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★ Paying Banker:-

(X)

The paying banker is a banker on whom a cheque is drawn and presented for payment. It is his statutory obligation to honour his customer's cheques when there is a sufficient fund of the customer in his hand.

★ Precautions to be taken by the paying banker:-

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The following are the precautions to be taken by the paying banker before honouring his customer's cheques.

(1) Form of cheque

The cheque should be in proper form. The form of a cheque has not been prescribed by law. The cheques must be drawn only in printed forms supplied by the banks. Otherwise the banker may refuse the payment.

(2) Date of the cheque

A cheque must bear a date. The cheque becomes legally effective. The drawer of a cheque fills in the date before the cheque is issued. If he has not done so, the instrument does not become invalid.

The payee of the cheque (or) any subsequent holder there to may fill in the date. But if an undated cheque is presented for payment, the banker must refuse its payment.

The date should not be incomplete. i.e., it must be in completed form.

Ex: 19.12.2016.

(i) Stale cheque

A cheque which is 3 months old is considered "stale" and returned with the objection "out of date."

### (ii) Ante-dating cheque

Ante-dating refers putting a date on a cheque prior to that on which it is signed intentionally or through oversight.

### (iii) post-dated cheque

A cheque bearing a date later than on which the holder presents it for payment at the bank is a post-dated cheque.

### (3) Amount of cheque.

The amount of a cheque must be written both in words and figures. If the amount in words and figures are different the banker can take any one of the action.

(a) He can dishonour the cheque with a memorandum "words and figures differ,"

(b) He can honour the amount stated in words,

(c) He can honour the smaller amount.

### (4) Sufficiency of funds:-

[The sufficiency of funds means the funds at least equal to the amount of cheque. If the funds are insufficient, the banker should refuse payment of cheque.]

(i) When the cheques are received one by one, they should be paid in chronological order.

(ii) When several cheques are received at the same time and the funds are insufficient to meet all of them, the cheque for greater amount should be paid first.

### (5) Material Alteration

The banker should not honour a cheque

materially altered unless such alteration has been authorised by the drawer by his full signature.

#### (6) Drawer's signature:-

It is the duty of the banker to verify the signature of the drawer. otherwise, the banker cannot debit the customer's account for the amount for cheques.

#### (7) Multilations:-

A cheque is said to be mutilated when it is cut into two or more pieces. such a cheque should not be honoured.

#### (8) Payment during banking hours

A cheque is payable on demand only during banking hours. After the working hours will not be considered as payment in due course.

#### (9) open or crossed cheque:-

When a cheque is crossed, the banker should see whether it is generally or specially crossed.

#### (10) countermanding order:-

If any order is received from the drawer to stop payment of a cheque, the banker should not make payment on it.

The banker should also take into consideration the information received regarding death, insolvency of a customer before honouring his cheques.



Dishonouring of cheques - circumstances in which the banker should refuse payment.

A banker is justified to refuse payment of a cheque under the following cases:

- (1) Stop Payment order from customer  
(1) when a drawer of a cheque instructs the banker to stop payment on it, then it is known as 'countermanding'.
- (2) Death of the drawer  
(2) The banker should not make any payment on the cheques issued by the customer after the information about his death.
- (3) Insolvency of the drawer  
(3) The banker should not honour cheque of a customer in respect of whom an insolvency petition has been filed.
- (4) Lunacy of the drawer  
(4) when the cheque is drawn by lunatic.
- (5) Garnishee order  
(5) when an a/c of the customer is attached by an order of the court called Garnishee order.
- Other reasons
- (6) when the cheque is post-dated or stale one
- (7) The Fund is insufficient to pay a cheque
- (8) when the cheque is not in proper form
- (9) when a cheque is materially altered
- (10) when the customer (or) drawer's signature is forged or does not tally with his specimen signatures.

## Statutory protection to the paying banker

The payment of a cheque involves a number of risks. To protect a paying banker from such risks, the Negotiable Instrument Act lays down the following provision.

