

# KASNEB

## CCP PART III SECTION 5

### BANKING LAW AND PRACTICE

WEDNESDAY: 25 November 2015.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### QUESTION ONE

The school of monetary studies has invited you to make a presentation on the regulation of the banking sector in your country.

Prepare a summary of your presentation indicating the points you would cover under each of the following headings:

- (a) The role of regulation in the banking sector. (5 marks)
  - (b) Composition of the Monetary Policy Advisory Committee. (5 marks)
  - (c) Objects of the Central Bank. (10 marks)
- (Total: 20 marks)**

#### QUESTION TWO

- (a) Halima Keya and her group of women's "merry go round" would like to start a banking business.

Their next "merry go round" meeting is on Sunday, 29 November 2015 and she has invited you to give a talk on "prohibited banking business" during the meeting.

Compile the key points you would include in your talk on prohibited banking business. (10 marks)

- (b) Highlight four emerging trends in the banking industry of your country. (4 marks)
  - (c) Explain three restrictions imposed by the Central Bank on banks and financial institutions with respect to grant of advances and credit facilities. (6 marks)
- (Total: 20 marks)**

#### QUESTION THREE

- (a) Discuss six duties that a banker owes its customers. (12 marks)
  - (b) Describe four exceptions to non-disclosure of a bank customer's affairs. (8 marks)
- (Total: 20 marks)**

#### QUESTION FOUR

- (a) In the context of banking, highlight four examples of liquid assets. (4 marks)
  - (b) Mary Voreza is the auditor of Tunaweza Bank Ltd. In the course of performance of her duties, she obtained sufficient evidence that there has been a serious breach of the regulations as prescribed by the Central Bank.  
  
With reference to the above statement, outline the instances that must be reported immediately by the auditor to the Central Bank. (8 marks)
  - (c) Describe four powers of the Central Bank where the audit or inspection report reveals that a banking institution has conducted its business in a manner contrary to the law. (4 marks)
  - (d) Highlight four circumstances under which the Central Bank might exercise its power to intervene in the management of a financial institution. (4 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) The principal objective of a financial reporting centre within a country is to assist in the identification of the proceeds of crime and the combating of money laundering.

With reference to the above statement, explain five powers and functions of the financial reporting centre. (10 marks)

- (b) Summarise four principal objectives of a know your customer (KYC) policy. (4 marks)
- (c) Discuss three types of risks that an effective know your customer policy could help to mitigate. (6 marks)

**(Total: 20 marks)**

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