

## Banking Regulation – Mount Vema

Commercial banks operating under the jurisdiction of Mount Vema are regulated by the Bank of Mount Vema and require a special bank license to operate.

The definition of the business of banking for the purposes of regulation includes acceptance of deposits, even if they are not repayable to the customer's order. However, money lending is generally not included in the definition.

Unlike most other regulated industries within the Mount Vema Society, the Bank of Mount Vema as the regulator is also a participant in the market. The Bank of Mount Vema also have a monopoly on the business of issuing banknotes.

The banking law of Mount Vema is based on a contractual analysis of the relationship between the *bank* and the *customer* – defined as any entity for which the bank agrees to conduct an account.

The law implies rights and obligations into this relationship as follows:

- The bank account balance is the financial position between the bank and the customer: when the account is in credit, the bank owes the balance to the customer; when the account is overdrawn, the customer owes the balance to the bank.
- The bank agrees to pay the customer's checks up to the amount standing to the credit of the customer's account, plus any agreed overdraft limit.
- The bank may not pay from the customer's account without a mandate from the customer, e.g. a cheque drawn by the customer.
- The bank agrees to promptly collect the cheques deposited to the customer's account as the customer's agent, and to credit the proceeds to the customer's account.
- And, the bank has a right to combine the customer's accounts, since each account is just an aspect of the same credit relationship.
- The bank has a lien on cheques deposited to the customer's account, to the extent that the customer is indebted to the bank.
- The bank must not disclose details of transactions through the customer's account – unless the customer consents, there is a public duty to disclose, the bank's interests require it, or the law demands it.
- The bank must not close a customer's account without reasonable notice, since cheques are outstanding in the ordinary course of business for several days.

These implied contractual terms may be modified by express agreement between the customer and the bank. The statutes and regulations in force within the jurisdiction of the Vema Seamount Territory may also modify the above terms and/or create new rights, obligations or limitations relevant to the bank-customer relationship.

Note: Some types of financial institution, such as building societies and credit unions, may be partly or wholly exempt from bank license requirements, and therefore regulated under separate rules.