

BNK601 - Banking Laws & Practices

MIDTERM EXAMINATION

Fall 2010 Paper

Time: 60 min

M a r k s: 39

BNK601 Question No: 1 (M a r k s: 1)

Which of the following refers to “An obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner is the person who reposes or declares the confidence”?

Agency

Trust

Branch

Sole ownership

BNK601 Question No: 2 (M a r k s: 1)

Which of the following includes the evolution of law over a period of time?

Analytical Jurisprudence

Historical Jurisprudence

Ethical Jurisprudence

Behavioral Jurisprudence

BNK601 Question No: 3 (M a r k s: 1)

Which of the following is NOT among the instruments of money market?

Bills of exchange

Repurchase agreements

Stocks

Federal funds

LESSON

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Stocks: Stocks are issued as equity claims by corporations and represent the largest single category of capital market assets.

BNK601 Question No: 4 (M a r k s: 1)

Which of the following is NOT among the instruments of capital market?

Federal funds

WAPDA bonds

Debentures

Stocks

BNK601 Question No: 5 (Marks: 1)

State Bank of Pakistan started its operations on:

1st May, 1948

20th May, 1948

1st July, 1948

1st August, 1948

BNK601 Question No: 6 (Marks: 1)

All of the following are contents of a company's Memorandum of Association under Banking Companies Ordinance, 1962 EXCEPT:

Name of the company

Liability of the members

Number of share holders

Authorized capital

BNK601 Question No: 7 (Marks: 1)

Which of the following is(are) engaged in a letter of credit?

Advising bank

Confirming bank

Negotiating bank

[All of the given options](#)

BNK601 Question No: 8 (Marks: 1)

Which of the following is FALSE regarding the prohibition of employment as described under section 11 of Banking Companies Ordinance, 1962?

No banking company shall employ or be managed by a managing agent.

No banking company shall employ who is, or at any time has been, adjudicated insolvent.

No banking company shall employ who is convicted by a criminal court of an offence involving moral turpitude.

None of the given options

BNK601 Question No: 9 (Marks: 1)

Which of the following sections of Banking Companies Ordinance, 1962 describes the regulation of paid-up, subscribed and authorized capital?

Section 10

Section 12

Section 14

Section 15

BNK601 Question No: 10 (Marks: 1)

Which of the following is **NOT** included in section 19 of Banking Companies Ordinance, 1962 regarding restriction as to payment of dividend?

No banking company shall pay any dividend on its shares until all capitalized expenses have been completely written off.

Dividend can be paid if adequate provisions on account of depreciation have been made by the banking company to the satisfaction of the auditors.

Dividend can be paid if adequate provisions on and bad debts have been made by the banking company to the satisfaction of the auditors.

A banking company can pay dividend only when it will earn profit.

1-The depreciation, if any, in the value of its investments in shares, debentures or bonds (others than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;

2- the bad debts, if any, in any case where adequate provision for such debts had been made to the satisfaction of the auditor of the banking company.

BNK601 Question No: 11 (Marks: 1)

According to Section 36 of Banking Companies Ordinance, 1962, the Federal Government can issue a Certificate of Moratorium, upon an application of State Bank for a MAXIMUM period of:

Three months

Six months

Nine months

One year

BNK601 Question No: 12 (Marks: 1)

Rejected complaints can be sent to Banking Mohtasib along with all related correspondence and the Complaint Form, without the need to give:

30 days notice to the concerned bank

45 days notice to the concerned bank

60 days notice to the concerned bank

90 days notice to the concerned bank

BNK601 Question No: 13 (Marks: 1)

According to the State Bank of [Pakistan Act, 1956](#), “**Bank**” refers to which of the following?

Commercial bank

Investment Bank

Islamic Bank

State Bank of Pakistan

BNK601 Question No: 14 (Marks: 1)

When did Pakistan Banking and Finance Services Commission Act come into force?

1992

1997

2001

1962

BNK601 Question No: 15 (Marks: 1)

Federal Bank for co-operative and Regulation of Co-operative Banking Act, 1977 extends to:

The whole Pakistan

Punjab Province only

North West Frontier Province only

Sindh Province only

BNK601 Question No: 16 (Marks: 1)

According to the Section 10 of Microfinance Institutions Ordinance, 2001, no microfinance institution shall operate in a specified province unless it has a paid up capital of not less than:

Rs. 100,000,000

Rs. 150,000,000

Rs. 500,000,000

Rs. 700,000,000

LESSON 19

Two hundred and fifty million rupees or such higher amount as may be prescribed from time to time, for microfinance institutions to whom a license to operate in a specified province is issued.

