MODEL QUESTION – SET 8

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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)* Define equitable mortgage. How is it created under Bangladeshi law, and how does it differ from a registered mortgage? **4+6=10**

(b) Describe the types of banks operating in Bangladesh, distinguishing between scheduled and non-scheduled banks. **10**

2. *(a)* What is capital adequacy? Discuss the components of regulatory capital under Bangladesh Bank guidelines. **10**

(b) Define “fit and proper” test for bank directors under the Bank Company Act, 1991. **10**

3. *(a)* What is a non-performing asset? Discuss the classification categories used by Bangladesh Bank for loan classification. **4+6=10**

(b) In what situations does the office of a director fall vacant under the Bank Company Act, 1991? **10**

4. *(a)* What formalities and precautions should a banker take before opening the account of a Joint Stock Company? **10**

(b) Define a floating charge under company law. What is meant by “crystallization” of a floating charge? **5+5=10**

Part B—Mathematical Problem

(Answer any one question)

Marks—10×1 = 10

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

Tier-1 Capital: BDT 2,000 crore Tier-2 Capital: BDT 700 crore

Deductions from capital: BDT 300 crore Total Risk Weighted Assets (RWA): BDT 22,500 crore

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

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

6. GHI Bank has total demand and time liabilities of BDT 30,000 crore. As per Bangladesh Bank guidelines, banks must maintain a Statutory Liquidity Ratio (SLR) of 13% (inclusive of CRR) of their total demand and time liabilities. The Cash Reserve maintained by the bank is BDT 1,200 crore.

(a) Calculate the total SLR requirement.

(b) Calculate the additional liquid assets required to be maintained apart from the CRR to meet the SLR requirement.

Part C—Problem Solving

(Solve any one case)

Marks—20×1 = 20

7. Case-1: Equitable Mortgage Based on a Forged Title Deed

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

Background: Mr. Zahirul Islam obtained a loan of BDT 1.20 crore from a bank against an equitable mortgage created by deposit of the title deed of a commercial plot. Upon default, the bank initiated recovery proceedings and sought to sell the mortgaged property, only to discover that the title deed deposited was fraudulent and the property had already been legitimately mortgaged with another bank two years earlier.

(i) Define equitable mortgage and explain how it is created under Bangladeshi law. **5**

(ii) What precautions should a bank have taken before accepting the title deed to prevent this situation? **5**

(iii) What legal remedies are available to the bank against Mr. Zahirul Islam for the fraud? **5**

(iv) Discuss the priority of claims between the two banks over the same property. **5**

8. Case-2: Cheque Signed by a Removed Director

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

Background: ABC Trading Ltd. maintains a current account with your branch, operated by any two of its three directors as per the board resolution on file. The company's board removed one director, Mr. Farid, in a resolution passed three months ago, but the company failed to notify the bank or update the mandate. Mr. Farid, along with another director, subsequently signed and issued a cheque of BDT 15,00,000, which was honoured by the bank.

(i) Discuss the bank's liability for honouring a cheque signed by a director who had already been removed, given the bank had not been notified. **5**

5

(ii) What is the effect of the company's failure to update the mandate on file with the bank?

(iii) What internal control measures should the bank have in place to detect such changes in authorized signatories? **5**

(iv) Advise the bank on recourse available against the company and against Mr. Farid. **5**

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

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

(a) Actionable Claim vs Movable Property **2**

(b) Compulsory Registration vs Optional Registration **2**

(c) Branch Banking vs Unit Banking **2**

(d) Group Banking vs Mixed Banking **2**

(e) State-Owned Commercial Bank (SOCB) vs Private Commercial Bank (PCB) **2**

(f) Revocable Letter of Credit vs Irrevocable Letter of Credit **2**

(g) Wrongful Dishonor vs Rightful Dishonor **2**

(h) Term Deposit vs Demand Deposit **2**

Part E—Short Questions

(Answer all the questions)

Marks—2×10 = 20

10. Briefly answer the following:

(a) What is an equitable mortgage? **2**

(b) Define registered mortgage. **2**

(c) What is meant by a "charge" over an asset? **2**

(d) Define hypothecation. **2**

(e) What is a floating charge? **2**

(f) What is meant by "crystallization" of a floating charge? **2**

(g) Define quorum for a bank's board meeting under the Bank Company Act. **2**

(h) What is meant by the "fit and proper" test for bank directors? **2**

(i) Define capital adequacy. **2**

(j) What is a non-performing asset? **2**