INTRODUCTION

• The Negotiable Instruments Act, 1881 is based upon English common law relating to promissory notes, bills of exchange and cheques.

• A negotiable instrument as “one the property which is acquired by anyone who take it bona-fide and for value notwithstanding any defect of title in the person from whom he took it.”
Promissory Notes

• An instrument (not being a bank note or a currency note) in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument.”

• Example
  – I promise to pay B or order $2,500
  – I acknowledge myself to be indebted to B in 2,500

Promissory Notes Payable on Demand

Stamp                                      October 5, 2013
USD500,000                                  
On demand I promise to pay Mr. Chhayada or order the sum of five hundred thousand dollar (US$500,000).

Signed  
Vivan Bathena
Promissory Notes Payable After Date with Interest

Stamp October 5, 2013
USD500,000

One month after I promise to pay Mr. Chhayada or order the sum of five hundred thousand dollar with interest at the rate of 12% per annum until payment.

Signed
Vivan Bathena

Promissory Note

Mr. ---------------------- agrees and do promise to pay ----------------------
------ a sum of USD 86,000 in 10 equal installments due at every 1st of month
starting from 01-Aug-2011.

Party 1
Name: ----------------------
Signature: ----------------------

Party 2
Name: ----------------------
Signature: ----------------------
Promissory note

For value received, the undersigned promises to pay to the order of BancZone, Inc.
the sum of:  *****Ten-Thousand and no/100 Dollars*****

Along with annual interest of 8% on the unpaid balance. This note shall mature and be
payable, along with accrued interest, on June 30, 20X8.

January 1, 20X8  
Issue Date

Oliva Zavala  
Maker signature

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Promissory Note Template

Promissory Note

Amount:  
Date:  
Place:  

I, Mr. ABC, make commitment to pay XYZ Company, the Sum of $___________.
Repayment is to be made in the form of 200 equal payments at the interest rate of 7.2% of $___________.
payable on the 10th of each month, beginning 10/01/2011 until the total
amount of debt is paid.

IN WITNESS WHEREOF, I set my hand under seal this ___ [the day] of ________________
[month], 20___ and I acknowledge receipt of a completed copy of this instrument.

Sign: [Signature of borrower]  
Notary Public - SEAL

Name & Address: [Party name]  
My Commission Expire ______/_____/______
Promissory Notes

Essentials of a promissory note:
• It must be in writing.
• There must be a promise to pay.
• The promise to pay must be unconditional
• It must be a promise to pay money only.
• The amount should be definite.
• The note must be signed by the maker.
• The person to whom the promise has been must be valid person. In this context a bearer is also a specific person – the person who bears the note at the time.

Bills of Exchange

• 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.”
Bills of Exchange
Payable to order on demand

Mumbai October 5, 2XXX

On demand please pay Mr. Bhattacharya or order the sum of Twenty Five Thousand dollar Only.

US$ 25,000
Mr. Parasuram Iyer  Tejas Shah
Pune
Bills of Exchange
Payable after a period of time

Mumbai October 5, 2XXX

Three months after sight pay Mr. Bhattacharya or order the sum of Twenty Five Thousand dollar Only.

US$ 25,000

Mr. Parasuram Iyer

Tejas Shah

Pune

Bill of Exchange

London, 31 January 2000

At 60 days after sight

to the order of Ourselves

the sum of US Dollars Two hundred and fifty thousand

for value Received

To:

Singapore Import Banking Company
Bank Street
Singapore

Drawn under UK Export Banking Company Ltd, Documentary Credit
 Nº 12345, Dated 29 September 1999

For and on behalf of:

UK Export Company Ltd

James Smith, Director
No: 16/VN-HM/2008

BILL OF EXCHANGE

FEB., 4TH 2008

For USD39,576.00
At sight of this FIRST Bill of Exchange (SECOND of the same tenor and date being unpaid) pay to the order of BANK FOR FOREIGN TRADE OF VIETNAM HANOI BRANCH the sum of: United States Dollars thirty nine thousand five hundred and seventy six only.

Value received as per our invoice(s) No (s) 16/VN-HM/2008
Dated FEB., 4TH 2008
Drawn under: WOORI BANK, SEOUL SEOUL
Irrevocable L/C No: MD1L1505RS00168
Dated / Wired: MAY., 27TH 2008
To: WOORI BANK seoul

VN EXPORT CORP
DONG DA, Ha Noi, VIETNAM
Bills of Exchange (Parties to a Bill)

- **Drawer**: the maker of a bill of exchange.
- **Drawee**: the person directed to pay by the drawer.
- **Acceptor**: the person who accepts the bill
- **Payee**: the person to whom the amount stated in the bill is payable.
- **Holder**: any person entitled in his own name to the possession of the bill and to receive the amount due on the bill.
Bills of Exchange (Parties to a Bill)

• Endorser: Holder who endorses the bill in favor of any other person.
• Endorsee: Person in whose favor the bill endorsed by endorser.

Bills of Exchange

Characteristics
• It must be in writing.
• There must be an order to pay.
• This order to pay must be unconditional
• The drawee must sign the instrument.
• The bill must indicate a drawee who should be call upon to accept or pay the bill.
• The parties to the bill – the drawer, the drawee and the payee must be specified in the instrument with reasonable certainty.
Bills of Exchange

Benefits
• It is a double secured instrument. If the drawee fails to honor the order, the holder of the instrument may look to the drawer for payment.
• In case of immediate requirement a bill may be discounted.
• The drawer or any endorser may mention a person as “drawee incase of need” to be resorted to for payment by the payee if the drawee dishonors the bill.

Cheques

• Cheques are used to withdraw monies from current accounts.
• A cheque in the electronic form means a cheque “which contains the exact mirror image of a paper cheque and is generated, written and signed in a secure system ensuring the minimum safety standards with the use of digital signature.
Cheques

ABC Bank

Date _______
Pay _________________________ Or Bearer
Amount ________________________

______________________________

A/c. No. 51003465 Signature
ABC Bank Ltd
Carmichael Road, Mumbai 400 026 Maharashtra
Cheques

Characteristics

• A cheque is an unconditional order on a specified banker where the drawer has his account.

• A cheque is payable only on demand.

• A cheque is drawn for a certain sum of money.

• Cheques are revocable by countermanding payment

• Cheques are determined by the death or insolvency of the drawer.
Question?