



CS PART III SECTION 5

FINANCIAL MARKETS LAW

WEDNESDAY: 19 May 2021.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Greenview Public Limited Company has been trading at the securities exchange for the last five years. Brian is an investor and is worried that a conflict of interest is likely to occur which would affect the independence and objectivity of Greenview Public Limited Company when dealing with him and other clients.

Advise Brian on the following:

- (i) The procedure of lodging a complaint at the securities exchange. (10 marks)
- (ii) Ten circumstances under which the Disciplinary, Compliance and Surveillance Committee of the Board of the Securities Exchange might exercise its disciplinary powers. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) The Director General of the Capital Markets Regulator of Xholani, a country whose economy is emerging and has not fully developed its financial markets structures and processes, is seeking to delegate some of its functions to the well developed self regulatory organisation which is more developed and adequately coordinated.

Advise the Director General of Xholani Capital Markets on the following:

- (i) Four particulars that should be contained in the delegation instrument to the self regulatory organisation. (8 marks)
- (ii) Six forms of market abuse that the Director General should guard against to enable development of the capital markets sector. (12 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe three International Organisation of Securities Commissions (IOSCO) principles which the issuer is required to comply with. (6 marks)
- (b) Dishon Baraka, a prospective client has sought your advice regarding which licence he should obtain to carry on the business of buying, selling, dealing, trading, underwriting or retailing of securities other than exchange-traded derivatives contracts.

As a financial markets consultant, advise Dishon Baraka on the following:

- (i) The type of license he should apply for from the Capital Markets Regulator. (2 marks)
- (ii) Three kinds of business he needs to be conducting in order to obtain the licence identified in (b) (i) above. (6 marks)
- (iii) Six documents that should accompany the application for the aforesaid licence. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) In relation to the Central Depository, highlight advantages that accrue to the following:

- (i) The investor. (4 marks)
- (ii) Capital markets. (3 marks)
- (iii) The company. (3 marks)

- (b) Outline five types of information that a market intermediary must ensure that a client has a full understanding of, when making an investment. (5 marks)
- (c) Analyse five particulars that should be contained in a record of complaint for a market intermediary. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) With reference to money laundering:
- (i) Identify six persons that might be considered as politically exposed persons (PEP) in your country. (6 marks)
- (ii) Measures that a reporting institution shall be required to take where a potential client is a politically exposed person (PEP). (6 marks)
- (b) Explain four ways in which a Reporting Institution is required to identify a natural person exercising control and ownership in the legal person to establish the ultimate beneficiaries. (4 marks)
- (c) Explain four functions that a money laundering reporting officer should perform. (4 marks)
- (Total: 20 marks)**
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