

8.3 Course – III, Opt-II Banking Law

Objectives:

Banking Institutions have become important players in the present day economy. They play pivotal role in the growth of trade, commerce and industry. Several policy initiatives and legislative amendments have changed the role of Banks from being mere economic institutions in to agents of social change. Appreciating the importance, the Government has enacted several enactments to direct, regulate and control the banks and banking operations, through Reserve Bank of India and Ministry of Finance. The course is designed to primarily acquaint the students with operational parameters of banking law, and to teach the general principles of banking law and to develop appreciative faculties of the students in statutory as well as case – law in this area.

Course Outcomes:

Students graduating with Banking Law will be able to:

1. To study the importance of the Banking Law and Institutions in the present day economy.
2. To understand and apply the several policy initiatives and legislative amendments have changed the role of Banks from being mere economic institutions in to agents of social change.
3. Students should develop the skills by studying the operational parameters of banking law, and to teach the general principles of banking law and to develop appreciative faculties of the students in statutory as well as case – law in this area.

Contents:

UNIT – I

Indian Banking Structure - Origin, nature and development of Banking in India – Types and functions of banks - Commercial banks- State Bank of India- UTI, IDBI, RRBs’-Local banks. Banking Companies in India – RBI - Constitution, Management and Functions; Banking Regulation Act, 1949.

UNIT - II

Employment of funds - Loans and Advances- Guarantees- Advances secured by Collateral securities- Agency Services- Financing of Exports- Special Banking Services –Advances to Priority Sectors and Credit Guarantee schemes- Securitisation Act, 2002.

UNIT - III

Law relating to Negotiable Instruments, 1881 Act (Read with the amended Act of 2002) - Negotiable Instruments - Kinds - Holder and holder in due course – Parties – Negotiation- Assignment – Presentment – Endorsement – Liability of parties – Payment in due course – Special

rules of evidence -Material alteration – Noting and protest – Paying banker and collecting banker – Bills in sets – Penal provisions under NI Act - Banker's book evidence Act.

UNIT – IV

Banker and customer Relationship - Definition of banker and customer – General relationship – Special relationship - Banker's duty of secrecy, banker's duty to honour cheques, banker's lien, and banker's right to set off - Appropriation of payments - Garnishee order - Customer's duties towards his banker.

Opening of New Accounts – Special types of customers - Minor's A/C, Joint A/C, Partnership A/C, Company's A/C, Married women's A/C, Trust A/C, Joint Hindu family A/C - Illiterate persons, lunatics, executors - Precautions required in case of administrators, clubs, societies and charitable institutions to open an account.

UNIT – V

Ancillary Services and E- Banking: Remittances - General, DD, MT, TT, Traveler's cheques, bank orders, credit card, debit/smart cards, safe deposit vaults, gift cheques, stock invest.

E-Banking: Definition – Internet banking, mobile banking, ATM banking, computerized banking –E- banking services – retail services – wholesale services – E- Cheque-authentication- Banking Ombudsman.

Prescribed Books:

M. L. Tannan- Law of Banking.

M. S. Parthasarathy (Ed.), Khargamvala - Negotiable Instruments Act.

Justice Bhaghabati Prasad Banerjee- Guide to Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Reference Books:

Avtar Singh – Negotiable Instruments Act.

Basu - Review of Current Banking: Theory and Practice. Paget- Law of Banking.

L. C. Goyle- The Law of Banking and Bankers.

Relevant provisions of Information Technology Act, 2000.