



ASSOCIATESHIP EXAMINATION

LEVEL III

PRACTICE OF BANKING – LAW & PRACTICE [OLD SYLLABUS] APRIL 2025

N.B:

1. Read carefully the instructions on the cover of the answer booklet.
2. The total number of questions in this paper is SEVEN.
3. Answer **FIVE** questions only as follows:
SECTION A: THREE questions.
SECTION B: TWO questions.
4. Each question carries 20 marks.
5. Marks allotted are shown in brackets by the questions.
6. In awarding marks, the examiner will look for answers which show:
 - a. An appreciation of the significance of the question.
 - b. A reasoned practical approach to the problem.
7. Answers in listed note form are acceptable, provided they are clearly and logically presented and the points made are adequately developed.
8. No aids such as calculators, books, dictionaries, papers or mathematical sets are permitted in this examination.
9. Time allowed: **THREE HOURS**.
10. **An additional 15 minutes of reading time is allowed** at the beginning of the examination when candidates may write on this paper but **NOT** in the answer booklet.
11. Candidates must ensure that they answer questions in the appropriate answer booklets and NOT on loose sheets which are used only as supplementary sheets. Such answers will be cancelled.
12. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**

13. DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.

SECTION A – ANSWER THREE (3) QUESTIONS

QUESTION 1 MULTIPLE CHOICE

ANSWER ALL QUESTIONS (1 MARK PER QUESTION. TOTAL: 20 MARKS)

1. Section 18 of the BSDTI Act, 2016 (Act 930) provides for Banks and Specialized Deposit Taking Institutions to undertake a number of permissible activities. Which of the following are included?
 - a. Direct Insurance business
 - b. Mortgage lending business
 - c. Purchase and sale of foreign currency on own account or for the account of customers
 - d. (b) & (c)
2. Which of the following is **not** a deposit taking business under the Bank and Specialized Deposit-Taking Institutions Act?
 - a. Granting loans
 - b. Issuing letters of credit
 - c. Making payment on behalf of customers
 - d. Accepting deposits from the general public
3. The following is a copy of the accounts of ABC & Co.
ABC & Co Ledger -

Date	Particulars	DR	CR	Balance
1-Jan	BF			(3,000.00) Overdrawn
5-Jan			2,000.00	(1,000.00) Overdrawn
7-Jan		1,500.00		(2,500.00) Overdrawn
15-Jan			1,000.00	(1,500.00) Overdrawn

To what extent is B's estate liable if the bank received notice of death on 8th January 2024 and the bank failed to stop the account?

- a. GHC 1,000
 - b. GHC 2,000
 - c. GHC 1,500
 - d. GHC 2,500
4. Which of the following cases determined that one month's notice would **not** be adequate notice for a company customer with sophisticated transactions?
 - a. Foley V Hill
 - b. Prosperity V Lloyds Bank
 - c. Joachimson V Barclays Bank
 - d. Peters V Roberts

5. What is the difference between an ordinary lien and a pledge?
 - a. A pledge is consensual while a lien is not
 - b. With a pledge, possession remains with the borrower and with lien it remains with the lender
 - c. A lien is consensual whilst pledge is not
 - d. A pledge must be registered whilst a lien needs not be registered

6. Two months ago, you noticed a difference in your customer's signature and you telephoned to report to him and he gives you the go ahead to pay. You warned him subsequently on three different occasions. Now you have received a letter from his solicitors to the effect that you have paid cheques on which his signature was forged amounting to GHC 42,000. Which of the following defences would avail the bank?
 - a. Subrogation
 - b. Laches
 - c. Estoppel
 - d. Contributory Negligence

7. The bankers' lien is inapplicable in which of the following instances:
 - a. Shares
 - b. Bonds
 - c. Dividend Warrant
 - d. Indenture in Safe Custody

8. Which of the following is **not** a right of a customer under the Borrowers and Lenders Act?
 - a. Right to Borrow
 - b. Right not to discriminated against
 - c. Right to determine when to pay a credit facility granted
 - d. Right to be provided with a loan statement

9. A Garnishee Order Nisi means.....
 - a. An absolute order to pay money to the court
 - b. An injunction on the account
 - c. An order to show cause as to why the garnishee order should not apply
 - d. An order to transfer money to the judgement creditor

10. Under what condition will a Garnishee Order become absolute?
 - a. Two weeks after the garnishee order nisi has been served on the bank, the court makes the order absolute
 - b. When at the hearing to show cause, the garnishee bank has no objection to the garnishee order nisi and the judge makes the order absolute
 - c. When the court makes the garnishee order nisi
 - d. One month after the garnishee order has been made

11. Which of the following claims may be brought against a bank by a Safe Custody Depositor when the item is lost whilst in the hands of the bank?

