

**NATIONAL LAW UNIVERSITY, DELHI**  
**LL.M. (Professional), II -Semester (Batch of 2019)**  
**Online Take Home Assessment- 2020**  
**Paper: BANKING AND FINANCE**

**Time: 6:00 Hours**

**Total Marks: 50**

**Instructions:**

1. Mail your assignments only to **submissions.llmpro@nludelhi.ac.in**
  2. All questions are compulsory.
  3. No clarification shall be sought on the question paper.
  4. **Mention only your Name, Roll No. and subject name on the First page. Start writing your answers from the second page only. Do not mention your name and roll no on any other page.**
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**1) a) Determine whether a security interest is created in the following cases (12 marks)**

- i) A creates a mortgage over 1000 square meters of land out of the two acres of land owned by him without demarcating the same.
- ii) A sells a cold storage with a right to get it transferred back to him after 20 years for no consideration by A
- iii) A Ltd., a housing finance company giving to the bank, in lieu of money, a right to receive from it the money received by it towards repayment of existing housing mortgages.
- iv) A, an importer of raw precious stones, supplies stones to jewelers with a clause reserving the title in the stones, thereafter in the stones after they have been cut and polished as well as the studded jewelry produced with the stones.

**b) Distinguish between the following (8marks)**

- i) Floating charge and Fixed charge
- ii) Bank and a non-banking finance company
- iii) Banker's lien and a contractual lien
- iv) Bill of Exchange and cheque

**2) a) Decide the rights and liabilities of A in the following cases (12 marks)**

- i) A draws a cheque payable to B and dispatches it by post. The cheque is stolen in transit and C obtains it. C forges the signature of B and gets payment on it from XY Bank Ltd. on which it is drawn. The bank reduces the balance of A while B asks A to pay.
- ii) A has given a written order to the bank to pay into the account of his ex-wife with another bank an amount of Rs fifty lakhs as part of marriage settlement. The manager of the branch dithers in making the transfer due to liquidity problems and next day the RBI declares a moratorium over all payments and thereafter the bank is sought to be liquidated.

- iii) A has two accounts with XY Bank. In one of the accounts he deposits money to be used for the payment of the educational expenses of his children, with the bank manager being told about it orally, and the second account is a current account with overdraft facility for his business. The current account is in debit due to business losses and since A was not clearing the overdraft despite repeated reminders, XY Bank uses the credit balance in the other account to clear the overdraft by consolidating the two accounts. Due to this the cheque of A to the school towards payment of his children's fees bounces.
- iv) A has an account with XY Bank. A had instructed the bank to deduct monthly a fixed amount from his account towards payment of his office rent to his landlord, who has an account with the same bank. A, on the termination of the lease, chooses not to renew it, but does not remember to intimate the bank not to remit the lease rent till two months had lapsed. On discovery of the lapse A seeks a reversal of entries by the bank.

b) Distinguish between the following:

**(8 marks)**

- i) Negative pledge and Pledge
- ii) Cash reserve ratio and Statutory Liquidity ratio
- iii) Bank guarantee and an ordinary corporate guarantee
- iv) Cheque and Bankers Cheque

3) Elucidate the following statements:

**(10 marks)**

- a) "Rules of priority regarding claims to an asset are determined by common sense. Statutory intervention, if any has been minimal."
- b) "Legal precedents were premised on the supposition that a typical lender was a moneylender in the mould of Shylock, and a restraint on his rights and powers would serve social good. This outmoded perception of a lender needed to be revisited by statute for social good, and it is our good fortune that it was done even if a bit late in the day."