

GENERAL BANKING

What is Bank :

Bank is a financial institution. It takes deposit from public, lending money to the people and make investment.

Main Functions of a Bank :

- a) Accept of Deposits from the public
- b) Lending money to the people
- c) Investment

Banks also function of various works:

- a) Collection and payment of cheques
- b) Payment on behalf of customers
- c) Purchase and sale of stock
- d) Acting as trustee, acting as correspondents
- e) Opening letter of credit
- f) Safe custody
- g) Dealing in foreign exchange
- h) Complete service in foreign trade
- i) Providing credit reports
- j) Providing remittance facilities
- k) Providing advisory services

Who is a Banker?

Banker is a person transacting the business of accepting, for the purposes of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise and include any post office savings bank.

Who is a Customers?

A person who have some sort of account with the bank (may be fixed, current or savings). Frequency of transaction in the account is not essential. One single transaction is good enough. Banker-customer relationship is a contractual. Availing of DD/TT facilities and depositing valuables for safe custody and other services occasionally without having any account with the bank are not enough to become a customer.

Banker-Customer : General Relationship.

A banker, in course of his day to day business, enters into different kinds of relationship with his customers and clients. These relationships may be broadly categorized as (a) General Relationship and (b) Special Relationship. The General Relationship between a banker and customer differs depending on the basis of types of dealing they undertake between themselves. Banker-customer is contractual relationship. Generally the following are the major forms of relationships between a banker and his customers : (a) Debtor-Creditor, (b) Principal-Agent, (c) Trustee-Beneficiary, (d) Bailor-Bailee and (e) Lessor-Lessee.

Debtor-Creditor Relationship:

The general relationship between a banker and customer (account holder) is that of a debtor and creditor. If the customer's account shows credit balance, the bank is debtor and customer is creditor. On the other hand, if the account of the customer is overdrawn, the relationship is just the reverse and here the customer is the debtor.

Principal-Agent :

All modern banks provide agency services to their customers. When a bankers buys or sells securities on behalf of his customer, he performs an agency function. Similarly, when he collect cheques, bills, interest and dividend etc. or when he pays insurance premium from the customers account, as per his instruction, he acts as an agent.

Trustee-Beneficiary:

Many times a banker is in the position of a trustee. A trustee is one who holds property for the benefit of a person or beneficiary. The banker is a trustee when a customer deposits his valuables and securities for safe custody. In this case, the customer continues to be the owner and is entitled to the same goods and valuables as he deposited. The banker can not use the articles kept for safe custody anyway he likes. He can not return equivalent goods in place of the original one. Here the legal position of a banker as a trustee is quite different from that of debtor and creditor. For example, in the event of bank's liquidation, securities and valuables held by the bank as trustee are not available for distribution to the general creditors. Fund, if any, coming to the hands of the bank as a trustee must also be applied for specific purpose as the trust deed indicates.

Bailor-Bailee:

When a bank advances money to a borrower, the goods of the borrower may be brought under the control of a bank (pledge). Such goods are called pledged goods. In this case, the relationship between a customer and a banker in respect of the goods under pledge is that of a bailor and bailee.

Lessor-Lessee:

In case of locker operation, the relationship between the banker and customer is lessor-lessee. Here the banker is Lessor and customer is Lessee.

Banker-Customers: Special Relationship.

While discussing the general relationship, it has already been stated that one of the relationship between a banker and customer is the debtor-creditor (contractual). The rights of one party are the duties of other and vice-versa. These rights and duties are the subjects of special relationship between and bank and its customers.

01. Banker's obligation to customers
02. Banker's right on customer
03. Customer's obligation to banker and
04. Customer's right on banker

Banker's obligation to customers

01. Acceptance of deposit
02. Honouring cheques
03. Maintenance of secrecy of the accounts
04. Notice to be given in case of closure of account
05. Payment of interest
06. Furnishing statement
07. Providing services

Banker's Rights on Customers :**01. Banker's Lien**

A banker has the right of general lien in respect of the dues to him by the customer. Lien is the right to retain property belonging to another until a debt due from the latter is paid. In other words, it is the right of the creditor to retain the goods and securities in his possession, belonging to the debtor, until his debt due is paid. Lien, however, does not give right to sell unless such

right is expressly conferred by statute or by custom or usage. The right of lien may be (a) Particular or (b) General.

02. Right of Appropriation:

In case of several debts outstanding by the debtor(customer) to the bank, question arises as to which of the debts is to be discharged when payment is made by the debtor and the amount is not sufficient to discharge all the debts.

03. Banker's Right of Set-Off.

A banker has the right to set-off. This right entitles him to adjust a debit balance in some account of a customer against any credit balance in his other account(s). Accounts of a customer can be combined/set-off subject to the following conditions, namely (a) If the different accounts are held by the same parties in the same right, debit balance in his own account can not be adjusted with the credit balance of trust account in his own name (b) The debt must have become actually due. The right can not be exercised against further or contingent debt and (c) There is no express or implied agreement to the contrary.

04. Banker's Right of Automatic Set-Off.

A banker has the automatic right of set-off in the following circumstances

- (a) On death, insanity or insolvency of the customer
- (b) On the insolvency of partner of a firm or on the winding up of a company.
- (c) On receipt of a Garnishee Order. The banker on receipt of a garnishee order can exercise the right of set-off and surrender only the surplus to the judgement creditor
- (d) On receiving notice of assignment of a customer's credit balance and
- (e) On receiving notice of second mortgage over the security charged to the bank.

Although the banker has the statutory right of set-off, yet by way of caution he obtains from the customer a letter of set-off duly signed in the presence of a witness to protect the banker from any possible future objections to the exercise of his right of set-off.

05. Right to Charge Interest and Commission :

A banker has an implied right on the customer to charges for various services rendered to them. Such charges are known as bank charges/commission. These are required to be reasonable.

What is General Banking ?

General Banking is an operational function of the bank which consists the management of deposit, cash, clearing house, bills, account opening, security instruments handling, customer services, locker facilities and other ancillary services of the bank besides Advance and Foreign Trade.

What is Clearing House ?

Clearing House is an arrangement of the member banks which settle their inter-bank claims/ liabilities due to transfer of deposits by the customers from one bank to another.

Banker's clearing house is a common place usually located at the Central Bank or any other designated bank where officials of different banks settle their inter-bank claims daily through their accounts maintained by the Central Bank. This happens because each bank receives many cheques, drafts etc. drawn on other banks. Collection of those by sending officials to those bank is costly. So clearing/settling mutual claims and debts is done through clearing. In absence of Bangladesh Bank, Sonali Bank acts as the clearing house in our country.

What is Demand Draft ? :

An order to pay money, drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand.

Bank/Demand Draft :

Also called Demand Draft. It is drawn by one branch of a bank on another of the same bank instructing the letter to pay a specified sum of money to a named payee or to his order. It is payable on demand and its payment can not be countermanded or stopped. Neither it is payable to bearer, because of these advantage, this instrument is used by the customers to make secured payment.

Pay Order :

A pay order is an order by the issuing office of a bank upon itself to make payment of the amount mentioned therein to the named payee or according to his order. Thus, it is different from the Bank Draft which is drawn by one branch of the bank on another. Pay Orders are issued only for local payments.

A Pay Order is not a negotiable instruments and therefore, its holder cannot acquire a better title than what the transferor had. Its payments also cannot be easily stopped or countermanded.

DD is a negotiable instruments ? :

DD is not a negotiable instruments as per N.I. Act-1881 but usually DD is a negotiable instruments.

Difference between Demand Draft and Pay Order

Demand Draft	Pay Order
01. It is a negotiable instrument (usually) 02. It is payable to same bank with other branch 03. It is the mode of remittance. 04. Payment made in one place to another place.	01. It is not a negotiable instrument. 02. It is payable on the issuing branch. 03. It is not a mode of remittance. 04. Generally payment made is locally.

Difference between Cheque and Demand Draft.

Cheque	Demand Draft
01. A cheque can be payable to bearer. 02. The payment of cheque can be countermanded (stop payment). 03. In case of cheque, the banker has indirect liability.	01. A draft can not made payable to the bearer. 02. Normally the payment of draft can not be countermanded. 03. In case of Demand Draft, the banker has a direct liability.

Difference between Cheque & Bill of Exchange :

Cheque	Bill of Exchange
01. Cheque can only be drawn on bank.	01. Bill of Exchange is drawn on any person, firm, company or public including a bank.
02. A cheque is payable on demand.	02. 3 (three) days of grace are allowed to the drawee.
03. There is no question of acceptance.	03. A bill of exchange payable after sight requires acceptance.
04. Bankers get statutory protection in case of crossed cheques.	04. Bankers do not get any protection in case of crossed bill of exchange.
05. A cheque can not be drawn in sets.	05. A bill of exchange may be drawn in sets.
06. The drawer has right to countermand.	06. The drawer has no right to countermand.

Difference between Promissory Note & Bill of Exchange :

Promissory Note	Bill of Exchange.
01. It is promise to pay.	01. It is an order to pay.
02. There are two parties i.e. the Maker and the Payee.	02. Primarily there are 3 (three) parties, i.e. Drawer, the Drawee and Payee.
03. The liability of the maker is primary.	03. The liability of the maker/drawer is secondary.
04. A promissory note is not drawn in sets.	04. A bill of exchange may be drawn in sets.
05. There is no need to present it for acceptance.	05. A bill of exchange payable after sight requires acceptance.
06. A promissory note can not be made payable to the maker himself.	06. A bill of exchange can be made payable to self.

Difference between Guarantee & Indemnity : 01

Guarantee	Indemnity
01. In case of guarantee, there are three parties i.e. the Creditor (party), the Principal Debtor (in his favour guarantee issued) and Surety (bank).	01. In case of indemnity, there are two parties i.e. Indemnifier (Promisor) and Indemnified (Promisee).
02. The liability of surety is secondary.	02. The liability of indemnifier is primary.
03. In case of guarantee, there is always existing debt.	03. The liability of the indemnifier arises only on the happening of the event.
04. The guarantor undertakes obligation at the request of the Principal Debtor.	04. Indemnity is given without any request, expressed or implied.
05. Guarantor can sue the Principal Debtor in case of Revocation.	05. Indemnifier cannot sue third parties unless there is the assignment.

