Summer Examinations 2015

ACC202315N

Module Title  Financial Regulation
Level  Five
Time Allowed  Two hours and 15 minutes reading time. Students must not commence answering the questions until the reading time has ended.

Instructions to students:

- Enter your student number not your name on all answer books.
- During the 15 minutes reading time, students are permitted to make notes on the examination paper but not on the answer book. Students should begin answering the questions after the reading time has ended.
- Answer four out of six questions.
- All questions carry equal marks. Where a question is in parts the weightings are indicated.

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Answer four out of six questions:

**Question 1**

You are a trainee at EasyMortgage Ltd. One of your trainee colleagues has discussed with you about a case in which a 20-year old customer wants to buy a £500,000 property with a £300,000 deposit payment in cash from an unverified source. Your colleague thinks that mortgage brokers are not subject to the Anti-Money Laundering Regulations and wishes to advise the customer to go ahead with the purchase.

a. What advice should you give to your colleague? (8 marks)

b. Explain the steps that criminals use to launder money. (7 marks)

c. Explain the implications for the firm and the wider society if the customer above succeeded in buying the house and laundering the money. (10 marks)

(Total: 25 marks)

**Question 2**

Malcolm is the finance director of Tosca plc and has a substantial share holding in the company. During the preparation of the financial accounts for the first six months of the current financial year, he has discovered that the company has fallen short of the profit forecast by £200 million. Knowing that he has to make an announcement of the half-year result tomorrow, he has decided to sell a large portion of his shares today. He has also told his brother-in-law Jack, who owns Tosca shares, to sell some shares. In the meantime, Gill, a personal investor, has just bought a substantial amount of Tosca shares, basing her decision on the company’s profit forecast.

a. Summarise the key points of Part V of the Criminal Justice Act (CJA) 1993 relating to Insider Dealing. (10 marks)

b. Analyse the above scenario from the perspective of Part V of the CJA 1993. (10 marks)

c. What advice would you give Gill if she says she intends to sue Malcolm and Tosca plc, following the significant fall in the company share price? (5 marks)

(Total: 25 marks)
Question 3

Phil wants to book a holiday home in St Tropez for 2 weeks in August for his large family via FrenchVillas.com. The landlord has asked for a non-refundable deposit of €3,000 to be paid via PayPal. The balance of €5,000 will be paid in cash upon arrival. Phil is debating whether or not he should use his debit card or credit card (both are issued by Visa) to make the deposit payment via PayPal. Phil remembers he has read somewhere that he should have some protection if he uses a Visa card to make the payment. He does not want to use his credit card for fear of building his already high credit balance. He has called you to seek advice.

Required:

a. What advice would you give to Phil? Explain your advice. (15 marks)

b. Explain the concept of “Joint and Several Liability” under Section 75 of the Consumer Credit Act (1974) (10 marks)

(Total: 25 marks)

Question 4

EU Financial Regulation:

a. Explain the concept of passporting in EU financial regulation. (5 marks)

b. If a major UK insurance firm wishes to conduct business in another European Economic Area (EEA) member state, what does it need to do? (10 marks)

c. What requirements does a small UK insurance broker need to meet in order to conduct business in another EEA member state? (5 marks)

d. What requirements do firms from other EEA member states need to satisfy in order to have permission to conduct business in the UK? (5 marks)

(Total: 25 marks)
Question 5

Peter and Mary Jones are looking to buy their first home together. They are debating whether they should use the service of an independent mortgage adviser or approach a high street lender directly based on their internet research. Peter and Mary know that you have studied a course on Financial Regulation and therefore have asked you which option you recommend.

a. If Peter and Mary decided to take advice from a mortgage adviser, what type of prescribed information or advice would they get in accordance with the FCA regulation?  

(13 marks)

b. If the couple decided that the fee for the mortgage adviser was too high and wanted to save money by approaching a bank directly, what suggestion would you give them?  

(12 marks)

(Total: 25 marks)

Question 6

The Retail Distribution Review (RDR) was a wide reaching project undertaken by the regulator to assess and, if necessary, change the future shape of the financial services industry.

Required:

a. Evaluate the significance of the three key points arising from the RDR, namely: quality of advice, remuneration and advisers’ qualification.  

(10 marks)

b. Critically evaluate the opportunities and challenges facing the investment advice industry following the recent implementation of the RDR.  

(15 marks)

(Total: 25 marks)

End of Paper