MODEL QUESTION – SET 5

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JAIBB

Laws and Practice of General Banking (LPGB)

Subject Code : 1 0 4

Time—3 hours

Full marks—100

Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A—Broad Questions

(Answer any two questions)

Marks—20×2 = 40

1. *(a)* "Central Bank is the lender of last resort" — Explain. Describe the main functions of Bangladesh Bank as the supervisor of the banking system. **5+5=10**

(b) Central Bank has been given the exclusive right to issue notes under the Bangladesh Bank Order, 1972. Do you think this is justified? Discuss the security features of a banknote. **7+3=10**

2. *(a)* Discuss in brief the main functions of a commercial bank. **10**

(b) Define "Financial Institution" under the Financial Institutions Act, 1993. What are the licensing requirements for a non-bank financial institution? **5+5=10**

3. *(a)* What is standing instruction? State the procedure for a stop payment instruction. **10**

(b) When can a banker legally return a valid cheque without payment under the Negotiable Instrument Act, 1881? What are the legal consequences of wrongful dishonor? **5+5=10**

4. *(a)* Define Hundi. Discuss its legal status — can a Hundi transaction be enforced in a Bangladeshi court? **6+7=13**

(b) What are the different tools used for identifying suspicious transactions? **7**

Part B—Mathematical Problem

(Answer any one question)

Marks—10×1 = 10

5. ABC Bank has the following financial data as of December 31st:

Tier-1 Capital: BDT 1,800 crore Tier-2 Capital: BDT 600 crore

Deductions from capital: BDT 250 crore Total Risk Weighted Assets (RWA): BDT 21,000 crore

(a) Calculate the Capital Adequacy Ratio (CAR) of the bank.

(b) Assess compliance with Bangladesh Bank's minimum regulatory capital requirement, including the capital conservation buffer.

6. A customer approaches a bank to discount a bill of exchange with a face value of BDT 3,00,000 and a remaining maturity of 150 days. The bank's discount rate is 10.5% per annum, and it charges 0.25% commission on the face value.

(a) Calculate the discount and commission charged by the bank.

(b) Determine the net payable amount.

Part C—Problem Solving

(Solve any one case)

Marks—20×1 = 20

7. Case-1: Forged Endorsement and Collecting Bank's Liability

Review the following case study and answer the questions that follow.

Background: A crossed order cheque for BDT 45,000 drawn on 'M' Bank is collected by 'N' Bank for its customer, in whose favour it has been endorsed by the payee. It is later discovered that the endorsement of the payee was forged.

(i) Discuss the statutory protection available to a collecting banker under the Negotiable Instrument Act, 1881. **5**

(ii) Examine the position of 'N' Bank (the collecting bank) given the forged endorsement. **5**

(iii) Examine the position of the payee and the paying bank ('M' Bank) in this scenario. **5**

(iv) What precautions should a collecting bank take to avoid liability in such cases going forward? **5**

8. Case-2: Suspected Money Laundering Through a Trade-Based Transaction

Review the following case study and answer the questions that follow.

Background: Mr. Iqbal Kabir, proprietor of Kabir Trading, maintains a current account with your branch and is engaged in importing consumer goods. Over the past quarter, the bank observes that invoice values submitted for LC settlements are significantly higher than prevailing market prices for similar goods, and payments are routed through a third-party company with no apparent connection to the underlying trade.

(i) Identify the money-laundering typology suggested by this pattern (trade-based money laundering). **5**

(ii) What red flags should the branch have identified earlier in this relationship? **5**

(iii) What is the bank's reporting obligation in this situation, and to which authority? **5**

(iv) What internal control measures could prevent recurrence of such cases? **5**

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

9. Compare and contrast between any five of the following:

(a) Bank Rate vs Lending Rate **2**

(b) Deposit Bank vs Mixed Bank **2**

(c) Transferability vs Negotiability **2**

(d) Conditional Endorsement vs Restrictive Endorsement **2**

(e) CRR vs SLR **2**

(f) Impressed Stamp vs Embossed Stamp **2**

(g) Guarantee vs Indemnity **2**

(h) Bill of Lading vs Bill of Entry **2**

Part E—Short Questions

(Answer all the questions)

Marks—2×10 = 20

10. Briefly answer the following:

(a) What are Prompt Corrective Actions (PCA)? **2**

(b) What is the Crawling Peg System? **2**

(c) Define Deposit Mix. **2**

(d) What is a Departmental Control Function Check List (DCFCL)? **2**

(e) How does a morning call reduce banking risk? **2**

(f) What is SMART + 300 basis point? **2**

(g) Define Garnishee Order. **2**

(h) What is the significance of crossing a cheque? **2**

(i) What is meant by a “banker’s book” as evidence? **2**

(j) What are the ancillary services rendered by banks to customers? **2**