### (i) Protection in case of order cheques:-

The paying banker is given protection in case of order cheque under sec 85(2) which runs as follows:-

"where a cheque payable to order purports to be endorsed by or on behalf of the payee, the drawer is discharged by payment in due course."

### (ii) Protection in case of bearer cheques:-

In case of a bearer cheque, the banker need not verify the regularity of endorsements because it can be negotiated by mere delivery without endorsement.

### (iii) Protection in case of crossed cheque:-

UIS 128 This protection will be granted to him only when the payment has been made:-

- ★ In due course and
- ★ In accordance with the requirements of crossing.

### (iv) Protection in case of materially altered cheques:-

If materially altered cheque is paid, the paying banker will be given statutory protection UIS 89 provided:-

- ★ The alteration is not apparent; and
- ★ The payment has been made in due course.

①

Definition:-

"payment in due course means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned."

Features of Payment in due course

(1) payment in accordance with the apparent tenor of the instrument.

The payment should be made according to the intention of parties which is apparent on the face of the instrument.

(1) Ex: If a drawer draws a cheque with post-date his intention is to make payment only after a certain date. If it is paid before the date does not payment in due course.

(2) payment in good faith and without negligence

The banker should make the payment honestly. He should make proper enquiries to find out whether the person demanding payment is legally entitled to it.

The payment made to a wrong person will not be a payment in due course.

(3) payment to the person in possession of instrument.

The payment should be made to the holder of the instrument who is legally entitled to its possession.

## Recovery of money paid by mistake:-

### (i) Money Received by mistake (Malafied)

When the person receiving the money knows that he has no right to receive it, then the money paid by mistake is recoverable.

### (ii) Mistake of fact:-

When the payment is made by a mistake, then it is recoverable. Such mistake of fact may be due to the wrong identification of persons.

### (iii) Mistake between payer and receiver:-

When the mistake lies in between the banker and receiver of money, then the money paid by mistake is recoverable. But if it lies in between the banker and others, the money is not recoverable from the receiver.

## Money paid by mistake is not recoverable:-

### (1) Money paid by mistake of law:-

The money paid by mistake of law is not recoverable.

### (2) Money paid on a negotiable instrument:-

The money paid on a negotiable instrument by mistake to an innocent holder is not recoverable after the expiry of a reasonable time.

### (3) Money paid by mistake to an agent:-

The amount paid by mistake to an agent is not recoverable if he has paid the same to his principal before receiving notice of mistake.

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## Collecting Banker

### Meaning of collecting Banker:-

The banker who undertakes to collect the cheque is called the collecting banker. The collecting banker may collect cheques either in capacity of,

- (i) holder for value; or
- (ii) agent of the customer:-

### Duties of a collecting Banker:-

(1) Exercise of reasonable care and diligence:-  
The collecting banker, as an agent, must exercise due care and diligence in collecting the cheques of his customer.

(2) presentation of cheques for payment within a reasonable time:-

[The collecting banker should present the cheques received for collection to the paying banker within a reasonable time]

If the cheque is payable by a bank in the same place, the banker should present it on the day after he receives it. If it is payable by a bank in another place [out station cheques], he should despatch it on the day after he receives it through post.

### (3) Remittance of proceeds:-

When a cheque is collected, the collecting banks should pay the amount collected to his customer. Normally, such amount is credited to the customer's account.

### (4) Notice of dishonour:-

When a cheque sent for payment to the paying banker is dishonoured, the collecting banker should give notice of dishonour within a reasonable time. It enables the customer to recover the amount from the parties liable on the dishonoured cheque.



## 325 (X) Statutory protection to a collecting banker.

A collecting banker can claim statutory protection u/s 131 of negotiable instruments Act. He can claim such protection only if the following conditions are satisfied:

### (1) collecting of crossed cheques:-

A collecting banker can claim statutory protection. [If he has collected crossed cheque, the crossing may be special (or) general, but the cheque must have been crossed before he receives it for collection]

### (2) collection for customers:-

The cheque must be collected by the banker on behalf of customers only. In other words, he can't collect the cheque for who is not a customer.