BNK601 Question No: 17 (Marks: 1)

According to the section 23 of Microfinance Institutions Ordinance, 2001, if any officer of microfinance institution mismanages the affairs of the microfinance institution then he shall be punishable with imprisonment for a term which may extend to:

One year

Three years

Five years

10 years

LESSON 19

If any officer of a microfinance institution, mismanages the affairs of the microfinance institution or misuses his position for gaining direct or indirect benefit for himself or any of his family members, he shall be punishable with imprisonment for a term which may extend to three years.

BNK601 Question No: 18 (Marks: 1)

Miss. Naila says to Miss. Amna that my land produces 40 mounds of wheat per acre. Miss. Amna believes it to be true and buys that land. Later on it appears that the land produces 10 mounds of wheat per acre. Miss. Naila has committed which of the following?

Corecion

Undue influence

Misrepresentation

Mistake

BNK601 Question No: 19 (Marks: 3)

What is the objective behind establishing the office of Banking Mohtasib?

Answer:

The main objective of the banking Mohtasib is to understand and find out injustice done by anyone to the customer.

The examples of wrong charges levied on to the customers, extra commissions charged, incorrect interest rates given on deposits or incorrect interest rate charged on loans and advances. Compliants regarding cheque collections inward and outward transfer of domestic and foreign currency etc.

Thus the banking mohtasib is suppose to address all the grievances faced by the customers of the bank.

BNK601 Question No: 20 (Marks: 3)

An agent sells goods on credit to a person on behalf of his principal without making proper enquiry about the solvency of that person. Afterwards, it reveals that the person was insolvent at the time of sale. Principal sue his agent for loss. Is principal's claim right?

Answer:

An agent sells goods on credit to a person on behalf of his principal without making proper enquiry about the solvency of that person. .It seems from the above that selling on credit is the normal way of doing business. So as far as selling on credit is concerned the agent is entitled to do so. However as he sold goods to a person who was insolvent at the time of sale.

Principal is justified and must sue his agent for loss and the Principal's claim is right. The agent must have used reasonable care and diligence while selling the goods on credit. He should have by no means sold on credit to an insolvent person.

BNK601 Question No: 21 (Marks: 5)

Write down any five topics covered in Part IIA (Transaction of Banking Business Illegally By Companies, etc.) of Banking Companies Ordinance, 1962.

Answer:

Following are the five topics covered in Transaction of Banking Business Illegally By Companies:

- 1-Call for information as required by central bank .
- 2-Power to make orders and decrees.

- 3- Conservation of assets.
- 4- Submission of Financial statements.

BNK601 Question No: 22 (Marks: 5)

In 2006, a commercial bank aggressively marketed for Term Deposits and told its customers that no penalties would be charged if premature encashment were desired. As a result of the campaign, many customers placed sizeable funds on 5 year Term Deposits with the bank. However, during 2007 when some of the depositors wanted to prematurely encash their deposits they were threatened with substantial penalties by the bank.

Bank's stance

The bank defended the penalty by saying that it was empowered through its "Account Terms and Conditions" to alter any condition unilaterally at any time it chose. The bank claimed that even though the new penalty was included in its Schedule of Charges dated January 1, 2007, penalties were not invoked until July 1, 2007.

In your opinion whose claim was right, customer or bank? Justify your answer with reasons.

Answer:

The bank's stance is incorrect as they had promised the customers to return the money to customers if they desired to withdraw the same without any penalty.

The deposits were placed by customers based on the above said promise by the bank and now the bank cannot go back on its promise. This is a classic example to be referred to the Bank Mohtasib.

BNK601 Question No: 23 (Marks: 5)

Write down any five provisions of the Section 10 (Disqualifications of the Managing Director) of SBP Banking Services Corporation Ordinance, 2001.

Answer:

The following reasons:

- 1- A person who is a member of Senate or National Assembly.
- 2- A person who is an employee of the federal Government or of a provincial Government.
- 3- A person who has not settled any dues of any Bank.
- 4- A person who is holding a position of office like a secretary or treasurer in a political party.
- 5- If he is a major share holder in another bank.

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