

BANKING LAW & PRACTICE

(NI Act, RBI Act, BR Act,

Contract Act, Company Act, LLP Act)



Presented by,

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BANKING LAW & PRACTICE

Various acts, Regulatory Authorities, Committees, Rating Agency are involve directly or indirectly with banking service. These are called Banking Law and Practice.

- 1. Society Registration Act, 1860**
- 2. Indian Contract Act, 1872**
- 3. Negotiable Instruments Act, 1881**
- 4. Indian Trust Act, 1882**
- 5. Transfer of Property Act, 1882**
- 6. Bankers Book Evidence Act, 1891**
- 7. General Clauses Act, 1897**
- 8. Indian Stamp Act, 1899**
- 9. Indian Majority Act, 1875**
- 10. Married Women Property Act, 1874**

BANKING LAW AND PRACTICE

- 11. Registration Act, 1908**
- 12. Indian Succession Act, 1925**
- 13. Sale of Goods Act, 1930**
- 14. Indian Partnership Act, 1932**
- 15. Reserve Bank of India Act, 1934**
- 16. Banking Regulation Act, 1949**
- 17. Indian Company's Act, 1956 & 2013**
- 18. Hindu Minority & Guardianship Act, 1956**
- 19. Hindu Succession Act, 1956;**
- 20. Income Tax Act, 1961**
- 21. Limitation Act, 1963**
- 22. Criminal Procedure Act, 1973**

BANKING LAW AND PRACTICE

- 23. Banking Companies (Acquisition & Transfer of Undertaking) Act, 1970**
- 24. Consumer Protection Act, 1986**
- 25. DRT Act 1993**
- 26. Cyber Law Act, 2000**
- 27. FEMA, 2000**
- 28. PMLA, 2002**
- 29. SARFAESI Act, 2002**
- 30. Right to Information Act, 2005**
- 31. Limited Liability Partnership Act, 2008**

BANKING LAW AND PRACTICE

- 32. Ombudsman Scheme, 2006**
- 33. MSMED Act, 2006**
- 34. Payment & Settlement systems Act, 2007**
- 35. Wealth Tax Act,**
- 36. Provident Fund Act,**
- 37. Gratuity Fund Act,**
- 38. Goods and Services Tax Act (GST),**

VARIOUS REGULATORY AUTHORITIES

- 1. Government of India.**
- 2. Reserve Bank of India.**
- 3. Banking Codes & Standards Board of India.**
- 4. SEBI.**
- 5. IRDAI.**
- 6. Banking Ombudsman.**
- 7. NABARD.**
- 8. Banking Bureau Board.**

VARIOUS BANKING COMMITTEES

- 1. Goiporia Committee** → **Customer Service In Banks**
- 2. Talwar Committee** → **Customer Service Reforms**
- 3. Rangarajan Committee** → **Computerisation in Banks & Public Sector Disinvestment**
- 4. BASEL Committee** → **Capital Adequacy of Banks**
- 5. Ghosh Committee** → **Frauds & Malpractices in Banks**
- 6. Mitra Committee** → **Legal Aspects of Bank Frauds**
- 7. SS Kohli Committee** → **Wilful Defaulters & Rehabilitation of Sick Industrial Units**

VARIOUS BANKING COMMITTEES

- 8. Kalyan Sundar Committee** → **Introduction of Factoring Services in India**
- 9. Y V Reddy Committee** → **Reforms in Small Savings A/c**
- 10. RV Gupta Committee** → **Agricultural Credit Delivery**
- 11. Prof V S Vyas** → **Flow of Credit to Agriculture**
- 12. Ms Usha Thorat** → **Financial Inclusion**
- 13. Narsimham Committee** → **Banking Financial System**
- 14. Rashid Jilani Committee** → **Inspection System Of Banks & Cash Credit System**
- 15. Deepak Mohanty** → **Working Group on Surveys**

VARIOUS RATING AGENCY

- 1. CRISIL**
- 2. CARE**
- 3. Standards & Poors**
- 4. Moody's**
- 5. SMERA**
- 6. ICRA**
- 7. Rating India**
- 8. Brickwick**

The Negotiable Instruments Act, 1881

BACKGROUND OF NI ACT

- ❖ **Due to increase in business, need was felt for payment mechanism.**
- ❖ **It took long time to get recognition.**
- ❖ **Bill of exchange was used in 12th centuries.**
- ❖ **Negotiability of promissory note was allowed by British Courts in 1704.**
- ❖ **In India, the NI Act was passed in 1881.**

NEGOTIABLE INSTRUMENTS ACT, 1881

- **In India, the Negotiable Instrument Act was enacted during 1881 and came into force w.e.f. 1st March 1882.**
- **Originally it had 137 Sections;**
- **Section 138 to 142 were added in 1988;**
- **Section 143 to 147 were added in 2002;**
- **At present it has 147 sections and 17 Chapters;**
- **NI Act is applicable through out India including Jammu & Kashmir.**

Negotiable Instruments Act, 1881

- What is negotiability ?
- Negotiability means transfer of instrument to another person so as to constitute him holder.

Elements of Negotiation –

1. Further transfer without any restriction;
2. Transferee taking the instrument for value and in good faith, gets better and absolute title despite any defect in the title of the transferor.
3. Negotiation of bearer instrument by delivery only and that of order by endorsement and delivery.

FEATURE OF A NEGOTIABLE INSTRUMENT



- A negotiable instrument is one which is freely used by the parties in their business deal as a medium of payment .
- The word ‘negotiable’ means the transfer of ownership of the instrument from one person to another person for the purpose of consideration.
- The instrument may be defined as a **written document** which creates a right in favour of some person.
- Negotiable instrument means include Promissory Note, Bill of Exchange and cheque payable to **order or bearer**.
- **CURRENCY NOTE IS NOT A NI – it is governed BY INDIAN CURRENCY ACT.**

FOUR ESSENTIAL FEATURES OF NEGOTIABLE INSTRUMENT

- 1. The property in a negotiable instrument, i.e. the complete right of ownership, and not merely the possession passes, in the case of bearer instruments, by mere delivery, and in case of order instruments, by endorsement and delivery.**
- 2. The holder in due course is not, in any way, affected by the defect of the title of his transferor or of any prior party.**
- 3. The holder in due course can sue upon a negotiable instrument in his own name.**
- 4. The holder in due course is not affected by certain defences which might be available against previous holders, e.g fraud to which he is not a party.**

DIFFERENCE BETWEEN NI & OTHER GOODS



- ❖ **Mr. X lost a ring worth Rs.50,000/- and a bearer cheque favouring “X” worth Rs.50,000/-**
- ❖ **Mr. Y found them. gave the cheque and ring to a jewellers shop and purchased a new chain.**
- ❖ **Mr. X lodged a police complaint. police can recover ring from jeweller shop and give it to Mr. X but, they cannot recover the cheque or its equivalent from jeweller shop,**

VARIOUS NEGOTIABLE INSTRUMENTS

Promissory Note, Bill Of Exchange and Cheque are the 3 basic negotiable instruments named in NI Act.

