



**STRATHMORE LAW SCHOOL  
MASTERS OF LAW (LL.M)  
END OF MODULE MAIN EXAMINATION  
LLM 8302: Capital markets and securities regulation**

Date: **Friday, 1<sup>st</sup> April 2022**

Time: 3 Hours

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**Instructions**

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions
3. This is an open-book examination. You may consult any written material you like in preparing to answer the questions. The exam mode for this exam is **OPEN**. However, **DO NOT** use any other bibliography other than the one provided in the course outline.
4. **DO NOT** copy and paste from any online source or from another candidate. The answers will be subject to a plagiarism check and a similarity index of over 30% will automatically lead to disqualification
5. You should spend a fair amount of time organizing your thoughts before starting to write.
6. Careful organization and clarity will be highly valued.
7. Please start each question on a new page.

1. Baraza Ltd is a fintech company that was incorporated in 2018 and specializes in the development of web-based applications. The company developed and has successfully tested a low-cost video and web conferencing application that is likely to have significant uptake in low-income markets. At a recent strategic meeting of the board, it was noted that there was high demand for quality education services in developing countries. The board resolved to prioritise investments in education technologies. **Explain:**

- a) Options for raising capital and outline the pros and cons for each option; **10 marks**
- b) Assuming the company was able to raise the capital by issuing shares to the public, explain the key regulatory requirements for this process; **10 marks**
- c) Investor expectations in relation to Baraza's governance arrangements. **10 marks**

**Total – 30 Marks**

2. With reference to specific securities markets regulatory frameworks, explain the following theories of regulation:

- a) Efficient markets theory/ hypothesis; **5 marks**
- b) Market failure theory; **5 marks**
- c) Cost-benefit theory of regulation **5 marks**

3. A key lesson from the COVID-19 pandemic for regulators is that there is need for a careful balance between flexibility and investor protection. **Discuss 15 marks**

4. Securities Markets Best Practice Standards require securities regulators to be operationally independent as well as accountable. Getting the balance right is notoriously difficult. **Explain 15 marks**

5. “In the 1980’s, the Government of Kenya realized the need to design and implement policy reforms to foster sustainable economic development.... It had become evident that the commercial banks could not support and sustain economic development because they could not offer the necessary long-term credit.” This expectation has largely not been met. **Evaluate the factors that limit the potential for securities markets in Africa to support economic growth. 15 marks**

**Good luck!**