

KASNEB

CIFA PART II SECTION 3 REGULATION OF FINANCIAL MARKETS PILOT PAPER

September 2015.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Explain four ways through which a contract might be discharged. (8 marks)
- (b) In relation to securities, explain the following terms:
- (i) Immobilisation. (2 marks)
- (ii) Dematerialisation. (2 marks)
- (c) Discuss four ways of revising capital in the securities market. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline four duties of a central depository. (4 marks)
- (b) Distinguish between a "stockbroker" and a "stock dealer". (4 marks)
- (c) In relation to market intermediaries, explain:
- (i) Three registers required to be kept. (6 marks)
- (ii) Three restrictions in securities transactions. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain four sources of law in your country. (8 marks)
- (b) Discuss four functions of the Capital Markets Authority. (8 marks)
- (c) Distinguish between a "fund manager" and a "custodian". (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss four ways in which an agent-principal relationship might be created. (8 marks)
- (b) Explain four functions of the Central Bank of your country. (8 marks)
- (c) State four requirements for listing on the main investment market segment of the securities exchange. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Define "corporate governance". (2 marks)
- (b) Explain three ways in which the offense of money laundering might be committed. (6 marks)
- (c) Biashara Boṛa Ltd. has been in business for five years. The company now proposes to roll out an initial public offer.

As a financial markets consultant, advise the company on the specific steps to take in order to achieve the stated objective. (12 marks)

(Total: 20 marks)

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QUESTION SIX

- (a) Distinguish between “insider dealing” and “insider trading”. (6 marks)
 - (b) Explain three factors that might lead to the withdrawal of a licence issued to an insurance intermediary by the Insurance Regulatory Authority. (6 marks)
 - (c) Distinguish between the following concepts as used in financial markets:
 - (i) “Collective investment schemes” and “venture capital funds”. (4 marks)
 - (ii) “Bonus issue” and “rights issue”. (4 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Distinguish between an “insurance agent” and an “insurance broker”. (4 marks)
 - (b) Explain four requirements that a savings and credit co-operative society must meet in order to be authorised to offer front office services activities (FOSA). (8 marks)
 - (c) Wazee Pension Services Ltd. is aggrieved by a decision of the Retirement Benefits Authority which the company claims has adversely impacted on its operations.

Explain the action that Wazee Pension Services Ltd. could take to challenge the decision. (8 marks)
- (Total: 20 marks)**
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