



CIFA PART II SECTION 3

REGULATION OF FINANCIAL MARKETS

WEDNESDAY: 28 November 2018.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Explain three types of asset backed securities (ABS), as described in the Capital Markets Act. (6 marks)
- (b) Describe three superior courts in your country. (6 marks)
- (c) With reference to the law of contract, summarise eight types of contracts deemed to be contrary to public policy. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Under the Capital Markets Act, a person who makes a false, misleading or deceptive statement in a prospectus may be held criminally liable for such an offence.
- Required:**
Discuss two defences that are available in respect of the above offence. (4 marks)
- (b) Evaluate three actions that might constitute fraudulently inducing trading in securities. (6 marks)
- (c) Summarise five powers of the SACCO Societies Regulatory Authority (SASRA) Board. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Analyse five sources of finance for the Criminal Assets Recovery Fund. (10 marks)
- (b) Boresha Ltd. would like to make an application for a license to operate as a microfinance institution.
- Required:**
Advise Boresha Ltd.'s management on five documents that should accompany the application form. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) The International Organisation of Securities Commission (IOSCO) objectives and principles sets out thirty eight principles of securities regulation, which are based upon the three objectives of securities regulation.
- Required:**
In reference to the above statement, highlight the three objectives of securities regulation. (3 marks)
- (b) Describe the process of dematerialisation of securities. (4 marks)
- (c) The Institute of Certified Investment and Financial Analysts (ICIFA) is a regional resource and advocacy body for the investment and finance profession.
- Required:**
Explain five functions of ICIFA. (5 marks)
- (d) Outline eight members who constitute the Anti-Money Laundering Advisory Board. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Examine five conditions that an organisation must meet in order to be registered as a self-regulatory organisation by the regulatory authority of your country. (10 marks)
 - (b) Discuss five benefits that might accrue to an organisation from self-regulation. (10 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Baraka Ltd. is considering raising additional capital in order to expand its branch network. The board of the company is aware that they can raise this capital through the securities market, but are not sure on how to go about it.

Required:

Advise the board of Baraka Ltd. on five methods they could use to raise capital in the securities market. (10 marks)

- (b) Assess five circumstances under which disclosures could be permitted under the Central Depository Act. (10 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Evaluate five benefits that could accrue to an organisation that practices good corporate governance in its operations. (10 marks)
 - (b) Describe five circumstances under which an agency contract could be terminated. (10 marks)
- (Total: 20 marks)**
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