Q.3** You have provided finance to Mr. Amin against a third party guarantee of Mr. Shakoor and mortgage of a property belonging to Mr. Shakoor.

Mr. Amin now offers to repay his entire liability to you and requests you to return to him the title documents of Mr. Shakoor’s property mortgaged to you.

Will you agree?

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

- Q.4** You are holding a fixed deposit of Rupees one hundred million in the joint name of Mr. Ilyas and Mrs. Ilyas with “either or survivor” mandate for its operation. Mrs. Ilyas has died and you have received a notice from the lawyer of one of her sons claiming that the entire deposit belonged to Mrs. Ilyas and demanding his share in the deposit and asking you not to make payment of any part of it to Mr. Ilyas.

On the other hand, you have received a request from Mr. Ilyas, as the survivor of the joint deposit, demanding its encashment in terms of the mandate.

Will you accept the request of Mr. Ilyas.

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

- Q.5** You are holding a pari passu charge over a property, for your outstanding liability of Rupees five million plus mark-up, along with another Bank whose liability is Rupees ten million plus mark-up.

The Customer now asks you for an excess of Rupees five million and produces a valuation report of the mortgaged property which shows that it is worth thirty million. He wants the excess to be secured by a charge over the same property. He does not want the other pari passu charge holder to know about this excess obtained by him from you.

Will you accept the request of the Customer?

- Q.6** Discuss the precautions a Bank must take with regard to documents when participating in a consortium advance by several banks for setting up a new industry.
- Q.7** ABC & Co. (Pvt.) Ltd., a very valued customer of your Bank, has decided to increase its Paid Up Capital and issued offers of Rights Shares to all its share holders. The Chairman, who is also the Chief Executive of the Company, requests you for a loan to enable him to take up the Rights Shares and offers as security the corporate guarantee of ABC & Co., (Pvt.) Ltd., along with hypothecation of stocks of raw materials and finished goods of the Company.

Discuss how you will handle such a request.

- Q.8** You are requested by a Customer to issue a guarantee in favour of the Government for Rupees ten million. The guarantee contains a clause as follows:; “This guarantee will remain valid for a period of twelve months from the date hereof or a period of six months from the date of delivery of the goods by the Customer, whichever be later.”

Discuss if you will issue a guarantee in such form or you will require any changes to be incorporated in the guarantee before you issue it.

**Q.9** You have given advance to a company against security of mortgage of its fixed assets and a third party guarantee of Mr. Abdul Mateen a close relative of one of the Directors of the Company. The Company is in default and you have served a notice on Mr. Abdul Mateen to make payment under his guarantee.

He offers to pay all the dues of the company but asks that the mortgage of fixed assets of the Company held by the Bank should be assigned to him. There is some dispute amongst the Directors and the Company has served a notice on you asking for time to make payment and prohibiting you from assigning the mortgage of its fixed assets in favour of Mr. Abdul Mateen.

**Discuss how you will deal with this problem.**

**Q.10** You are maintaining an account of a Partnership firm in which you have allowed facility secured by a mortgage over the factory premises belonging to the firm. The firm has six partners one of whom is a minor.

The partners have now set up a private limited company to take over the assets and liabilities of the firm and the firm has entered into an Agreement to Sell with the Company for transfer of all its assets and liabilities, including the outstanding liability of the Bank and the factory premises mortgaged to the Bank.

The Customer now requests the Bank to change the account of the firm to that of the company along with the existing sanctioned facility and the outstanding liability in the firm's account.

**Discuss how you will deal with the request of the Customer.**

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