



**STRATHMORE BUSINESS SCHOOL
BACHELOR OF FINANCIAL SERVICES
BFS 2201: REGULATION OF FINANCIAL SERVICES
END OF SEMESTER EXAMINATIONS**

Date: Tuesday, 6th December 2022

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE (30 Marks)

- a) Discuss FIVE main benefits of regulating financial services. **(10 Marks)**
- b) Assume that you work for the Insurance Regulatory Authority, in the insurance supervision department. You obtain the following data about 5 Insurance Companies for the year ended 31 December 2021:

Metric	A	B	C	D	E
Premium Growth	10%	8%	5%	5%	2%
Risk retention	70%	75%	80%	70%	80%
Loss ratio	20%	25%	28%	15%	18%
Expense ratio	25%	15%	18%	20%	22%
Combined Ratio	45%	40%	46%	35%	40%

Explain the meaning of the metrics as required to be disclosure by the insurance regulator and compare the performance of the insurance companies across:

- (i) Premium growth **(2 Marks)**
- (ii) Risk Retention **(2 Marks)**
- (iii) Loss Ratio **(2 Marks)**
- (iv) Expense Ratio **(2 Marks)**
- (v) Combined Ratio **(2 Marks)**

(c) Explain FIVE ways in which RegTechs aid regulators in enforcing compliance in financial services. **(10 Marks)**

QUESTION TWO (20 MARKS)

- a) The Kenya Banker's Association (KBA) is Kenya's umbrella body of licensed commercial banks with a current membership of more than 40 banks. It is set up as a strategy to encourage self-regulation by banks. Briefly explain FIVE roles of the Kenya Bankers Association. **(10 Marks)**
- b) Highlight FIVE ways in which the pension industry in Kenya is regulated by the Retirement Benefits Authority. **(10 Mark)**

QUESTION THREE (20 MARKS)

- (a) The Sacco Societies Regulatory Authority (SASRA) established under the Sacco Societies Act 2008 with the responsibility to license Saccos to undertake Deposit Taking business and to supervise and regulate Sacco Societies. Discuss FIVE roles of SASRA **(10 Marks)**
- (b) Highlight FIVE challenges that have arisen due to poor or ineffective regulation of the investment industry **(10 Marks)**

QUESTION FOUR (20 MARKS)

- a) Distinguish the roles of the following institutions, clearly highlighting the key stakeholders and rationale for their regulation:
- i. Commercial banks **(3 Marks)**
 - ii. Microfinance banks **(2 Marks)**
 - iii. Deposit taking SACCOs **(3 Marks)**
- b) Despite the challenges facing regulators with Fintech, Fintech has benefits for all players in the financial services. Define the term Fintech and explain SIX roles of Fintech in financial services **(12 Marks)**

QUESTION FIVE (20 MARKS)

- a) Define the term 'money laundering' and explain FOUR broad measures that financial services regulators require financial institutions to have in place to prevent and detect money laundering **(10 Marks)**
- b) The proliferation of cyberattacks targeting the financial sector has forced the establishment of several mandatory cybersecurity regulations. The National Kenya Computer Incident Response Team – Coordination Centre (National KE-CIRT/CC) was established by the Communications Authority of Kenya as part of its mandate to develop a national cyber security management framework through the establishment of a national computer response team.

Highlight FIVE functions of the authority in enhancing cybersecurity in Kenya **(10 Marks)**