❖ **The followings are also considered as negotiable instruments:-**

- Demand Draft,
- Traveller Cheque,
- Gift Cheque,
- Dividend Warrant,
- Interest Warrant,
- Bankers' Cheque,
- Commercial Paper,
- Pay Order.

❖ **The followings are not negotiable Instruments:**

- Deposit Receipt,
- NSC,
- Postal Order,
- Share Certificate,
- Bill of Lading,
- Lorry Receipt,
- Airway Bill,
- Railway Receipt,
- Stock Invest,
- Dock Warrant

BILL OF EXCHANGE

SPECIMEN OF A DEMAND BILL

STAMP

Mr. Alpha (Drawer)
576, Gurugram
Feb 17, 2018

₹ 1,00,000

Three months after date, pay to Mr. Beta (payee) a sum of rupees one lakh, for the value received.

To,
Mr. Gamma (drawee)
268, Noida

Mr. Alpha
Sd/-

Mumbai
09.12.2010

Rs. 50000/-

On demand, pay Mr. Akhilesh Verma or order, the sum of Rupees fifty thousand together with interest at 8%, for value received.

To
Mr. Rakesh Singh

S. P. Singh (signature)

DEMAND PROMISSORY NOTE

SPECIMEN OF PROMISSORY NOTE

_____ स्थान / Place

_____ 20

₹ _____

मांग पर _____
On Demand

बैंक ऑफ़ XYZ को या उनके आदेश पर प्राप्त मूल्य के लिए रुपये
Promise to pay Bank of XYZ or order, the sum of Rupees

_____ की राशि और इस राशि पर इस तारीख से
together with interest on such sum from this date, at the rate of

_____ प्रतिशत वार्षिक की दर से मासिक / त्रैमासिक अंतराल पर
percent per annum with Monthly / Quarterly

परिकलित ब्याज का भुगतान करने का वचन देता हूँ.
rests for value received

_____ स्टैम्प
STAMP _____
SIGNATURE OF BORROWER

CHEQUE IN NEW FORMAT

How to identify if your cheques are CTS 2010 compliant?

1 Bank/branch address along with IFSC code printed on the top left corner of the cheque.

2 Standard date format.

3 Printer name along with 'CTS 2010' printed on the extreme left of the cheque.

4 Axis Bank logo on the centre of the cheque.

5 'Please sign above' is mentioned on the bottom right corner of the cheque.

6 Rupee '₹' symbol in the amount column.

- 1** Bank/branch address along with IFSC code printed on the top left corner of the cheque.
- 2** Standard date format.
- 3** Printer name along with 'CTS 2010' printed on the extreme left of the cheque.
- 4** Axis Bank logo on the centre of the cheque.
- 5** 'Please sign above' is mentioned on the bottom right corner of the cheque.
- 6** Rupee '₹' symbol in the amount column.

VALID FOR THREE MONTHS FROM THE DATE OF ISSUE.

2	5	0	9	2	0	1	2
D		D		M		Y Y Y	

या धारक को ~~ROBEN~~

ACPAYEE ONLY

Pay ****Roy Ang****

रुपये Rupees ****One Crore Twenty Three Lakh Forty Five Thousand Six Hundred And Seventy Eight Only****

अदा करें। ₹ ****12,345,678.00****

आ. नं. A/c No.

PAYABLE AT ALL OUR BRANCHES IN CLEARING

Please sign above

SAFE/UNSAFE CHEQUE

Safe Cheque

TellyOne

A/c Payee
Pay Anil Sharma DATE 17/6/2010

OR BEARER

RUPEES Twenty-three thousand five hundred and forty and paise seventy-eight only Rs. 23,540.78

SBGEN A/c No. 000012345678

ABC Bank
ABC Bank Limited
Bank Complex,
Madhuban - 900 051.

R Sharma
Rakesh Sharma

⑈000000⑈ 0000000000⑈ 000000⑈ 00

Unsafe Cheque

TellyOne

R Sharma
Pay ~~X~~ Anil ~~X~~ *Rakesh* ~~X~~ Sharma # DATE 17/6/2010

OR BEARER

RUPEES ~~X~~ Twenty ~~X~~ three ~~X~~ thousand ~~X~~ five ~~X~~ hundred ~~X~~ and ~~X~~ forty ~~X~~ and ~~X~~ paise ~~X~~ seventy ~~X~~ eight ~~X~~ only # Rs. ~~X~~ 23,540.78

SBGEN A/c No. 000012345678

ABC Bank
ABC Bank Limited
Bank Complex,
Madhuban - 900 051.

Rakesh Sharma

R Sharma

⑈000000⑈ 0000000000⑈ 000000⑈ 00

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
1	<i>Indian Paper Currency Act 1871 not to be affected by the provisions of this act.</i>
4	<i>Promissory note defined - Promissory Note is an Instrument in Writing containing an unconditional undertaking or promise, signed by the maker to pay a certain sum of money to or to the order of a certain person or to the bearer of the instrument; “I Promise to pay a sum of Rs....to Mr...or to the order or to the bearer”</i>
5	<i>Bill of exchange defined – It is an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument. Types- Inland Bills, Foreign bills, time bills, demand bills, trade bills, accommodation bills, clean bills, documentary bills.</i>
6	<i>Cheque defined (also include electronic cheque and truncated cheque)- is a Bill of Exchange drawn on a specified Bank and not expressed to be payable otherwise than on demand.</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