Difference between Guarantee & Indemnity : 02

Guarantee	Indemnity
01. In case of guarantee, there are three parties i.e. the Creditor (party), the Principal Debtor (in his favour guarantee issued) and Surety (bank). 02. The liability of surety is secondary. 03. In the case of guarantee, there is an existing debt or obligation, the performance of which is guaranteed by the surety. 04. In the contract of guarantee, the surety undertakes his obligation at the request of the third party (principal debtor). 05. A guarantor can file a suit in his own name against the debtor, if he pays the debt or performs the obligation.	01. In case of indemnity, there are two parties i.e. Indemnifier and Indemnified. 02. The liability of indemnifier is primary. 03. In a contract of indemnity the liability of the indemnifier arises only on the happening of a contingency. 04. In the contract of indemnity, indemnity is given or, obligation is undertaken, without any request, expressed or implied, of the debtor. 05. In a contract of indemnity, the indemnifier cannot sue third parties in his own name unless there is the assignment. He must sue in the name of the indemnified.

Guarantee :

The Contract of Guarantee has been defined under Section-126 of the Contract Act-1872 as :

A contract of guarantee is a contract to perform the promise or discharge the liability of a third person in case of his default.

Indemnity :

A contract of indemnity is defined under Section-124 of the Contract Act-1872 as :

A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person.

Shipping Guarantee :

It is a guarantee cum indemnity issued by the bank in favour of the shipping company. When shipping documents against L/C are not received by the bank but the ship carrying the goods arrives at the port of destination and the shipping company is not willing to release the goods without the relative shipping documents but the importer may like to take delivery of the goods to avoid warehousing cost and demurrage charge against an agreement indemnifying the shipping company for any loss which it may sustain for delivery of goods without the relative bill of lading.

Guarantees given by bank to shipping companies for release of goods in the absence of Shipping Documents in case of goods arrive before receipt of the documents.

Current Deposit Account :

A Current Deposit Account is a running and active account. Holder of such account can freely deposit or withdraw money on many times as he feels necessary in any working day. The banker undertakes to repay these deposits anytime within the banking hours. In fact, unlimited cheque facilities are its special feature. Account can be drawn upon by cheque without any notice, without obtaining any permission and without any penalty. Loan sanctioned on CD A/c.

Current deposits are parts of Demand Deposit.

Savings Deposit Account :

Savings bank deposit accounts are intended for individual savers who want to save for meeting the future social, economic, educational or religious needs. Generally these deposits are of comparatively smaller amounts and are accepted by the banks to encourage persons of small means to make savings.

It is observed that the Central Bank currently treats only **9%** of Savings deposit as demand liabilities and rest 91% is treated as time liabilities.

Dormant Account :

Savings or Current accounts which become inoperative for a period of one year generally are marked as 'Dormant Account'. After one year of 'dormant' marked it transferred to the 'Dormant Account Ledger' .

Deceased Account :

In the event of death of an individual account holder, the contract of the account holder with the bank is ceased and all operations in his account are stopped. A caution mark 'deceased account' is drawn just below the balance of the account.

As soon as the information of death of any account holder is received by the banks either through newspapers or some reliable source, the date of death and source of information are noted on the ledger folio of the relevant account.

Payment of balance of deceased account :

- a. However, if there is any nominee of the account, bank's are fully discharged in paying him the balance of the account.
- b. Probate or letter of administration or succession certificate from court.

Types of Account Holder :

- a) Individuals (Having 18 years old any person)
- b) Joint Accounts
- c) Sole proprietorship concern (Business trading firm)
- d) Partnership firms
- e) Hindu joint families
- f) Private Limited Company (Memorandum & Articles of Association, Certificate of Incorporation)
- g) Public Limited Company (Memorandum & Articles of Association, Certificate of Incorporation, Certificate of Commencement)
- h) Corporations (Corporation, autonomous bodies)
- i) Local Bodies (Municipal Corporation, District Council)

Special Types of Accounts Holders :

- a) Non-government organizations (NGO)
- b) Co-Operatives (Samity)
- c) Club/Associations/Societies
- d) Non-Trading Concerns (Non profit organization)
- e) Liquidators (Appointed by Court)
- f) Executors/Administrators (Appointed by Court)
- g) Trustees
- h) Attorney Holders
- i) Minors
- j) Married Women
- k) Illiterate persons
- l) Pardanashin Lady
- m) Lunatics (This are not allowed to open accounts)

Are Deposits Money ?

We know that the cash deposited into the accounts of the banks by the account holders are termed as deposits. We also know that the deposits are the borrowings of the banks from the people. These are repayable on demand. As and when depositors will make demand properly through cheques, banks are bound to make payment in cash. In this sense deposits are money (bank money).

Deposits into two types :

- a) Demand Deposits
- b) Time Deposits

Money is also 2 categories :

- a) Narrow Money M1 (Currency Outside Bank + Deposit with B. Bank + Demand Deposit)
- b) Broad Money M2 (Currency Outside Bank + Deposit with B. Bank + Demand Deposit + Time Deposit).

Safety of Depositors Money :

a) Deposit Insurance

All types of deposit/depositors are insured upto a maximum of Tk.1.00 lac per account/depositor irrespective of whether one has one or more account.

b) Liquidity

The scheduled banks are required to maintain a certain percentage of their deposits as liquidity (cash/near cash). Currently such liquidity 18% (13% SLR & 5% CRR).

c) Capital Adequacy Ratio :

Currently the Capital Adequacy Ratio is **10%** of the risk weighted assets.

d) Provision against Classified Loans :

e) Good Governance

In addition, the central bank also ensures good governance of the banks through restrictions on directorship, sanction of large loans, loans/interest waiver and various other means.

Government Deposit : Restriction on Private Banks :

20% of Annual Development Programme fund may be placed with the private banks which are engaged in banking in Bangladesh for the last 10 years or above.

25% of the funds of the government, semi government bodies, autonomous and semi-autonomous bodies may be placed with the private banks which are engaged in Bangladesh for last 5 years or more.

Who can open an Account ?

Anybody (natural or legal person, legal person means company) who are competent to enter into contract, are eligible to open bank accounts. Insolvents, lunatics (mad) is not eligible to open an account. A minor may, however, be allowed to open an account jointly with the legal guardians.

Natural person like married or unmarried man and woman, literate or illiterate persons, pardanshin ladies and even a blind man can open an account either singly or jointly.

Opening of Accounts : Common Formalities :

- a) Application on the prescribed form duly filled-in
- b) Photograph/Identity
- c) Specimen signature
- d) Mandate for operation of the account
- e) Nomination
- f) Introduction
- g) KYC (Transaction profile & source of fund).

Why Introduction need to an Account?

- Proper introduction serves as precaution against any fraud.
- It is a safeguard in case of inadvertent overdraft.
- Banker can get help to be satisfied on a proposed account opener about the identity, character, integrity and respectability.
- Real reason for obtaining introduction by the banks is to get legal protection from the courts (Sec-131, N.I. Act)
- It helps the banker to give proper and correct confidential opinion regarding the standing and creditability of the customer.

Why Introduction to an Account?

In case any fraudulent transaction takes place in the account, the banks may get some relief since it is the moral responsibility of the introducer at least to help the bank in finding out the customer or tracing him out.

A banker is found to be very careful in selecting his customers. Before opening an account, he is to be satisfied himself about the identity, character, integrity and respectability of the proposed account opener. To this end he talks to the proposed customer informally to gather as much information as possible to satisfy himself about his bonafide. Not only that, a banker is also now required to obtain information about the possible transaction needs of the customers and maintain those in the customer profile. Most importantly the banks are to compulsorily obtain introduction as well.

Who can Introduce an Account :

Anybody acceptable to a bank may introduce an account such as existing account holders, government high official, respectable person.

What is cheque ?

Cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. (an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or the bearer of the instrument.

Kinds of Cheques : Debnath Sir.

Cheque supplied to the account holders can be used variously by them depending on the circumstances. In fact, based on the use and utility, cheques assume differing, characteristics and serve various purposes of the account holders. (01). Bearer Cheque (02). Order Cheque, (03) Crossed Cheque and (04) Non Negotiable Cheques.

Bearer Cheque :

Cheques in which the word 'Bearer' appears after the payee's name are called Bearer Cheque.

These kinds of cheque are likely cash since they are freely transferable from one person to another without any bar and it can be encashed by anybody from the bank over the counter.

Order Cheque :

A cheque in which the word 'Order' appears after the name of the payee is called Order Cheque. An order cheque can be paid to the payee or to any person according to payee's order. Instructions are written on the back of the cheque.

Crossed Cheque :

When two parallel lines are drawn across the face of a cheque, it is called crossed cheque. A crossed cheque can not be paid at the counter. It can be paid only through an account.

Not Negotiable Cheque :

These cheque is a further check on fraud and forgery. These cheque are transferable from one hand to another. But the drawer gives a message by adding the words '**Not Negotiable**' to the cheque. About such cheques the N.I. Act. says that "**a person taking a cheque crossed generally or specially bearing in either case the words "Not Negotiable" shall not be capable of giving, a better title to the cheque than that which the person from whom he took it had**". This provision restricts the '**negotiability**' of the cheque. However, restriction on negotiability does not restrict '**transferability**'. It implies that a cheque bearing '**not negotiable**' crossing can not be encashed by the persons who got it from a thief or any finder even if he got it on consideration and without the knowledge of theft or less. Generally this kind of cheque is used by Government, Government Agencies or corporations etc. who want to restrict further negotiation of the cheques.

Stale Cheque :

A cheque, after 6 months from its date of issue is regarded as '**Stale**' and such a cheque is not paid by a bank. Stale cheques are also called '**out of date**' cheque. A cheque should be encashed as soon as possible.

Post-dated Cheque :

A cheque bearing a future date is called post-dated cheque. A bank can not pay cheque before date of cheque. Post dated cheque is not paid by a bank.

Ante-dated Cheque :

A cheque bears a date earlier to the date on which the cheque is drawn. For example : a cheque drawn on January 15 bearing date January 10 is an ante-dated cheque. Bank generally pay an ante-dated cheque.

Blank Cheque :

A cheque without any details bearing only the signature of the drawer is called blank cheque. This is also called inchoate (incomplete) instruments.

Conversion :

Conversion is another word for wrongful payment of a customers cheque. All cheques are drawn by the account holders to be payable to the intended person. If the bank pay it to any person other than the intended person, the payment will be wrongful payment or conversion.

