DIFFERENT TYPES OF CHEQUE

OPEN CHEQUE

- Cash payment is allowed across the counter of bank.

BEARER CHEQUE

- A cheque which is payable to any person who hold and present it for payment at the bank counter is called Bearer cheque.
- Bearer cheque can be negotiated by mere delivery.
- A bearer cheque can be transferred by mere delivery without any endorsement.

ORDER CHEQUE

- An order cheque is one which is payable to a particular person.
- The Payee can transfer an order cheque by endorsement to another person by signing his name on the back of the cheque.

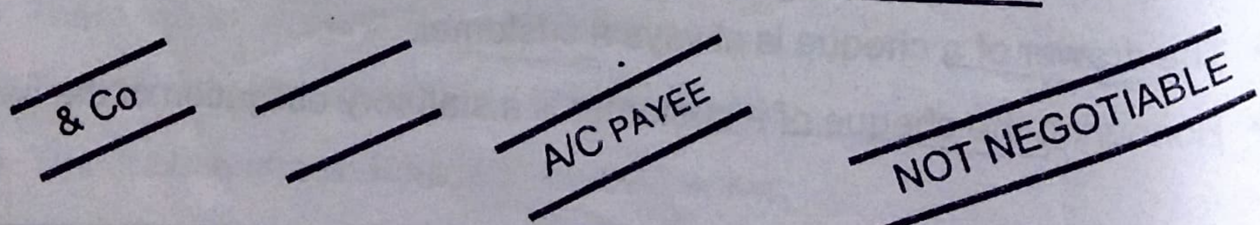
CROSSING OF CHEQUE

- Crossing is an instruction given to the paying banker to pay the amount of cheque through a banker only and not directly to the person presenting it at the counter.
- The crossing on a cheque is intended to ensure that its payment is made to the right payee.
- Section 123 to 131 of NI Act contains provisions relating to crossing.

GENERAL CROSSING

- When across the face of cheque two transverse parallel lines are drawn at the top left corner, along with the words & Co. between the two lines, with or without using the word not negotiable.

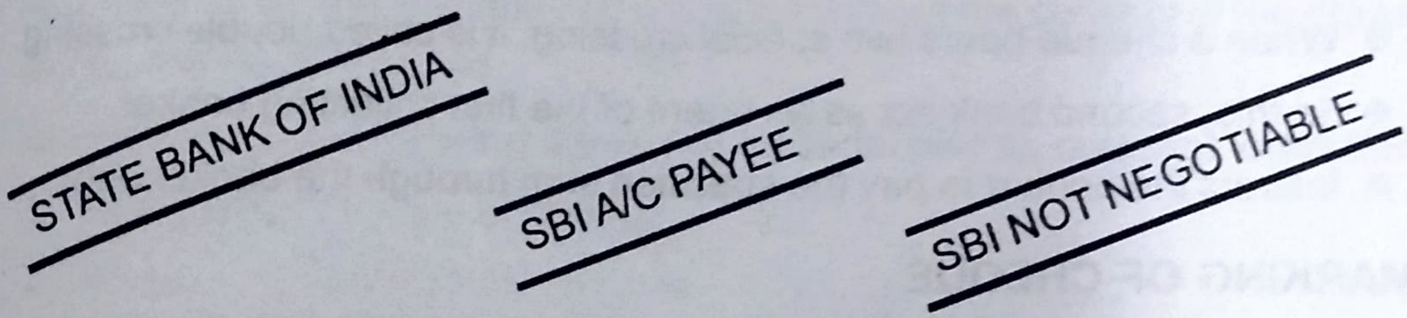
SPECIMEN OF GENERAL CROSSING



SPECIAL CROSSING

- The cheque bears across its face an addition of the banker's name, with or without the word "not negotiable".
- The paying banker will pay the amount of cheque only to the banker whose name appears in the crossing or to his collecting agent.

SPECIMEN OF SPECIAL CROSSING



GENERAL CROSSING	SPECIAL CROSSING
1. Two parrellel line is compulsory for general crossing	1. Two parellel line is not essential for special crossing, may or may not be used
2. The word 'And Company' may or may not be used in general crossing	2. The word 'And Company' must not be used in special crossing
3. The name of the collecting banker should not be written in general crossing	3. The name of the collecting banker should be inserted in special crossing
4. Safety of general crossed cheque is lesser	4. Special crossed cheque is more safer

- Two transverse lines are not necessary for a special crossing.
- The name of the banker must be necessarily specified across the face of the cheque.
- It must appear on the left hand side of the cheque.
- Specially crossed cheques are more safe than a generally crossed cheque.
- The safest form of crossing is account payee crossing.

