



CCP PART II SECTION 4

LAW GOVERNING CREDIT PRACTICE

WEDNESDAY: 27 November 2019.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

**QUESTION ONE**

- (a) One of the areas that corporate governance is concerned with is conflict of interest.

Discuss five types of activities that could pose a conflict of interest to an organisation. (10 marks)

- (b) A collateralised transaction is one in which an institution's credit exposure or potential credit exposure is reduced in whole or in part by a collateral.

With reference to the above statement, propose five ways that could be used to ensure that the collateral mitigates risk exposure. (10 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) Describe how intellectual property could be used to secure a debenture. (6 marks)

- (b) With specific reference to creation of charges, explain provisions relating to the following:

(i) Mode of registration. (2 marks)

(ii) Limitation of time for registration (8 marks)

- (c) A proper functioning board should have a formal written conflicts of interest policy.

With reference to the above statement, identify two matters that should be captured in that policy. (4 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) Describe three documents that must be availed in each of the cases below of a land transaction prior to the execution of a sale agreement:

(i) In the case of a purchaser to the vendor. (6 marks)

(ii) In the case of a vendor to the purchaser. (6 marks)

- (b) Explain four steps that must be taken for a transfer of land to be completed. (8 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) (i) Define the term "pledge". (4 marks)

(ii) Summarise four offences that might be committed in pawning. (8 marks)

- (b) Highlight four contents of a contract of guarantee. (4 marks)

- (c) Outline four rights of an indemnity holder. (4 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) (i) Outline four matters that must be entered in the register of charges securing a debenture. (4 marks)
  - (ii) Describe four circumstances upon which an earlier charge securing a debenture will take priority over a later fixed charge. (8 marks)
  
  - (b) With specific reference to sovereign bonds:
    - (i) Define the term "sovereign bond". (2 marks)
    - (ii) Discuss three advantages and three disadvantages of a sovereign bond. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Highlight three advantages and three disadvantages of using collateral. (6 marks)
  - (b) Identify eight pieces of information that lending institutions disclose to customers on interest rates prior to signing of the Contract. (8 marks)
  - (c) Explain three types of default charges that a lender is entitled to impose on a borrower. (6 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Summarise four features of treasury bills. (8 marks)
- (b) To increase efficiency and allow deeper focus in specific areas, a board may establish certain specialised board committees. The committees should be created and mandated by the full board.

You work for AZY Bank Ltd. and have been tasked to formulate the structure of the Audit committee and Risk committee.

Propose three considerations in coming up with the structure of each of the above mentioned committees. (12 marks)

**(Total: 20 marks)**

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