

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: ADVANCED BANKING LAW (IOBM-AD 318)**

**Date: Monday, 14th May 2018**

**Time Allocated: 3 hours (13:30 – 16:30 Hours)**

**INSTRUCTIONS TO CANDIDATES**

1 This paper consists of **TWO** Sections, A and B.

2 Section A consists of 4 questions, each question carries 15 marks.

Answer **ALL** questions.

3 Section B consists of 4 questions, each question carries 20 marks. Answer **ANY TWO** questions.

4 You will be allowed **10 minutes** to go through the paper before the start of the examination, you may write on this paper but not in the answer book.

5 Begin each answer on a new page.

6 **Please write your examination number on each answer book used. Answer books without examination numbers will not be marked.**

7 All persons writing examinations without payment will risk expulsion from the Institute.

8 If you are caught cheating, you will be automatically disqualified in all subjects seated this semester.

9 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

**Answer ALL questions from this section**

**QUESTION 1**

1. Differentiate commercial banking from investment banking. *(5 marks)*
2. In bank liquidation, briefly explain **five** powers of a liquidator. *(10 marks)*

**(Total 15 marks)**

**QUESTION 2**

1. Under the Companies Act, the general rule is that all debts rank in *pari passu*. Briefly explain **two** exceptions to this general rule. *(4 marks)*
2. Explain in detail the establishment and objectives of the BASLE Committee on Banking Supervision. *(11 marks)*

**(Total 15 marks)**

**QUESTION 3**

Define money laundering and discuss mechanisms Malawi has put in place to control money laundering. **(Total 15 marks)**

**QUESTION 4**

1. What are the objectives of the Financial Services Act, 2010? *(10 marks)*
2. Define standard bank contracts and outline **two** advantages to banks. *(5 marks)*

**(Total 15 minutes)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Discuss conditions that the Registrar of Financial Institutions is to consider before licensing a bank. *(15 marks)*
2. Narrate the facts and holding in Olley v Marlborough Court Ltd.  *(5 marks)*

**(Total 20 marks)**

**QUESTION 6**

1. It is a general rule that banks are to observe the confidentiality or secrecy towards their clients/customers.

**Required**

As per the case of Attorney General V Guardian Newspaper Ltd, what are the limiting principles to this general rule. *(6 marks)*

1. What are demand guarantees. *(6 marks)*
2. Define settlement as applicable in the banking sector. *(8 marks)*

**(Total 20 marks)**

**QUESTION 7**

1. John is a customer of Zolowele Bank Ltd. He has instructed the bank to effect payment to Jonasi for supply of maize. It has come to his attention that Jonasi has not supplied all bags of maize as agreed in their sale of goods contract. He wants to issue instructions to his bank to stop the payment. However, John is not aware of any rules that govern revocation of a credit transfer. Advise him. *(10 marks)*
2. Tadala has recently been employed by Nafe Bank Ltd as a teller. She is undergoing training on various spheres of banking sector. She has been asked by the trainer to think of situations where a bank can issue mistaken payments and how the defence of estoppel will exonerate the bank from liability. She has approached you to assist her. Advise her. *(10 marks)*

**(Total 20 marks)**

**QUESTION 8**

Write brief notes on the following:

1. Pari passu clause *(4 marks)*
2. Contingent debt arrangement *(4 marks)*
3. Letters of credit *(4 marks)*
4. Mandate *(4 marks)*
5. Bank Account *(4 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**