



CIFA PART II SECTION 3

REGULATION OF FINANCIAL MARKETS

WEDNESDAY: 19 May 2021.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Outline two differences between “statute law” and “case law”. (4 marks)
- (b) Benta Limited intends to make an application to operate as a central depository agent.
Advise the company on the following:
- (i) Four types of persons who might be appointed to operate as central depository agents. (4 marks)
- (ii) Four factors that the regulator might take into account in determining whether an applicant is eligible to operate as a central depository agent. (4 marks)
- (c) In the context of the Capital Markets Authority (CMA) or the equivalent regulator in your country:
- (i) Explain four objectives of the CMA or equivalent regulator in your country. (4 marks)
- (ii) Outline four powers that the CMA or equivalent regulator in your country could use to enforce compliance with capital markets legislation and the associated regulations. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline four types of market participants at the capital market in your country. (4 marks)
- (b) Describe the composition of the Board of Directors of the Central Bank of your country. (4 marks)
- (c) In the context of the law of contract:
- (i) Analyse four ways through which a contract might be frustrated. (8 marks)
- (ii) Explain four circumstances under which a plea of “non est factum” might be allowed by the courts. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With reference to the law of agency, describe three types of authority of an agent. (6 marks)
- (b) Evaluate five particulars that are contained in the legal opinion accompanying a prospectus. (10 marks)
- (c) In the context of the regulation of financial market intermediaries, explain the following terms:
- (i) Investment bank. (2 marks)
- (ii) Venture capital company. (2 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Define the term “dematerialisation of securities”. (2 marks)
 - (b) Describe four documents required to accompany an application for approval and registration of a credit rating agency in your country. (8 marks)
 - (c) Discuss five grounds for removal from office of the Director General of the Financial Reporting Centre. (5 marks)
 - (d) In the context of investment funds, explain five unique characteristics of real estate investment trusts (REITs). (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Discuss three circumstances under which the Capital Markets Authority (CMA), or equivalent regulator in your country, might require a securities exchange to de-list a security. (6 marks)
 - (b) Describe three principles for co-operation in regulation under the International Organisation of Securities Commissions (IOSCO) objectives and principles of securities regulation. (6 marks)
 - (c) In the context of governance and controls, the Board of a market intermediary is required to establish a corporate governance framework that provides strategic guidance and promotes the effective monitoring of the management and accountability of the firm. (8 marks)
- In the context of the above statement, describe four contents of a board charter. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain six sources of funds for the Criminal Assets Recovery Fund. (6 marks)
 - (b) Summarise eight conditions to be satisfied by a SACCO society intending to be licensed to undertake deposit-taking business. (8 marks)
 - (c) With reference to the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) 2009, or equivalent legislation in your country, explain three anti-money laundering obligations of a reporting institution. (6 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) (i) Explain three duties of a trustee in a collective investment scheme. (3 marks)
 - (ii) Discuss three circumstances under which the trustee in (a) (i) above might be removed from office. (6 marks)
 - (b) In the context of securities transactions, explain the following terms:
 - (i) Front running. (3 marks)
 - (ii) Market rigging. (3 marks)
 - (iii) Market manipulation. (3 marks)
 - (c) Identify two professional bodies that operate in the financial services sector. (2 marks)
- (Total: 20 marks)**
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