



FACULTY OF JURIDICAL SCIENCES

COURSE NAME : BALLB/BBALLB

SEMESTER : VIIIth

SUBJECT : Banking law

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LECTURE : 33

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Modes of negotiations:

Meaning and Definition of Negotiation -

According to Section 14 of Negotiable Instrument Act 1881 "When a promissory note, bill of exchange or cheque is transferred to any person, so as to constitute the person the holder thereof, the instrument is said to be negotiated.

Modes of Negotiations

Negotiation may take place (i) by delivery (ii) by endorsement and delivery.

(i) Negotiation by Delivery -

According to Section 47 Subject to the provisions of Section 58 of the Negotiable Instrument Act, 1881 a promissory note, bill of exchange or cheque payable to bearer is negotiable by delivery thereof.

Exception: A promissory note, bill of exchange or cheque delivered on condition that it is not to take effect except in a certain event is not negotiable (except in the hands of a holder for value without notice of the condition) unless such event happens.

Illustration -

(a) A, the holder of a negotiable instrument payable to bearer, delivers it to B's agent to keep for B. The instrument has been negotiated.

(b) A, the holder of a negotiable instrument payable to bearer, which is in the hands of A's banker, who is at the time the banker of B, directs the banker to transfer the instrument to B's credit in the banker's account with B. The banker does so, and accordingly now possesses the instrument as B's agent. The instrument has been negotiated, and B has become the holder of it.

(ii) Negotiation by **Endorsement and Delivery -**

According to Section 48 of the said Act Negotiation by endorsement, Subject to the provisions of Section 58, a Promissory Note, bill of exchange or cheque payable to order, is negotiable by the holder by endorsement and delivery thereof.

MCQ

1) Which of the following section in the Negotiable Instruments Act deals with the Bill of Exchange?

- A. Section 5
- B. Section 6
- C. Section 4
- D. Section 13
- E. Section 8

2) Which of the followings are not the Negotiable Instruments as defined by the Statute...

- A. Banker's Note
- B. Promissory Note
- C. Bill of Exchange
- D. Cheques
- E. All of the Instruments are Negotiable Instruments

3) Which of the following is/are true about the Negotiable Instruments Act, the Promissory Note is ...

(I) Definition of Promissory Note is given in section 8 of the Negotiable Instrument Act

(II) Containing an unconditional undertaking

(III) To pay a certain sum of money only to a specific person or the bearer

(IV) The seller is bound to accept the promissory note

(V) A document was written and signed by the payer/maker

- A. (I), (II) and (III)
- B. (II), (III) and (V)
- C. (II), (III), and (IV)
- D. (I), (III) and (IV)
- E. All of the above

4) Dishonour of Negotiable Instrument by Non Payment is covered under section in Negotiable Instrument Act 1882...

- A. Section 90
- B. Section 91
- C. Section 92
- D. Section 93
- E. Section 94

5) The Negotiable Instruments (Amendment) Bill, 2017 inserted a provision allowing a court trying an offence related to cheque bouncing, to direct the drawer (person who writes the cheque) to pay interim compensation to the complainant. The interim compensation will not exceed ____% of the cheque amount?

- A. 15%
- B. 25%
- C. 30%
- D. 33%
- E. 20%