

# KASNEB

## CS PART III SECTION 5 FINANCIAL MARKETS LAW PILOT PAPER

September 2015.

Time Allowed: 3 hours.

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

### QUESTION ONE

- (a) Discuss four arguments in favour of self-regulation of financial markets. (8 marks)
- (b) Explain six powers that a statutory regulator should have in order to effectively supervise financial markets licencees. (12 marks)
- (Total: 20 marks)**

### QUESTION TWO

- (a) A securities exchange is required to furnish the regulator every year with a report relating to the activities of the exchange in the preceding year.
- Discuss six contents of such a report. (12 marks)
- (b) Explain four types of dealings that a stockbroker is prohibited from engaging in by the Capital Markets Authority. (8 marks)
- (Total: 20 marks)**

### QUESTION THREE

- (a) As a regulator of the banking sector, the Central Bank is conferred with certain powers in relation to commercial banks.
- Discuss four functions of the Central Bank in relation to commercial banks. (8 marks)
- (b) As a way of promoting economic growth and development through the securities exchange, the Securities Exchange in your country introduced a Growth Enterprise Market Segment of the exchange.
- Explain six eligibility requirements for listing on the Growth Enterprise Market Segment. (12 marks)
- (Total: 20 marks)**

### QUESTION FOUR

- (a) Joshua Simba retired from employment five years ago. During his working days in the 1970s and 1980s, he had purchased shares in various companies that are now listed on the Nairobi Securities Exchange.
- Mr. Simba is still in possession of the share certificate in relation to most of his shares but some certificates have been lost or misplaced.
- On the advice of his son, Mr. Simba now seeks to sell all his shares so as to finance the construction of a retirement home.
- (i) Advise Mr. Simba on how to deal with the problem of the lost share certificates. (4 marks)
- (ii) Outline the role of a company secretary in the process of immobilisation and dematerialisation of securities. (6 marks)
- (b) Outline six matters that should be provided for in the CDS rules made by a central depository. (6 marks)
- (c) Distinguish between an "Investor Compensation Fund" and a "Deposit Insurance Corporation". (4 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

(a) Discuss three principles of co-operation in regulation of securities markets as set out in the International Organisation of Securities Commission (IOSCO) principles. (6 marks)

(b) You are an employee of the Capital Markets Authority working in the fraud investigation unit.

The Authority has received certain information from an anonymous source regarding alleged shortcomings in corporate governance of a listed company and you have been tasked with conducting an investigation of the company.

Prepare a memorandum setting out four key issues that your investigation would focus on. (8 marks)

(c) Discuss three requirements for registration of a Retirement Benefits Scheme. (6 marks)

**(Total: 20 marks)**

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