- Crossing of a cheque is a direction to the paying banker.
- The practice of crossing a cheque was originated in England.
- Special crossing can never be converted to General Crossing.
- Opening of crossing means cancellation of crossing.
- Crossing of a cheque is tampered or interfered with is known as obliterating.

DOUBLE CROSSING

- When a cheque bears two special crossing, it is called double crossing.
- In this, second bank act as an agent of the first collecting banker.
- Instruct the banker to pay the specified sum through the banker only.

MARKING OF CHEQUE

- Marking of a cheque is done on the request of another banker.
- Marking of cheque means certifying a cheque "good for payment".
- In post dated cheque, marking is not valid.
- The drawer can't countermand the payment of a marked cheque.

POST DATED CHEQUE

- Cheque bearing a future date is post dated cheque.
- A bank cannot pass a post dated cheque.

ANTE DATED CHEQUE

- A cheque bearing a date prior to the date of drawing is ante dated cheque.

STALE CHEQUE

- A chqeue which is in circulation for more than 3 months.

WHO CAN CROSS A CHEQUE

As per Section 125 of the Negotiable Instruments Act 1881, the following persons are authorised to cross a cheque:

1. A cheque may be crossed by the drawer, or
2. 'Holder' of the cheque or
3. The collecting banker

OPENING OF CROSSING

* If the crossing on a cheque is cancelled, it is called opening of the crossing.
* Only the drawer of the cheque is entitled to open the crossing of cheque by writing the words, 'pay cash' and cancelling the crossing along with full signature of the drawer.

MATERIAL ALTERATION

* Any material alteration made in the cheque without the consent of the drawer makes the cheque invalid.
* **Alteration of the following items will be regarded as material alteration:**
  1. Alteration of the date of cheque
  2. Alteration of the amount payable
  3. Alteration of the name of the payee
  4. Alteration of crossing
  5. Alteration of place of payment
  6. Alteration of the word 'or order' or 'or bearer'

  (All material alterations should be supported by the full signature of the drawer)

IMMATERIAL ALTERATION

* Alteration does not affect the fundemental character of the cheque, it is called immaterial alteration.
* **Examples of Immaterial Alteration:**
  1. Altering a bearer cheque into order cheque.
  2. Alteration made with the consent of parties.
  3. Altering a generally crossed cheque into specially crossed cheque.
  4. The drawer of cheque omits to use the word 'or order' in the cheque.

PROMISSORY NOTE

* Promissory note is a Negotiable instrument.
* Promissory note is an instrument in writing containing an unconditional under-taking signed by the maker to pay certain sum of money only to or to the order of a certain person or to the bearer of the instrument.

* Promissory note deals in section 4 of Negotiable Instruments Act.
* Promissory note has 2 parties, Maker and Payee.
* Promissory note is made by a debtor.
* Liability of the maker of the Promissory note is primary and absolute.
* Promissory note is an unconditional undertaking or promise.
* Acceptance is not required in the case of Promissory notes.
* The drawer of a promissory note is generally known as maker.
* Affix of stamps are necessary in the case of Promissory notes.
* The payment of Promissory note is made by the maker.
* The days of grace for a Promissory Note is 3 days.
* Liability of the makers of the Promissory note is joint and several.

BILL OF EXCHANGE

* A bill of exchange is a credit instrument.
* It is a written acknowledgement of a debt given by one person to another.
* It is drawn by creditor upon his debtor.
* It directs the debtor to pay a certain sum of money on demand or on the expiry of a certain period.
* According to section 5 of the Indian Negotiable instruments Act 1881 a bill of exchange 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.

PARTIES TO A BILL OF EXCHANGE

* There are three parties to a bill of exchange:

  1. **Drawer:**

* The person who draws or writes the bill is called the drawer or maker.
* The drawer must be the seller or creditor to whom money is owing.

  2. **Drawee:**

* The drawee is the person on whom the bill is drawn.
* He is the purchaser or debtor who is ordered by the drawer to pay the amount.

3. Payee

- The person who has the right to receive the amount of the bill is called the payee.
- The payee may be a third person or the drawer himself.

ACCEPTANCE OF A BILL

- The act of giving consent to the bill by the drawee by putting his signature on the face of the bill with or without the word accepted is known as acceptance of a bill.
- A bill before acceptance is called a draft.
- After acceptance drawee can also be called Acceptor.

TERM OF BILL

- The term of a bill is the period for which the bill is drawn and accepted.
- It is the period between the date of drawing and date of maturity.
- The word tenor, usance etc. are also used to represent the period of the bill.

TIME BILL

- If a bill is payable on the expiry of a particular period of time, it can be called a time bill.

DEMAND BILL

- If a bill is payable on demand it becomes a demand bill.