### (3) collection in the capacity of agent:-

The collecting banker must collect the cheques in the capacity of agent of the customer. If he collects a cheque in his personal interest, he cannot claim protection under this section.

### (4) collection in good faith and without negligence

The collecting banker must have acted in good faith and without negligence in the collection of cheques.

If he is found negligent in the collection of cheques, he cannot claim statutory protection.

## UNIT- IV

⑧ 2 MARKS

- 1) who is paying banker?
- 2) who is collecting banker?
- 3) what is stale cheque?
- 4) what is material alteration?
- 5) Define - Payment in due course

5 MARKS

- 1) what are circumstances of dishonouring cheques?
- 2) what are the statutory protection to the paying banker?
- 3) what are the features of payment in due course?

10 MARKS

- 1) what are the precautions to be taken by the paying banker?
- 2) what are the statutory protection to the collecting banker?

Bank Pass Book

The entry  
is made

(It is an authenticated copy of the customer's account with the bank. It is written by the bank and handed over to the customer for his reference. The customer can get it updated by sending it periodically to the banker. Since it passes between the banker and customer periodically, it is known as a Pass book.)

17) Legal Effects of Entries in the Pass Book

Sir John Paget says that the proper function of a pass book is to constitute a conclusive and unquestionable record of transactions between banker and customer.

He further says that it is the obligation of the customer to verify the entries made in the pass book.

17) Effects of wrong entries in the pass book

The errors committed in the pass book entries may be either favourable to the customer or to the banker.

The legal effects of such entries are explained below.

(i) Effects of Entries Favourable or Advantageous to the customer.

The pass book belongs to the customer but entries in it are made by the banker. Therefore, the customer is entitled to believe them as correct and to act on the basis of such entries.

If a wrong credit is made to his a/c, the Passbook will show a higher balance and the entry will become favourable to the customer.

In such case, if the customer withdraws money by relying on the balance shown in the pass book, the banker cannot recover the amount wrongly paid. But the customer must prove that,

(i) he had acted in good faith <sup>and</sup> without knowledge of the wrong entry in the pass book;

(ii) he had altered his position by spending the same.

## 123 (2) Effects of Entries Favourable or Advantageous to the Banker.

(i) complete omission of a credit entry  
(ii) under statement of the amount of credit entry

(iii) wrong debit entry

(iv) overstatement of the amount of debit entry.

The legal effects of the above entries are as follows:

The customer on finding out the mistakes can get it rectified. However, he will not be entitled to do so if it is proved that,

(a) he was negligent

(b) the entries in the pass book amounted to settlement of account.

169 ✓ ISSUE OF DUPLICATE PASS BOOK

(X)

If the pass is lost or torn, a duplicate pass book can be obtained from the bank on payment of a certain amount. This amount will differ from bank to bank. Generally, it depends upon the number of entries to be made from the ledger.

286 ✓ CHEQUES

(X)

A cheque is a negotiable instrument and it is freely transferable from one person to another. The cheques are issued by the commercial banks to their customers in printed forms. The customers may make use of it for withdrawing money against their funds in the hands of a banker.

287 ✓ DEFINITION OF CHEQUES.

(X)

According to section 6 of the Negotiable Instruments Act, cheque is, "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand."

287 ✓ REQUISITES OF A VALID CHEQUE

(X)

(i) It must be an instrument in writing  
The cheque must always be an instrument in writing. As per law, it may be in a piece of paper and written by means of a pen, typewritten or any other printed character.

(2) It must be an order

The cheque must contain an order to pay. It should not contain any words of courtesy like please, kindly etc. However, the word 'order' need not form part of it since the word 'pay' itself implies an order.

(3) The order must be unconditional

The order to pay in a cheque should not be subject to any conditions.

(4) It must be drawn on a specified bank

A cheque must be drawn by a customer only on the particular branch of a bank where he keeps his account. The name and address of the drawee bank are normally specified in the printed forms of cheques.

(5) Payee must be certain

The payee is a person to whom the amount of cheque is payable. Such person may be a human being or a artificial person like companies, institutions, societies, and other association of person etc.