Crossing of Cheques: A cheque may be classified

- (a) an open cheque which can be presented for payment by the holder at the counter of the drawee's bank.
- (b) a crossed cheque which can be paid only through a collecting banker.

Crossing defined : A cheque is said to be crossed when two transverse parallel lines with or without any words are drawn across its face. A crossing is a direction to the paying banker to

pay the money generally to a banker or a particular bankers as the case may be, and not to the holder at the counter. Crossing may be written, stamped, printed or perforated.

Object of Crossing :

Crossing affords security and protection to the true owner, since payment of such a cheque has to be made through a banker. It can, therefore, be easily detected to whose use the money has been received. Cheques are crossed in order to avoid losses arising from open cheques falling into the hands of wrong persons.

Crossing of a cheque does not affect its negotiability. Crossed cheques are negotiable by delivery in case they are payable to bearer and by endorsement and delivery where they are payable to order. Holder of a crossed cheque, who has no account in any bank, can obtain payment by endorsing it in favour of some person who has got an account in a bank.

Crossed Cheque :

When two parallel lines are drawn across the face of a cheque, it is called crossed cheque. A crossed cheque can not be paid at the counter. It can be paid only through an account.

Kinds of Crossing.

01. General Crossing
02. Special Crossing

General Crossing :

When a cheque bears two parallel lines across its face, it is called a general crossing. A cheque bearing a general crossing can be paid only through an account. General crossing is usually put either at the top left corner or in the middle of the cheque.

Special Crossing :

When the name of the particular bank is written across the face of a cheque, it is called a special crossing. As per Section-124 of N.I. Act, a cheque shall be deemed to be crossed specially and to a particular banker **“Where a cheque bears across its face an addition of the name of a banker, either with or without the words ‘not negotiable’”.**

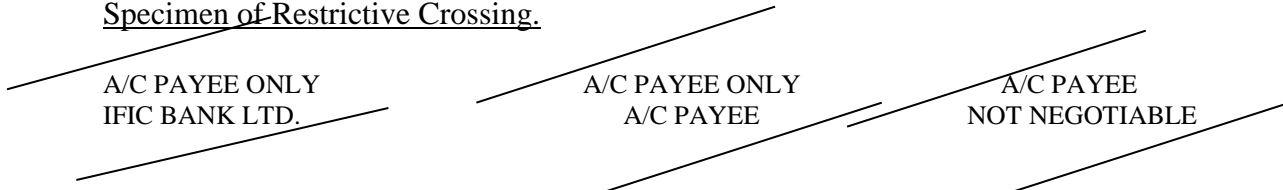
When a cheque bears a special crossing, it can be paid only to that bank which is mentioned in the crossing. In case of special crossing, drawing of two parallel lines is not necessary. Simply writing of the name of the bank is sufficient.

Restrictive Crossing :

Besides the above two types of statutory crossing, in recent years the practice of crossing cheques with the words ‘account payee’ or ‘account payee only’ has sprung up. Such a crossing is termed as ‘restrictive crossing’.

Restrictive crossing is only a direction to the collecting banker that the proceeds are to be credited only to the account of payee named in the cheque. In case the collecting banker allows the proceeds to be credited to some other account, it may be held liable for wrongful conversion of funds. It does not in any way affect the paying banker, who has simply to see that the cheque has been presented to it for payment by any bank in case of general crossing and by the particular bank (named in crossing) in case of special crossing. It is under no duty to ascertain that the cheque is in fact collected for the account of the person named as payee.

Specimen of Restrictive Crossing.



It is to be noted that the basic ingredient of crossing, ‘**the two transverse parallel lines**’ across the face of the cheque, must be present in order to constitute any cheque as a crossed cheque. The cheque will not be taken as a crossed cheque if this has not been done.

Who can Cross ?

Drawee of the cheque can cross a cheque generally or specially. A holder, however, can not convert special crossing into general crossing, because such alteration is a material alternation and needs confirmation by the drawer. The bank to whom the cheque is crossed specially may again cross it specially to another bank who acts as his agent for collection.

01. The drawer : The drawer can make general, special or restrictive crossing on a cheque before issuing it.

02. The holder : (i) Where a cheque is uncrossed, the holder may cross it generally or specially.

(ii) Where a cheque is crossed generally, the holder may cross it specially.

(iii) Where a cheque is crossed generally or specially the holder may add the word “not negotiable”.

03. The Banker : Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker to work as its agent for collection (Sec-125). It is to be noted that a cheque can be specially crossed only once except where the second crossing is to a banker as agent for collection.

Opening of Crossing :

Cancellation of crossing is called opening of crossing. After opening of crossing, the cheque becomes an open cheque. Only the drawer of the cheque is entitled to open the crossing by writing the words “**Pay Cash**” and cancelling the crossing alongwith his full signature.

What does constitute Crossing :

In case of general crossing, drawing of two parallel lines across the face of a cheque is sufficient and necessary. Writing of ‘And Co.’ or ‘& Co.’ are not necessary. It follows from it, therefore, that simply writing of “Not Negotiable” or “Account Payee” on the face of the cheque without two parallel lines do not constitute crossing.

More than one Crossing :

When a bank accepts cheque from its a/c holders, it gives them receipt for these cheques. If the cheques are lost or their amount is misappropriated bank will be responsible to its a/c holders. To overcome this risk bank puts a special crossing of its own on all the cheques received for collection from its account holders, so that all cheques become payable only to itself.

One cheque may bear two crossing i.e. one general crossing and one special crossing. But when a cheque bears more than one special crossing i.e. when it is crossed specially to more than one bank, its payment should be refused unless one bank is collecting the payment for the other as its agent. To enable the paying bank to know that one bank is collecting the payment for the other,

the sending bank should put on the back of the cheque its direction to pay cheque to the other bank. In this case the words “**as agent for collection**” must be included in the special crossing, subsequent endorsement or discharge.

Double Crossing : When a cheque bears two separate special crossings, it is said to have been doubly crossed. According to Section-127 “where a cheque is crossed specially to more than one banker, except when crossed to an agent for the purpose of collection, the banker on whom it is drawn shall refuse payment thereon”. Thus, a paying banker shall pay a cheque doubly crossed only when the second banker is acting only as he agent of the first collection banker and this has been made clear on the instrument. Such crossing may be done in those cases where the banker in whose favour the cheque has been specially crossed does not have a branch at the place where the cheque is to be paid. This may be in the following form :



 IFIC BANK LTD.
 TO
 CITY BANK LTD.
 AS AGENT FOR COLLECTION

In all other cases, the paying banker should refuse to pay a cheque bearing double crossing.

Obliterating a Crossing : Section-89 provides protection to a collecting banker of a cheque whose crossing is obliterated or erased by dishonest persons. In case of such cheques the paying bank shall be discharged from its liability if :

- (i) the cheque does not appear to be a crossed one or obliteration of crossing is not apparent at the time of its presentation for payment and
- (ii) the payment has been made in due course as required under Section-10.

Liability of the paying banker on crossed cheques :

The paying banker should make payment of a crossed cheque only through the collecting banker. In case of special crossing the payment of cheque should be done only to the banker whose name has been mentioned between the two transverse parallel lines. In case the paying banker makes payment of a crossed cheque in contravention of the above rules, its liability will be as follows :

- (i) The paying banker will have to reimburse the true owner for any loss that he might have suffered on account of payment being made to a wrong person.
- (ii) The paying banker shall not be entitled to debit his customers account with the amount of payment in case payment has been made to a wrong person since it has not followed the mandate of the customer. Such payment will not be taken as a ‘Payment made in due course’.

Crossing and Negotiability :

Crossing does not affect the ‘transferability’ of a cheque. Cheque bearing a general crossing or a special crossing can be transferred from one person to another. **A bearer cheque either crossed generally or specially can be transferred merely by delivering the cheque.** On the other hand, an **order cheque whether generally or specially crossed can be transferred by endorsement and delivery.**

Bearer Instruments :	Transferred by its mere delivery.
Order Instruments :	Transferred by endorsement and delivery.

Features of a cheque.

01. It must be an unconditional order.
02. Cheque must be a written order.
03. For certain sum of money
04. Drawn on a specific bank
05. Payee of a cheque to be certain
06. Cheque must be payable on demand.

Kinds of cheque.

01. Bearer cheques
02. Order cheques
03. Crossed cheques
04. Not negotiable cheques

Important terms related to cheques.

01. Apparent tenor – 04 elements (date of cheque, sum of cheque both word and figure, name of payee, drawer signatures).
02. Stale cheque
03. Ante-dated and post-dated cheques
04. Countermanding (stopping) payment of cheques
05. Conversion/wrong payment of cheques

Apparent Tenor – 04 elements

01. Date of cheque,
02. Sum of cheque both word and figure
03. Name of payee,
04. Drawer signatures.

When Banks must refuse payment of cheque.

01. On customer countermanding payment
02. On receipt of a notice of customer death
03. On customer becoming insolvent
04. On receipt of a notice of the customer insanity
05. On receipt of Garnishee Order
06. On notice of Assignment
07. Trust account
08. Stolen cheques

Other reason for dishonour of cheques.

01. Post-dated
02. Short of fund in the account
03. Cheque presented after business hours
04. Joint account but cheque are not signed by joint account holders
05. The cheque is irregular and ambiguous
06. The cheque presented after 6 months from the date it bears

Endorsement :

The signature of the payee or holder on the back of a cheque/draft is called an endorsement.

Kinds of Endorsement.

01. Blank endorsement
02. Full endorsement
03. Partial endorsement
04. Restrictive endorsement
05. Conditional endorsement
06. Endorsement Sans Recourse
07. Facultative endorsement

Blank Endorsement :

When the endorser signs his name only (Mashud)

Full Endorsement :

When the endorsement adds the name of the endorsee above his signature, with a direction to pay him or to his order. A blank endorsement may be converted into full endorsement by writing the name of the endorsee over the signature of endorser. It is also called special endorsement : Pay to M/S. Liberty Impex.

Restrictive Endorsement :

Where the endorser prohibits further negotiation.

Partial Endorsement :

Where only a part of the amount of the bill is transferred to a particular endorsee.

