

NATIONAL LAW UNIVERSITY DELHI

LL.M. (Professional), Semester-II (Regular Students-Batch of 2021)

End Semester Assessment (Online), September-2022

Paper: Banking and Finance

Time: 6:00 hrs

Total Marks: 70

Instructions:

1. Answer any five questions. All Questions carry equal marks.
2. No clarification shall be sought on the question paper.

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- 1) a) “While the ambit of possible activities that a bank can perform are large, there is a certain core that the entity has to perform to be called a bank.” Elucidate the implication of the above statement.
b) Banker-Customer relationship is a contractual relationship defined by custom. When would specific terms of the contract override the customary contract.
 - 2) a) “Capital Adequacy Ratio is a mechanism to restrain the demands of the shareholders on the management and its risk appetite.” Examine the validity of the above statement.
b) Distinguish between constructive pledge, mortgage and hypothecation of a machinery used for spinning cotton yarn.
 - 3) a) Discuss the implications of the statement “Security interest is a right given by the debtor to the creditor in an asset and is not a right reserved by the creditor in the asset”.
b) AK Transport Ltd. executes a fixed charge over its tanker fleet in favour of SBI, which takes it with the knowledge of floating charge in favour of PNB with a negative pledge not to create any charge over assets of AK Transport Ltd. Who will have preference over the assets subject to fixed charge.
 - 4) a) Examine a bank’s ability to exercise lien over a fixed deposit certificate issued by itself.
b) The goods have been mortgaged to A. A allows the mortgagor to retain possession over the goods with no mark to indicate that they have been mortgaged. The mortgagor subsequently sells the goods to B, who claims that he has an unencumbered right to them.
 - 5) a) Determine whether the bank has a right to consolidate the accounts of its customer in the following cases
 - i) Accounts maintained by the customer with different branches of the same bank in different countries.
 - ii) A foreign currency trust account of the customer (of which the bank is unaware of) with the customer’s personal account.
 - 6) a) “Normal conduct of banking operations lay the bank open to the charge of having committed the tort of conversion, howsoever innocent and diligent it may have been in the conduct of its operations. For smooth conduct of banking operations, it was inevitable that the legislature would intervene, even if in a limited way”. Elucidate the statement in light of the protection given to banks in dealing with crossed cheques.
b) The subsidiary of the bank, due to a fault of its internal systems keeps paying its dismissed employee his monthly salary. On the detection of the fault, it seeks a reversal of entry by its holding company. Advise the bank on the legality of the requested action.