

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)**

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