



UNIVERSITI SAINS ISLAM MALAYSIA

جَامِعَةُ الْعُلُومِ الْإِسْلَامِيَّةِ الْمَالِيزِيَّةِ

ISLAMIC SCIENCE UNIVERSITY OF MALAYSIA

# Law of Banking and Security

DR. ZULKIFLI HASAN

# Contents

- Promissory Notes
- Banker's Draft
- Treasury Bills
- Share warrants
- Dividend Warrants
- Traveller's Cheque

# Promissory Notes

- S 88 (1) BOEA
- Unconditional promise in writing made by one person to another signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer”.
- Promise to made to pay a specified sum of money.

# Promissory Notes

## Promissory Note

Singapore, 31.01.2000

**Amount** US\$ 250,000


**On** 25 April 2000 **we promise to pay against this Promissory Note**  
**the sum of** US Dollars Two hundred and fifty thousand  
**to the order of** UK Export Company Ltd  
**for value** Received

**Payable at:**

UK Export Banking Company plc  
Sterling Street  
London, UK

**For and on behalf of:**

Import Buyer Company  
Singapore



Managing Director

# Bank Notes and Banker's Draft

- Bank's Note: Promissory note made by a banker, payable to bearer on demand.
- Bankers' Draft: Order to pay a specified sum of money addressed by a banker to himself.
- May be drawn by one bank upon another.
- May be drawn by a branch addressed to its head office: Drawer and drawee are the same bank
- Usually made by a customer who has to pay to someone who is not prepared to accept his cheques.
- Usually crossed 'not negotiable, account payee only'

# Banker's Draft



Member FDIC

International Banking Division # *6570*  
1830 South Lindbergh Blvd.  
St. Louis, Missouri 63131

DRAFT NO. **D 1157**

DATE Jan. 11, 1996

AMOUNT \*GBP. 1500.00\*

PAYABLE AT DRAWER'S BUYING RATE FOR EXCHANGE IF DRAWN  
IN A CURRENCY OTHER THAN THAT OFFICIAL PLACE OF PAYMENT

UPON PRESENTATION OF THIS ORIGINAL DRAFT.

PAY TO THE  
ORDER OF: \*Neville Russell\*

\*One Thousand Five Hundred and 00/100 Pound Sterling\*

TO:  
Barclays Bank PLC  
Correspondent Banking Branch  
PO Box 834  
St. Swithins House  
St. Swithins Lane  
London EC4N 8JA

REMITTER: \*B. K. Werner\*

ACCT#80822574

*Andreas Bauer*  
AUTHORIZED SIGNATURE

THIS DRAFT WILL BE NULL AND VOID ONE YEAR AFTER DATE OF ISSUANCE

RATE	DOLLAR EQUIVALENT	TELEX & COMMISSIONS	TOTAL

DEBIT OUR ACCOUNT

ORIGINAL

# Treasury Bills

- Promissory Notes or bills which are issued by the government under discount and fall due at certain intervals.
- Short-term loans- Normally 92 days
- Means for short-term lending.
- To control the money supply

# Treasury Bills



United Kingdom Treasury Bill "SPECIMEN"  
14,700,00 French Francs / Bank Of England  
1st March 1923 Signed: N.F. Fisher

**35**  
Choice Very Fine

DUE 1<sup>ST</sup> MARCH, 1924.

## Treasury Bill.

**Fcs. 14,700,000**

(FRENCH)



London, 1<sup>st</sup> March, 1923.

This Treasury Bill  
on presentation at the Bank of England entitles  
or Order  
to Payment in PARIS of Fourteen Million Seven Hundred  
Thousand Francs (French) on the 1<sup>st</sup> March, 1924.

Payment of this Bill is secured on the Consolidated  
Fund of the United Kingdom.

*N. F. Fisher*

SECRETARY TO HIS MAJESTY'S TREASURY.