<i>Sections</i>	<i>Important contents relating to</i>
7	<p><i>Parties to Bill of Exchange –</i></p> <p><i>Drawer</i> – <i>The persons who orders to pay (say seller of goods), He is the creditor. (In case of Cheque, Account holder is Drawer)</i></p> <p><i>Drawee</i> – <i>Who is directed to pay (say a buyer of goods). He is debtor. (In case of Cheque, Bank is Drawee)</i></p> <p><i>Payee</i> – <i>Is the person who is authorized to obtain the payment.</i></p> <p><i>Drawee in case of need</i> – <i>Is a person to whom the holder can look forward in the event of dishonor of cheque.</i></p> <p><i>Acceptor</i> – <i>The drawee becomes acceptor on acceptance of BOE for payment;</i></p> <p><i>Acceptor for honour</i> – <i>After noting/protesting any person who accepts for honour of drawer/endorsees.</i></p>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
8	<p data-bbox="285 218 639 265"><u>Holder defined</u> –</p> <p data-bbox="324 305 1798 475"><i>is a person who is entitled in his own name to the possession thereof. Legal right to possess is enough. Actual possession is not essential.</i></p> <ul data-bbox="324 482 1798 876" style="list-style-type: none"><li data-bbox="324 482 1798 601">➤ <i>A person who is entitled in his own name possession of a misplaced instrument will continue to be holder;</i><li data-bbox="324 619 1798 666">➤ <i>To receive or recover the amount due thereon from all the parties;</i><li data-bbox="324 685 1798 803">➤ <i>Finder of an instrument or thief cannot become holder by mere possession;</i><li data-bbox="324 822 1798 876">➤ <i>Consideration is not compulsory to become holder e.g Gift Cheque.</i> <p data-bbox="324 882 697 929"><u>Rights of holder</u> –</p> <ul data-bbox="324 948 1798 1336" style="list-style-type: none"><li data-bbox="324 948 1277 995">➤ <i>Can obtain duplicate of the lost instrument;</i><li data-bbox="324 1013 1798 1132">➤ <i>Can cross the cheque; can convert general crossing to special crossing;</i><li data-bbox="324 1150 562 1198">➤ <i>Endorse;</i><li data-bbox="324 1216 904 1263">➤ <i>Can sue in his own name;</i><li data-bbox="324 1290 1624 1336">➤ <i>Can complete inchoate cheque (unfilled up but duly signed);</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sec	Important contents relating to
9	<p data-bbox="258 219 1812 334"><u>Holder in due course defined</u> – is a person (payee or endorsee) who must have instruments in possession.</p> <ul data-bbox="293 391 1804 705" style="list-style-type: none"><li data-bbox="293 391 1804 505">➤ Possession must have been obtained for valuable and lawful consideration and not as a Gift;<li data-bbox="293 519 1804 634">➤ He obtains the cheque in good faith without sufficient reason to believe that any defect existed in the title of the person from whom he obtained it.<li data-bbox="293 648 1804 705">➤ He gets a defect free title even when the transferor had defective title. <p data-bbox="285 733 880 791"><u>Rights of Holder-in-course</u> –</p> <ul data-bbox="293 805 1804 1319" style="list-style-type: none"><li data-bbox="293 805 1804 991">➤ if any inchoate cheque is handed for a amount greater than what it was intended by the maker, the maker cannot challenge the rights of the Holder-in-course;<li data-bbox="293 1005 1804 1190">➤ If a bill is payable to the drawers order in a fictitious name, the acceptor is liable to any holder-in-course, provided the signatures and endorsement are in the same hand-writing;<li data-bbox="293 1205 1804 1319">➤ Every prior party is liable to a holder-in-course till the instrument is duly satisfied;

DIFFERENCE BETWEEN HOLDER & HOLDER IN DUE COURSE

Transaction	Holder	Holder-in-due-Course
Right of Possession	Compulsory	Compulsory
Consideration	Not essential	Essential
Possession of Instrument	Not essential	Essential
Nature of Title	Same as of the Transferor. Defective transfer or will transfer a defective title.	Good title even if transferor was having defective title.

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
10	<p><u>Payment in due course defined</u> – <i>Payment is considered to be payment in due course –</i></p> <ul style="list-style-type: none">✓ <i>Payment is in accordance with the apparent tenor of the instrument;</i>✓ <i>Payment must be made in good faith and without negligence;</i>✓ <i>Payment must be made to the person in possession of the instrument;</i>✓ <i>Payment must be made under circumstances which do not afford a reasonable ground to believe that he is not entitled to receive the payment;</i>✓ <i>Payment must be made in money only;</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sec	Important contents relating to
11	<i>Inland instrument defined –drawn and made payable in India. A BE drawn or made in India & payable in or drawn upon any persons in India.</i>
12	<i>Foreign Instruments defined – An instrument which is not an Indian Bill.</i>
13	<i>Negotiable instruments defined indirectly – NI means and include PN, BE and cheque payable to order or bearer.</i>
14	<i>Negotiation defined – Transferring an Instrument from one person to another in such a manner so as to convey title and to constitute the transferee the holder of the instrument. Bearer Instrument – Negotiation by delivery; Order Instrument – By Endorsement and delivery</i>

EXAMPLES OF INLAND AND FOREIGN BILL

Drawn in	Payable	Type
New Delhi	Payable in India by Ramlal a resident or by John Major, foreigner	Inland
New Delhi	In London by Ramesh Kumar, a resident Indian	Indian
New Delhi	In London, by John Major, a foreigner	Foreign Bill
London	Delhi, Ashok a resident Indian	Foreign Bill

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
15	<p><i>Endorsement and endorser defined.</i></p> <p><i><u>ENDORSEMENT</u> means – Signing on the face or backside or even on a paper attached or on a stamp paper for the purpose of negotiation.</i></p> <p><i>A person who signs is known as <u>ENDORSER</u>.</i></p>
16	<p><i>Endorsement in blank and full and endorsee defined.</i></p> <p><i><u>ENDORSEMENT IN BLANK</u> – If the endorser signs his name only without any words or directions;</i></p> <p><i>Effect of Blank endorsement - An order instrument becomes payable to bearer.</i></p> <p><i><u>ENDORSEMENT IN FULL</u> – If an endorser signs his name and adds a direction to pay the instrument to or to order.</i></p>

NEGOTIABLE INSTRUMENTS ACT, 1881

Other types of endorsement –

- 1. Restrictive Endorsement** – Pay to X only; Pay to X for my use;
- 2. Partial Endorsement** - Pay to X Rs. 5000/-only;
- 3. Conditional Endorsement** - Pay to X when he completes graduation;
- 4. Sans-recourse Endorsement** - Pay to X without recourse to me;
- 5. Facultative Endorsement** – express words to enhance or reduce his liability ;
- 6. Forged Endorsement** – endorsement made by person other than holder of the instrument. Paying Banker gets protection u/s 85(1) provided it is regular;
- 7. Endorsement by minor;**
- 8. Negotiation Back in Favour of Endorser -**
- 9. Negotiation Back in favour of drawer** – No further endorsement
- 10. Endorsement of bearer instrument**

Examples of Regular Endorsement

Payee	Signatures	Regular or Irregular
Anubhav	ANUBHAV	NO
Anubhav	Anubhav	YES
Captain Gill	Gill	YES
Captain Gill	Captain Gill	NO
Dr. Abha	Abha	YES
Miss Arti Goel (Now Arti Bansal)	Arti Bansal nee Arti Goel	YES
Neeraj & Raj	Neeraj, Raj (in different Handwriting)	YES
Zee Telefilms Ltd	For Zee Telefilms Ltd sd/Ashok Authorised Signatory	YES
Mrs. Arun Gupta	Abha (wife of Arun Gupta)	YES

When a cheque cannot be endorsed?

