

Roll No: -----



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BA LL.B/ BBA LL.B/ B.COM LL.B

Semester: VI

Subject (Course): Banking & Negotiable Instrument Law

Max. Marks : 100

Course Code: LLBL 444

Duration : 3 Hrs

No. of page/s : 3

Section A-Objective type/True & False/Short Answer type questions

Attempt All

(2 marks each= 10 marks)

1. The Reserve Bank of India performs this function under the guidance of the Board for Financial Supervision (BFS). (True/ False)
2. A 'Customer' as per RBI's Master Circular on Customer Service in Banks 2009/2010 may include:
 - (a) a person or entity that maintains an account and/or has a business relationship with the bank;
 - (b) any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.
 - i. Both the statements (a) and (b) are correct
 - ii. Statement (a) is wrong
 - iii. Statement (b) is incorrect
 - iv. Both the statements are incorrect
3. The Banking Ombudsman Scheme 2006 has been formulated by RBI under the powers conferred in Act.
4. *Bank Nationalisation Case* refers to the interpretation of which of the following legislations primarily:
 - a) RBI Act
 - b) Banking Regulation Act
 - c) 'Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969'
 - d) None of the above.
5. What do you understand by the concept of Reverse-Repo?

Section B-Short answer type question
(20 marks)

6. Short notes on any two: **(5marks * 2= 10 marks)**
- a) Payments Banks
 - b) Bill of Exchange
 - c) Micro Finance
 - d) RBI as an issuer of currency
7. What are the characteristics of a negotiable instrument. **(5 marks)**
8. What do you understand by 'Credit Control' by RBI? Explain. **(5 marks)**

Section C- Conceptual type questions
Attempt any two
(10marks * 2 = 20 marks)

9. Explain the sound banking principles for lending.
10. When a business of a banking company may be suspended. Elaborate the legal implications.
11. Mr. Ramesh is a director in a bank. The Reserve Bank of India terminates him on the ground that his conduct is detrimental to the interest of the depositors. Decide, whether the Reserve Bank of India can do so under the Banking Regulation Act, 1949. Can the Reserve Bank of India appoint additional Director in a Bank under the said Act?

Section D-Application based Case study
(50 marks)

12. *Mr. Ramesh* is director of ABC Ltd. located in Dehradun and has issued a cheque to one *Mr. Ramlal* resident of Delhi for an amount of Rs. 10,000/- for a liability of ABC Ltd. as its director. The cheque got dishonoured due to insufficiency of funds. Mr. Ramlal proceeded to issue a notice to Mr. Ramesh under section 138/142 of the Negotiable Instruments Act without making ABC Ltd. as a party to the notice. Will the prosecution be maintainable in this case against Mr. Ramesh? If yes/no why? Elaborate the key ingredients to establish an offence under section 138 of the NI Act. What would be the territorial jurisdiction in this case?

(20 marks)

13. Various complaints have been made against the activities of a Co-Operative Banking Company to the effect that if unchecked, the shareholders, depositors and others will suffer heavily. The Central Government recommended the Reserve Bank of India to address the matters against the said Bank. Discuss whether the Reserve Bank has any powers to inspect the records of the Co-operative Bank to ascertain the truth or otherwise in the complaints. Also discuss the necessary action that can be taken by the Central Government, in case the affairs of the Co-operative Banking Company are detrimental to the interest of shareholders, depositors and others.

(15 marks)

14. The increasing non-performing assets (NPAs) and the time-consuming legal process of loan recovery prompted enactment of IBC 2016. Describe the important provisions of this Code having a bearing on NPAs. Is it justified to use the IBC Code 2016 as a tool in management in NPAs? Has this Code helped in quicker recovery of loan and reducing NPAs?

(15 marks)

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Section A-Objective type/True & False/Short Answer type questions

Attempt All

(2 marks each= 10 marks)

1. Amalgamation between banking companies should be approved by the Central Government. (True/ False)
2. Non-scheduled banks need not maintain reserves. (True/ False)
3. Non- adherence of KYC norms can create opportunity for money laundering. (True/ False)
4. In 1921, three Presidency banks were merged and a new entity was created as:
 - a) State Bank of India
 - b) Imperial Bank of India
 - c) Central Bank of India
 - d) Reserve Bank of India
5. In case of winding up of a banking company, the Official Liquidator need not give notice calling for claims except:
 - a) secured creditors
 - b) preferential payments
 - c) depositors
 - d) unsecured creditors

Section B-Short answer type question

(20 marks)

6. Short notes on any two: **(5marks * 2= 10 marks)**
- a) RBI as Banker to the Government
 - b) Banking Ombudsman
 - c) Various E-Banking Services
 - d) Relationship between Bank and Customer
7. Who is a holder and holder in due course in relation to Negotiable Instrument Act, 1881?
(5 marks)
8. Differentiate between Cash Reserve Ratio and SLR
(5 marks)

Section C- Conceptual type questions

Attempt any two

(10marks * 2 = 20 marks)

9. Explain the law and procedure relating to M&A in banking sector.
10. Explain the remedy of recovery of debts that are due to a Bank.
11. Mr. Ramesh is a director in a bank. The Reserve Bank of India terminates him on the ground that his conduct is detrimental to the interest of the depositors. Decide, whether the Reserve Bank of India can do so under the Banking Regulation Act, 1949. Can the Reserve Bank of India appoint additional Director in a Bank under the said Act?

Section D-Application based Case study

(50 marks)

12. The Board of Directors of ABC Ltd., a banking company incorporated in India, for the accounting year ended 31.03.2018 transferred 15% of its net profit to its Reserve Fund. Certain shareholders of the company object to the above Act of the Board of Directors on the ground that it is violative of the provisions, of the Banking Regulations Act, 1949. Examine the provision of Banking Regulation Act and decide:
- i) Whether contention of the shareholders is tenable?
 - ii) Would your answer be still the same in case the Board of Directors transfer 30% of the company's net profits to Reserve Fund.
- (15 marks)**
13. Various complaints have been made against the activities of a Co-Operative Banking Company to the effect that if unchecked, the shareholders, depositors and others will suffer heavily. The Central Government recommended the Reserve Bank of India to address the

matters against the said Bank. Discuss whether the Reserve Bank has any powers to inspect the records of the Co-operative Bank to ascertain the truth or otherwise in the complaints. Also discuss the necessary action that can be taken by the Central Government, in case the affairs of the Co-operative Banking Company are detrimental to the interest of shareholders, depositors and others.

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14. *Mr. Ramesh* is director of ABC Ltd. located in Dehradun and has issued a cheque to one *Mr. Ramlal* resident of Delhi for an amount of Rs. 10,000/- for a liability of ABC Ltd. as its director. The cheque got dishonoured due to insufficiency of funds. Mr. Ramlal proceeded to issue a notice to Mr. Ramesh under section 138/142 of the Negotiable Instruments Act without making ABC Ltd. as a party to the notice. Will the prosecution be maintainable in this case against Mr. Ramesh? If yes/no why? Elaborate the key ingredients to establish an offence under section 138 of the NI Act. What would be the territorial jurisdiction in this case?

(20 Marks)