Collecting and Paying Bankers :

Who is Collecting Banker : The bank which collects the proceeds of cheques, drafts, pay orders and bills etc. from other banks for deposit into the accounts of its customers is called a collecting banker.

Who is Paying Banker : 'Paying Banker' is the 'drawee' bank or in other words the banker upon whom a cheque is drawn. It pays the cheque to the collecting banker who presents those before him on behalf of their customers. He is responsible to the customers and duty bound to make payments to the right persons in accordance with the instructions of the drawer.

Capacity of Collecting Banker :

As an Agent : A collecting banker acts as an agent of the customer if he credits the latter's account with the amount of the cheque after the amount is actually realised from the drawee bank. Thereafter, the customer is entitled to draw the amount of the cheque. The banker thus acts as an agent of the customer and may charge from him a commission for collecting the amount from other banks.

As an agent of his customer, the collecting banker does not possess title to the cheque better than that of the customer. If the customer has no title thereto, or his title is defective, the collecting banker can not have good title to the cheque. He will be held liable for conversion of money, i.e. illegally interfering with the rights of the true owner of the cheque.

As Holder for Value : Collection of cheques takes some time, specially in case of outstation cheques. If the collecting banker pays to the customer the amount of the cheque or credits such amount to his account and allows him to draw it before the amount of the cheque is actually realised from the drawee bank, the collecting banker is deemed to be its '**holder for value**'. The banker takes an undertaking from the customer to the effect that the latter will reimburse the former in case of dishonour of the cheque.

Statutory protection to Collecting Banker.

01. Crossed cheque only:

The statutory protection is available to the banker only in case of cheque crossed generally or specially to himself. He can not avail this protection in case of uncrossed cheque.

02. Collection as an Agent:

The statutory protection is available to the banker if he collects the cheque as an agent of the customer and not as its holder for value.

03. Good faith and without negligence:

The most essential prerequisite for availing of the statutory protection is that the banker must receive payment in good faith and without negligence. A thing is deemed to be done in good faith when it is in fact done honestly irrespective of whether negligently or not. He should not be negligent in receiving the payment. The onus of proving that he was not negligent in collecting the cheque lies, however, on the banker himself.

Duties of Collecting Banker

01. Presentation of cheques for payment within reasonable time:

The banker should collect the cheques, sent by the customers, with due care. As per Section-74, they must present the cheque to the drawee bank within a reasonable time. According to the practice followed by the bankers, if the collecting and paying bankers are in the same place, the collecting banker should present the cheque before the next clearing immediately after he received it. In case of outstation cheques, he should despatch the same to the drawee banker on the same day after it is received by him. The cheque may also be presented through a clearing house or through the post. **If a cheque presented with undue delay and in the meanwhile the drawer of the cheque suffers damage, the drawee is discharged to the extent of damage.**

02. Notice of dishonour :

In case a cheque is dishonoured and returned back by the paying banker to the collecting banker without payment for one reason or the other, the banker must serve a notice of dishonour on his customer to enable the latter to claim the amount from the previous parties including the drawer.

Responsibility of Paying Banker.

01. Cheques drawn on Branch:

The paying banker shall honour only those cheques which are drawn against the account maintained at a branch of the bank where the cheques are presented.

02. Presentation within validity needed:

The paying banker is legally bound to pay only such cheques which are presented to him for payment within a reasonable time. Reasonable time is 6 months from the date of issue of the cheque.

03. Presentation within banking hours:

Cheque must be presented within the banking hours. Any cheque presented after the banking hours has no legal effect and therefore banker cannot be held liable for refusing payment on such cheques.

04. Sufficient balance:

Funds in the a/c must be sufficient and available to honour the cheques. For dishonour of cheque due to shortage of funds banks are not held responsible. Rather, if cheques are drawn without funds, drawers are punishable under Section-138.

05. Must be valid instrument:

Cheques not drawn in the proper form are refused by the paying banker. Section-5 & 6 of the N.I. Act provide that the bank should examine the contents of the cheque to ensure that it is perfectly a valid instrument containing an unconditional order to pay a certain sum of money.

Statutory protection to paying banker.

01. Protection in case of order cheque:

In case of an order cheque, Section-85(1) provides statutory protection to the paying banker as follows : **“Where a cheque payable to order purports to be endorsed by or on behalf of the payee, the drawee is discharged by payment in due course”**. However, two conditions must be fulfilled to avail of such protection.

(a) Endorsement must be regular : To avail of the statutory protection, the banker must confirm that the endorsement is regular.

(b) Payment must be made in Due Course : The paying banker must make payment in due course. If not, the paying banker will be deprived of statutory protection.

02. Protection in case of Bearer cheque:

Section-85(2) provides protection to the paying banker in respect of bearer cheques as follows : **“Where a cheque is originally expressed to be payable to bearer, the drawee is discharged by payment in due course to the bearer thereof, notwithstanding any endorsement whether in full or blank appearing thereon and notwithstanding that any such endorsement purports to restrict or exclude further negotiation”**. This section implies that a cheque originally issued as a bearer cheque remains always bearer. In other words it retains its bearer character irrespective of whether it bears endorsement in full or in blank or whether any endorsement restricts further negotiation or not. So the banks are not required to verify the regularity of the endorsement on bearer cheque, even if the instrument bears endorsement in full. The banker shall be free from any liability (discharged) if he makes payment of an uncrossed bearer cheque to the bearer in due course. If such cheque is a stolen one and the banker makes its payment without the knowledge of such theft, he will be discharged of his obligation and will be protected under Section-85(2).

03. Protection in case of Crossed cheque:

The paying banker has to make payment of the crossed cheques as per the instruction of the drawer reflected through the crossing. If it is done, he is protected by Section-128. This section states **“Where the banker on whom a crossed cheque is drawn has paid the same in due course, the banker paying the cheque and (in case such cheque has come to the hands of the payee) the drawer thereof shall respectively be entitled to the same rights, and be placed in the same position in all respects, as they would respectively be entitled to and be placed in if the amount of the cheque had been paid to and received by the true owner thereof”**.

It is clear that the banker who makes payment of a crossed cheque is by the Section-128 given protection if he fulfils two requirements (a) That he has made payment in due course under Section-10 i.e. in good faith and without negligence and according to the apparent tenor of the cheque, and (b) That the payment has been made in accordance with the requirement of crossing (Section-126), i.e. through any banker in case of general crossing and through the specified banker in case of special crossing.

Thus, the paying banker is free from any liability on a crossed cheque even if the payment was received by the collecting banker on behalf of a person who was not a true owner. For example, a cheque in favour of X is stolen by Y. He endorses it in his own favour by forging the signature of X and deposits it in his bank for collection. In this case, the paying banker shall be discharged if he makes payment as mentioned above and shall not be liable to pay the same to X, the true owner of the cheque.

The drawer of the cheque is also discharged since protection is also granted to him under this Section. There is, however, one limitation to the protection granted under this Section. If the banker cannot avail of the protection granted by other Sections of the Act, the protection under Section-128 shall not be available to him.

For example, if the paying bankers makes payment of a cheque crossed with (a) Irregular endorsement or (b) A material alteration or (c) Forged signature of the drawer, he loses statutory protection granted to him under the Act for these lapses on his part. Hence he cannot avail of the statutory protection under Section-128, even if he pays the cheque in accordance with the crossing.

When may a banker refuse to honour a customer cheque :

01. When the balance to the credit of the customer is insufficient to meet the cheque.
02. When the funds are not properly applicable to the payment of a cheque.
03. After receiving the notice or information or death, the banker should stop payment of all cheques drawn against his account.

Once a Bearer Instruments Always a Bearer Instruments :

A bearer instruments means an instrument, the ownership in which can be transferred from one person to another by mere delivery of the instrument. The instrument can be made originally payable to the bearer or it may be made bearer subsequently by holder making a blank indorsement. The bearer character of the instrument will not be lost ever in those cases where a blank indorsement is followed by a full indorsement. The instrument continues to be transferable by mere delivery in all such cases. However, under Section-50, bearer instrument can legally be changed to an order one by a restrictive indorsement. In such a case the relations between indorser and indorsee are substantially those of principal and agent. The indorsee gets a right to receive payment of the instrument and to sue and party to the instrument that the indorser could have sued, but has no power to transfer his right to any other person unless he is expressly authorised to do so.

Illustration: B signs the following indorsements on different negotiable instruments payable to bearer :

- (a) Pay the contest to C only
- (b) Pay C for my use
- (c) Pay C or order for the account of B.

In all the above cases, C cannot further negotiate the instrument. This made it obligatory for the drawee or maker to examine all indorsements before making payment.

However, the position in case of a cheque is quite different on account of Section-85(2) of the Act. It provides that if a cheque is originally expressed to be payable to the bearer, the paying banker is discharged by payment in due course to the bearer, thereof, notwithstanding any indorsement whether in full or in blank appearing thereon and notwithstanding any such indorsement purports to restrict or exclude further negotiation.

Thus, the principle “one a bearer instrument, always a bearer instruments” holds good only in the case of the cheque.

Material Alteration :

Material alteration is that change in the negotiable instrument which causes it to speak a different language in legal effect from that which it had originally spoken. Change in order to be material must alter the business effect of the instrument. These changes may relate to the legal identity or character of the instrument either in the terms or in the legal relation to the parties to it. All changes which alter the operation of the instrument or the rights and liabilities of the parties shall be material, it will be immaterial whether the alteration is for the benefit or detriment to any party to the instruments.

Instances of Material Alteration :

- (a) Alteration in the date of the instrument
- (b) Alteration of the sum payable
- (c) Alteration in the of payment.
- (d) Alteration in the place of payment
- (e) Alteration in the rate of interest.
- (f) Alteration by the addition of a new party
- (g) Alteration of an order instrument into a bearer instrument

Effect of Material Alteration :

A material alteration shall discharge all parties who are liable on the instruments at the time of alteration and who do not consent to such alteration. But an alteration shall not affect the liability of persons becoming parties subsequent to the alteration. Besides this, section-89 provides that where a negotiable instruments has been materially altered but does not appear to have been so altered, payment thereof (a) by a person or banker liable to pay (b) paying the same in good faith and (c) according to the apparent tenor thereof and without negligence, shall discharge such person or banker from all liability thereon.