- **Account Payee Cheque.**
- **Restrictive Endorsement.**
- **Negotiation Back to Drawer**

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
17	<p><i>Ambiguous instruments – Where the instrument is drawn in such a manner that it can be construed both as PN or BE.</i></p> <p>In the following cases, the instrument is taken as ambiguous;</p> <p>(a) Where drawer and drawee are the same person.</p> <p>(b) Where drawee is a fictitious person.</p> <p>(c) Where drawee is a person incapable of entering into a contract.</p>
18	<p><i>Difference in amount in words and figures. Amount in words to be paid.</i></p>
20	<p><i>Inchoate stamped instruments –Holder has implied authority to complete the instrument.</i></p> <p><i>An inchoate instrument is an incomplete instrument which is legally valid i.e bears the signatures, but some features are incomplete.</i></p>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
21	<i>At sight , on presentment and after sight defined</i>
22	<i>3 days of grace are allowed on an Usance Bill of Exchange /Promissory Note.</i>
23,24	<i>Calculation of maturity date of BOE/Promissory Note after so many months or date.</i>
25	<i>When a BOE/PN matures on a holiday –due date on the next preceding working day .</i>
26	<i>A minor can draw, endorse and deliver and negotiate a negotiable instrument so as to bind all parties except himself.</i>
27,28,29	<i>Status of agent , powers & restrictions , liabilities of agent and legal representative.</i>
30	<i>Liability of the drawer to pay where presented , defined.</i>

FEATURES OF BILL OF EXCHANGE

- 1. The order to pay a bill must be unconditional one.**
- 2. The order to pay must be made in writing on the bill.**
- 3. The bill must be signed by the drawer of the bill.**
- 4. The order to pay under a bill must be addressed to a certain person which includes individuals, firm, company, etc.**
- 5. The amount to be paid under a bill must be certain one.**
- 6. The money under a bill must be paid in legal tender currency.**
- 7. The amount should be payable either on demand or at a fixed determinable future time.**
- 8. The bill must be duly stamped.**
- 9. A bill of exchange like a promissory note may be written in any language.**

Specimen of a bill of exchange

Rs. 30,000

November 30, 1997

Two months after date pay to Mr. kamal Akmal or his order the sum of Rs. thirty thousand only, for value received.

To
Mr. Rashid Ahmad

Sd
Mr. Hamid Zafar

RULES FOR DUE DATE CALCULATION

- **Demand bill is payable on demand or at sight.**
- **Usance bill should be presented for acceptance within a reasonable time.**
- **The drawee is allowed 48 hours excluding public holiday to accept the bill.**
- **If a usance bill is payable after date, its due date is calculated from date of the bill and if it is payable after sight, its due date is calculated from date of acceptance.**
- **3 days grace period is given to every Usance Promissory Note or BOE.**
- **Where the due date is already given by the drawer, no grace period to be given.**
- **Instruments payable in installments, the days of grace are to be allowed for each installment .**

RULES FOR DUE DATE CALCULATION

- **When the maturity date is a public holiday.**
- **As per sec 25 of N I Act, such instrument be payable on the next preceding business day i.e. the previous business day .**
- **Declaration of Public Holiday: u/s 25 of N I Act 1881 , the public holiday includes Sunday and any other day declared by the Central Govt. by notification in the Official Gazette (This power has been delegated to state government).**

CALCULATION OF DUE DATE

Date of bill	Presented on	Accepted on	Payment terms	Due date
26.02.16	27.02.16	28.02.16	30 days after acceptance.	01.04.16
26.12.15	26.12.15	28.12.15	45 days after date.	12.02.16
20.12.15	21.12.15	23.12.15	1 month after sight.	25.01.16
26.02.16	27.02.16	28.02.16	3 months after acceptance.	31.05.16
26.12.15	26.12.15	28.12.15	2 months after date.	29.02.16

NEGOTIABLE INSTRUMENTS ACT, 1881

Sec.	Important contents relating to
31	<i>Banker's obligation to pay cheque & compensate drawer for wrongful dishonour (provided- sufficient funds are available; funds are meant for payment; proper demand).</i>
32	<i>Liability of maker of note and acceptor of a bill.</i>
33	<i>Several drawees of a bill. Not to be considered partners.</i>
35	<i>Liability of endorser-to compensate holder of dishonour.</i>
36	<i>Liability of prior parties to holder in due course.</i>
37	<i>Liability of maker, drawer (of BOE) till accepted and acceptor, is that of principal.</i>
38	<i>Prior party , a principal to subsequent parties.</i>
40	<i>Discharge of endorser's liability.</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
41	<i>Liability of acceptor in case of forged endorsement</i>
42	<i>Acceptance of bill drawn in fictitious name</i>
43	<i>NI without consideration</i>
44 & 45	<i>Partial absence of consideration , partial failure of money consideration and consideration not consisting of money</i>
45A	<i>Holder's right to obtain a duplicate of lost bill. Drawer can be compelled to do so.</i>
46	<i>Delivery and its status in negotiation</i>
47	<i>Negotiation by delivery –bearer instruments</i>
48	<i>Negotiation by endorsement – order instrument</i>
49	<i>Conversion of blank to full endorsement</i>
50	<i>Effect of endorsement –transfer of property in the instrument with right to further negotiate.</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
51	<i>Who can negotiate –sole maker, drawer, payee, endorsee</i>
52	<i>Sans recourse endorsement or conditional endorsement</i>
53	<i>Holder deriving title from Holder in due course</i>
54	<i>Endorsement in blank</i>
55	<i>Conversion of blank endorsement into endorsement in full</i>
56	<i>Endorsement for part of the sum due</i>
57	<i>Endorsement by a deceased person and delivery by legal heir does not complete negotiation</i>
58	<i>Instrument obtained by unlawful means/consideration –no title passes</i>
59	<i>Instrument acquired after dishonour or when overdue. Remedy available on accommodation bill or promissory note</i>
60	<i>Instrument negotiable till payment or satisfaction</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
61	<i>BOE-presentment for acceptance at acceptors' place</i>
62	<i>Presentment of promissory note for sight</i>
63	<i>Drawer to be allowed 48 hours to accept</i>
64	<i>Presentment for payment essential</i>
65	<i>Presentment for acceptance to be made during the usual business hours</i>
66-77	<i>Presentment of instruments in various situations</i>
78	<i>Payment to be made to holder to get discharge</i>
79	<i>Interest rate when specified from date of instrument</i>
80	<i>If no interest rate mentioned in the Promissory Note, interest @ 18% p.a.is to be paid</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
82-83	<i>Discharge from liabilities –by cancellation, release & payment and allowing more time than 48 hours to accept.</i>
84	<i>When cheque not duly presented and drawer damaged thereby</i>
85-1	<i>Paying banker protected by payment in due course of an order cheque which is properly endorsed by the payee or his agent</i>
85-2	<i>Protection to paying banker in case of a bearer cheque</i>
85-A	<i>Protection to paying banker in case of Bank drafts</i>
87	<i>Material alteration renders N.I. void</i>
88	<i>Acceptor/endorser bound notwithstanding previous alternation</i>
89	<i>Protection to paying banker for materially altered instrument</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
91	<i>Dishonour by non-acceptance of BOE</i>
92	<i>Dishonour by non-payment</i>
93	<i>Dishonour –notice by whom and to whom</i>
98	<i>When notice of dishonour not necessary</i>
99	<i>Noting –must for foreign instruments</i>
100	<i>Protest –must for foreign instruments</i>
101	<i>Protest –contents ,notice , foreign bill</i>
105-107	<i>Reasonable time –for presentment , dishonour and transmission of notice</i>
108-112	<i>Acceptance for honour and liability of acceptor for honour</i>
113-116	<i>Payment for honour and drawee in case of need</i>