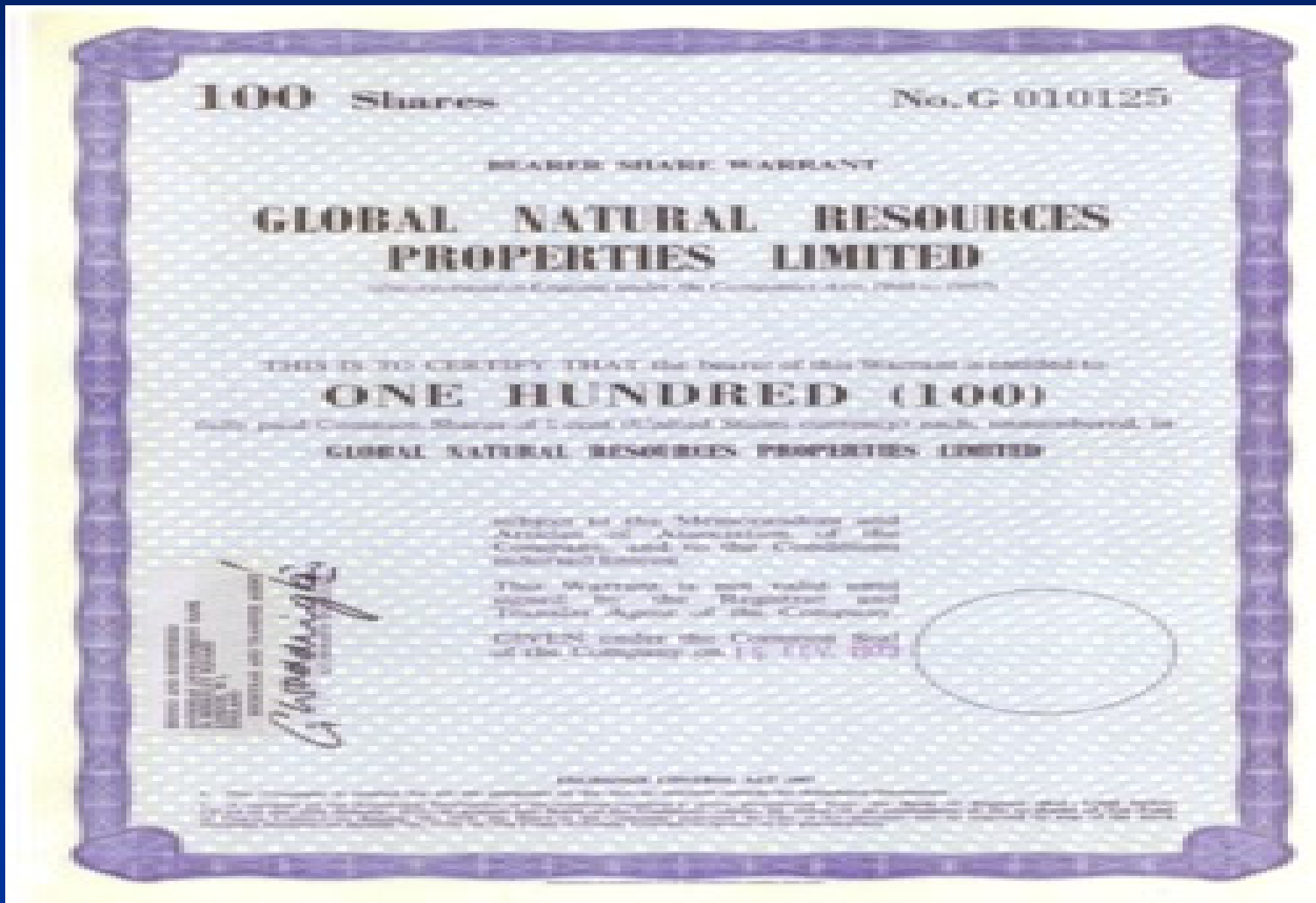
\* IF THIS BLANK BE NOT FILLED IN, THE BILL WILL BE PAID TO BEARER.