The payee may be mentioned by his name or designation like secretary, manager etc.

(6) Amount must be certain

The amount of a cheque must be certain and must be stated both in words and figures. When the amount stated in words and figures differs, the amount in words shall be taken as a correct one.

(7) It must be dated

The cheque must be dated by the drawer otherwise, any holder can fill up the date

within a reasonable time as per section 20 of the Negotiable Instrument Act.

The failure to write the date will not make a cheque as invalid because it is always payable on demand.

(8) It must be signed by the drawer

The cheque must be signed by the drawer or a person authorised by him to do so. The signature must be made in the bottom of the right-hand side corner of a cheque. The signature must correspond to the specimen signature made at the time of opening the account. Otherwise, the banker need not honour the cheque.

(9) payable on demand

A cheque is always payable on demand. In other words, it must be presented to the banker for payment. Since such presentment itself is a demand, the words on demand need not be used in a cheque.

### ✓ Drawing up of a cheque

The cheque must be drawn by a customer on the bank in which he maintains his account. Therefore, the customer is the drawer and the banker is the drawee of a cheque. The payee is the person to whom the cheque is payable.

The cheque must be drawn without any mistake. Otherwise, the banker may refuse to honour it. Therefore, the customer

must be very careful while drawing a cheque. He should not draw a cheque without sufficient balance in the account unless an overdraft has been arranged.

### Demand Draft (DD)

It means an instrument drawn by one branch of a bank upon another branch of the same bank instructing the latter to pay a certain sum of money to the person named therein or to his order.

### Types of cheques

#### (1) Ante-Dated cheque

A cheque which bears a date prior to the date of its issue is known as an ante-dated cheque. The banker may honour it when it is presented for payment before the expiry of six months from its date.

#### (2) Post-Dated cheque

A cheque which bears a date subsequent to the date its issue is called a post-dated cheque. The banker should honour it only on or after the date mentioned in it.

#### (3) Stale cheque

The bankers normally refuse to pay cheques which are presented for payment after the expiry of a certain period from their dates. The period for this purpose is generally 6 months. In other words, a cheque will become invalid after a period of six months from its date.

There is such a cheque is known as 'stale cheque'?



a cheque such as date, amount, payee name, appearing after payee's name or in endorsement is alteration must have drawers approval with

### (4) order cheque

A cheque is an order cheque if it is expressed to be payable

(i) to the order of a certain person (e.g: 'pay to Narayanan or order') or:

(ii) to a certain person without restricting its further transfer (e.g: 'pay to Narayanan').

(However, if a cheque is drawn as 'pay to Narayanan only', it restricts the further transfer) (since it is payable to Narayanan alone, therefore, it is not an order cheque)

### (5) Bearer cheque

A cheque is a bearer cheque if,

(i) it is express to be payable to the bearer e.g: 'pay to..... (or) bearer'; or

(ii) the <sup>bearer</sup> only or last endorsement on it is blank.

An alteration in the original state of a cheque such as date, amount, payee name, appearing after payee's name or in endorsement is alteration must have drawers approval with

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### Alteration

An alteration in a cheque may be of two types. They are

I. Material Alteration.

II. Immaterial Alteration.

### I. Material Alteration.

Material alteration means "any change in an instrument which causes it to speak a different language, in legal effect, from what it spoke originally."

(Therefore, an alteration is material if it alters the following:

- (i) operation of the instrument. <sup>alteration</sup> is "operation" <sup>made by</sup> person <sup>not</sup> for drawer of the cheque.
- (ii) Rights and liabilities of the parties.

However, a material alteration should have taken place without the knowledge of the drawer and after the issue of cheque.

## Examples of Material Alteration

### ✓ (1) Alteration of the date

By alteration of the date, the payment may be prepared or postponed against the intention of the drawer. Consequently, a fraudulent holder can get

payment of a post-dated cheque or stale cheque. (Alteration of the date is a material alteration because date is the important part of the cheque)

### ✓ (2) Alteration of the place of payment

A cheque is payable only by a specified in which the account is kept. Therefore, the alteration of place of payment will make the cheque invalid.

