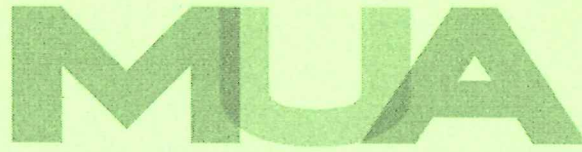


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF COMMERCE**

**FIN 323: FINANCIAL LAW**

**DATE: 8<sup>TH</sup> AUGUST 2024**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

### QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

#### **CAPITAL MARKETS AUTHORITY REIGNS ON INSIDER TRADING CULPRITS AT THE NAIROBI STOCK EXCHANGE MARKET**

The Capital Markets Authority (CMA) is focused of dealing with cheats at the Nairobi Securities Exchange (NSE) to strengthen the reputation of the country's securities market and enhance accountability by participants. The Authority has commenced investigations into suspected insider trading in an oil marketer's shares and fined an executive of another listed firm a total of Sh166.9 million after finding him guilty of for engaging in insider trading in bonds between 2016 and 2017. The actions will further serve to strengthen market confidence and the potential for the longer-term sustainable capital markets.

These investigations and actions by the regulator may have global trends very strongly show that markets respond to effective regulation as CMA looks forward to establishing a legal framework to support the issuance of green bonds in Nairobi. His will pave way for the issuance of green bonds in in line with the Marrakech Pledge 2016. Green bonds seeks to raise funds to finance sustainable and climate-resilient projects. The issuance of such bonds is a critical step in advancing the development of an effective ecosystem to support the establishment of green capital markets in Kenya

#### **Required:**

- a) With the help of appropriate examples, explain the following terms as used in the above case
  - i) Insider trading (3 Marks)
  - ii) Green Bond (2 Marks)
- b) Discuss penalties for insider trading both for first offence and subsequent conviction as highlighted in the above case (8 Marks)
- c) Evaluate three advantages of green bonds (6 Marks)
- d) In consideration of the capital market ACT and in reference to the above case, examine any three principle objectives of the Capital markets Authority. (6 Marks)

**QUESTION TWO**

- a) Highlight three guidelines in computing amount recoverable from a debtor with respect to a non-performing loan . **(5 Marks)**
- b) Explain any five types of firms excluded from the investor compensation fund. **(10 Marks)**

**QUESTION THREE**

- a) Explore any four actions that the Central Bank of Kenya may take in a case where the auditor's report or an inspection report reveals that an institution conducts its business in a manner contriving the law. **(8 Marks)**
- b) In order to facilitate the international use of bills of exchange, the bill may be drawn in a set of two or more parts and there are obvious dangers in this practice. Discuss any four provisions of the ACT to deal with the situation. **(7 Marks)**

**QUESTION FOUR**

- a) Explore any four sanctions that the capital Markets authority may exercise on persons that may breach of the provisions of the capital markets Act. **(8 Marks)**
- b) Examine the regulations that govern securities lending and borrowing transaction **(7 Marks)**

**QUESTION FIVE**

- a) Discuss the duties of a holder of a bill of exchange as stipulated in the law. **(12 Marks)**
- b) Explain three reasons why finance managers out to study financial law. **(3 Marks)**

**QUESTION SIX**

- a) Abel Rigo received a bill of exchange for value from Boaz Ngao who had obtained the instrument fraudulently. Abel Rigo fearing that the bill might lapse, presented it for payment whereupon it was dishonoured. State with reasons whether Abel Rigo can claim to be a holder in due course. **(5 Marks)**
- b) Describe five qualities that the Central Bank may consider in carrying out an assessment of the professional and moral suitability of the persons managing or controlling banking institutions **(10 Marks)**