



## **INSTRUCTION TO CANDIDATES**

- i. Answer **ALL** questions from **section A** and any **THREE** from **section B**
- ii. Do not write on the question paper.

### **Question One**

a.

ABC bank has been operating in Kenya since the year 2014, it has outperformed projection from market analysts and is desirous opening a branch in Kampala, Uganda and a subsidiary in Rwanda.

#### **Required;**

Advise the bank on the procedure for opening a branch in Uganda and a Subsidiary in Rwanda

(10 marks).

b.

Summarise **FIVE** requirements by the Central Bank in issuing a license for an institution to commence business as a Bank (5 marks).

c.

Describe the minimum capital requirements mandated by the central bank for licensed banking institutions (7 marks).

d.

Describe FOUR measures taken by an organization to ensure prudent lending ( 8 marks).

### **Question Two**

a)

Consider the case of ;*Tournier v. National Provincial and Union Bank of England. (1924)*

A brief record of the facts:

Tournier had an overdraft with the defendant bank. He had arranged to make payments toward the reduction of the overdraft, but after only three installments ceased to make further payments. Tournier was the payee of a cheque drawn by Woldingham Traders Ltd. Rather than deposit the cheque in his account with the defendant bank; he indorsed the cheque to a customer of the London City and Midland Bank. The defendant bank came to know about the cheque by virtue of the fact that Woldingham was a customer. Once the cheque was

presented for payment, the manager rang the appropriate branch of the London City and Midland Bank to enquire as to the identity of their customer. It was learned that the endorsee was a bookmaker, a person who accepts and pays off bets.

The manager then rang the employers of Tournier and had conversations with two of the directors. The actual contents of that conversation are not clear, but it was alleged that the manager informed them that Tournier was having dealings with a bookmaker. As a consequence of that communication, the employer refused to renew Tournier's contract of employment. Tournier sued both in defamation and for breach of contract

**Required;**

Discuss this the legal principle in this case and your verdict (10 marks).

b) show the form of accounts prepared by a financial institution (10 marks)

**Question Three**

a.

One of the roles of the central bank is to issue and withdraw notes and coins which constitute legal tender. In doing the central bank as per the dictates of its Act is required to issue notices to the public.

In lieu of the above explain THREE contents of the notice (9 marks).

b.

Your friend intends to open foreign Exchange Bureau transaction business at Malaba Border point, briefly **explain** the licensing requirement to your friend (11 marks).

**Question Four**

a.

A bank may write off a loan when it considers that the loan is irrecoverable. Highlight and explain incidences whereby a bank may write-off a loan in its books. (11 marks)

b) Banker-customer relationship is a contractual relationship between two parties and it may be terminated by either party. Discuss **THREE** ways of terminating the contractual relationship (9 marks)

**Question Five**

a.

Co-operative societies are required to open accounts only with banks which are recognized for this purpose (under the Co-operative Society Act).

**Required;**

Highlight documents required of the Co-operative societies by the banks in opening accounts (10marks)

b.

Banking Act Chap 488, Section 7, Part III – deals with” prohibited business limited on advances, credits and guarantee”.

Required; Briefly discuss these restrictions (10 marks)