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
117	<i>Rules for compensation for dishonor</i>
118-119	<i>Presumptions with regard to NIs</i>
120-122	<i>Estoppels – validity , capacity of payee, signature of payee</i>
123	<i>General Crossing – Crossing means two transverse lines on the face with or without words such as & Co, not negotiable, payee's a/c only, etc. Crossing is applicable in case of cheque & DD only.</i>
124	<i>Special Crossing – When a cheque bears across its face name of a Bank, with or without words (lines not essential)</i>
125	<i>Who can cross- drawer, holder, banker;</i>

CROSSING – GENERAL/SPECIAL

Specimen Of General Crossing

& Co.

A/C. PAYEE

NOT NEGOTIABLE

www.fingyan.com

Specimen Of Special Crossing

STATE BANK OF INDIA

STATE BANK OF INDIA
A/C. PAYEE

STATE BANK OF INDIA
NOT NEGOTIABLE

www.fingyan.com

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
126-127	<i>Payment of cheque crossed generally or specially</i>
128	<i>Payment in due course of crossed cheques</i>
129	<i>Paying banker liable to the true owner for loss when payment not made in due course</i>
130	<i>“Not Negotiable “ crossing –transferee does not get better title than that of transferor. If XYZ receives a cheque without consideration his title is defective, when he endorses it the endorsee does not get a better title even if he paid the value</i>
131	<i>Protection to collecting bank for crossed cheques;</i>
131-A	<i>Protection to collecting Bank for crossed bank drafts</i>

Protection is granted only if –

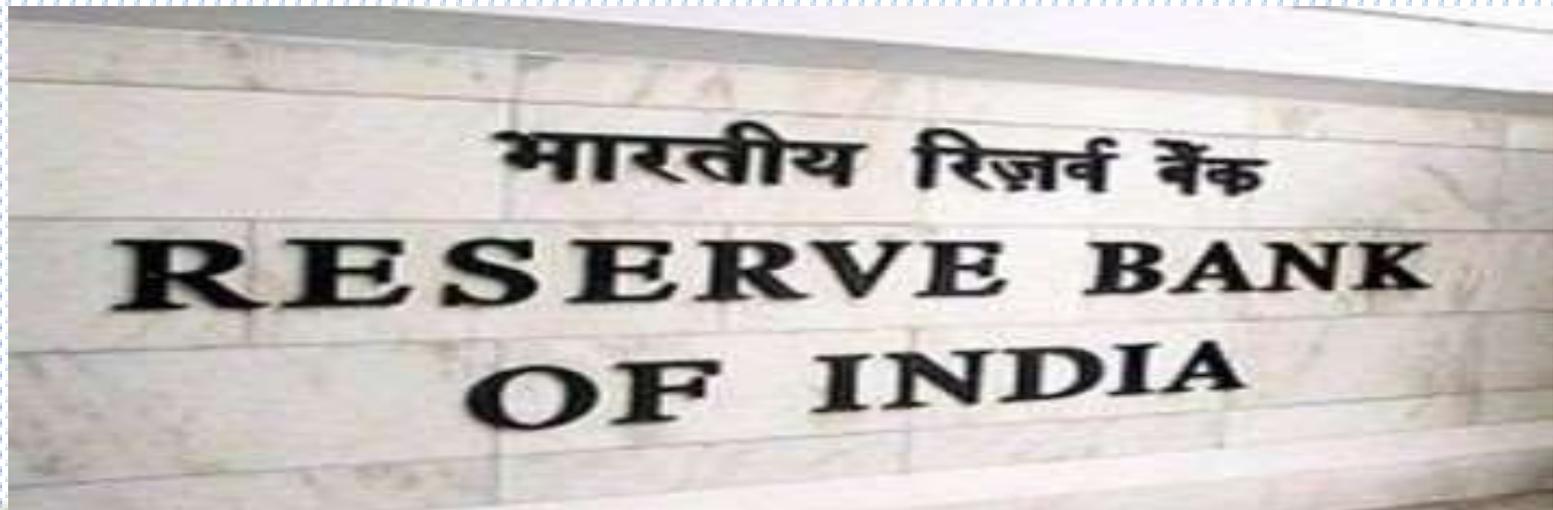
- Collection is in Good Faith and without Negligence.**
- Payment is received for a customer.**
- Cheque is generally or specially crossed.**

NEGOTIABLE INSTRUMENTS ACT, 1881

Sections	Important contents relating to
134-137	<i>International law.</i>
138	<i>Drawer's liability for cheque returned unpaid for insufficient funds.</i>
139	<i>Unless proved otherwise , it will be presumed that the cheque has been issued for the discharge of debt /liability.</i>
140	<i>The drawer cannot plead that he did not expect the cheque to be dishonoured.</i>
141	<i>Offences by companies.</i>
142	<i>Cognizance of offences.</i>
143	<i>Power of courts to try cases summarily.</i>
144	<i>Mode of service of summons.</i>
145	<i>Evidence of affidavit.</i>
146	<i>Bank slip prima facie evidence of certain facts.</i>
147	<i>Offences to be compoundable.</i>



RESERVE BANK OF INDIA ACT, 1934



Reserve Bank of India Act, 1934

- ❖ On recommendation of **John Hilton Young Commission, 1926** also called **Royal Commission**;
- ❖ Enacted on **06th March 1934**. It has **58 sections**;
- ❖ RBI was established on **01st April 1935** under **RBI Act, 1934**;
- ❖ RBI was nationalised on **01.01.1949**;
- ❖ RBI is managed by **Central Board of Directors**;
- ❖ There are **4 boards** at **Kolkata; Mumbai, Delhi and Chennai**;
- ❖ It has **1 Governor + 4 Dy. Governor + 15 directors**.