Garnishee Order :

In case a debtor fails to pay the money due to his creditor, the latter may apply to the court to issue a garnishee order, on the debtor's banker. As a result of this order the debtor's account with the bank is frozen and the bank cannot make any payment out of the account. The creditor, on whose request such an order is issued is called the judgement creditor, the debtor, whose account is frozen is called the judgement debtor and the banker who has the customer's account is called the Garnishee.

Garnishee Order is issued by the Court in two parts :

01. Rule/Order Nishi.

- (a) Asks the banker to freeze the debtor's account.
- (b) asks the banker to explain why the funds in the account, so frozen should not be used for payment of judgement creditor.

On receipt of such an order the bank should immediately inform the customer so that he may make the necessary arrangements for payments of the debts due by him.

02. Order Absolute:

This order directs the banker to pay either the whole or a part of the funds lying in the account against which “Order Nishi” has been issued to the judgement creditor.

(i) The amount attached : The Garnishee Order may provide for the attachment of the whole or a part of the funds of the judgement debtor’s account with the bank. The bank should not make payment out of the account so freezed in contravention of the court’s order otherwise it will be liable for defying the order of the court.

Illustration : A fails to pay his creditor B a sum of Tk.6,000/-, B brings a Garnishee Order against the bank where A has an account having a balance of Tk.10,000/- prohibiting any payment out of this account. Inspite of this the banker subsequently honours A’s cheque for Tk.5,000/-. The banker is liable for defying court’s order and will have to compensate B for any loss that he may suffer on account of non-recovery of the full amount due to him.

In case only a part of the sum standing to the credit of the judgement debtor’s account has been attached on account of Garnishee Order, the banker may transfer that much of amount to a suspense account and the customer’s account may be permitted to be operated with the balance.

In case certain cheques drawn by the judgement debtor were certified as “good for payment” by banker before the receipt of Garnishee Order by the bank, they can be paid insptie of subsequent Garnishee Order.

(ii) Order applicable only against the debt due or accruing due : The banker is restrained by the Garnishee Order only to make payment of such debts which have already become to the customer or which are not at which at present payable but for the payment of which an obligation exists. An amount which is not a debt due by the banker cannot be attached by sch an order. For example, a banker has agreed to allow an overdraft of Tk.5,000/- to a customer, he has overdrawn only Tk.3,000/- so far, remaining Tk.2,000/- cannot be attached by the Garnishee Order.

(iii) Banker’s claim to Set Off : In case a banker has a definite claim against the debtor, it can claim the set off of such claim against the customer’s balance with it in spite of the Garnishee Order.

iv) Amounts not covered by the Garnishee Order : The Garnishee Order attaches only that balance which is lying in the judgement debtor’s account at the time when the order is served on the banker. It, therefore, does not apply to :

- (a) cheques, bill of exchange etc. deposited with the banker for collection but not yet collected.
- (b) sale proceeds of securities etc. of the customer not yet collected.
- (c) deposits made subsequent to the serving of the Garnishee Order.
- (d) payments made by the banker before serving of the Garnishee Order.
- (e) money held abroad by the judgement debtor.
- (f) securities lying in safe custody with the banker.

v) Serving of Garnishee Order : Garnishee Order may be served on the Head Office of the Bank and it will serve as a notice to all branches where the judgement debtor may have his accounts. However, the Head Office will have to be given a reasonable time so as to enable it to inform the branches. Any payment made by the branches before receipt of information regarding Garnishee Order, will be taken as a valid payment.

Different Types of Accounts and Garnishee Order :

01. Joint Account : A joint account is one which is opened in the names of two or more persons. Such an account can be attached only when all the joint account holders are joint judgement debtors. However, in case of a joint debt, the individual accounts of the judgement debtors can be attached since their liability for a joint debts is joint as well as several.

Illustration : (i) A owes a sum of Tk.3,000/- to B. A has a joint account with C with IFIC Bank Ltd. The balance standing in the account cannot be attached for the above debt.

(ii) A and C jointly owe a sum of Tk.3,000/- to B. Each one of them has separate accounts with IFIC Bank Ltd. Their individual accounts can be attached for the above debt.

02. Partnership Accounts : The personal account of a partner can be attached for payment of a firm's debt. But the firm's account cannot be attached for the payment of a personal loan of a partner.

03. Trust Accounts : The money lying in a trust account though opened in the trustee's name cannot be attached for payment of personal liabilities of the trustees. The bank in such an eventuality should inform the court that the funds lying in the account are trust funds.

Double Entry Book Keeping :

A system of book-keeping where transaction is divided into debit and credit. Both of these is recorded in the books of accounts. Each debit has a corresponding credit and vice-versa.

Escrow :

A bill, endorsed or delivered to a person subject to the understanding that it will be paid only if certain conditions are fulfilled, is called an **Escrow**. In case of such a bill there is no liability unless conditions agreed upon are fulfilled. However, the rights of a holder in due course will not be affected at all.

Inchoate Instruments :

The term inchoate instruments means an incomplete instrument. According to section-20, "when one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments either wholly blank or having written thereon an incomplete negotiable instrument he thereby gives prima facie authority to the holder thereof to make or complete, as the case may be, upon it a negotiable instrument for any amount specified therein, and not exceeding the amount covered by the stamp. The person so signing shall be liable upon such instrument, in the capacity in which he signed the same, to any holder in due course for such amount. Provided that no person other than a holder in due course shall recover from the person delivering the instrument anything in excess the amount intended by him to be paid there-under".

Ambiguous Instruments :

An instrument, which in form or terms is such that it may either be treated as a bill of exchange or as a promissory note, is an ambiguous instrument. In the following cases, the instrument is taken as ambiguous ;

- (a) Where drawer and drawee are the same person.
- (b) Where drawee is a fictitious person
- (c) Where drawee is a person incapable of entering into a contract

Where amount is stated differently in figures and words :

If the amount undertaken or ordered to be paid is stated differently in figures and in words the amount stated in words shall be the amount undertaken or ordered to be paid. (sectin-18).

Disclose of Customers Account information :

- (A) Under compulsion of law (say, the banker responds to the court's order for presenting statement of accounts for legal purpose).
- (B) In the public interest (say, disclosing enemy accounts during war period)
- (C) In the interest of the bank (say bank has to file a suit to recover dues)
- (D) Under express or implied consent of the customer (implied in case of supplying credit information in general terms).

In addition to above, there are some authorities who can call for the returns and information specially or generally. These authorities are :

- a) Income Tax Authority
- b) Registrar of Joint Stock Companies
- c) Bangladesh Bank

Bankers Obligation to a Customer :

- 01. Acceptance of Deposit
- 02. Honouring of Cheques
- 03. Maintenance of Secrecy of the Account
- 04. Notice to be given in case of closure of account.
- 05. Payment of interest.
- 06. Furnishing Statement
- 07. Providing services

Banker's Right on Customers :

- 01. Banker's Lien
- 02. Right on Appropriation
- 03. Banker's Right of Set-Off
- 04. Banker's Right of Automatic Set-Off.
- 05. Right to Charge Interest and Commission.

Customer's Obligation to Banker :

- 01. Draw cheques within the balance available in the account or under previous arrangement with the bank.
- 02. Draw cheques in such a manner that reduces chances of fraudulent alterations.
- 03. Keep the cheque book carefully so that third parties may not have easy access to them.
- 04. Pay reasonable charges, if applicable,

Kind of Transactions : 3 kinds of transactions**01. Cash Transaction :**

Transactions involving either receipt of cash from the customer or payment to them by the banks are called cash transactions. It is needless to say that such transaction are by far and largest in number in a bank.

02. Clearing Transactions:

These are the transactions of a bank which involve collection of cheques , drafts, bills drawn on other banks, Conversely they also include cheques, drafts and bills etc. drawn on the bank and presented by other banks for payment.

03. Transfer Transactions :

All but the cash and clearing transactions are transfer transactions. These transaction(s) involve fund transfer either (a) From one account to another maintained in the same branch or (b) Between two branches or (c) Between one branch of the bank and Head Office.

Spread :

Cost of fund and administrative cost deducted from the yield on fund is called spread. More, the yield, more is the profit.

Yield on Fund :

Return on the invested fund. In case of the bank it is the interest received on loans and advances and other interest. More, the yield, more is the profit.

Equity :

It is the share holders total interest in the company. Equity represents share holders capital plus reserves.

Debt-Equity Ratio :

Share holders equity to total liabilities is called debt equity ratio.

Voucher :

Voucher is the evidence of the transaction authenticated by the authorised officer(s). This is a documents of the bank for future reference.

Currency Note :

Such notes in Bangladesh include all notes and coins ranging from Tk.5 to Tk.500 notes issued by Bangladesh Bank. Other notes are Tk.2, Tk.1 and coins and other coins issued by Government of Bangladesh.

What is Bank Rate?

Bank rate means the rate at which the central bank of a country is offering loans to others banks against eligible approved securities. At present Bank Rate is 5% per annum.

Bank Notes :

Banks notes are promissory notes issued by a bank and payable to bearer on demand. These include all bills, draft, and notes other than Central Bank notes (DD, P.O. Cheque).

Money at Call and Short Notice :

Money at call is money that must be paid on demand and money at short notice is money borrowed for say 24 hours. This is also called near money.

Call Money :

Money of overnight nature borrowed from the call money market repayable on call. Bank's having surplus cash lends temporarily to other bank's suffering from liquidity problem in the call money market.

How number of Negotiable Instruments : 03

01. Promissory Note (02) Bill of Exchange (03) Cheque.

Promissory Note :

A '**Promissory Note**' is an instrument in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument. **Section-4**

Bill of Exchange :

A '**Bill of Exchange**' is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument. **Section-5**

Characteristics of Bill of Exchange :

- (a) The bill of exchange must be in writing.
- (b) The bill of exchange must contain order to pay.
- (c) The order contained in the bill should be unconditional.
- (d) The bill of exchange must be signed by the drawer.
- (e) The drawee must be certain.
- (f) The sum payable must be certain.
- (g) The instrument must contain an order to pay money and money only.
- (h) The pay must be certain.

Cheque :

A '**Cheque**' is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. **Section-6**

A '**Cheque**' is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument. **Section-6**

Drawer : Account holder is drawer.

Drawee : The bank branch on which the cheque is drawn is the drawee.

Payee : The person to whom the cheque is payable is the payee.