### ✓ (3) Alteration of amount

It is easy to alter the amount of a cheque. Therefore, both the banker and customer must be very careful regarding this column. If there is an alteration in this column, the bankers should not honour the cheque.

### ✓ (4) Alteration of the word 'order' as 'Bearing'?

If the word 'order' in a cheque is altered as 'bearing', it amounts to material alteration.

### ✓ (5) Alteration of crossing

If crossing in a cheque is altered, it also amounts to material alteration.

(Eg, unauthorised cancellation of crossing, striking off the words 'not negotiable' etc.)

## (\*) Material Alterations and the paying Banker

The paying banker should not make payment on a materially altered cheque. He should return it with the remark 'Alteration requires drawer's confirmation'. If it is confirmed by the drawer by means of his full signature, then the banker may honour the cheque.

## II. Immaterial Alterations

An alteration is immaterial and will not make the cheque as void if,

- (i) It does not affect the fundamental character of a cheque.
- (ii) It is allowed by law;
- (iii) It is made before the issue of cheque.
- (iv) It is made for the purpose of correcting a mistake.

## Examples of Immaterial Alteration

(i) Crossing of an open cheque by the holder.

(ii) Conversion of general crossing into special crossing.

(iii) Conversion of 'bearer' into 'order'.

## 307 (\*) Marking of a cheque

When a cheque is marked or certified as "good for payment" by the drawee bank, then it is known as marking of a cheque. Such marking is normally done on the face

of a cheque by the drawee banker with his seal and initials. The marking may be done at the request of drawer, holder or collecting banker.

[The marking of a cheque simply indicates that the drawee bank has sufficient funds of the drawer to pay the cheque on the date of marking it. But it does not amount to acceptance of liability on the cheque by the drawee bank. Therefore, the marking of a cheque does not create any legal obligation on the part of a drawee bank unless it has received a consideration for such purpose.]

### open cheque crossing

(A cheque may be open (or) crossed. An open cheque is one which is payable directly to the person presenting it across the counter. It will be subject to great risks in circulation. (If it is stolen or lost, the finder can get it encashed. In order to avoid such risks, the system of crossing has been introduced.)

### crossing

A crossed cheque is one which has two parallel transverse lines across its face with (or) without words. A crossed cheque should be paid only through an account and not directly at the counter when it is presented by the holder. Thus, the crossing avoids danger of making payment to unauthorised persons.

(The drawer or the subsequent holder of a cheque may cross it. Such crossing may be hand-written, stamped, printed or perforated on the face of a cheque.)

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## Different forms of crossing and their significance

- The crossing may be of two types viz.,
- I. General crossing
  - II. Special crossing

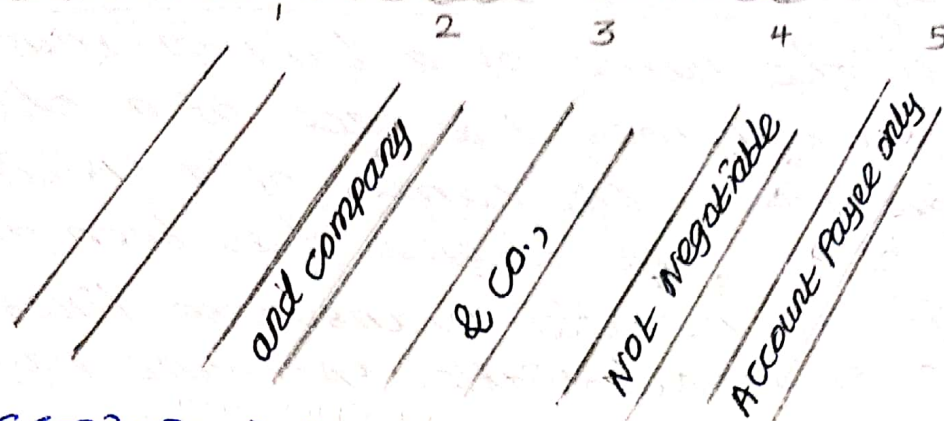
I. General crossing

Section 123 of the Negotiable Instruments Act defines general crossing as, "where a cheque bears across its face an addition of the words 'any company' (or) any abbreviation thereof between two parallel transverse lines, either with or without the words 'not negotiable' that addition shall be deemed a crossing and the cheque shall be deemed to be crossed generally."

