

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: LAW OF CREDIT & SECURITIES (IOBM – AD315)**

**Date: Sunday, 8th May 2016**

**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. What are the **two** technical differences between joint liability and several liability as applied in guarantees? *(6 marks)*
2. Write short notes on the following:
3. Delivery order *(3 marks)*
4. Mates’s receipt  *(3 marks)*
5. Book debt  *(3 marks)* **(Total 15 marks)**

**QUESTION 2**

Discuss the nature and purpose of the following forms of security.

1. Charge *(5 marks)*
2. Bill of Sale *(5 marks)*
3. Lien *(5 marks)*

**(Total 15 marks)**

**QUESTION 3**

1. Discuss any **four** terms of a valid guarantee. *(12 marks)*

1. Define Contractual lien. *(3 marks)*

**(Total 15 marks)**

**QUESTION 4**

Compare and contrast the following types of security instruments:

1. Real security and personal security.  *(5 marks)*
2. Fixed security and floating security. *(5 marks)*
3. Continuing and non-continuing guarantees. *(5 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

Describe the following legal checks as they apply in guarantees:

1. corporate powers and benefit *(4 marks)*
2. contractual restrictions  *(3 marks)*
3. Financial assistance*(3 marks)*
4. Authorisations *(3 marks)*
5. Tax and Stamp duties *(3 marks)*
6. Transactions at an undervalue *(4 marks)*

**(Total 20 marks)**

**QUESTION 6**

Mary is preparing for an interview as a Credit Officer at Konse Konse Bank. One of the job requirements on the advert read as follows: ‘Attend to attachment and perfection of security interests’. Explain to Mary the meaning and legal requirements for attachment and perfection of security interests pertaining to land.

**(Total 20 marks)**

**QUESTION 7**

1. Explain the mechanism of a letter of credit. *(5 marks)*
2. What is meant by a guarantor’s right of subrogation? *(5 marks)*
3. Discuss the following quasi-security devices.
4. The reservation of title under a contract of sale. *(5 marks)*
5. The contractual set-off. *(5 marks)*

**(Total 20 marks)**

**QUESTION 8**

1. The Agricultural Credits Act lists four categories of events causing a floating charge to become fixed. Mention **four** of those categories.  *(4 marks)*
2. Under Companies Act, mention **five** particulars that are to be filed in order to constitute notice to third parties who intend to make a search.  *(5 marks)*
3. Explain the following:
4. The autonomy of credit. *(5 marks)*
5. The doctrine of strict performance . *(6 marks)*

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**