

# Classification of Negotiable Instrument

① On the basis of Payee [Sec. 13]

Bearer Instrument

Order Instrument

eg. Cheque / self cheque

- Name of the payee is blank

- negotiated by mere delivery

- BOE and Promissory Note is not Bearer Instrument

eg. BOE and Promissory Note

- Name of the payee is mentioned

- payable to order of a person

- By Endorsement & Delivery

② On the basis of Location [Sec. 11 & 12]

Inland Instrument

Foreign Instrument

- Major cond. = Instrument made in India

- Additional cond. = Instrument payable in India, & Instrument drawn upon a person resident in India

- Satisfy major cond. and any one of additional cond.

- A instrument which is not an Inland Instrument.

- not satisfy the major condition

# Classification of Negotiable Instrument

## (3) On the basis of Validity

### Inchoate Instrument

- Incomplete instrument
- Instrument wholly Blank or written word incomplete.
- Holder make it complete by writing amount
- Limit of amount specified → Stamp duty

### Ambiguous Instrument

- complete instrument but,
- something NOT clear (BoE or P.N)
- Holder may at his election decide
- After exercising the option, holder CAN NOT change

## (4) On the basis of Payment

### Demand Instrument

- eg. → Cheque
- payable at Sight
- payable on Demand
- payable on presentation

### Time Instrument

- eg. Term Insurance
- time specified or
- Certain event specified

## \* Negotiation of Negotiable Instrument [Sec. 14]

↓  
transfer → freely transferrable

- Negotiation means transfer of ownership of Instrument
- from one person to another
- Modes
  - by Delivery [Payable to Bearer]
  - by Endorsement & Delivery [Payable to order]

## Modes of Negotiation

### By Delivery

#### BEARER

- If the instrument is payable to Bearer
- It may be transferred by Delivery to the Transferee.

### By Endorsement & Delivery

#### ORDER



## • By Endorsement and Delivery

→ If the instrument to the specified Payee or to his order

→ It must be endorsed

CONDITION:- (i) It must be in writing

(ii) must be signed by the holder

## \* Endorsement

→ When a maker or holder of the instrument write the person name on the face or back of the instrument

→ and put his signature there to for the purpose of Negotiation

→ It is called ENDORSEMENT.

• ENDORSER → person who sign

• ENDORSEE → to whom it is endorsed

## CLASSIFICATION OF ENDORSEMENT

↓  
General  
or  
Blank

- ↓
- No payee is specified
  - INCOMPLETE
  - The person who possess it, can demand payment
  - If the endorsement sign the name only

→ INCOMPLETE endorsement

↓  
Special or  
Full

- ↓
- payable to an identified person (payee)
  - COMPLETE
  - to whom → make the instrument payable

↓  
Restrictive

- ↓
- Limitation
  - Limiting payment to a particular person
  - further transfer of instrument is not effective

↓  
Partial

- ↓
- It is invalid endorsement which allow transfer to the endorsee a PART of the amount payable.

↓  
Sans Recourse

- ↓
- Conditional endorsement
  - Receiver can't file a case against ENDORSER [In case of dishonour]
  - The endorsee waive their liability for the completion of the endorsement.