Holder in due course :

"**Holder in due course**" means any person who for consideration becomes the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or indorsee thereof, if payable to order, before it became overdue, without notice that the title of the person from whom he derived his own title was defective. **Section-9**

Payment in due course :

"**Payment in due course**" means payment in accordance with the **apparent tenor** of the instrument **in good faith and without negligence** to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned. **Section-10**

Presently punishment/penalty for dishonour of cheque for insufficiency of fund :

01. Fine which may extend to thrice amount of the cheque (example cheque value Tk.10/-

X 3 = Tk.30/-)

02. Imprisonment which may extend 1 year or both.

- 03.** The payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque, **within 30(thirty) days of the receipt of information by him from the bank regarding the return of the cheque as unpaid, and**
- 04.** The drawer of such cheque fails to make the payment of the said amount of money to the payee, or, as the case may be, to the holder in due course of the cheque **within 30(thirty) days of the receipt of the said notice.**

Double Entry System of Book Keeping :

In every transaction, there must be two parties or accounts to complete it. One party or accounts receives the benefit and another party or account gives the same. The system of recording this dual nature of transaction (both debit and credit aspects of every transaction in two different account) is known as Double Entry System of Book Keeping.

Spread :

Difference between cost of funds and lending rate. More spreads bring more profits for a bank, difference between dealers buying and selling or borrower and lending rate.

What is a Company :

The company is a legal person. It is created by law. All companies are legal person.

Company are three kinds :

01. Company limited by shares - number of share limited
02. Company limited by guarantee
03. Unlimited company

** Subsidiary company

** Govt. Company – Statutory company

Subsidiary Company : Whenever, one company forms another company and holds 51% share in that company that is called subsidiary company.

Holding Company : A company which owns 51% shares in another company that is called holding company.

How number of persons to establish a company :

	<u>Minimum</u>	<u>Maximum</u>
Public Limited Co.	7 persons	Unlimited persons
Private Limited Co.	2 persons	50 persons
Partnership Co.	2 persons	20 persons

Law of Contract – 1872 : Essential Elements.

What is Contract :

An agreement enforceable by Law is a Contract.

Essential elements necessary for the formation of a valid contract.

1. Offer and Acceptance
2. Intention to create legal relations
3. Lawful consideration
4. Capacity of parties
5. Free consent
6. Lawful object
7. Writing and registration
8. Certainty
9. Possibility of performance
10. Not expressly declared void

Kinds of Contract :

(01). Valid (02). Voidable (03) Void (04). Unenforceable (05). Illegal

Penalty/Punishment in case of Dishonour of cheque for insufficiency, etc. of funds in the account (Clause-138 of N.I. Act.1881).

1st Law : 1994 reads as :

Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, **such person shall be deemed to have committed an offence and shall, without prejudice to any other provision of this Act, be punished with imprisonment for a term which may extend to 1(one) year, or with fine which may extend to twice the amount of the cheque, or with both :**

Provided that nothing contained in this section shall apply unless :

- (i) the cheque has been presented to the bank within a period of 6(six) months from the date on which it is drawn or within the period of its validity, whichever is earlier.
- (j) the payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque, **within 15(fifteen) days of the receipt of information by him from the bank regarding the return of the cheque as unpaid, and**
- (k) the drawer of such cheque fails to make the payment of the said amount of money to the payee, or, as the case may be, to the holder in due course of the cheque **within 15(fifteen) days of the receipt of the said notice.**

139. Presumption in favour of holder :

It shall be presumed, unless the contrary is proved, that the holder of a cheque received the cheque of the nature referred to in section-138 for the discharge, in whole or in part, of any debt or other liability.

140. Offences of Companies :

(1) If the person committing an offence under section-138 is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Provided that nothing contained in this sub-section shall render any person liable to punishment if he proves that the offence was committed without his knowledge, or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where any offence under this act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to, any neglect on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section-

- (a) “company” means any body corporate and includes a firm or other association of individuals; and
- (b) “director” in relation to a firm, means a partner in the firm.

141. Cognizance of Offences :

Notwithstanding anything contained in the Code of Criminal Procedure-1898 (Act V of 1898).

- (a) no court shall take cognizance of any offence punishable under section 138 except upon a complaint, in writing, made by the payee or, as the case may be, the holder in due course of the cheque ;
- (b) such complaint is made within 1(one) month of the date on which the cause of action arises under clause (c) of the proviso to section 138;
- (c) no court inferior to that of a Metropolitan Magistrate or a Magistrate of the 1st class shall try and offence punishable under section 138.

Double Entry System of Book Keeping :

In every transaction, there must be two parties or accounts to complete it. One party or accounts receives the benefit and another party or account gives the same. The system of recording this dual nature of transaction (both debit and credit aspects of every transaction in two different account) is known as Double Entry System of Book Keeping.

Double Entry Book Keeping :

A system of book-keeping where transaction is divided into debit and credit. Both of these is recorded in the books of accounts. Each debit has a corresponding credit and vice-versa.

Accounts are basically two types :

- | | | |
|----------------|---|------------------------------------|
| 01. Personal | - | Karim A/c, Janata Bank A/c |
| 02. Impersonal | - | Property A/c Income or Expenditure |

Impersonal Account :

- | | | |
|---------------------|---|-------------------------|
| 01. Real Account | - | Furniture A/c, Cash A/c |
| 02. Nominal Account | - | Wage A/C, Interest A/c |

Golden Rules for Debit & Credit :

➤ Personal Account	➤ Receiver of the Value ➤ Giver of the Value	➤ Debit ➤ Credit
➤ Real Account	➤ What Comes In ➤ What Goes Out	➤ Debit ➤ Credit
➤ Nominal Account	➤ All Expenses or Losses ➤ All Incomes or Gain	➤ Debit ➤ Credit

Modern concept for identify of Debit & Credit

➤ Accounting Equation :

Assets = Liabilities + Owner's Equity

➤ Increases Asses ➤ Decreases Assets	➤ Debit ➤ Credit
➤ Decreases Liabilities ➤ Increases Liabilities	➤ Debit ➤ Credit
➤ Decreases Owner's Equity ➤ Increases Owner's Equity	➤ Debit ➤ Credit

What do you mean by CAMEL(S) Rating?

The performances of the scheduled banks in Bangladesh are now a-days evaluated by the Central

Bank on the basis of Criteria called "CAMEL(S) Rating". Bangladesh Bank has been using this comprehensive rating system since 1997.

The word "CAMEL(S)" is the combination of the first letters of some important performance indicators of a bank. These are as follows:

C	=	Capital Adequacy
A	=	Assets Quality
M	=	Management Soundness
E	=	Earnings
L	=	Liquidity
S	=	Sensitivity to market

Camel Rating :

01. Strong
02. Satisfactory
03. Fair
04. Marginal
05. Unsatisfactory.

What do mean by Basel –I & II?

Basel is town, situated in Switzerland, where two conferences were held under the supervision of BIS (Bank for International Settlement) with its 12(twelve) member countries in 1996, for the first time, and in 2004, for the second time which are recognized as Basel-I and Basel-II respectively.

- Basel-I : In this conference capital adequacy for a Bank was fixed at 8% which was re-fixed at 9% in Bangladesh in 2002.
- Basel-II : A framework for Bank Companies was prepared on the basis of three pillars namely (1) Minimum Capital requirement, (2) Supervisory review process and (3) Market discipline. It was also concluded in the conference that three risks would have to be covered by banks as (1) Credit risk (2) Market risk and (3) operational risk.

What do you mean by Tier-I & Tier-II

Tier-I & Tier-II is a two part of capital. Tier-I is Core capital and Tier-II is Supplementary capital.

- a) **Core Capital**
Element of Core capital are as follows:
- i) Paid-up capital
 - ii) Statutory Reserve
 - iii) General Reserve
 - iv) Retained Earnings
- b) **Elements of Supplementary capital are as follows:**
- i) General Provision
 - ii) Assets revaluation
 - iii) Exchange gain etc.

TEST OF BANKING KNOWLEDGE
Part -1: General Banking

01. Is Bangladesh Bank a Schedule Bank?

- (A) **No, it is the Central Bank of Bangladesh.**
- (B) Yes, but exempted from keeping Liquidity like commercial banks by the Bank Companies Act-1991
- (C) No, it is the Central Bank Established under Negotiable Instrument Act-1 881

02. One of the Differences between an Investment Company and a Bank is that a Bank:

- (A) Can accept deposit and also borrow money but an investment Company can accept deposit but can not borrow money.
- (B) Can accept deposit but can not borrow money whereas an Investment Company can not accept deposit.
- (C) **Can accept deposit but an investment Company can not accept deposit.**

03. IFIC Bank limited uses the word 'Limited' after its name because:

- (A) Liability of the Bank to its depositors is limited to the extent of their amount deposited.
- (B) **Liability of the shareholders of the Bank is limited to the extent of the face value of the shares and writing of the word 'Limited' after its name is compulsory under the Companies Act.**
- (C) Liability of all the Officers of the Bank is limited and defined by the Board of Directors as per Companies Act

04. In Case of Safe custody of valuables, the Banker enters into a relationship with the Customer. In this case the Banker is:

- (A) Debtor / Trustee.
- (B) Pledged /Trustee
- (C) **Bailee / Trustee.**

05. 'Shapla Traders', a Proprietary concern, approaches you to open a Savings account. Will you open the account?

- (A) Yes, if it is for trading purposes.
- (B) **Yes, if it is for non-trading purposes.**
- (C)) No, under no circumstances.

06. A publicity traded Company approaches you to open an account. Among other documents, the following two documents are necessary to ascertain whether the Company is legally created entity and is working:

- (A) Memorandum of Association and Articles of Association.
- (B) Certificate of Incorporation and Memorandum of Association.
- (C) **Certificate of Incorporation and Certificate of Commencement.**

07. Laws governing day-to-day transactions of a bank are contained in:

- (A) Negotiable Instrument Act-1881.
- (B) Bank Companies Act-1991.
- (C) N.I. Act.-1881 and Bank Companies Act.-1991.**

08. In Currency note a "Promissory Note"?

- (A) Yes, because the Central Bank issues it with a Promise to Pay.
- (B) Yes, because the Government issues it with a Promise to Pay.
- (C) No, because N.I. Act does not cover it as a "Promissory Note."**

09. A Bill of Exchange is payable:

- (A) Only on Demand or at a fixed time.
- (B) On Demand or at a fixed or determinable future time.
- (C) Only at a fixed time or determinable future time.**

10. Who is the "Payee" of Cheque?

- (A) The person named in Cheque to whom or to whose order the money is to pay is the "Payee".**
- (B) The Person receiving payment of a cheque is the "Payee".
- (C) "Payee" of a cheque is the person who presents it before a bank for payment.