- a. Tort
 - b. Breach of trust
 - c. Negligence
 - d. Libel
12. Which of the following is **not** a duty of the bank in the delivery of Electronic Payment Services?
- a. Duty to reward customer for the service
 - b. Duty to notify customer of service downtime
 - c. Duty of secrecy
 - d. Duty to notify customer of fraud
13. John Martins and Edison Maison have a joint account with you. You have received notice of Edison's passing today when the balance on the account stands at GHC 78,500 DR. What action should you take?
- a. Transfer the account to dormant
 - b. Stop the account and pass subsequent transactions through a new account in the name of John Martins and claim against the Head of Family of Edison Maison (deceased).
 - c. Stop the account and pass subsequent transactions through a new account in the name of John Martins and claim against the estate of Edison Maison. (deceased).
 - d. Let John Martins continue to operate the account.
14. Under the Incorporated Private Partnership Act, 1962 (Act 152), the maximum number of partners is.....
- a. 50
 - b. 25
 - c. 15
 - d. 20
15. Solicitors are required by the law to open two (2) different types of account, a General Account and a Client Account. What is the purpose of a Client Account?
- a. To keep monies belonging to clients of the solicitor
 - b. To keep fees paid by the client of the solicitor
 - c. To keep transport allowances paid by the client
 - d. (a), (b) & (c)
16. The legal implication of a Company Limited by Guarantee is.....
- a. Member's liability is unlimited
 - b. Contributor's liability is limited to the amount the contributor has agreed to contribute to the assets of the company in the event of insolvency
 - c. The company is not prohibited from engaging in profit-making business
 - d. Members have no limits on their liability
17. The following captures the definition of a Private Company Limited by shares:
- a. A company that has a maximum of 60 members

- b. A company which has the power to invite the general public to subscribe to their shares
 - c. A company that has a minimum of two members
 - d. A company that places restriction on subscription of shares by persons who are not members.
18. Martha, the payee of a cheque endorsed the cheque and added the words “Pay John Elison for the account of Peter Elison”. What type of endorsement is this?
- a. Conditional Endorsement
 - b. Endorsement in Blank
 - c. Special Endorsement
 - d. Restrictive Endorsement.
19. A paying bank is protected from claims of conversion under the Bills of Exchange Act when it pays a ***crossed cheque***
- a. In good faith and without negligence
 - b. In good faith and in the ordinary course of business
 - c. In good faith and with prudence
 - d. In the ordinary course of business and without negligence
20. John Peterson issued a cheque in favour of Peter Simpson in payment for a sports jacket. Peter Simpson endorsed the cheque and gave the cheque to his sister Alice as a birthday present. Alice is a.....
- a. Holder in Due Course
 - b. Holder for Value
 - c. Mere Holder
 - d. Wrongful Possessor

QUESTION 2

Richard Ekuban is your high net-worth customer and CEO of Richo Real Estates. He has operated a very vibrant account with you over the years. It is your bank’s practice to call for confirmation of the cheques prior to payment. You have received a cheque for GHC 80,000.00 Richard issued to his suppliers, Baron Sand and Stones Aggregates Ltd. You called and he duly confirmed payment. However, your Operations Manager discovers that the funds in the account were inadequate to meet the cheque and for this reason, he returned the cheque marked “**Refer to Drawer**”.

Later you discover that an amount of GHC 153,500.00 being a money transfer from England in favour of Richard had rather been credited to one Richmond Ekuban’s account.

- a) Mention five (5) grounds on which basis a bank would be legally justified in returning a cheque duly issued by its customer? [5 Marks]
- b) In *Joachimson V Swiss Bank Corporation*, it was held that the terms of the Banker Customer Contract are largely implied by customs and usage of Bankers. Mention five (5) implied terms of the Banker Customer Contract. [5 Marks]

- c) Discuss the legal implications of the bank's error. (In your discussion disregard any legal implications that may arise in respect of Richmond Ekuban). [10 Marks]

[Total: 20 Marks]

QUESTION 3

Your valued customer, Marigold Mensah died testate. You receive two visitors at your bank's premises in the persons of the duly appointed personal representatives of the deceased, Jacob Mensah and Mrs. Jane Sugarty. They informed you that Marigold had directed them that she had kept the Will of Marigold and some other items in safe custody. They are asking for details of the items in order to value them for probate purposes. They are also requesting for details of all accounts associated with Marigold Mensah for this purpose.

