



CS PART III SECTION 5
FINANCIAL MARKETS LAW

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

- (a) The stewards of a market intermediary are required to develop a board charter to implement corporate governance practices.
- Discuss four components that should be contained in the board charter of a market intermediary. (8 marks)
- (b) Summarise six post-listing requirements that are placed on issuers. (6 marks)
- (c) Explain three circumstances that could lead to the removal of a custodian. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) One of the principles of the International Organisation of Securities Commissions (IOSCO) on securities regulation is aimed at ensuring the protection of investors, fair, efficient and transparent markets and the reduction of systemic risk.
- With reference to the above statement, explain five IOSCO principles with regard to supervision of market intermediaries. (10 marks)
- (b) Outline five penalties for breach of duty provided for in the Central Depository Act and the offences they relate to. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) In the context of financial markets law, explain the meaning of the term “insider information”. (4 marks)
- (b) Evaluate any four International Organisation of Securities Commissions (IOSCO) principles with reference to the regulator. (8 marks)
- (c) In relation to regulation of capital markets:
- (i) Summarise four reasons that could cause the suspension of a security industry licence by the Capital Markets Authority. (4 marks)
- (ii) Describe four functions of the Capital Markets Fraud Investigation Unit established under the Capital Markets Act. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) The regulatory framework for the financial sector in Kenya consists of a number of independent regulators each charged with the supervision of their respective sub-sectors.
- Describe five institutions involved in financial regulation in Kenya and their respective roles. (10 marks)
- (b) (i) Explain the meaning of the term “regulatory fragmentation”. (2 marks)
- (ii) Discuss four consequences of regulatory fragmentation in the financial services sector. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) In the context of holding and trading of securities at a securities exchange, differentiate between “immobilisation” and “dematerialisation” of securities. (4 marks)

- (b) In the context of prevention of money laundering:
 - (i) Explain three features of Exchange-Traded Funds (ETFs) that distinguish them from other investment funds. (6 marks)

 - (ii) Outline four anti-money laundering obligations of a reporting institution under the Proceeds of Crime and Anti-Money Laundering Act. (4 marks)

- (c) The Prevention of Terrorism Act (PTA) No. 30 of 2012 is aimed at providing measures for the detection and prevention of terrorist activities, to amend the Extradition (Commonwealth Countries) Act and the Extradition (Contiguous and Foreign Countries) Act and for connected purposes.

In the context of the PTA, summarise six offences that are punishable under this Act. (6 marks)
(Total: 20 marks)

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