DAYS OF GRACE

- Three extra days over the nominal due date legally given to the acceptor of a bill to make payment are called days of grace.

DATE OF MATURITY

- Maturity date or due date of bill of exchange is the date on which a Bill of Exchange becomes payable.
- While calculating the date of maturity three extra days called grace days are added to the period of the bill.

DISCOUNTING OF BILLS

- The process of encashing the bill before its maturity by outright sale to the bank for an amount lesser than the face value is called discounting the bill.

NEGOTIATION OF BILL

- Negotiation is the process of transfering a credit instrument through delivery or endorsement and delivery to a third person.

NOTING

- When a bill of exchange is dishonoured it is advisable to get the fact of dishonour recorded by the Notary Public.
- Noting is the act of recording the fact of dishonour of the bill by Notary Public.
- Notary Public is a person appointed by the court or Government for the purpose of recording the fact of dishonour of bills.
- Noting is compulsory in the case of foreign bills.
- The Notary Public charges certain remuneration for his service. It is called the noting charge.
- The amount of noting charge is paid by the holder of the bill eventually recovered from the acceptor. It is an expense to the acceptor.

PROTESTING

- After the bill of exchange has been noted, the notary public will issue a certificate attesting the dishonour of the bill based on the noting, such a certificate is called protest.
- When a Notary public is not available in any locality, the dishonour can be certified by any householder of the locality. This is called householders protest.
- Noting is not compulsory in the case of an inland bill but it is compulsory in the case of a foreign bill.

ENDORSEMENT

- Section 15 of NI Act defines endorsement.
- It is a guarantee by a bank conforming that it will uphold a cheque or other negotiable instrument.
- Endorsement is the legal process of negotiation of an order instrument.
- The person who endorses the negotiable instrument is called Endorser.
- The Person to whom it is endorsed is called Endorsee.
- Endorsement is derived from the Latin word Indorsum.
- Indorsum means 'on the back'.

KINDS OF ENDORSEMENT

1. BLANK ENDORSEMENT/GENERAL ENDORSEMENT

- The endorser, merely signs on the back of the instrument without mentioning the name of the person to whom the instrument is endorsed.

2. FULL ENDORSEMENT / SPECIAL ENDORSEMENT

- The endorser must sign on the back of the instrument by writing the name of the person to whom it is endorsed.

3. RESTRICTIVE ENDORSEMENT

- The endorser prohibit the further negotiation of the negotiable instrument by adding the word 'only'.

4. CONDITIONAL/QUALIFIED ENDORSEMENT

- As the name indicates, the endorser imposes a condition for the transfer of right to receive money on the instrument.

5. PARTIAL ENDORSEMENT

- It is an invalid endorsement in which only a part of the amount is ordered to be paid. If an endorsement is partly paid then it can be endorsed by balance amount.

6. SANS RE COURSE OR SANSWAIVE

- In this type of endorsement the endorser limit his liability as he will not be liable for the payment of bill, if the acceptor fails to pay it.

7. SANSFRAISE

- It means without expense, which means the endorser is liable for the amount of instrument only.

8. FACULTATIVE ENDORSEMENT

- Endorser writes 'notice of dishonour waived' after endorsement.

→ **Endorser :** The person who endorse the instrument.

→ **Endorsee :** The person to whom endorsement is made.

PER PRO ENDORSEMENT

- Per pro means signing documents 'on behalf of' some one

STATE BANK OF INDIA (SBI)

- On 1^{st} July, 1955, the Imperial Bank of India became the State Bank of India.
- Head quarters of SBI - Mumbai.
- The origin of the State Bank of India goes back to the establishment of the Bank of Calcutta, which was established on 2^{nd} June, 1806 and was re - designed as the Bank of Bengal on 2^{nd} January, 1806.
- The Bank of Bombay was established on 15^{th} April, 1840.
- The Bank of Madras was established on July 1843.
- Bank of Bengal, Bank of Bombay, Bank of Madras were known as Presidency Banks.
- The Presidency Bank Act came into operation on 1^{st} May, 1876.
- Three presidency banks were under a common statute with restrictions on business.
- These three banks were amalgamated as the Imperial Bank of India on 27^{th} January, 1921.
- Imperial Bank of India was nationalised on 1^{st} July, 1955 and renamed as SBI with initial share capital of 20 crores.
- On 2^{nd} June, 1956, other 8 state owned banks were nationalised and they are called associate banks.
- In 1959, the Government passed the SBI subsidiary Banks Act which made eight state banks as associates of SBI, they were;
  1. State Bank of Bikaner
  2. State Bank of Jaipur
  3. State Bank of Hyderabad
  4. State Bank of Mysore
  5. State Bank of Patiala
  6. State Bank of Travancore