11. "Payment in due course" must be:

- (A) Payment according to apparent tenor and in good faith.
- (B) Payment according to apparent tenor and in good faith and without negligence.**
- (C) Payment in good faith and without negligence.

12. An authorized police officer from Anti-corruption Bureau approaches you for production of Bank Document in connection with one of your customers. Can you legally refuse to accede to his request?

- (A) Yes, Bank is legally bound to maintain secrecy of the account of the account of any customer, except to the court**
- (B) No, authorized Police Officer can ask for any bank document.
- (C) Yes, because violation of secrecy clause as given in N.I. Act will constitute negligence on the part of the Banker.

13. Secrecy of customers' accounts maintained with the bank is maintained because:

- (A) It is a generally recognized relationship between banker and customer following court cases.**
- (B) It is required under Bank Companies Act-1991.
- (C) It is required under N.I. Act-1881.

14. Fixed Deposit Receipts are:

- (A) Assignable**
- (B) Negotiable
- (C) Transferable

15. Any Sale of Credit may be secured by:

- (A) Bill of Exchange or Cheque or Cash.
- (B) Cheque or Promissory Note or Currency Note.
- (C) Cheque or Bill of Exchange or Promissory Note.**

16. Can the Payment of a draft be countermanded?

- (A) Yes, as it can be crossed like a cheque, so payment also may be countermanded.
- (B) No, in this respect draft is different from cheque.**
- (C) Yes, because all rules regarding cheque are applicable to drafts also.

17. "Account Payee" crossing signifies that:

- (A) A banker should collect it for the payee only.**
- (B) A banker must collect it through any account simply.
- (C) A banker must collect it as a holder for value.

18. Can a stale Cheque be paid?

- (A) May be paid after confirmation of the drawer.**
- (B) May be paid without confirmation of the drawer but after proper inquiry.
- (C) Must not be paid under any circumstances.

19. Before a Cheque is paid, the banker should ensure that all the endorsements are:

- (A) Genuine to get statutory protection.
- (B) Regular and genuine to get statutory protection.**
- (C) Regular to get statutory protection.

20. Do the 'Pay orders' get statutory protection in case of collection?

- (A) Yes
- (B) No**
- (C) Partly

21. Which one of the following is not material alteration?

- (A) Additions of words like 'not negotiable' to a crossed Cheque.**
- (B) Converting order Cheque into bearer.
- (C) Removal of crossing

22. Can a crossed Cheque be paid across the counter?

- (A) Yes, if Manager approves
- (B) Yes, if it is regularly endorsed
- (C) No, banker will be liable to the true owner for any loss due to such payment.**

23. On receipt of notice of customer's insanity would you stop payment of a cheque?

- (A) No, because customer signed it before insanity.
- (B) Yes, insanity terminates contract.**
- (C) No, because notice of insanity is not enough to dishonour a cheque.

24. In case of collection of cheques, the collecting banker gets statutory protection for only:

- (A) Crossed cheques**
- (B) Order cheques
- (C) All kinds of cheques

25. A collecting banker can collect a cheque either as:

- (A) Agent or principal
- (B) Trustee or holder for value
- (C) Agent or holder for value**

26. In book-keeping, there are three kinds of accounts and they are:

- (A) Personal, real and nominal**
- (B) Cash, clearing and transfer
- (C) Asset, liability and contra

27. The rules for debiting and crediting are called:

- (A) Golden theory ***
- (B) Double entry system ****
- (C) Single entry system

28. You have incurred an expenditure worth Tk.50/- on account of entertainment but have wrongly debited the account by Tk.500/-. To correct the mistake, the following entry is required:

- (A) Debit cash and credit entertainment
- (B) Debit entertainment and credit cash**
- (C) Debit cash and credit miscellaneous

29. Share holders equity as shown in our bank's annual report is equivalent to:

- (A) Authorized capital plus reserves
- (B) Paid up capital plus deposits
- (C) Paid up capital plus reserves and surplus**

30. Statutory reserve as shown under the head: Reserve fund and other reserves: in our Bank's balance sheet is:

- (A) A liability**
- (B) An asset
- (C) Contra item

31. IFIC Bank limited has been incorporated as a banking company under:

- (A) Banking Companies Order, 1962**
- (B) Companies Act-1913
- (C) Special Act of the Parliament

32. The Country where there is no single Central Bank but federation of central banks work as the central bank is:

- (A) USSR
- (B) UK
- (C) USA**

33. Money consists of the following:

- (A) Currency outside banks plus deposits
- (B) Currency outside banks plus deposits plus cheques**
- (C) Cheques plus bills plus deposits

34. Currently scheduled commercial banks are required to maintain:

- (A) Liquidity equivalent to 25 per cent of total deposit liabilities
- (B) Liquidity equivalent to 25 per cent of time deposit liabilities
- (C) Liquidity equivalent to 25 per cent of all liabilities including deposits.

35. A Joint Stock Company wants to open a savings bank account for placing their provident fund, will you allow it?

- (A) No, Joint Stock Companies are not allowed to open savings bank account under any circumstances
- (B) No, Joint Stock Companies are required to maintain current account only under Companies Act.
- (C) Yes, Joint Stock Companies can open savings bank account for non-trading purpose**

36. Where instructions are given by a customer to his banker that a part of his money lying in his account be forwarded to another bank to meet a bill payable by him and the banker sends the money as directed, the banker acts as:

- (A) Trustee**
- (B) Agent
- (C) Pledgee

37. Post-dated Cheques are not paid by a banker because:

- (A) Banker may face problems in future
- (B) It does not constitute 'Payment in due course'**
- (C) It is the practice of the Banks

37. FDR is:

- (A) Not negotiable**
- (B) Negotiable by endorsement and delivery
- (C) Negotiable by delivery

38. A FDR is the names of husband and wife. Husband approaches you to incorporate his brother's name in the FDR:

- (A) It can not be done unless signed also by wife**
- (B) It can not be done, since no change in FDR is allowed
- (C) It can be done because husband in this case has the right to do under law of inheritance

39. Like Savings or Current accounts, Law of Limitation operates. In case of fixed deposits from the date the demand is made for payment:

- (A) **True, because all deposits stand on the same footing so far as Law of Limitations is concerned**
- (B) False, because in case of Fixed Deposits limitation would start running from the date it, is due. **Law of limitation starts from the date of demand.**
- (C) False, because fixed Deposits are not accounts, hence Law of Limitation is not applicable

40. 'Payment in due course' is the

- (A) Payment to the last holder of the cheque
- (B) **Payment according to apparent tenor in good faith and without negligence**
- (C) Payment according to apparent tenor

41. Should a Customer's cheque be honoured after receiving the death news in the daily newspaper?

- (A) Yes, newspaper report is not binding on the banker
- (B) Yes, without formal notice, banker can not dishonour the cheque
- (C) **No, newspaper reports are treated as constructive notice pertaining to death of a customer**

42. Where the banker pays cash before clearing of the cheque, he becomes:

- (A) Holder in due course
- (B) Trustee
- (C) **Holder for value**

43. Statutory protection has been given to the collecting banker:

- (A) **Only for crossed cheques**
- (B) Only for specially crossed cheques
- (C) Both for open and crossed cheque

44. 'Not negotiable' cheque is:

- (A) Neither transferable nor negotiable
- (B) **Transferable but not negotiable**
- (C) Transferable but not negotiability is subject to a caution about title

45. Is banker's action in returning and not collecting a cheque crossed to two banks legally justified?

- (A) No, because bank can collect a cheque crossed to two banks without any legal problem
- (B) **Yes, unless the second banker is acting only as an agent of the first banker**
- (C) Yes, payment of a cheque crossed to two banks is legally barred by N.I. Act.

46. Payment of a Demand Draft:

- (A) Can be countermanded since drafts and cheques are treated alike in case of crossing
- (B) Can be countermanded since drafts are negotiable instruments
- (C) Can not be countermanded since it is beneficiary's property.**

47. One of the differences between promissory notes and cheques is:

- (A) A promissory note contains a promise to pay and a cheque contains an order to pay**
- (B) A promissory note is always payable to bearer and a cheque contains an order to pay
- (C) A promissory note is always crossed and a cheque may be crossed or uncrossed

48. Holder in due course of stolen cheque:

- (A) Gets perfect title to the cheque
- (B) Gets no title because it is stolen**
- (C) Gets no title because transferor has no title to the cheque

49. One of the two joint account holders dies. The account bears a mandate that it may be operated by either of them. A cheque is presented after the death of one of them:

- (A) Cheque may be paid since mandate covers
- (B) Cheque may be paid since it is the practice of the banks
- (C) No because death terminates the authority in this case**

50. The action of a creditor banker in taking into account sums owing by him to the debtor in order to arrive at the net sum is called:

- (A) Set off**
- (B) Assignment
- (C) Lien

51. In a contract of guarantee, the liability of the guarantor is:

- (A) Always primary
- (B) Always tertiary
- (C) Always secondary**

52. " I promise to pay B Tk.5,000/- and all other sums which shall be due to him". Is it a promissory note?