From your investigations you find the following accounts associated with Marigold Mensah:

10 Share Certificates of Star Gold Resources Ltd (Listed on the Ghana Stock Exchange)
Golden Ornaments
Land Documents for Properties Located at Amasaman
WILL of Marigold Mensah

Current Accounts

Name	Balance	
Marigold Mensah	450,000.00	CREDIT
Marigold Enterprise Ltd	1,050,000.00	CREDIT
Jargon Tennis Club, President: Marigold Mensah	123,500.00	CREDIT
Marigold Mensah and Esther Dadzie Joint Account with a Joint and Several Liability Clause	(58,000.00)	OVERDRAFT

As Operations Manager of your branch, explain how you would deal with these matters to enable the Executors to have access to the accounts in order to properly administer the estate of the deceased.

QUESTION 4

Anthony Amo, your valued customer, issued a crossed cheque drawn on your bank BNG Bank Plc, in favour of Milly Cudjoe, a customer of your competitor, NNB Bank Plc. Milly Cudjoe inadvertently misplaced the cheque which was then found by her sister, Martha who skillfully forged her endorsement and credited the cheque to her account at the Burma Camp

Branch of your NNB Bank Plc. The cheque was presented through clearing and was paid by your bank. Milly now discovers that the cheque had been paid and has sued your bank as well as the paying bank for conversion.

- a) What is a Crossed Cheque? [3 Marks]
- b) What is the difference between a General Crossing and a Special Crossing? [3 Marks]
- c) What are the legal implications of a **cheque being crossed generally**? [4 Marks]
- d) Discuss NNB Bank's position in terms of the protection afforded to a paying bank that pays a crossed cheque. [10 Marks]

[Total: 20 Marks]

SECTION B ANSWER TWO (2) QUESTIONS ONLY

QUESTION 5 MULTIPLE CHOICE – ANSWER ALL

1. In lending to minors, it is preferable to take an indemnity rather than a mere guarantee. Which of the following encapsulates the differences between indemnity and guarantee
 - a. Guarantee is a secondary liability whilst indemnity is a primary liability
 - b. Indemnity is a secondary liability whilst guarantee is a primary liability
 - c. Guarantee needs not be in writing, but an indemnity has to be in writing.
 - d. b & c
2. Which type of security is the **doctrine of uberrimae fidei** critical?
 - a. Land
 - b. Guarantees
 - c. Insurance Policies
 - d. Corporate Securities
3. The additional security clause means the security.....
 - a. Is substitute security to an existing security and replaces it
 - b. Is additional and not in substitute to an existing security
 - c. Would call for additional security in the future
 - d. Is taken in case of need
4. Guarantees of subsidiaries in a group for each other's borrowing is termed as.....
 - a. Multiple Guarantees
 - b. Cross Guarantees
 - c. Inter Guarantees
 - d. Multiparty Guarantees
5. Under a Guarantee, a Guarantor is entitled to
 - a. Inspect the debtor's bank statement
 - b. Be informed of the balance of the debtor's account
 - c. Be able to see any cheques issued by the debtor

- d. Make repayment at any time
6. How may a company have a lien over its issued shares?
 - a. Where members have fully paid for their shares
 - b. There is an unpaid liability in the shares members are holding
 - c. When it makes a rights issue
 - d. When it makes a bonus issue
 7. Minimum share qualification represents
 - a. The minimum shares a Director must have before he can become Board Chairman
 - b. The minimum number of shares a Director needs to have to become a Director of the company
 - c. It is required before one can be appointed an Executive Director of a company
 - d. The minimum shares one must have before being invited to an interview for consideration of an appointment as a CEO of the company
 8. What is the difference between a Term Policy and an Endowment Policy?
 - a. With Term Policy, nothing is paid where the assured is still alive at the end of the term. With Endowment something is paid even where the assured survives the term of the policy.
 - b. With Term Policy, something is paid where the assured is still alive at the end of the term. With Endowment something is paid where the assured survives the term of the policy.
 - c. The beneficiary of a Term Policy is the relatives of the life assured. The beneficiary of an Endowment Policy is a class of persons such as aged.
 - d. They are essentially the same thing.
 9. Which of the following relationships has no insurable interest?
 - a. Employer and Employee
 - b. Judge and Litigant
 - c. Resident and Neighbour
 - d. Father and Son
 10. James made a Life Policy on his life for the benefit of his child, Amos. Who is the “life assured”?
 - a. Amos
 - b. Amos’ wife
 - c. James
 - d. James and Amos
 11. What is the importance of the “Age Admitted” Clause in an Insurance Contract?
 - a. It has no role to play in the Insurance Contract
 - b. It is used by the insurance company to assess its risk
 - c. No further evidence of age would be required when the policy matures
 - d. b & c