FUNCTIONS OF RBI

- **Issuance of Currency** – U/s 22 of RBI Act. RBI is the authority to issue currency called “**Bank Notes**”. Rs. 1 note is called **currency note** issued by CG and signed by Finance Secretary.
- **Banker to Govt**– RBI to transact business for Central Government (Section 20) and transact business for State Government (section 21).
- **Banker's Bank**– RBI works as a central bank where commercial banks are account holders. It is the duty of the RBI to control the credit through the CRR, bank rate and open market operations.

FUNCTIONS OF RBI

- ❖ **Controller of Banks** – Issues license to entities intending to do Banking business; It exercises control over business and also Management.
- ❖ **Controller of Credit**– U/s 21 and 35a, RBI can fix Bank Rates and exercise selective control. Change CRR, directed credit guidelines.
- ❖ **Statutory Reserves**– Statutory Liquidity Ratio (SLR) & CRR is determined by Reserve Bank of India maintained by banks in order to control the expansion of bank credit.

FUNCTIONS OF RBI

- ❖ **Collection of information** – about the borrowers enjoying credit facility of Rs. 10 lacs and above (Secured) and Rs. 5 lacs and above (unsecured).
- ❖ **Maintenance of External Values**—
Maintain internal and external value of Rupee. Maintain foreign reserves.
Regulate FEMA .

IMPORTANT PROVISIONS OF RBI ACT, 1934

- ❖ **Section 2(e)** – Scheduled Bank means a Bank whose name is included in 2nd schedule of RBI Act, 1934.
- ❖ **Section 17** – Defines various types of business which RBI may transact- which includes acceptance of deposit from CG/SG without interest. Sell purchase Foreign Exchange, bills of exchange and promissory notes.
- ❖ **Section 18** – RBI provides emergency loans to Banks on liberal terms against promissory notes.
- ❖ **Section 19** – Describes business, which **RBI cannot do**; - Trade, buy shares, make loans or advances, allow interest on deposits and current accounts.
- ❖ **Section 20** – Banker to Govt. Performs various functions of Govt. Manages public debt of the Government.

IMPORTANT PROVISIONS OF RBI ACT, 1934

- Section 21 – RBI has right to transact Govt. Business i.e remittance, exchange, keeping interest free deposit.
- Section 22 – Sole right to issue Bank Notes.
- Section 23 – Bank Notes shall be issued by Issue Department of RBI.
- Section 24 – Denomination of notes:- 2,5,10,20,50,100,500,1000,5000,10000 or of such other denominational values, not exceeding ten thousand rupees. Central Government may direct discontinuance of any denomination note.
- Section 26 – Bank notes will be legal tender and shall be Guaranteed by the Central Government.

IMPORTANT PROVISIONS OF RBI ACT, 1934

- Section 27 - The Bank shall not re-issue bank notes which are torn, defaced or excessively soiled.
- Section 28 – RBI to frame rules for refunding of mutilated, soiled, imperfect notes.

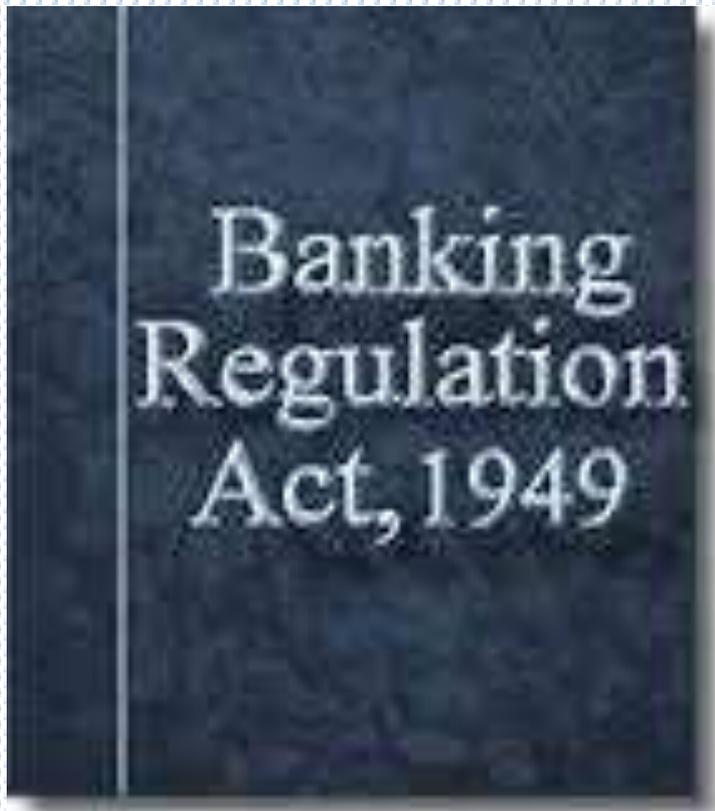
Neither the special bank notes “rupee coin” nor the one rupee notes shall be legal tender in India.

- Section 29 – Bank note shall be exempted for the purpose of stamp duty.
- Section 31 – Prohibits issue of Promissory Note payable to bearer. No person other than GOI or RBI shall draw, accept or issue Promissory Note payable to bearer.
- Section 33 – Assets of Issue department shall consist of Gold, Bullion to such aggregate amount as is not less than the total of the liabilities of the Issue Department and on value not less than Rs. 200 crores.

IMPORTANT PROVISIONS OF RBI ACT, 1934

- Section 42 – CRR of SCB to be kept with RBI as daily balance.
- Section 42(c) – RBI is empowered to add or delete the name of any bank from 2nd schedule of RBI Act, 1934; (at present 227 banks are there in 2nd Schedule).
- Section 45A to F – Empowers RBI to collect credit information (Secured credit of 10 lacs and above and unsecured credit of 5 lacs and above). It also collects details of all doubtful, loss and SF a/cs and circulates it amongst Banks;
- Section 45H to T – Relates to NBFCs;
- Section 49 – Announce Bank rates.

BANKING REGULATION ACT, 1949



Banking Regulation Act, 1949

- **Banking Companies Act** came into force w.e.f 16.03.1949 and changed to **Banking Regulation Act, 1949** w.e.f. 01.03.1966.
- **It was made applicable in J & K w.e.f. 1956.**
- **TOTAL 56 sections in Banking Regulation Act.**

Banking Regulation Act, 1949

- Section 5(a) – Meaning of **APPROVED SECURITIES**- securities authorized by Central Government.
- Section 5(b) – Definition of **BANK** – Accepting deposits of money from public for the purpose of lending or investment, which is repayable on demand or otherwise and withdrawable by cheque, drafts, order or otherwise.
- Section 5(f) – Definition of **DEMAND** Liability – Liability which must be met on demand and **TIME** liability are those which are not demand liability.
- Section 5n – **Secured Loan** means loan made on security of asset, the market value of which is **NOT** less than value of loan at any point of time.

