

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Business Administration)**

BANKING LAW AND PRACTICE (5548)

CHECK LIST

SEMESTER: AUTUMN, 2013

This packet contains following material:-

1. Text Book (one)
2. Course Outline
3. Assignment No.1, 2
4. Assignment Forms (two sets)

Please contact at the address given below, if you find anything missing in the packet.

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(Department of Business Administration)

WARNING

- 1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Banking Law and Practice (5548)
Level: MBA

Semester: Autumn 2013
Marks: 100

ASSIGNMENT No. 1
(Units: 1–4)

- Q. 1 Discuss the types and functions of banks operating in Pakistan's banking sector. (20)
- Q. 2 "The banks utilize its deposits for investment purposes by investing in profitable investments." Discuss how the bank mobilizes its funds in various investments for profit generation. (20)
- Q. 3 "A banker is obliged to maintain the secrecy of his customer's account." Discuss the statement in detail. Illustrate your answer with reference to Profit and Loss sharing accounts. (20)
- Q. 4 Discuss in detail the procedure and requirements for opening an account of a local partnership firm in a bank of your choice. (20)
- Q. 5 Discuss the scope and use of negotiable instruments within Pakistan. (20)

GUIDELINES FOR ASSIGNMENT # 1

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course

materials apply. You must also be able to identify important problems and implications arising from the answer.

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

Prepare your assignment as per the guidelines and it may be re-evaluated by the Quality Assurance Cell, Department of Business Administration at any time.

ASSIGNMENT No. 2

Total Marks: 100

Pass Marks: 40

This assignment is a research activity. You are required to visit any business/ commercial organization and prepare a research report of about 15 to 20 pages on one of the topics given below. To avoid the duplication, a student is required to select the topic according to the last digit of his/ her role number. For example if your roll number is I-342718 then you will select topic # 8 from the given below list (last digit).

As there are six topics, you will select the topic according to the last digit mentioned as under:

Topic	Last digit of the role number
1	1,2
2	4, 5
3	7, 9
4	8
5	3,6
6	0

Topics:

1. State Bank of Pakistan as Regulator
2. Sources of funds for any development financial institution operating around the globe.
3. International Monetary Fund (IMF)
4. Modes of Non-Interest Financing of any Islamic Bank operating in Pakistan.
5. Types of financial services available in any private bank of Pakistan
6. Types of Accounts in a Commercial Bank operating in Pakistan

GUIDELINES FOR PREPARATION OF ASSIGNMENT # 2

The report should follow the following format:

1. Title page
2. Acknowledgements
3. An abstract (one page summary of the paper)
4. Table of contents

5. Introduction to the issue (Brief history & significance of issue assigned)
6. Data collection methods
7. Practical Study related to Issue Assigned
8. Conclusion (one page brief covering important aspects of your report)
9. Recommendations (specific recommendations relevant to issue assigned)
10. References (as per APA format)
11. Annexes (if any)

Other Guidelines:

- 1.5 line spacing
- Use headers and subheads throughout all sections
- Organization of ideas
- Writing skills (spelling, grammar, punctuation)
- Professionalism (readability and general appearance)
- Do more than repeat the text
- Express a point of view and defend it.

You should use transparencies and any other material for effective presentation. The transparencies are not the presentation, but only a tool; the presentation is the combination of the transparencies and your speech. Workshop presentation transparencies should only be in typed format.

You are required to prepare two copies of 2nd assignment. Submit one copy to your tutor/ teacher for evaluation and the second copy for presentations in the workshop in the presence of the resource person and classmates, which will be held at the end of the semester prior to the final examination.

GUIDELINES FOR WORKSHOP PRESENTATION:

- Make eye contact and react to the audience. Don't read from the transparencies or from report, and don't look too much at the transparencies (occasional glances are acceptable to help in recalling the topic to cover).
- A 15-minute presentation can be practiced several times in advance, so prepare on that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

BANKING LAW AND PRACTICE COURSE OUTLINE (5548)

Unit 1: Introduction to Banking in the World and Pakistan

- 1.1 Meaning and origin of Banking in the world.
- 1.2 Brief history of development of banking in Pakistan.
- 1.3 Various types of Banks, nature, scope and their functions
- 1.4 Central Bank: Role & Functions in an Economy
- 1.5 State Bank of Pakistan as Regulator
- 1.6 Various types of banking services available in Pakistan.
- 1.7 Importance and mobilization of deposits in banking system

Unit 2: Banker-Customer Relationship

- 2.1 Essence of relationship
- 2.2 What is a banker?
- 2.3 Functions of banks
- 2.4 What constitutes a customer?
- 2.5 Rights and obligations of banker and customer
 - Rights of a banker
 - Banker's obligations to customer
 - Customer's obligations to banker
- 2.6 Termination of relationship
- 2.7 Accounts of customers - general
- 2.8 Importance of introduction and the concept of "Know Your Customer" (KYC)
- 2.8 Determination of banker's obligation and authority to pay cheques
- 2.9 Countermanding of payment
- 2.10 Legal process determining banker's authority to pay cheques

