



Corporate Banking and Law

The sample questions are related to the AIBP core subject "Corporate Banking and Law". The students are advised to thoroughly read the exam guidelines and the course syllabus for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one mark.

- Q1.** When debt to be discharged is not indicated by the debtor, the creditor can apply the payment to any _____.
- A. debt but not contingent debt
 - B. lawful debt and disputed debt
 - C. lawful debt other than disputed debt (Answer)
 - D. lawful debt other than time barred debt
- Q2.** Reporting of Suspicious Transaction Report is based on
- A. Currency Transaction Report.
 - B. Out-of-Pattern Transaction Report. (Answer)
 - C. Exception Report.
 - D. Criminal Activity Report.
- Q3.** Banks/DFIs shall not pay any dividend on their shares unless and until _____.
- A. they meet the minimum capital requirements
 - B. they meet the capital adequacy ratio requirements (CAR)
 - C. they meet all the requirements laid down in Banking Companies Ordinance 1962 relating to payment of dividends
 - D. all their classified assets have been fully provided as per bank's credit policies (Answer)



Constructed Response Question

Each CRQ carry five marks.

Question:

You are maintaining a Term Deposit of Rs 10 million in the sole name of a depositor. The depositor has also signed a mandate in favor of his son as authorized for encashing the investment. One day his son informs you that his father has died. He requests you to encash the deposit prematurely and to pay him the proceeds. Will you accept his request? Support your answer with reasons. **5 Marks**

Answer:

The request will not be accepted.

Reasons:

In law, any mandate given by a single account holder for operation of his account by a third party ceases to be valid after the death of the account holder. As such, in this case, as the son has stated that his father has died, the mandate has ceased to be valid on the death of the Depositor and the son has no authority now to encash the deposit.

As the deposit was in the sole name of the Depositor, it now belongs to all his heirs and they must produce a succession certificate from a court authorizing any person to receive payment of the investment from the Bank. On payment against such a Succession Certificate the Bank will be fully discharged from its liability in respect of the deposit. If it makes payment to the son without such a Succession Certificate the Bank would be exposed to a liability to other heirs of the deceased for their share in the deposit.



Extended Response Question

Each ERQ carry ten marks.

Question:

- A. Explain any FIVE requirements of Know Your Customer to be fulfilled by a Bank under the AML\ CFT Regulations before opening a new account for a Customer? **(5 Marks)**

- B. A customer of your branch wants to open a new account by depositing a cheque drawn in his favor as his initial deposit. Will you open the account? Give TWO reasons. **(5 Marks)**

Answer:

Part-A

For identity and due diligence purposes, at the minimum following information shall also be obtained, verified and recorded on KYC/CDD form or account opening form:

- a. Full name as per identity document.
- b. CNIC/Passport/NICOP/POC/ARC number or where the customer is not a natural person, the registration/ incorporation number or business registration number (as applicable).
- c. Existing residential address, registered or business address (as necessary), contact telephone number(s) and e-mail (as applicable).
- d. Date of birth, incorporation or registration (as applicable).
- e. Nationality or place of birth, incorporation or registration (as applicable).
- f. Nature of business, geographies involved and expected type of counter-parties (as applicable).
- g. Purpose of account.
- h. Type of account.
- i. Source of earnings.
- j. Expected monthly credit turnover (amount and No. of transactions).
- k. Normal or expected modes of transactions.

Part-B

As an initial deposit, it is preferred that cash is accepted by the bank, however, the bank can accept a cheque drawn in favor of the customer.

- a. The cheque is in favor of the customer.
- b. The cheque will be deposited, once all account opening requirements are fulfilled, the cheques will be deposited, however, the funds will only be credited in the account once fate of the cheque is received.