



(*Knowledge for Development*)  
**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE & BACHELOR OF  
BUSINESS MANAGEMENT.**

**COURSE CODE : BCF 314 & BBF 312**

**COURSE TITLE : FINANCIAL LAW.**

**DATE: 17<sup>TH</sup> MAY, 2022**

**TIME: 2.00PM – 4.00PM**

---

**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each

**TIME: 2 HOURS**

## SECTION A

### QUESTION ONE.

- (a) A Bill of Exchange payable to Herman or order. At maturity another person of the same name wrongfully gets possession of the bill and presents it to the acceptor for payment. After making due enquiries and being satisfied that the presenter is Herman, the acceptor makes payment on it.  
Is the acceptor discharged? **(4 Marks).**
- (b) Just like any other Industry, the Capital markets industry operates within a certain regulatory framework which the players in this industry must adhere to in the course of offering their services.  
Discuss further this statement by giving details of the framework under which the Authority is governed. **(8 Marks).**
- (c) Efficient financial laws in the financial markets are anchored on certain legal and institutional preconditions. Discuss. **(10 Marks).**
- (d) What do you understand by the term insider trading? Briefly discuss the arguments for and against insider trading. **(8 Marks).**

**(Total 30marks)**

### QUESTION TWO.

- (a) Since its inception over three decades ago, the Nairobi Securities and Exchange has witnessed a huge listing by various companies and other investors from different sectors.  
In the light of this statement, discuss in detail some of the benefits that come with the listing on the Nairobi and securities Exchange (NSE). **(12 Marks).**
- (b) With specific reference to the Nairobi Securities Exchange Limited, Rules and Regulations of 21<sup>st</sup> March, 1997, highlight and briefly explain the powers vested in the NSE over its members. **(8marks)**

**(Total 20marks)**

### QUESTION THREE.

- (a) With specific reference to the Bank Lending and Advances Law, identify and discuss the basic principles which normally come into play when commercial Banks set up lending policies for their operations. **(12 Marks).**
- (b).In addition to (a) above, there are other areas/factors considered very critical in the formulation of bank lending policies. **(8 Marks).**

**(Total 20marks)**

**QUESTION FOUR.**

(a).The Capital Markets Authority (CMA) is body entrusted with the responsibility of ensuring an efficient licensing process for all those entities and individuals wishing to be participants in the Capital market activities.

**Required.**

Explain the eligibility criterion and qualifications one must satisfy before being approved to participate in the Nairobi Securities and Exchange. **(10 Marks).**

(c) Referring to (a) above, discuss the circumstances that lead to one's suspension or revocation of his or her NSE license. **(10 Marks).**

**(Total 20marks)**

**QUESTION FIVE.**

(a).The Capital Markets Authority CAP 485A has defined incidents of Capital Market fraud and offences.

With reference to this act, highlight and briefly discuss some of the incidents of fraud and offences. **(10 Marks).**

(b).Explain the potential sanctions or liabilities specified in the Capital Markets Authority Act CAP 485A for participating in corporate or Business fraud in Kenya. **(10 Marks).**

**(Total 20marks)**