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KASNEB

CCP PART III SECTION 5

BANKING LAW AND PRACTICE

WEDNESDAY: 24 May 2017. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

(a) Describe the risk based supervisory approach to regulation. (2 marks)

(b) Summarise five functions of the Deposit Protection Fund Board in your country. (5 marks)

(c) One of the principal objects of the Central Bank is to act as a banker to other banks.

With reference to the above statement, highlight five functions that the Central Bank performs in this role. (5 marks)

(d) Timothy Rop has approached your bank for a personal loan. The loan is to be secured by a legal charge over a parcel of land that he owns jointly with his sister, Caroline Cherop.

Required:
Discuss the steps you would take in order to perfect the proposed security. (8 marks)
(Total: 20 marks)

QUESTION TWO

(a) You are the Branch Manager of Excel Commercial Bank. Faidika Ltd., a limited liability company, has approached you with an intention to open an account at your branch.

Outline five types of information that you would require from the company before opening the account. (5 marks)

(b) Many commercial banks have recently adopted internet banking for their customers.

Enumerate five services that a bank could avail to corporate customers via the internet. (5 marks)

(c) Unity Forex Limited, a foreign exchange dealer, has made an application to the Central Bank to renew its operating licence.

Discuss five factors that the Central Bank would take into consideration in determining whether or not to renew the licence. (10 marks)
(Total: 20 marks)

QUESTION THREE

(a) Anita Mizingo has opened a current account in your bank and has been issued with a cheque book.

With reference to the above statement, advise Anita Mizingo on two duties she owes to the bank. (4 marks)

(b) Amalgamation entails the combination of one or more entities into a new entity.

Required:

(i) Describe four conditions that are necessary for an amalgamation to be effected. (8 marks)

(ii) Explain four consequences of amalgamation to the amalgamating entities. (8 marks)
(Total: 20 marks)

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QUESTION FOUR

(a) Explain six reasons why an individual could be disqualified from being appointed as an auditor of an institution. (6 marks)

(b) The Banking Act vests in the Central Bank powers to enable it discharge the functions of supervising and controlling institutions.

With reference to the above statement, discuss fourteen powers vested in the Central Bank. (14 marks)

(Total: 20 marks)

QUESTION FIVE

(a) Agency banking has been adopted by many commercial banks as a way of offering banking services through intermediaries.

Required:
With reference to the above statement:

(i) Summarise six types of information required by the Central Bank to process an application for an agency network. (6 marks)

(ii) Describe six circumstances under which a bank could terminate an agency contract. (6 marks)

(b) Juma Matatizo, a sole proprietor, passed on in April 2017. Prior to his demise, he held an account with Rich Commercial Bank.

As a graduate trainee of Rich Commercial Bank, advise the bank on the procedure that should be followed in terminating the relationship it had with Juma Matatizo. (8 marks)

(Total: 20 marks)

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