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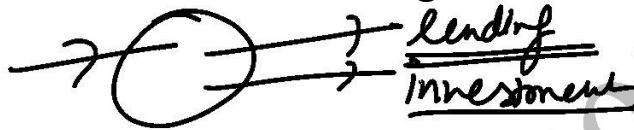
TRANSACTIONS **BANKER-CUSTOMER RELATIONSHIP**

MODULE A PPB Chapter 1 By Ashish Sir

BANKER

- Section 5b of BR Act defines Banking

Features



- Accepting deposits from public for lending and investment
- Repayable on demand or otherwise using cheques or cash

Functions:

- ✓ ○ Remittances
- ✓ ○ Lockers
- ✓ ○ Safe custody of articles
- ✓ ○ Forex
- ✓ ○ Discounting of Bills
- ✓ ○ Non Fund Based Credit facilities

loan

SP/CA/ID

D/AA

→ LC/BG/Co. acceptances

Obligations & Duties:

- Duty to honour cheques
- To maintain the secrecy of accounts

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CUSTOMER

- No legal definition available
- **Based on Judgements under Section 131 of NI ACT:** A customer is a person who to open account which bank accepts with proper introduction
- **As per KYC Guidelines:** A person who is engaged with a financial transaction or activity with a Bank/FI reporting entity and includes a person on whose behalf the person who is engaged in the transactions or activity.

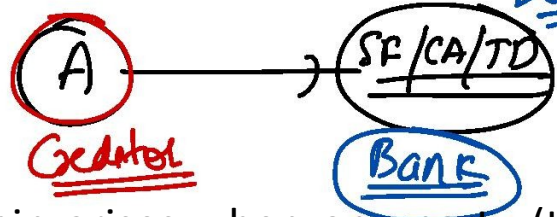
BANKER CUSTOMER RELATIONSHIP TERMINATES

- ~~When customer closes the account~~
- ~~When bank closes the account~~
- ~~With death, insanity and insolvency of the customer~~

देवाना

लेवाना

Debtor – Creditor



The debtor-creditor relationship arises when one party (the debtor) owes money, goods, or services to another party (the creditor).

SF → Banker - Customer
C - D

Customer - Banker
C - D

Bank as a Trustee



If a customer keeps certain valuables or securities with the bank for safe keeping or deposits money for a specific purpose the banker becomes a bailee also called as trustee.

[when a customer deposits a certain sum of money with banker with specific instructions to use the same for a specific purpose]



Bailee- Bailor

A bailee is a person or entity who temporarily holds the possession of someone else's property (known as the bailor) for a specific purpose and period of time. The bailor entrusts their property to the bailee, who has a duty to take reasonable care of the property.

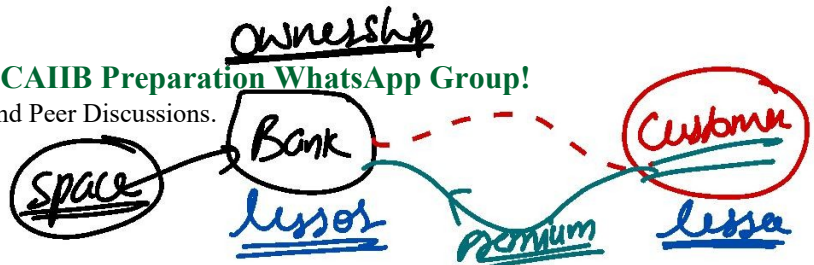


For ancillary services rendered by the bank like remittances, collection of cheques, bills etc. on behalf of the customer. The Bank is agent and customer is Principal.

E.g. for Standing instructions

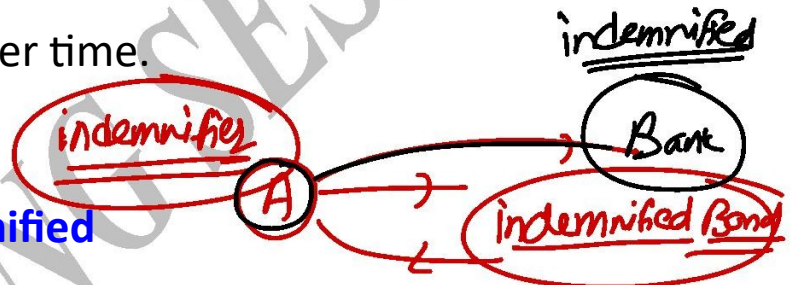
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Lessor Lessee



The **lessor** (often a bank or financial institution) owns the asset and provides it to the **lessee** (the customer or borrower) for use **in exchange for periodic lease payments.**

The **lessee gains the right to use the asset** without outright ownership, preserving liquidity and capital. Lease agreements may include operational leases (short-term use) or financial leases (long-term with ownership transfer options). This arrangement allows businesses to access expensive assets while spreading costs over time.



Indemnifier and Indemnified

The **indemnifier (customer)** agrees to compensate the **indemnified (bank)** for any loss, damage, or liability incurred due to specific acts or events. For example, when issuing a duplicate demand draft, the customer may provide an indemnity bond to protect the bank against claims if the original draft is presented. This ensures the bank is safeguarded from potential financial or legal repercussions.

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Relationship	Bank	Customer	Example
<u>Debtor-Creditor</u>	Debtor	Creditor	Customer deposits money in a <u>savings or fixed deposit account.</u>
<u>Creditor-Debtor</u>	Creditor	Debtor	Bank grants a <u>loan or overdraft facility</u> to the customer.
Trustee-Beneficiary	Trustee	Beneficiary	Bank acts as a trustee for a customer's <u>will or trust fund.</u>
<u>Agent-Principal</u>	Agent	Principal	Bank collects a cheque or bill on behalf of the customer.
Bailor-Bailee	Bailee	Bailor	Customer keeps valuables in a bank <u>locker</u> provided by the bank.
<u>Bailee-Bailor</u>	Bailor	Bailee	Bank lends pledged gold or documents to the customer for <u>temporary use.</u>
<u>Lessor-Lessee</u>	Lessor	Lessee	Bank leases equipment or property to the customer under a leasing agreement.
<u>Lessee-Lessor</u>	Lessee	Lessor	Customer leases property to the bank for branch operations.
<u>Indemnity Holder-Indemnifier</u>	Indemnity Holder (Indemnified)	Indemnifier	Customer indemnifies the bank when a <u>duplicate demand draft is issued.</u>
Guarantor-Beneficiary	Beneficiary	Guarantor	Customer provides a guarantee for a third party's loan from the bank.
<u>Custodian-Customer</u>	Custodian	Customer	Bank holds securities in a demat account for safekeeping.
<u>Advisor-Client</u>	Advisor	Client	Bank advises a customer on investment or wealth management strategies.