### Essentials of General crossing

- (i) there must be two parallel lines on the face of a cheque.
  - (ii) such lines must be in a crosswise direction (i.e., transverse).
  - (iii) Between the lines, the words 'and company', or its abbreviation may be written. Similarly, the words 'Not Negotiable' may also be included in a crossing.
- However, the inclusion of these words is immaterial since they do not affect the validity of crossing.

## Specimens of General Crossing



### Effects (or) Significance of General Crossing

(i) When a cheque is generally crossed, the paying banker should not make payment at the counter. The payment should be made only through an a/c in the same bank or in another bank. In other words, (the payment should be made only to a banker and not to the payee directly.)

(ii) If a crossed cheque is paid across the counter, the payment will not be considered as payment in due course. As a result, the paying banker will lose the statutory protection.

### II. Special Crossing

Section 124 of the Negotiable Instrument Act defines special crossing as, "where a cheque bears across its face an addition of the name of a banker, either with or without the words 'NOT NEGOTIABLE', that addition shall be deemed a crossing and the cheque shall be deemed to be crossed specially and to be crossed to that banker."

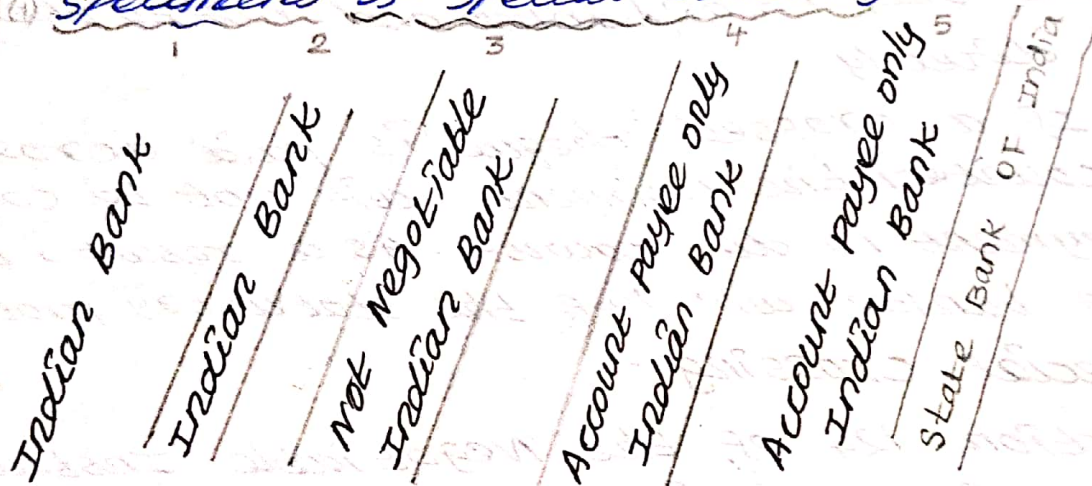
## Essentials of special crossing

(i) The name of a banker must be written across the face of a cheque in addition to the name of a specified banker or whom the cheque has been drawn.

(ii) The parallel transverse lines (or) words like 'not negotiable', 'Account payee only' may also be added with such name.

However, these lines and words are not necessary for constituting a special crossing. Therefore, it is clear that the name of a banker alone is sufficient to constitute a special crossing.

## Specimens of special crossing



## Effects or significance of special crossing

(i) When a cheque is specially crossed by the paying banker should make payment only to a banker whose name is mentioned in the crossing or to his agent. In other words, it can be collected only by a banker whose name appears in the crossing or by his agent.

(ii) It gives more protection than general crossing regarding the payment of cheques to right persons.

