

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

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**BANKING LAW AND PRACTICE (898/5548)**

**CHECK LIST**

**SEMESTER: SPRING, 2014**

This packet comprises the following material:-

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

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

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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 (898/5548)**  
**Level: MBA**

**Semester: Spring, 2014**  
**Total Marks: 100**  
**Pass Marks: 40**

**ASSIGNMENT No. 1**  
**(Units: 1–4)**

- Q. 1 Critically discuss and evaluate the various banking services available to consumers in Pakistan. Give your suggestions for improvement with examples.
- Q. 2 Critically discuss and evaluate the privatization of banks in Pakistan.
- Q. 3 Explain the concept of "Know Your Customer" (KYC). Discuss the management of accounts of local bodies in detail.
- Q. 4 Explain the concept endorsement. Discuss the various types of endorsement in detail.
- Q. 5 Explain the concept of transfer of funds. Discuss the various types of transfer of funds in detail.

**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.

## **ASSIGNMENT No. 2**

**(Units: 1–9)**

**Total Marks: 100**

This assignment is a research-oriented activity. You are required to obtain information from a business/commercial organization or other associated sources and prepare a report of about 1000 words on the issue allotted to you to be submitted to your teacher for evaluation.

You are required to select one of the following issues according to the last digit of your roll number. For example, if your roll number is P-3427182 then you will select issue # 2 (the last digit):-

### **List of Issues/Topics**

0. State Bank of Pakistan as Regulator
1. Rights and Obligations of Banker and Customer
2. Risks in Banking Operations
3. Sources of Funds for Development Financial Institutions
4. International Monetary Fund (IMF)
5. International Bank of Reconstruction and Development (IBRD)
6. Implementation of Islamic Banking in Pakistan
7. Modes of International Settlements
8. Banking Companies Ordinance (BCO) 1962
9. Accounts of Trading Organization

### **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. Practical study of the organization (with respect to the issue)
7. Data collection methods
8. SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
9. Conclusion (one page brief covering important aspects of your report)
10. Recommendations (specific recommendations relevant to issue assigned)
11. References (as per APA format)
12. Annexes (if any)

## **GUIDELINES FOR ASSIGNMENT # 2**

- 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.

## **WORKSHOPS**

The workshop presentations provide students opportunity to express their communication skills, knowledge & understanding of concepts learned during practical study assigned in assignment # 2.

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.

### **The transparencies should follow the following format:**

- 1) Title page
- 2) An abstract (one page summary of the paper)
- 3) Introduction to the issue (brief history & significance of issue assigned)
- 4) Practical study of the organization (with respect to the issue)
- 5) Data collection methods
- 6) SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
- 7) Conclusion (one page brief covering important aspects of your report)
- 8) Recommendations (specific recommendations relevant to issue assigned)

## **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 do that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

## **WEIGHTAGE OF THEORY & PRACTICAL ASPECTS IN ASSIGNMENT # 2 & WORKSHOP PRESENTATIONS**

Assignment # 2 & workshop presentations are evaluated on the basis of theory & its applicability. The weightage of each aspect would be:

Theory:	60%
Applicability (practical study of the organization):	40%

# **BANKING LAW AND PRACTICE**

## **COURSE OUTLINE (898/5548)**

### **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 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**

- 4.1 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

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