

KASNEB

CIFA PART II SECTION 3

REGULATION OF FINANCIAL MARKETS

WEDNESDAY: 25 November 2015.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Explain four functions of the Deposit Insurance Corporation in your country. (8 marks)
- (b) Discuss six powers of the Deposit Insurance Corporation in your country. (12 marks)
- (Total: 20 marks)

QUESTION TWO

- (a) Discuss five responsibilities of a nominated advisor for the Growth Enterprise Market Segment (GEMS). (10 marks)
- (b) Describe the procedure of transferring from one market segment to another. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) A market intermediary is required to have a board charter that shall lead, control and be collectively responsible for the conduct and governance of its securities business.

In relation to the above statement:

- (i) Explain five objectives of a board charter that would enable the board discharge its responsibilities. (10 marks)
- (ii) Outline five functions of the audit committee of a market intermediary. (5 marks)
- (b) State five essentials of a valid contract. (5 marks)
- (Total: 20 marks)

QUESTION FOUR

- (a) Justify the need for delegated legislation. (10 marks)
- (b) Linah Associates Ltd. intends to be registered as a central depository. The operations manager is required to make rules to govern all aspects of the company's operations as a central depository.
- Advise the operations manager on the aspects that the rules should cover. (10 marks)
- (Total: 20 marks)

QUESTION FIVE

- (a) In relation to prevention of money laundering:
- (i) Highlight six instances when a customer's due diligence is required to be undertaken. (6 marks)
- (ii) Explain six matters that should be taken into account when determining the risk profile of a customer. (6 marks)
- (b) Describe four authorised functions of an investment bank. (8 marks)
- (Total: 20 marks)

QUESTION SIX

- (a) In relation to reporting obligations of a securities exchange, highlight five matters that should be contained in a report of its activities to be furnished to the capital markets regulator. (10 marks)
- (b) Discuss the legal provisions governing mortgaging and pledging of securities. (10 marks)
- (Total: 20 marks)

QUESTION SEVEN

(a) Describe four circumstances when an agent would be held personally liable to third parties even where it is the principal who ought to be held liable. (8 marks)

(b) In relation to the International Organisation of Securities Commission (IOSCO) principles, discuss the following:

(i) Four principles relating to the regulator. (8 marks)

(ii) Two principles for issuers. (4 marks)

(Total: 20 marks)

.....