# Share Warrants

- a **warrant** is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed exercise price until the expiry date.
- Share Warrants are warrants issued by a public company, whose shares are fully paid up.
- It refers to a document stating that somebody has the right to a number of shares of stock in a company

# Share Warrants



# Dividend Warrants

- Documents issued by a company directing its banker to pay to a named shareholder a specified sum of money which represents the shareholder's entitlement to the declared dividend of the company.
- Normally drawn in the form of a cheque or banker's draft. A cheque sent by a company to a shareholder in payment of dividends

# Dividend Warrants

**Reserve Bank of India**  
**BOMBAY REGISTER**

BOMBAY 10TH FEBRUARY 19 36

DIVIDEND WARRANT NO. 2643 FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 19 35  
ON ACCOUNT OF FULLY PAID SHARES (RS. 100 PAID UP) REGISTERED IN THE BOMBAY REGISTER OF THE BANK  
IN THE NAME OF Mrs Dina Ardeashir Sarwai

NUMBER OF SHARES	RATE OF DIVIDEND			DIVIDEND			INCOME TAX AT 30% PER RE. PRES			NET DIVIDEND		
	RS.	ANNA	PES.	RS.	ANNA	PES.	RS.	ANNA	PES.	RS.	ANNA	PES.
FIVE	2	10	--	13	2	--	2	1	--	11	1	--

THIS DIVIDEND WAS DECLARED AT THE MEETING OF THE CENTRAL BOARD OF DIRECTORS  
HELD ON 17TH JANUARY 19 36

I HEREBY CERTIFY THAT INCOME TAX AT THE MAXIMUM RATE SHOWN AS DEDUCTED FROM  
THE ABOVE-MENTIONED DIVIDEND HAS BEEN, OR WILL WITHIN THE PRESCRIBED PERIOD, BE PAID BY THE BANK  
TO THE GOVERNMENT OF INDIA AT CALCUTTA

FOR RESERVE BANK OF INDIA,  
**OSBORNE A. SMITH,**  
GOVERNOR.

(TO BE SIGNED BY THE CLAIMANT WHEN CLAIMING REFUND OF INCOME TAX UNDER SECTION 48 (3) OF THE  
INDIAN INCOME TAX ACT, XI OF 1922)

I HEREBY DECLARE THAT THE SHARES ON WHICH DIVIDEND AS ABOVE SPECIFIED HAS BEEN  
RECEIVED, WERE MY OWN PROPERTY AND WERE IN THE POSSESSION OF \_\_\_\_\_  
AT THE TIME WHEN INCOME TAX WAS DEDUCTED.

PLEASE SEE REVERSE. SIGNATURE \_\_\_\_\_  
DATE \_\_\_\_\_

# Debentures

- Documents given as acknowledgement of indebtedness.
- A certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest
- Usually issued by a corporation acknowledging a long-term loan to the corporation.

# Debentures



# Traveller's Cheques

- Special form of negotiable instruments which enable the holder to draw cash on t.
- An order made by the customer, addressed to the bank and requiring it to pay to himself, or his order, the sum specified.
- Traveller's Cheques are conditional. Payment is on condition that the customer signs the traveller's cheques at the point of issue and countersigns it at the point of negotiation.
- Therefore, neither bills of exchange, promissory notes nor cheques.

# Traveller's Cheque





# Traveller's Cheque is not a BOE, PN or a cheque

- *Oversea Chinese Banking Corp Ltd v Woo Hing Brothers M Sdn Bhd* [1992] 2 MLJ 86
- In 1982, chaiyos purchased TC worth S\$32K from the B.-He had used 5 TC amounting to S\$6K, the remaining TC were stolen from him in Jakarta. He reported the loss to the B and lodged police report. The B refunded the full amount of the TC which he lost.
- In 1983, Frankie had used 21 stolen TC (\$20.5K) to pay for the watches from Woo Hing Brothers. When Woo Hing presented the TC to the B, the B refused payment.
- Held : The TC is an order to pay subject to the condition that it must be countersigned by the person whose signature appears at the top of the cheque. Since this is conditional order, TC is not a BOE, PN or a cheque.
- The B was under legal obligation to honour all TC when it was presented for payment by a bona fide holder in due course.