

Introduction to Banking and Financial Laws

I. Subject Overview and Objective

The laws relating to banking and finance fields are so numerous and complex and legal professionals require life-time study and practice to master such laws. Therefore, banking and financial laws cannot be studied in one subject of short duration. The legal system, legal principles underlying financial transactions/ products, safeguards for financial transactions and legality of financial transactions are the common legal aspects relating to all financial business areas. All banking and finance professionals must be knowledgeable about these legal aspects in order for them to perform their duties in compliance with relevant laws and to seek expert legal advice in the event of complex legal circumstances confronting business operations. Therefore, this subject is designed to provide knowledge only on elements of legal foundation for banking and financial businesses. The salient features of important laws frequently applied on banking and finance are covered in other relevant subjects/courses in this programme.

II. Recommended Subject Coverage

- (a) Introductory Topics: Legal System in Sri Lanka (Sources of Law – Statutes, Roman Dutch Law, English Law and Customary Laws, Court System, Judicial Precedents, Interpretation of Statutes), Law of Contracts (Nature and characteristics of contracts, Formation of contracts, Vitiating elements in contracts, Termination of contracts)
- (b) Banker Customer Relationship: Definitions, Start and Termination of Relationship, Duties and Responsibilities of the Banker (including the duty of confidentiality) Duties and Responsibilities of the Customer, Banker's Role as agent, trustee and bailee, Succession (Nominations, Testate and Intestate Succession and Last Wills)
- (c) Negotiable Instruments: Definitions, Responsibilities of Parties and Cheques (Negotiability, Crossings, Conversion, etc.)
- (d) Electronic Transactions: Recognition of Electronic Transactions, Cheques Imaging and Truncation, Retail Payment Systems, Large Value Payment System and Scripless Securities
- (e) Securities: Types (Movable/immovable) and Securities Documentation
- (f) Debt Recovery: Mortgage Cases, Debt Recovery (Special Provisions) Act and Recovery of Loans by Bank (Special Provisions) Act
- (g) Consumer Protection: Statutory remedies, Common law remedies and Institutional/administrative arrangements
- (h) Know –Your –Customer (KYC) Requirements: Money laundering practices/typologies, Laws relating to anti-money Laundering and Combating Terrorist Financing Laws, Salient provisions of Financial Transactions Reporting Act, Financial Intelligence and procedures, KYC/CDD procedures and Global Standards and Monitoring (FATF Recommendations)