

KASNEB

CS PART III SECTION 5

FINANCIAL MARKETS LAW

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

- (a) Self-regulation, typically involves a unique combination of private interests with government oversight and is an effective and efficient form of regulation for the complex, dynamic and ever-changing financial services industry. In the International Organisation of Securities Commissions (IOSCO) report of 1998, it was stated that "Self-Regulatory Organisations (SROs) can be a valuable component to the regulator in achieving the objectives of securities regulations".

Assume that you have received the above write-up from the chairman of the Board of the company you work for. You have instructions to attend the next Board retreat to elaborate further on self-regulation.

Required:

- (i) Justify to the Board the need for incorporating self-regulation into regulatory frameworks. (8 marks)
- (ii) Describe four rules that a self regulatory organisation shall make relating to matters for which it has regulatory or supervisory functions. (4 marks)
- (b) For the Capital Markets Authority to carry out its objectives, it might exercise or perform certain powers, duties and functions bestowed upon it.

With reference to the above statement, explain eight such powers, duties and functions.

(8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) On Saturday, 19 September 2015, Uwezo Ltd. held its annual general meeting. A number of resolutions were passed. One of the proposals was made by Michael Matata who proposed that Uwezo Ltd. ventures into the business of securities by operating a central depository.

You are the Certified Secretary (CS) of Uwezo Ltd. and the Chief Executive Officer has asked you to prepare a write up on how to establish a central depository.

Required:

- Prepare a summary of the rules governing the establishment of a central depository. (6 marks)
- (b) A central depository may establish a Central Depository Guarantee Fund for the settlement of trade through the central depository.
- Highlight four examples of the contents of the Central Depository Guarantee fund. (4 marks)
- (c) In the context of prevention of money laundering:
- (i) Explain the meaning of the term "money laundering". (6 marks)
- (ii) Describe the process involved in money laundering. (4 marks)

(Total: 20 marks)