In special crossing, the cheques are crossed in favour of the payee's banker who knows the payee and his signature well. Therefore, it will be difficult for the persons other than the payee to get the cheque collected by forging the signature of payee.

### Double crossing

A banker in whose favour a cheque is crossed specially may cross it again in favour of another banker being his agent for collection. In such a case, the crossing is known as 'double crossing'. But this can be done only when the banker in whose favour the cheque has been crossed specially does not have a branch at the place where the cheque is payable. In all other cases, double crossing is not valid as per section 127 of the Negotiable Instrument Act.

State Bank of India  
TO  
Indian Bank  
as Agents for collection



## Endorsement

### Meaning

A negotiable instrument may be negotiated by mere delivery (or) endorsement. The term negotiation means 'transfer of ownership of the instrument from one person to another.' The endorsement is nothing but signing at the back of instrument for the purpose of negotiation.

### Definition

(Section 15 of the Negotiable Instrument Act defines endorsement as follows: "When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, on the back or face thereof or, on a slip <sup>of paper</sup> annexed thereto ..... he is said to have endorsed the same and is called the endorser.")

The person who signs the instrument for the purpose of negotiation is called the endorser and the person in whose favour the instrument is transferred is called the endorsee. Such transaction is known as endorsement.)

### Allonge

The endorsement may be made on the back or face of the instrument. However, in practice, the endorsements are made on the back of the instrument. If the backside of the instrument is not sufficient to make endorsements, a piece of paper may be attached thereto for making further endorsements. Such piece of paper is known as 'Allonge.'

## Effects (or) significance of Endorsement

- (i) The ownership of the instrument is transferred to the endorsee.
- (ii) The endorsee will get the right to sue in his own name against parties to the instrument.
- (iii) The endorsee will get the right of further negotiation of the instrument.

## Rules regarding Endorsement

The following are the rules to be followed to make an endorsement regular and valid;

- (i) The endorsement must be made by the endorser or his duly authorised agent of the instrument. But they should not sign in block letters.
- (ii) The payee or endorsee must sign his name in the exact spelling as appearing on the face of the instrument.
- (iii) Endorsements must be made in ink. The endorsements made in pencil or rubber stamp are not usually accepted.
- (iv) It does not require any particular form of words. However it must contain an order to pay.
- (v) In the case of endorsement by a married woman, the name of her husband must also be mentioned.
- (vi) An endorsement by an illiterate person can be made by putting his left hand thumb impression in the presence of certain other persons.

## 297 (7) Kinds of Endorsements

### (1) Blank (or) General Endorsement

An endorsement is said to be blank when the endorser simply signs on the back of an instrument without mentioning anything.

Example:

A cheque payable to Sankar or order is simply signed by him on the back.

### (2) Full or special Endorsement

An endorsement is said to be in full when an instrument is signed by the endorser with a direction to pay the amount to or to the order of a certain person.

Example:

A cheque payable to Sankar or order is endorsed in the following manner:

'pay to Ram'  
Sankar

### (3) conditional Endorsement

An endorsement is said to be conditional under the following cases:

(i) If it limits the liability of endorser

(ii) If it imposes certain conditions upon the endorsee to receive payment on the instrument.

Example:

A cheque payable to Sankar is endorsed by him in the following manner:

'pay to Ram or order on his marriage with Seetha.'

#### (4) Restrictive Endorsement

An endorsement is said to be restrictive when it prohibits the endorsee from further negotiation of the instrument.

Examples:

A cheque payable to Sankar is endorsed by him with any one of the following directions:

(i) 'pay Ram only'

(ii) 'pay Ram for my use'

(iii) 'pay Ram or order for the account of Arun'

#### (5) Sans Recourse Endorsement

An endorsement is said to be sans recourse when it contains the words 'sans recourse' or 'without recourse to me' after the name of the endorsee (this endorsement frees the endorser from the liabilities arising out of the dishonour of instrument towards the endorsee or any subsequent holder).

Example: 'pay to Ram, without recourse to me'  
Sankar

#### (6) Facultative Endorsement

An endorsement is said to be facultative when the endorser, by express words, waives (gives up) some of his rights or increases his liabilities under the instrument.

