



STRATHMORE INSTITUTE OF MATHEMATICAL SCIENCES
BACHELOR OF BUSINESS SCIENCE (FINANCIAL ECONOMICS AND FINANCIAL
ENGINEERING)
SPECIAL EXAMINATIONS
BSF 4124: FINANCIAL LAW

Date: 5th May, 2022

Time: 2 Hours

Instructions

1. This is a Closed Book Exam
2. This examination consists of **FIVE** questions.
3. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE

Mercantile Company Limited is a major retailer and cloth line store operating in Kenya. The Company has a growing clientele across East Africa and Mr. Mabuti, the Founder and CEO has been toying with the idea of expanding and opening new retail outlets in Uganda & Rwanda. This is however a very Capital-Intensive venture. He has heard that one can raise funds in the stock market, but he is not sure how this is done. Advise him on the various options of raising funds in the capital markets that are available to him. (30 Marks)

QUESTION TWO

The Concept of Market Efficiency presupposes limited government regulation and encourages unfettered market innovation and market-based regulation, with your knowledge of law and finance critically discuss the foregoing concept in the light of the Financial Crisis of 2008. (20 Marks)

QUESTION THREE

- a) Explain the meaning of the term Money Laundering citing examples of financial activities that would constitute Money Laundering (5 Marks)
- b) “Effective anti-money laundering and combating the financing of terrorism regimes are essential to protect the integrity of markets and of the global financial framework as they help mitigate the factors that facilitate financial abuse.” In view of the Proceeds of Crime and Anti-Money Laundering Act 2009 discuss the importance of an effective regulatory framework for money laundering in Kenya (15 marks)

QUESTION FOUR

- a) What constitutes *Banking Business* under the Banking Act (Cap 488) Laws of Kenya (2 Marks)
- b) The importance of deposit insurance has been acutely highlighted in the recent bank failures of Imperial, Dubai, and Chase Bank. Unfortunately, these incidents are not novel in Kenya. In the 1980s several banks collapsed necessitating the consolidation of the assets of those banks to form the present-day Consolidated Bank. Against this background.
 - i. Describe the main causes of Bank Failures in Kenya (12 Marks)
 - ii. Discuss deposit insurance and the role it plays during a financial crisis and why its rapid pay-out is essential. (6 Marks)

QUESTION FIVE

- a) State and explain five functions the Central Bank perform under its mandate to supervise banks in Kenya. (10 Marks)
- b) Discuss five activities that constitute prohibited banking business under the Banking Act (Cap 488) Laws of Kenya. (10 Marks)