



CCP PART III SECTION 5

BANKING LAW AND PRACTICE

WEDNESDAY: 19 May 2021.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) (i) Explain the term "Financial Regulation Theory". (2 marks)
- (ii) Evaluate six financial regulatory strategies deployed in the banking and financial sector. (12 marks)
- (b) Discuss three legislations that the government has enacted to combat money laundering and financing of terrorism in your country. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) The most important duty of a banker is to maintain secrecy of the customer's account.

In *Tourneur V National Provincial and Union Bank of England* [1924] 1KB 461, it was held that the banker must not disclose the position of a customer's account except on reasonable and proper occasion.

Discuss the exceptions to this rule. (10 marks)

- (b) Analyse the benefits of e-banking:

(i) To the customer. (5 marks)

(ii) To the banks. (5 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Banking supervision is an important element of consumer protection.

Discuss three functions of the banking supervision department of the Central Bank which enables the protection of consumers. (6 marks)

- (b) Bob Kerago works as a sales representative at Bakers Bank Limited. Part of his job description is to recover debts due from all customers under his docket.

Advise Bob Kerago on six ways he could take to effectively recover the loan amounts due. (6 marks)

- (c) Parrot Bank Limited intends to declare and pay dividends to its shareholders. Evans Wanyama, the bank's company secretary, seeks your legal advice on the restrictions imposed on bank institutions before they can pay dividends on their shares.

Advise Evans Wanyama on four requirements that Parrot Bank Limited might comply with before it can make the dividend payout. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Juliet Miradi is a prospective candidate of a competitive Bank Examination. Juliet has approached you to walk her through the functions of Commercial Banks.

With reference to the legal definition of “banking business”, enlighten Juliet on six functions of Commercial Banks. (6 marks)

- (b) The Central Bank is required to submit to the Minister for Finance a Monetary Policy Statement (MPS) at interludes of not more than six months.

With reference to the above statement:

(i) Explain the meaning of the term “Monetary Policy Statement (MPS)”. (3 marks)

(ii) Describe five components of the statement in (b) (i) above. (5 marks)

- (c) With reference to the inspection and control of institutions under the Banking Act:

Analyse six duties of the person appointed by the Central Bank to inspect an institution and its agencies. (6 marks)
(Total: 20 marks)

QUESTION FIVE

- (a) In the context of banking law and practice:

Describe the information that might be submitted to the Central Bank by an institution which intends to open a branch outside your country. (7 marks)

- (b) Highlight five main factors that might limit access to financial services. (5 marks)

- (c) Analyse four circumstances where a customer might be found liable for gross negligence in the use of the Automated Teller Machine (ATM). (4 marks)

- (d) State four values that might guide the relationship between a bank and a customer. (4 marks)
(Total: 20 marks)

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