Unit 3: Types of Accounts and Accounts of Special Customers

- 3.1 Various types of bank accounts such as current, PLS, call, short notice deposits and fixed deposit accounts, royalty accounts, departmental accounts.
- 3.2 Instructions and rules relating to maintaining accounts, balancing ledgers, statement of accounts, pass book, specimen signature.
- 3.3 Accounts of trading organizations
 - Partnership firm
 - Joint Stock Companies
 - Mercantile Law Agents
- 3.4 Accounts of non - trading organizations
 - Accounts of local bodies
 - Accounts of non-trading organizations with liabilities limited by guarantee
 - Trust Accounts
 - Accounts of executors and administrators
 - Accounts of liquidators

- Accounts of clubs, societies and associations

Unit 4: Bill of Exchange, Promissory Note, Cheques Endorsements and Remittances

- a. Bill of exchange
 - Requisites of a Bill of Exchange under Negotiable Instruments Act
 - Parties to a Bill of Exchange
 - Holder in due course
 - Rights and privileges of a holder in due course
 - Holder for value
 - Liabilities of parties to a bill of exchange
 - Rules for determining the maturity of a Negotiable Instrument
- 4.2 Promissory Note
- 4.3 Promissory Note vs. Bill of Exchange
- 4.4 Cheques and their payment
 - Definition
 - Salient features
 - Payment of cheques
 - Paying banker's risks and protection
- 4.5 Crossed Cheques and their Collection
 - Crossings
 - Collection of cheques
 - Duties of collecting banker
- 4.6 Endorsement defined
- 4.7 Kinds of endorsement
- 4.8 Inscription of endorsement
- 4.9 Bank Draft
 - Issuing & Paying of draft
- 4.10 Telegraphic Transfers
- 4.11 Mail Transfer or M.T.
- 4.12 Payment orders
- 4.13 Other Methods of Transfer of Funds

Unit 5: Development Financial Institutions

- 5.1 History of development financial institutions (International and National)
- 5.2 Types of financial services available in Pakistan through Development Financial Institutions.
- 5.3 Sources of Funds for development financial institutions.
- 5.4 Functions, management and services offered by different specialized financial institutions in Pakistan

Unit 6: Role of International Institutions in Development Financing

- 6.1 International Monetary Fund (IMF)
- 6.2 International Bank of Reconstruction and Development (IBRD)
- 6.3 International Development Association (IDA)
- 6.4 International Finance Corporation (IDB)
- 6.5 The Islamic Development Bank (IDB)
- 6.6 Asian Development Bank (ADB)

Unit 7: Development of Islamic Banking in Pakistan

- 7.1 Main features of the Islamic Economic system.
- 7.2 Efforts towards Islamization of Banking in Pakistan.
- 7.3 Implementation of Islamic Banking in Pakistan.
- 7.4 Modes of Non-Interest Financing
 - i. Financing by Lending:
 - a. Qard-e-Hasna
 - b. Loans with services charges
 - ii. Trade Related Modes:
 - a. Purchase of Trade bills
 - b. Purchase and sale of goods on Mark up basis
 - c. Financing for the development of a property on the basis of "development charge"
 - d. Purchase of goods/immovable property under buy-back agreements
 - e. Hire purchase
 - f. Leasing
 - iii. Investment Type modes:
 - a. Musharika
 - b. Modaraba
 - c. Equity participation
 - d. Rent Sharing

Unit 8: Routine Foreign Exchange Transactions in Banking

- 8.1 Import License
- 8.2 Import Letter of Credit
- 8.3 Negotiation of Bills under L/Cs
- 8.4 Collection in the Context of URC 522
- 8.5 Collections Mechanism
- 8.6 Form and Structure of Collections
- 8.7 Internet, Charges and Expenses
- 8.8 Risks Inherent in Collection
- 8.9 Modes of International Settlements

Unit 9: Relevant Banking Laws in Pakistan

- 9.1 State Bank of Pakistan Act, 1956
- 9.2 Banking Companies Ordinance (BCO) 1962
- 9.3 Banks Nationalization Act 1974
- 9.4 Banking Tribunal Ordinance, 1984
- 9.5 Banking Companies (Recovery of Loans, Advances, Credits and Finances) Ordinance, 1979 (Ordinance XXV of 1997)
- 9.6 Foreign Exchange Regulation Act, 1947
- 9.7 Negotiable Instruments Act 1881
- 9.8 Micro-Finance Bank Ordinance, 2000
- 9.9 Microfinance Institutions Ordinance, 2001

BOOKS RECOMMENDED:

1. Practice and Law of Banking in Pakistan By Dr. Asrar H. Siddiqui
2. Finance of Foreign Trade and Foreign Exchange By Asrar H. Siddiqui
3. History of The State Bank of Pakistan (1988-2003) Supplement, Developments and Changes in Banking Legislation and Other Regulations, By M. Ashraf Janjua

