

BNK 205: Banking Law and Regulations

Credits: 3

Lecture Hours: 48

Course Objectives

This Course provides an overview of the legislative provision of bank and financial institution, fundamental banking laws and regulation. This course familiarize with the basic concept of banking laws in local context as well as international market. It highlights major regulation and policies issued by Central bank to protect financial system.

Course Description

This course contains introduction of banking law, central bank and legal system, structure and formation of bank and financial institutions, major banking law, bank regulation and central bank policy for bank FIs, legal provision relating to negotiable instrument, bank and customer relationship, bank lending and securities, bank lending and securities, legal aspect of trade finance, legal Challenges in banking business.

Course Details

Unit 1: Introduction

LH 5

Meaning and concept of bank and financial institutions, Evolution of banking institutions and banking law in Nepal, Role of banking institutions for socio-economic development.

Unit 2: Central bank and Legal System

LH 5

Meaning and concept of central bank, establishment, Composition of BOD in Nepal Rastra Bank, Function and legal power of Nepal Rastra Bank, NRB relationship with government and other agencies.

Unit 3: Structure and formation of Bank and Financial Institutions

LH 5

Licensing Policy for bank and FIs, Capital requirement, Eligibility criteria and fit and proper test for potential promoter, Types of bank and FIs, Functions of bank and FIs as per BAFIA 2063, Composition of BOD, Roles and responsibilities of BOD.

Unit 4: Major Banking Law

LH 6

Nepal Rastra Bank Act 2058, Bank and Financial Institution Act (BAFIA) 2063, Banking Offense Act, 2064, Anti-Money laundering Act, Foreign Exchange Company Act

Unit 5: Bank Regulation and Central Bank Policy for Bank and FIs

LH 5

Concept, need and significance of regulation, Impact of deregulation, Major prudential regulation of central bank- Capital adequacy, Loan classification and provisioning, Corporate governance, Blacklisting.

Unit 6: Legal Provision Relating to Negotiable Instrument

LH 4

Cheque, Draft, bills of exchange, Promissory note, Validity and dishonored of cheque, Right and duties of various parties involved in instruments, Impact and legal action for miss using promissory note including cheque.

Unit 7: Bank and Customer Relationship**LH 5**

Legal nature of bank and customer relationship, trustee-beneficiary, agent-principal, debtor-creditor, special types of customer(individual, corporate, Government, NGO etc) account opening and closing procedure. Know Your Customer- KYC

Unit 8: Bank Lending and Securities**LH 6**

Procedure for bank lending, Credit policy guideline, Credit sanction limit and authority, Legal procedure for recall and recovery of banks loan, Meaning and definition of collateral and security, Legal features of collateral and security, Generally accepted security in Nepalese banking (land and building, goods and commodities, share and debenture, deposit certificate, personal guarantee promissory note, saving bond)

Unit 9: Legal aspect of Trade Finance:**LH 4**

Letter of credit, Guarantee, Basic features, Parties involved in various trade finance, Roles and responsibilities of parties.

Unit 10: Legal Challenges in Banking Business**LH 3**

Banking fraud, Cyber-crime, Innovative product, Anti-money laundering, Electronic banking, global access of banking services

Text and References

Gupta, S.N. **The Banking law on Theory and Practice**, Universal.

Peter. S. Rose (1999), **Commercial Bank management**, McGraw-Hill.

Regmi Resham Raj (2064), Banking law of Nepal, Lumbini Pustak, Kathmandu.

Padmalatha Suresh, Prof Justin Paul (2010), **Management of Banking and Financial Services**, Dorlingkindersley, India.

Indian Institute of Banking & Finance (2005), **General Bank Management**, Macmillan.

Nepal Rastra Bank Act 2058,

Bank and Financial institution Act 2063,

Banking Offense Act, 2064

Foreign Exchange Act

Negotiable Instrument Act

Antimony laundering Act, 2008

Company Act

Nepal Rastra Bank-(2015), **Unified Directives for Bank and financial institution**, NepalRastra Bank, Nepal.

NRB (2005), Nepal Rastra Bank in Fifty Years, Sajha Prakashan, Pulchowk, Lalitpur, Nepal