12. Your manager tells you it is more advantageous for a bank to take legal charge over listed shares rather than unlisted shares. What is the difference between listed shares and unlisted shares?
- They are the same, only one has the details listed on a sheet.
 - Unlisted shares are traded on an organized Stock Exchange whilst listed shares are not.
 - Listed shares are shares issued by a private company whilst unlisted shares are issued by a public company.
 - None of the above
13. Which of the following would you **not** find in a Bank Debenture form?
- Negative Pledge
 - Nature of Charge
 - Conflict of Interest
 - Continuing Security
14. The Negative Pledge Clause means.....
- The borrower is prohibited from borrowing from any other lender
 - The borrower is prohibited from granting another lender a security over the assets subject to the security which ranks equally or higher than the lender's security
 - A pledge not to dispose off the business
 - None of the above
15. What is a Floating Charge?
- A charge that covers a general class of a company's assets and is not tied to any one particular asset
 - A charge that has a floating rate of interest
 - A charge that is unsecured
 - A charge over a specific asset
16. Which of the following is a requirement for the borrower under a Trust Receipt?
- To insure the goods against loss or damages
 - To sell the goods only to authorized buyers
 - To deposit the sale proceeds into a separate account
 - All of the above
17. What happens to the original contract on the Assignment of Debt?
- It remains in force
 - It is terminated
 - It is amended
 - It is novated
18. In a situation where a customer wishes to provide his unregistered landed property as a security which one of the following is relevant?

- a. Land Title Certificate
- b. Deed of Conveyance of Property to Customer
- c. Search Certificate from Lands Commission.
- d. None of the above

19. What are “**overriding interests**” in land?

- a. Interests in land that must be registered.
- b. Interests in land that cannot be enforced unless notified to a purchaser of land
- c. Interests that are conferred by the state.
- d. Interests that are enforceable whether registered or not.

20. What is the meaning of the “**Crystallization Clause**” in a Debenture?

- a. The security taken is fixed charge.
- b. It spells out conditions under which a floating charge ceases to be floating and becomes a fixed charge.
- c. It prohibits the customer from offering the security to another financial institution.
- d. The security being given is a third-party security.

QUESTION 6

You have granted an Overdraft Facility to your customer with the business name Geomantric Enterprise against a charge over the business’s assets. In addition, you have taken a personal guarantee from a valued customer who happens to be a close friend of the Proprietor of the business, Gina Minnow.

Later, Geomantric defaults in payment of the facility and you commenced steps to enforce the security including the guarantee. Unknown to John Thompson (Guarantor), Gina had given a third party mandate to her husband to operate the account on her behalf. You also later got to know that her husband is a discharged bankrupt. In addition, the loan facility was used to pay off an already expired facility. The bank official had also given the guarantee form to Gina to procure the signature of John Thompson. John Thompson has indicated that he is empowered by the law to avoid any liability on the guarantee on the basis of the bank’s breach of its duty to inform him about the facts indicated above and misrepresentation on the part of the bank.

Discuss the bank’s position, indicating what should have been done to avoid the guarantor’s claim.

[20 Marks]

QUESTION 7

Your customer, Bonsu and Co Ltd has been granted an overdraft facility of GHC 1,000,000.00 secured by a Legal Mortgage over Registered Leasehold property in the name of John Bonsu, CEO of the company with a value of GHC 2,400,000 as at 31st December 2023 with five years to run.

- a) Outline two (2) differences between Registered Land and Unregistered Land. [4 Marks]

b) Discuss three (3) **risk considerations** a bank must have in mind when taking a Legal Mortgage over Registered Leasehold Land. [6 Marks]

c) Outline the steps you would follow in taking a Legal Mortgage over Registered Leasehold Land.

d) [10 Marks]

[Total: 20 Marks]