Banking Regulation Act, 1949

- **Section 6-1** – A banking company may be engaged in accepting deposits, borrowing money, lending money, dealing in bills, collection of bills, buying, selling FE, lockers, BG/LC/TC.
- **Section 6-2** –**Restriction on business-** No banking Co will engage in any business other than mentioned in Section 6-1.
- **Section 7** –Use of Word **Banking-** For Companies carrying on business of Banking shall have to use at least one word- Bank, Banking , Banking Company in its name.
- **Section 8** – Restriction on business of trading of Goods.

Banking Regulation Act, 1949

- **Section 9** – Banks are prohibited from holding any immovable property for a period not exceeding 7 years. (extendable by 5 years by RBI).
- **Section 10** –Prohibition on employment of CMD, ED for more than 5 years.
- **Section 11&12** –Paid up Capital Minimum Rs. 5 lacs for domestic Banks and Rs. 10 lacs for Foreign Banks.
- **Section 13** – Not to pay commission or brokerage, discount more than 2.5% value of shares.
- **Section 18** – CRR – Non-scheduled Banks to maintain CRR of 3% of Demand and Time Liability.

Banking Regulation Act, 1949

- Section 19-2 – Cannot hold shares either by way of pledge, mortgage or absolute owner of any amount more than 30% of its own paid up share capital; or 30% of paid up share capital of that company.
- Section 20 – Bank cannot sanction loan against its own shares.
- Section 21 – Control over Advances – RBI can issue directions in respect of policy for advances.
- Section 22 – Licensing of Banking Companies.
- Section 23 – New Branch Licensing or shifting of existing branches.

Banking Regulation Act, 1949

- **Section 24** – SLR – each bank to maintain minimum 0% and maximum 40% of Demand and time liability.
- **Section 26** –Return of more than 10 years unclaimed deposits to RBI within 30 days from the close each calendar year.
- **Section 29** –Each bank to publish its Balance-sheet as on last working day of March every year.
- **Section 30-I** – Balance-sheet to be got audited.
- **Section 35** – RBI is authorized to undertake inspection of Banks.

Banking Regulation Act, 1949

- Section 45Y – Preservation of records- as per the directives issued from time to time.
- Section 45ZA to ZF – Regarding nomination facility.
- Section 45Z – Return the paid instrument to the customer by keeping a photocopy of the document. Customer to give an undertaking to preserve the document for a period as advised by Central Government.

Indian Contract Act, 1872



POLLOCK & MULLA

THE
**INDIAN
CONTRACT**
ACT, 1872

Updated
14th Edition

Nilima Bhadbhade
IIS Law College, Pune

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Indian Contract Act, 1872

- ❖ **Commencement** - It came into force w.e.f. 1st September, 1872. It extends to the whole of India.
- ❖ **Sections** – Originally it had 266 sections; At present there are 75 sections.
- ❖ **Section 2 (h)**- Defines contract as an agreement which is enforceable by law.
- ❖ **Section 2 (e)**- Defines agreement as every promise and every set of promises, forming consideration for each other.

Indian Contract Act, 1872

Meaning or definitions of various terms:-

- ❖ PROPOSAL - When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to have made a proposal.
- ❖ PROMISE - When a person to whom the proposal is made, signifies his assent, the proposal is said to be accepted.
- ❖ A proposal, when accepted, becomes a promise;
- ❖ PROMISOR - The person making the proposal is called the "promisor".
- ❖ PROMISEE - The person accepting the proposal is called "promisee".

Indian Contract Act, 1872

- ❖ **CONSIDERATION**- When, at the desire of the promisor, the promisee or any other person has done or abstained from doing or promises to do or to abstain from doing, something, such act or abstinence or promise is called a **consideration for the promise**.
- ❖ **AGREEMENT**- Every promise OR set of promises, forming the consideration for each other, is an **agreement**.
- ❖ **RECIPROCAL PROMISES**- Promises which form the consideration or part of the consideration for each other, are called **reciprocal promises**.
- ❖ **CONTRACT** An agreement enforceable by law is a **contract**.

Indian Contract Act, 1872

ESSENTIALS OF A VALID CONTRACT- (Sec 10)

- Proper offer and proper acceptance;
- Lawful consideration: i.e something in return;
- Competent to contract or capacity;
 - ✓ Major
 - ✓ Sound Mind
 - ✓ Not disqualified by law i.e not insolvent
- Free Consent;
- Lawful object and Agreement;
- Agreement not declared illegal or void;
- Intention to create legal relationship.

Indian Contract Act, 1872

- ❖ **VALID CONTRACT**- An agreement which is enforceable by law.
- ❖ **VOID**-An agreement not enforceable by law is **void**; A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.
- ❖ **VOIDABLE CONTRACT**- An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a **voidable contract**.
- ❖ **ILLEGAL CONTRACT**- A contract is illegal if it is forbidden by law. These are void-ab-initio.
- ❖ **UNENFORCEABLE CONTRACT**- Contract is otherwise OK, but because of some technical reasons it is not enforceable.

Indian Contract Act, 1872

Clause 10: What agreements are contracts?

- All agreements are contracts if they are made by:
 - the free consent of parties competent to contract;
 - for a lawful consideration; and
 - with a lawful object, are not hereby expressly declared to be void.

Indian Contract Act

Clause 11: Who are competent to contract?

Every person is competent to contract who is:-

- Major;
- Sound mind; and
- Not disqualified from contracting by any law.

Indian Contract Act

- Clause 73.
- Compensation of loss or damage caused by breach of contract.
- When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby.

INDIAN PARTNERSHIP ACT, 1932

The Indian Partnership Act, 1932



Indian Partnership Act, 1932

- Indian Partnership Act, act came into existence w.e.f 1st October 1932.
- **U/s 4 – A partnership is a relationship between 2 or more persons, who agree to share the profits of the business carried on by all or any of them acting for all.**
- To enter into a partnership, there has to be a contract, which may oral or written- **called Partnership Deed.**
- Number of Partners – Max 100, as per Indian Cos Act, 2013, if more than 100 then it is an illegal entity.

Indian Partnership Act, 1932

➤ Who can be partners:-

- Persons having legal capacity to contract. Joint stock company can be partner

➤ Who cannot be a partner?

- Minor, insolvent, insane, alien enemy, HUF, NBFC; (minor can be inducted for the benefits only)

➤ What is the relationship of partners?

- The firm is not a separate legal entity. The partners are both – Agent and Principal and also act as agent of each other;

Indian Partnership Act, 1932

Liability of partners:-

- Unlimited, they are jointly and severally liable for all debts of the firms.

Powers of Partner

- Partners to sign as 'for and on behalf of xyz' to bind the firm. In case of signing any guarantee on behalf of the firm, all partners should sign.

Registration of firm – Now mandatory.