Example: 'pay to Ram or order - Notice of dishonour waived'

Sankar.

## (7) Sans Frais Endorsement:

An endorsement is said to be sans frais when it contains the words 'sans frais' or 'without expense to me' after the name of the endorsee. This endorsement is made when the endorser does not want the endorsee or any subsequent holder to incur any expense on his account on the instrument.

Example = 'Pay to Ram or order, without expense to me'  
SANKAR.

## Modern Banking - Banking Practice

The banking operations in India has undergone a lot of changes ever since late 1990s, because of which several day-to-day operations have become technology driven, which has increased banks scope, productivity and efficiency several new features introduced by banks have successfully made customers more satisfied.

## e-banking

e-Banking is nothing but electronic banking wherein most of the operations of the bank are carried out through the electronic media. Even the traditional functions like accepting deposits and granting of loans are done through the electronic media.

## Internet Banking இணைய வங்கியாக்கல்

Internet banking also known as on-line banking (or) virtual banking, is an electronic payment system that enables customers of a bank (or) other financial institution to conduct a range of financial transactions through the financial institution's website.

## Mobile Banking செல்போன் வங்கியாக்கல்

Mobile banking refers to the use of a smartphone or other cellular device to perform online banking tasks, while away from your home computer, such as monitoring account balances, transferring funds between accounts, <sup>any other</sup> bill payment and etc.,

## Automatic Teller Machine (ATM) ஆட்டோமேட்டிக் பணப் பெறும் இயந்திரங்கள்

It is an electronic device located in the banks or important places. By operating this machine, the customer can draw money from his account whenever required. A card with code number is issued to him, on certain conditions and charges for operating it.

## cash machine நாணக இயந்திரம்

A machine, usually in a wall outside a bank, from which you can take money out of your bank account using a special card.

## \* EFT - (Electronic Fund Transfer)

மிதினாடி: (EFT) கணம்

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Electronic Funds Transfer (EFT) is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff.

here are two types of transfer of funds on the internet banking, that is

## \* RTGS (Real Time gross settlement)

[Real Time gross settlement is a kind of fund transfer mechanism wherein there is transfer of money from one bank to another. This is the fastest way to money transfer using the banking channel.]

This transfer is again classified as follows:

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(RTGS)

Real time      Gross time

(a) Real time: means payment is not subject to any waiting period. Transactions are settled as soon as they are processed.

(b) Gross time: Here, a transaction is settled on one to one basis without bunching with any other transactions.]

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(Fees for RTGS may vary from bank to bank for availing the RTGS facility) To facilitate this, both the sender and the receiver of money must have core banking facility. i.e., they must have a 11 digit IFSC number and the bank's branch code number. The code no. is available in any cheque book of a customer. (RTGS is a large value fund transfer and minimum value of transfer should be not less than Rs. 2 lakhs. This limit has been fixed by RBI.)

## NEFT - (National Electronic Fund Transfer)

\* It is a method of fund transfer spreading throughout the country by which any type of customers of a bank, namely, individuals, firm or company can electronically transfer funds from any bank branch to any other bank branch account. The only condition for this facility is that the branches involved must have NEFT facility. Till January 2011, nearly 74,680 branches had NEFT facility in India. If a customer gives instructions in the morning for remittance, it will be carried out on the same day.

## \* MICR (Magnetic Ink Character Recognition)

MICR stands for Magnetic Ink Character Recognition. It is a technology which allows machines to read and process cheques enabling thousands of cheque transactions in a short time. MICR code is usually a nine digit code comprising of some important information about the transaction and the bank.

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## UNIT - V

### 2 MARKS

- 1) What is pass book?
- 2) What is cheque?
- 3) What is Alteration?
- 4) What is the meaning of crossing?
- 5) What is EFT?

### 5 MARKS

- 1) What are the requisites of a valid cheques?
- 2) What are the types of alteration?
- 3) What are the kinds of endorsement?

### 10 MARKS

- 1) What are the types of cheques?
- 2) What are the different forms of crossing?