



CCP PART III SECTION 5

BANKING LAW AND PRACTICE

THURSDAY: 26 November 2020.

Time Allowed: 3 hours.

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

QUESTION ONE

Zaza Ltd. lodged an application to the Central Bank in your country to operate as a Credit Reference Bureau in January 2020.

In March 2020, the Central Bank resolved not to grant Zaza Ltd. a licence to operate as such.

The management of Zaza Ltd. is furious and has engaged a compliance officer to follow up on why the Central Bank denied them the licence.

Zeze Lukela is the compliance officer and has approached you for advice as she intends to appeal to the Minister in charge of finance in your country.

- (a) Advise Zeze Lukela on the following:
- (i) The four circumstances under which the Minister may reverse the decision from the Central Bank. (4 marks)
 - (ii) Six activities or decisions that a credit reference bureau (CRB) must obtain prior approval from the Central Bank. (6 marks)
- (b) (i) Define the term “monetary policy”. (2 marks)
- (ii) Explain four tools of monetary policy used by the Central Bank in your country. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Differentiate between “money laundering” and “terrorism financing”. (4 marks)
- (b) A few years ago, customs service investigation exposed the widespread use of insurance products for laundering by international drug traffickers. The investigation revealed that some US\$ 80 million in drug money was laundered through life insurance policies.
- Required:**
Highlight six red flags in money laundering and terrorism financing risks in the insurance industry. (6 marks)
- (c) With regard to customers’ accounts, describe three types of special customers. (6 marks)
- (d) Discuss four qualities that the Central Bank might consider in determining the professional and moral suitability of the person proposed for appointment as a director of a bank. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) A bank’s lending manager’s task is the management of risk. To be successful at this he needs to be conversant with certain principles which can be best remembered by the mnemonic PARSER.
- Required:**
Discuss six principles of borrowing using the mnemonic PARSER. (12 marks)

- (b) The right of set off is a statutory right which enables a banker to combine two accounts in the name of one customer and to adjust the debit balance of one account with the credit balance of the other account.

With reference to the banker's right to set off:

- (i) Highlight four conditions necessary to exercise the right of set off. (4 marks)
- (ii) Describe four circumstances that will cause automatic set off. (4 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Imara Bank Limited wants to change the location of its place of business and has engaged you to prepare a guideline of legally effecting the change in location.

Required:

Analyse eight requirements that Imara Bank Limited must satisfy in order to change the location of their place of business. (8 marks)

- (b) With specific reference to consumer protection, assess four requirements to be satisfied by the bank whenever it is discharging its duty of fairness to a consumer. (8 marks)

- (c) State four duties of the Governor of the Central Bank in your country. (4 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Discuss four types of regulation models that might be used in the regulation and supervision of the banking sector in your country. (8 marks)

- (b) Differentiate between the following Accords:

- (i) "Basel II" and "Basel III". (4 marks)

- (ii) Analyse four weaknesses of Basel I Accord. (4 marks)

- (c) Explain the following terms in relation to the independence of the Central Bank:

- (i) Institutional independence. (1 mark)

- (ii) Good independence. (1 mark)

- (iii) Financial independence. (1 mark)

- (iv) Functional and operational independence. (1 mark)

(Total: 20 marks)

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