

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

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

**Date: Sunday, 11th November 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. Discuss letters of credit and its importance in trade activities. *(6 marks)*
2. Write short notes on the following:
3. Mortgage *(3 marks)*
4. Negative pledge  *(3 marks)*
5. Debenture  *(3 marks)* **(Total 15 marks)**

**QUESTION 2**

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

1. A charge *(5 marks)*
2. Assignment of proceeds *(5 marks)*
3. Lien *(5 marks)*

**(Total 15 marks)**

**QUESTION 3**

Distinguish between:

A term loan and an overdraft *(5 marks)*

1. A surety charge and a charge *(5 marks)*
2. Offer letter and loan agreement *( 5 marks)*

**(Total 15 marks)**

**QUESTION 4**

1. Briefly compare and contrast a fixed charge and a floating charge. (*8 marks*)
2. Briefly compare and contrast real security and personal security *( 7 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

1. Discuss any **four** terms of a valid guarantee.  *(12 marks)*
2. Describe the following legal checks as they apply in guarantees:
3. Contractual restrictions *(4 marks)*
4. Financial Assistance *(4 marks)*

**(Total 20 marks)**

**QUESTION 6**

Moses is preparing for an interview as a Credit Officer at The Bright Bank. One of the job requirements on the advert read as follows: ‘Attend to attachment and perfection of security interests’. Explain to Moses 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. Mention **four** events that may cause a floating charge to become fixed *(4 marks)*
2. Write brief notes on leasing  *(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**