



CIFA PART II SECTION 3
REGULATION OF FINANCIAL MARKETS

TUESDAY: 26 November 2019.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Describe five types of jurisdictions that a court might exercise. (10 marks)
- (b) Summarise five types of classification of contracts. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) With reference to the law of agency:
- (i) Explain three ways of forming an agency. (6 marks)
- (ii) Identify four circumstances under which an agent will be held personally liable. (4 marks)
- (b) The Capital Markets Tribunal is established under the Capital Markets Authority Act.
- With reference to the Capital Markets Tribunal:
- (i) Identify two sources of appeals to the tribunal. (2 marks)
- (ii) Highlight the nature of decisions over which the tribunal might hear an appeal on. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss five circumstances under which a central depository agent might disclose information that would otherwise be deemed confidential. (10 marks)
- (b) The role of the Board of Directors in corporate governance is to lead, control and be collectively responsible for the conduct and governance of an organisation.
- With reference to the above statement:
- (i) Propose four ways in which the Board could provide leadership within a framework of prudent and effective control. (4 marks)
- (ii) Explain three ways in which the Board could use a board charter to establish a corporate governance framework that provides strategic guidance. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Explain four problems that could be addressed by market regulation. (4 marks)
- (ii) Identify three requirements that a regulatory framework of securities must fulfil. (6 marks)
- (b) Prepare a list of six minimum requirements that a credit rating agency must meet to be registered. (6 marks)
- (c) Outline four activities conducted by an investment bank. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) With specific reference to an information memorandum/prospectus, assess the following:
 - (i) Remedies available to persons who suffer a loss due to publication of false information. (5 marks)
 - (ii) Criminal sanctions that could be preferred against persons who are party to the publication of a prospectus containing false or misleading information. (5 marks)
- (b) A central depository shall at the end of each financial year, subject its operations to an independent audit.

With reference to the above statement:

- (i) Outline two contents of the Annual Report that a central depository shall submit to the Capital Markets Authority. (4 marks)
- (ii) Summarise three rights and three duties of an independent auditor. (6 marks)

(Total: 20 marks)

QUESTION SIX

- (a) Distinguish between a “mortgage on securities” and a “charge on securities”. (4 marks)
- (b) A shareholder who intends to borrow money on the security of his shares may do so by way of a legal or equitable mortgage on his shares.

With reference to the above statement, explain six legal provisions governing a legal mortgage. (6 marks)

- (c) Evaluate five possible indicators of money laundering around wire transfers. (10 marks)

(Total: 20 marks)

QUESTION SEVEN

- (a) (i) Summarise three steps that an issuer of a dematerialised security shall undertake with respect to the prescription of dematerialised security. (6 marks)
- (ii) Identify two rules that the Capital Markets Authority or a similar body in your country might prescribe with respect to dematerialised securities. (4 marks)
- (b) Describe five powers bestowed on the Capital Markets Authority or a similar body in your country that enable it to undertake its objectives and functions. (10 marks)

(Total: 20 marks)

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