



CCP PART III SECTION 5
BANKING LAW AND PRACTICE

WEDNESDAY: 29 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) One of the roles of the Central Bank is the sole right to issue and withdraw notes and coins which constitute legal tender. In the course of withdrawing notes and coins, the Central Bank issues a notice to the public.

With reference to the above statement, describe three contents of the notice. (6 marks)

- (b) An entity intending to transact foreign exchange bureau business must obtain a licence from the Central Bank.

Identify two circumstances under which the Central Bank might revoke such a licence. (4 marks)

- (c) An effective global payment channel should be an integral part of global e-Commerce.

Suggest five measures that an organisation should consider before setting up a global payment channel. (10 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Harry Masumbuko held an account with Red Bank Ltd. until his demise early this month. Subsequent to this, Red Bank Ltd. received a notice of the death of Harry Masumbuko.

With reference to the above scenario, advise the actions the bank should take in the following instances:

(i) On presentation of cheques drawn on the account to third parties. (2 marks)

(ii) On receipt of cheques to be credited to the account. (2 marks)

(iii) On receipt of a garnishee order from a court of competent jurisdiction. (2 marks)

- (b) Discuss four obligations of the collecting bank. (8 marks)

- (c) Analyse three instances where a bank has an automatic right to sell off and combine a customer's accounts. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) A bank might write off a loan when it considers such a loan irrecoverable.

Required:

Explain four instances where the bank might consider a loan irrecoverable. (4 marks)

- (b) A bank is required to appoint annually an auditor who must be approved by the Central Bank.

With reference to the above statement, identify five persons who are disqualified from being appointed as an auditor of a bank. (5 marks)

- (c) Assess five services that the Central Bank provides to commercial banks and microfinance institutions. (5 marks)

- (d) (i) Define the term “damaged currency”. (2 marks)
 - (ii) Highlight four conditions that must be met for damaged currency to be replaced. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Analyse six instances under which the Central Bank is empowered to intervene in the management of an institution it has licensed. (12 marks)
- (b) The Central Bank plays a vital role in licensing of institutions.

With reference to the above statement:

- (i) Summarise five matters the Central Bank might require to satisfy itself on while considering an application for a licence. (5 marks)
- (ii) A person shall only become a significant shareholder upon the Central Bank certifying the person as a fit and proper person to manage or control the institution.

With reference to the above statement, identify three instances when the Central Bank shall vet a significant shareholder. (3 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) (i) Assess six ways an institution shall automatically cease being a member of the deposit protection fund. (6 marks)
- (ii) Discuss the effects of the cessation in (a) (i) above to the member. (4 marks)

- (b) The board of an institution shall appoint a Board Credit Committee (BCC) to assist the board of directors in reviewing and overseeing the overall lending of the institution. The committee falls within the ambit of good corporate governance practices.

With reference to the above statement, examine six roles and responsibilities of the BCC. (6 marks)

- (c) One form of control that regulators in the banking sector might use is penalising violators of the rules and regulations that have been put in place.

With reference to the above statement, propose four purposes that penalty regulations should serve. (4 marks)

(Total: 20 marks)

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