- (A) Yes
- (B) No**
- (C) Partly

54. " Pay to A (without 'or order' / 'or bearer') " cheque is payable to:

- (A) A only**
- (B) (B) A or his order
- (C) A or his agent only

55. In case of II Account payee" cheques payment will be made to:

- A) Account of the payee named in the cheque**
- (B) Since it does not prohibit negotiability it may be made to anybody's account maintaining a bank account
- (C) Neither of the above is true

56. When an asset is to be depreciated, the book-keeping entry will be:

- (A) Debit cash Alc and credit asset A/c
- B) Debit depreciation A/c and credit asset A/c**
- (C) Debit asset A/c and credit depreciation A/c

57. Total assets minus outside liabilities is:

- (A) Working capital
- (B) Profit
- C) Capital**

58. Money lent at call and short Notice appears:

- A) In liability side of the balance sheet
- B) In asset side of the Balance sheet**
- C) In both sides since it is a contra

59. Asset and Liability sides of the balance sheet of IFIC Bank are equal:

- (A) Because Accounts of the Bank are balanced everyday
- (B) Because this is prepared on the basis of Trial balance which always agrees
- (C) Because it prepared under double entry system of book -keeping**

60. In case of interest paid on deposits in cash book-keeping entries will be:

- (A) Cash A/c debit interest paid credited
- (B) Interest debited, party's a/c credited**
- C) Interest debited, cash a/c credited

61. As per Banking Company Act. 1991 "Banking Company" means:

- (E) Any Company which transacts the business of Banking in Bangladesh and includes a new Bank and a specialized Bank**
- (F) Any Company which transacts the business of Banking in Bangladesh and a Co-operative Bank

62. Government owns 35% share:

- (A) In all the private Commercial Banks of Bangladesh
- (B) Only in IFIC Bank Limited**

63. IFIC Bank Limited topped the list of 500 leading Banks in Asia in respect of:

- (A) Highest Equity Return
- (B) Highest Deposits**

64. The Name of the Central Bank of India is:

- (A) State Bank of India
- (B) Reserve Bank of India**

65. Demand Draft issued by one Branch of a Bank on its another Branch is :

- (A) A Negotiable Instrument
- (B) Not a Negotiable Instrument**

66. Crossing of Cheque is:

- (A) A material part of a cheque
- (B) A material alteration of a cheque**

67. A collecting Banker gets protection for collection of cheques under Section 131 of the N.I. Act if the collecting Banker can satisfy the following conditions:

- A) The cheque is CROSSED, collected for a CUSTOMER, in GOOD FAITH & WITHOUT NEGLIGENCE**
- (B) The cheque is CROSSED, collected for a STRANGER & in GOOD FAITH

68. Where a cheque is crossed specially to more than one Banker except when crossed to an Agent for collection:

- A) The Banker on whom the cheque is drawn shall make payment
- (B) The Banker on whom the cheque is drawn shall refuse payment**

69. A valuable customer of your branch who maintain average balance of Tk. 50.00 Lacs in his account requests you over Trunk-call for Telegraphic Transfer of Tk. 8.00 Lacs by debiting his account to a third party:

- (A) You will make the Telegraphic Transfer
- (B) You will not comply with the instruction**

70. The account of a customer of your Branch became undesirable by unsatisfactory operation. In spite of repeated requests to him to close the account, he does not pay heed of your requests. In such a situation:

- (A) You can close the account by giving sufficient notice in writing**
- (B) The account can not be closed by you even by giving sufficient notice in writing

71. At the time opening a new account introduction is essentially required:

- (A) Form a customer of the Bank
- (B) Form a Customer of the Bank or from a person acceptable to the Bank**

72. A Demand Draft presented to your Bank for Payment:

- (A) You will make payment to the presenter over the counter without any question
- (B) You will make payment upon identification of the payee**

73. Negotiable instruments payable to bearer is negotiated by delivery of the Instrument and negotiable Instruments payable to order is negotiated by endorsement and delivery

- (A) Yes**
- (B) No**

74. Payment of a Cheque in DUE COURSE discharges the liability of the paying banker:

- (A) No
- (B) Yes**

75. A Cheque crossed "Not Negotiable" does not restrict negotiability of the Cheque but when a Cheque is crossed "Account Payee only" it shall cease to be Negotiable:

- (A) Yes**
- (B) No

76. A Cheque is not invalid only that it is Anti-Dated or Post-Dated provided that the Anti-Dating or Post-Dating does not involve any illegal or fraudulent purpose or transaction

- (A) Yes**
- (B) No

77. In case of Negotiable Instrument where amount is stated differently in figures and in words:

- (A) Payment should not made
- (B) Amount stated in words may be paid**

78. UNCLEARED EFFECTS against which no drawing has been allowed to the Customer can be attached under the "Garnishee Order" :

- (A) No
- (B) Yes**

79. A & B maintain a Joint account at your Branch. By Mandate each is authorized to operate the account Singly. Both of them in dispute and each of them instructed the Bank not to honour the Signature of the other. In such a situation:

- (A) You will allow operation because by mandate each of them is authorized to operate the account singly.
- (B) You will stop operation pending settlement of the dispute and receipt of the fresh instruction signed by both of them on settlement of the dispute.**

80. A Cheque is always payable on Demand / presentment but a Promissory Note or a Bill of Exchange may be payable at sight / presentment or at a determinable future date:

- (A) Yes**
- (B) No

81. IFIC Bank Limited follows the "Double Entry System" in maintaining its Books of Accounts:

- (A) Yes**
- (B) No

82. To effect the payment for expenditure or refund of any amount on amount on behalf of the Bank generally IFIC Bank Ltd., uses the following instruments:

- (A) Demand Drafts
- (B) Pay Orders**

83. Inter Branch Transactions are settled through the IFIC General Account and as such:

- (A) Inter Branch Transactions must be reconciled at the earliest to avoid complications and risks**
- (B) Inter Branch Transactions need not be reconciled because records of the transactions are already maintained by the Branches

84. Balance sheet is a Statement of Assets and Liabilities and in the Balance Sheet:

- (A) Net Profit (after tax) is shown on the asset Side and Net Loss on the Liability Side
- (B) Net Profit (after tax) is shown on the Liability Side and Net Loss on the Asset Side

85. General Ledger is the main Book of account of the Bank in watch:

- (A) Main heads or Controlling heads of accounts are maintained**
- (B) Total Cash Receipts and total Cash Payments are maintained

86. Reserves are created by IFIC Bank Ltd. Out of its

- (A) Profit**
- (B) Provisions

87. As per Bank Companies Act. 1991, Banking Means:

- (A) Accepting Deposits only
- (B) Accepting Deposits and making payments
- (C) Accepting, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise, and withdrawable by Cheque, draft, Attention: Attention: and order or otherwise.**

88. A Banking Company requires a license from the Central Bank to do Banking under:

- (A) Bangladesh Bank (Nationalization) order, 1972
- (B) Bank Companies Act. 1991**
- (C) Bangladesh order, 1972

89. A Co-operative Bank is established under:

- A. Bank Companies Act. 1991
- B. Co-operative Societies Act. 1985**
- C. Companies Act. 1994

90. Before becoming a Commercial Bank in 1983, IFIC was a company registered with

- A. Registrar of Joint Stock Companies**
- B. Controller of Capital Issues
- C. Registrar of Co-operative Societies

91. IFIC Bank Ltd. Has no Joint Venture in:

- A. Oman
- B. UAE**

92. IFIC Bank has a sound equity base and is maintaining provision in excess of prescribed requirements

- A. True**
- B. False
- C. Partly True

93. Which one of the following is not a Central Bank:

- A. Saudi Arabian Monetary Agency
- B. State Bank of Pakistan
- C. State Bank of India**

94. How many scheduled banks are now operating in Bangladesh:

- A. 62
- B. 49
- C. 48**

95. The Current Bank Rate is:

- A. 7 %
- B. 6 %
- C. 5 %**

96. Out of 65 Branches of IFIC Bank Ltd. The numbers of Branches dealing in Foreign Exchange as AD are:

- A. 17
- B. 19
- C. 19
- D. 22**

97. Which one of the following is not a negotiable instrument?

- A. FDR**
- B. Bill of Exchange
- C. Demand Draft

98. Under which crossing, further negotiation is restricted:

- A. & CO**

- B. A/C Payee not negotiable**
- C. A/C Payment Negotiable

99. Negotiability of an instrument means:

- A. The transferee of the instrument gets a better title**
- B. The transferee gets title as a holder in due course
- C. The transferee gets the same title as the transferor

100. A paying Banker gets legal protection under sec. 129 of Negotiable Instruments Act, 1881 if:

- A. A crossed Cheque is paid to the holder over the counter
- B. The payment is in due course**
- C. The payment is made to the bearer who has found a lost Cheque

101. Who can cancel a crossing on the Cheque:

- A. Drawee
- B. Drawer**
- C. Beneficiary

102. A Person has come to the bank to open a savings bank a/c for deposit of taka 50,000/- but he has no one to introduce. What would you do-

- A. You will not open his a/c without introduction**
- B. You will open the a/c and obtain the introduction later on
- C. You will introduce and open the a/c

103. Liability of an introducer while opening an account is limited to-

- (A) All Liability of a/c holder
- (B) Personification of the a/c holder**
- (C) All fraudulent transactions in the a/c

104. An account holder requests you over telephone to stop payment of a cheque already issued by him. What will you do if the cheque is presented:

- (A) You will make the payment of the cheque
- (B) You will give objection memo with "Refer to drawer" remarks**
- (C) None of the above

105. You have received a "Garnishee Order" from the Court attaching a client's a/c and at the same time you have receive a cheque through clearing. What would you do-?

- (A) You will make payment of the cheque
- (B) You will not make payment of cheque**
- (C) None of the above

106. X and Y are Joint a/c holders under a mandate to operate the a/c singly by both of them. Because of dispute among them, 'X' instructed the bank not to honour cheque issued by 'Y' on the joint a/c. What will you do-

- (A) **You will not make payment of any cheque**
- (B) You will make payment of cheque issued by 'X' only.
- (C) You will not make payment of cheque issued by 'Y'.

107. When a Locker is given to a customer on hire, what relationship is established between the banker and the customer?

- (A) Bailer and Bailee
- (B) Agent and Principal
- (C) **Lessor and lessee**

108. Interest on Savings a/c is calculated annually on the basis of

- (A) **360 days**
- (B) 365 days
- (C) 364 days

109. Bank account are treated as dormant and transferred to dormant a/c ledger if there is no transaction in the a/c's for

- (A) 3 years
- (B) 5 years
- (C) **1 year**

110. A DD issued to a purchaser was lost and he has requested for a duplicate. What will you do-

- (A) Will issue a duplicate on getting confirmation from drawee branch
- (B) **Will issue a duplicate with an indemnity bond from the purchaser and confirmation from drawee branch.**
- (C) Will not issue under any circumstances

111. A Public Limited company wants to open a current a/c with your branch. Which documents you require with the application from:

- (A) Certificate copies of Memorandum and Articles of Association and Certificate of Incorporation
- (B) Documents mentioned at 'A' and certificate of commencement of business
- (C) **Documents mentioned at 'B' and resolution of the Board with list of Directors**