

**ISQ Examination - Winter- 2012**  
**Branch Banking - Stage- I**

- Q. Mr. Irshad Ahmad, a customer of a bank, has interests in the following different accounts.
- a. Current account in the name of Irshad & Co., a partnership firm with Irshad, Ejaz and Iqbal as partners. The account has a credit balance of Rs 1,000/-.
  - b. Cash Finance Account titled: Paper Products Ltd., with Irshad, Ishaq, Ansar, and Anwar as directors. The account has a debit balance of Rs 475,000/-, secured against stock of paper and cardboard valued Rs 900,000/-.
  - c. Running Finance Account in the joint names of Mr. & Mrs. Irshad with debit balance of Rs 65,000/- secured by shares of quoted companies valued Rs 80,000/- in the name of Mr. Irshad.
  - d. Current account of "Dardmand Foundation", a trust in which Mr. Irshad is one of the co-trustee; balance in the account being in credit Rs 50,000/-.

M/s Irshad & Co. have been adjudged insolvent. What impact will it have on each of the above accounts?

- Q. What is banker's right of general lien? Can the bank's general lien be applied on the following? Give ONE reason for each answer.
- a. Valuables deposited for safe custody.
  - b. Credit balance in the borrower's saving account.
  - c. Document of title to goods accompanying bills logged for collection.
  - d. Original title deed of the borrower's house inadvertently left by borrower with bank manager.
- Q. Provide your response for the scenarios identified below:
- a. There is a joint account at your branch titled "Azeem & Samira joint account" to be operated jointly by both. Azeem has recently passed away. Can you pay the balance of the amount to Samira? Provide reason for your response.

- b. Ali and Saad maintain a joint account, to be operated by either of them singly. Saad signs a cheque favouring himself for the entire balance of the account and pays it into his individual account. Bank pays it. Is this a good discharge from the bank? Provide reasons for your response.
- c. Mr. Adeel Ahmed made a fixed deposit of Rs 500,000/- in his joint account with his first cousin Mr. Maqsood. Since Mr. Maqsood was out of the country at the time of making the deposit, Mr. Adeel signed the account opening form and proposed that Maqsood would sign the form on his return, which was due after a fortnight. The bank accepted the request. In the mean time Mr. Adeel met a fatal accident. Thus, the form of the deposit remained unsigned by the other beneficiary, Maqsood. The widow of Adeel Ahmed, Ms. Shehla Ahmed, the only legal heir of the deceased, claimed the amount of deposit. Should the bank accede to her request? Provide reason for your response.
- d. Mr. Ahsan Iqbal has a joint account with his wife. Instructions to the bank are "payable to either or survivor". Later, Mr. Ahsan informs the bank that since he has divorced his wife, she should not be allowed to operate the account. Is the bank obliged to carry out his instructions? Provide reason for your response.

- Q. a. What is cheque crossing?
  - b. Identify FOUR different types of crossing.
  - c. State the purpose of each type of crossing identified.

- Q. Once the customer deposits a cheque in his bank account various stakeholders get involved in the cheque clearing process.
  - a. Identify all the stakeholders in the cheque clearing process.
  - b. State the role of each of the stakeholder in the clearing process.

- Q. A customer wishes to deposit into his account a crossed cheque for Rs. 50,000/- payable to an insurance company. He explains that as an agent of the company, he has received the cheque in payment of premium. The bank refuses to accept the cheque and informs him that the cheque should be sent to the company. The customer declines to do so and claims that he is entitled to use the money belonging to insurance company until the latter forbids/prevents him to do so.

The customer then takes the cheque to insurance company and gets it endorsed 'For and on behalf of company'. He now argues that cheque is 'bearer cheque', but Bank still declines to accept it for credit to his account.

- a. Was the bank entitled to refuse to accept the cheque in the first place? Elaborate your answer with reason.
- b. Was the bank correct in declining to accept the cheque in the second instances? Give reasons for your answer.

Q. Agents and service providers are the TWO main players in branchless banking.

- a. State ONE difference between them.
- b. State FOUR functions that agents perform as part of providing branchless banking service.

Q. a. List the documents required to open a rupee account for a public limited company.

b. List the documents required to open a foreign currency account for a private limited company.

Q. Money laundering poses a great reputational risk for banks. In order to proactively manage this risk banks are training their staff on recognizing the early warning signals.

State atleast FIVE such signals.

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