



CIFA PART II SECTION 3

REGULATION OF FINANCIAL MARKETS

WEDNESDAY: 23 May 2018.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Highlight six sources of law. (6 marks)
- (b) Outline four types of information that are not deemed to be insider information due to their public nature. (4 marks)
- (c) The Capital Markets Authority has identified a number of offences and other market abuses in a bid to protect investors.
Discuss five types of such offenses and abuses. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe four persons that are disqualified from being members of the board of the Sacco Societies Regulatory Authority (SASRA) or its equivalent in your country. (4 marks)
- (b) With reference to the law of agency, discuss four rights of an agent. (8 marks)
- (c) Analyse four remedies available for breach of contract. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe four steps in the process of immobilisation of securities. (4 marks)
- (b) Explain six functions of a Board Audit Committee. (6 marks)
- (c) Jisaidie Self Help Group recently acquired a license to operate as a microfinance institution under the name Jisaidie Microfinance.
Analyse five circumstances under which this license could be revoked. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss five challenges that the East African Community might face in pursuit of a common securities market. (10 marks)
- (b) Daraja Mbili Limited published a prospectus two months ago. It has however come to light that some of the information contained in the prospectus is false and misleading. This has caused a public outcry and the directors are worried about the impending law suits.

Required:

Advise the directors on five circumstances in which a director might not be held liable for a misleading statement in a prospectus. (10 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Summarise five criteria that an organisation must meet in order to be recognised as a self regulatory organisation by the Capital Markets Authority. (5 marks)
- (b) James Moto and Alex Baridi would like to operate a stockbrokerage firm. They have applied to the Capital Markets Authority for a license.

Required:

Assess five criteria for suitability that the Capital Markets Authority might consider before granting them a license. (5 marks)

- (c) Discuss five cases whereby a depository agent is permitted to disclose information about their depositors. (10 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) (i) Explain the term “crossborder listing”. (2 marks)
 - (ii) Discuss five advantages of crossborder listing. (10 marks)
 - (b) Assess four International Organisation of Securities Commissions (IOSCO) principles for market intermediaries. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Distinguish between “equity security” and “debt security”. (4 marks)
 - (b) Analyse six functions of the Financial Reporting Centre. (6 marks)
 - (c) In the context of money laundering, explain the following terms:
 - (i) Misrepresentation. (2 marks)
 - (ii) Malicious reporting. (2 marks)
 - (iii) Misuse of information. (3 marks)
 - (iv) Tainted property. (3 marks)
- (Total: 20 marks)**
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