Indian Partnership Act, 1932

Bank Accounts of Partnership firm:-

- Account should be opened in Firm's name;
- Signature of all partners;
- Operational instructions; and Authority to withdraw;
- Instructions regarding 3rd party mandate;
- Partner cannot delegate;
- Cheques in f/o firms;
- Stop payment;
- Death of partner;

Indian Partnership Act, 1932

OPERATIONS IN PARTNERSHIP ACCOUNTS	
CREDIT BALANCE	DISPOSAL OF BALANCE
DEATH, INSANITY (If the business is to be closed)	BALANCE PAYABLE TO THE REMAINING PARTNERS AND LEGAL HEIRS OF THE DECEASED
If the business is to be continued	FRESH MANDATE FROM THE REMAINING TO BE OBTAINED
ON ADMISSION OF NEW PARTNER	OPERATIONS TO BE CONTINUED AFTER OBTAINING SIGNATURES OF NEW PARTNER AND EXISTING PARTNERS AND RECORDING DATE OF HIS ADMISSION
ON RETIREMENT OF EXISTING PARTNER	HIS NAME TO BE DELETED WITH THE CONSENT OF ALL THE OTHER PARTNERS AND ACCOUNT CONTINUED
INSOLVENCY	OPERATIONS IN THE ACCOUNT TO BE STOPPED AND SUBSEQUENTLY ALLOWED JOINTLY WITH THE OFFICIAL RECEIVER OR ASSIGNEE FOR WINDING UP THE AFFAIRS

Indian Partnership Act, 1932

OPERATIONS IN PARTNERSHIP ACCOUNTS	
DEBIT BALANCE	DISPOSAL OF BALANCE
DEATH, INSOLVENCY OR LUNACY, INSANITY	STOP OPERATIONS IN THE ACCOUNT TO AVOID CLAYTON'S RULE. BALANCE CONFIRMATION TO BE OBTAINED FROM LEGAL HEIRS IN CASE DEAD TO BE MADE LIABLE.
ON ADMISSION OF NEW PARTNER	OBTAIN BALANCE CONFIRMAION LETTER, SIGNAUTRES AND RECORD DATE OF HIS ADMISSION BEFORE ALLOWING OPERATIONS IN THE ACCOUNT
ON RETIREMENT OF EXISTING PARTNER	HIS NAME TO BE DELETED WITH THE CONSENT OF ALL THE OTHER PARTNERS AND ACCOUNT CONTINUED AFTER OBTAINING BALANCE CONFIRMATION LETTER FROM THEM.

COMPANIES ACT, 2013

COMPANIES (AMENDMENT) ACT, 2015



Companies Act, 2013

- **Implemented w.e.f. 01.04.2014**
- **It recognises a joint stock company as a legal person;**
- **Different types of companies**
 - Private Limited Company**
 - Public Limited Company**
 - Government Company**
 - One Person Company**
 - Associate Company**
 - Small Company**
 - Section 8 Company**

PRIVATE LIMITED COMPANY

➤ Members;

Min. – 2 members

Max. - 200 members.

➤ Shares are not offered to public.

➤ Transfer of shares is restricted. (Closely held shares).

➤ No of Directors;

Min- 02

Max - no ceiling

➤ Minimum Paid-up Capital - Rs. 1,00,000/-

(As per Companies (Amendment) Act, 2015, paid-up share capital of one lakh rupee or such higher paid-up share capital as may be prescribed is omitted now).

PUBLIC LIMITED COMPANY

- **Shares are offered to the public & are listed on stock exchange.**
- **Members –Min. 7 & Max – No limit**
- **Directors – Min 3 & Max. no limit (Board of directors permission required for more than 15)**
- **Certificate of commencement of business is must to do any type of business.**
- **Minimum paid-up capital of Rs. 5,00,000/-.**

(As per Companies (Amendment) Act, 2015, paid-up share capital of five lakh rupee or such higher paid-up share capital as may be prescribed is omitted now).

GOVERNMENT COMPANY

“Government company” means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

ONE PERSON COMPANY

- **One-person company:** The 2013 Act introduces a new type of entity to the existing list i.e. apart from forming a public or private limited company, the 2013 Act enables the formation of a new entity a 'one-person company' (OPC).
- **An OPC means a company with only one person as its member [section 3(1) of 2013 Act].**

IMPORTANT DOCUMENTS OF LIMITED COMPANY

1. Certificate of Incorporation : Issued by Registrar of Companies. It is conclusive proof for incorporation of the company & compliance of all formalities by promoters.

2. Certificate of commencement of business : Certificate of commencement of business is not required by Private Ltd. Co. as it's shares are closely held & it can commence business on it's incorporation.

IMPORTANT DOCUMENTS OF LIMITED COMPANY

3. Memorandum of Association – Company's fundamental & unalterable law. Embodies Company's name, Authorized capital, Objectives of the company, Liability of share holders.

4. Article of Association – Regulations controlling internal management of the company. Rights & powers of the Directors, rules about conduct of company meetings & business, Procedure for borrowing & limit on borrowing etc.

IMPORTANT DOCUMENTS OF LIMITED COMPANY

- **Copy of Board Resolution**– Certified copy of Board Resolution authorizing to borrow from the Bank with details of limit, security etc., Persons who are authorized to sign the security documents & operate the Bank Account, persons in whose presence Seal of the company will be affixed to the security documents.
- **Company common Seal**- Common seal of company if any, may be embossed on bank`s documents. **(As per Companies (Amendment) Act, 2015, Common seal of company is not compulsory now).**

IMPORTANCE OF REGISTERED OFFICE OF THE COMPANY

- **It is the address at which all the documents & notices may be served upon the company.**
- **Cheques favouring company are not to be credited to the personal accounts of the Directors or other officers of the company.**

LIMITED LIABILITY PARTNERSHIP ACT, 2008



LIMITED LIABILITY PARTNERSHIP ACT, 2008

- **This act was introduced w.e.f 01.04.2009.**
- **It combines the advantage of running a partnership and separate legal entity status and limited liability aspect of a Company.**
- **Minimum 2 Partners. No Maximum limit.**
- **ROC has Jurisdiction over the incorporation of LLP.**
- **LLP is legal entity separate from its partners. It can own assets in its own name and sue and be sued.**
- **It has perpetual succession i.e death of a partner does not effect the existence of LLP.**

LIMITED LIABILITY PARTNERSHIP ACT, 2008

- **Partners have right to manage the business directly whereas in a Company shareholders do not.**
- **Partners are not liable for the acts of others partner's act.**
- **Liability of partner is limited to the extent of his share in the LLP. No exposure of personal assets of the partners.**
- **The rights and duties of the partners are governed by Agreement.**
- **LLP cannot raise funds from public.**
- **Any act of the partner without the consent of the other may bind LLP.**

THANKS