Examination Period 3: 2016/17

ACC202317N

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.

No. of Pages: 5
No. of Questions: 6
Answer **four** out of **six** questions.

**Question 1**

Peter and Mary are the registered proprietors of Sunlight Cottage with Absolute Freehold Title registered at the Land Registry. They bought the house with the aid of a mortgage from National Bank Ltd. The term of the mortgage is 25 years. During first three years Peter and Mary managed to pay their instalments (interest and principal) regularly, however for the last couple of months the customers were unable to make the repayments. The Bank has written to them to say that unless they pay these arrears and resume the monthly repayments they will commence possession proceedings.

**Evaluate the respective rights of:**

a. Peter and Mary.

   (13 marks)

b. National Bank Ltd.

   (12 marks)

**Total:** 25 marks

**Question 2**

The Retail Distribution Review (RDR) aims to identify and address the root causes of problems that continue to emerge in the retail investment market. It is 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
Question 3

Mary is the finance director of Superfast Networks Plc and owns a large shareholding in the company. She has just discovered that the company has fallen short of its profit forecast of £500 million. Knowing that she has to make an announcement of the quarterly results tomorrow, she has decided to sell a substantial portion of her shares today. She has also told her friend Jordan, who owns shares in Superfast Networks Plc, to sell some of his shares. At the same time, George, a personal investor, has just bought a substantial amount of Superfast Networks Plc shares, basing his 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 George if he says he intends to sue Mary and Superfast Networks Plc, following the significant fall in the company share price?  
(5 marks)

Total: 25 marks

Question 4

Harrison recently started his new position at National Bank Ltd and one of his senior colleagues has discussed with him about his customer, a 20-year old university graduate who wants to buy a £1 million commercial property with a cash deposit covering 50 percent of the value of the property. Harrison knows that the National Bank Ltd is subject to the Money Laundering Regulations 2007 and therefore should carry out customer due diligence (CDD).

a. Define the term “customer due diligence (CDD)” and how it should be carried out.  
(8 marks)

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

Question 4 continues overleaf
c. Evaluate the implications and possible penalties on 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 5

Peter and Mary want to book a holiday home in Valencia for 2 weeks in mid-July for a large family reunion and they use travel and lodging services offered by sunnydays.com. Now the landlord has asked for a non-refundable deposit of £2,500 to be paid via PayPal. The balance of £2,500 will be paid in cash upon arrival. Peter 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. Peter 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 debit or 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 Peter? 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 6

The following authorities are entrusted with the financial services regulation in the UK:

- Bank of England (BoE)
- HM Treasury
- Financial Conduct Authority (FCA)
- Prudential Regulation Authority (PRA)
- Financial Policy Committee (FPC)

Question 6 continues overleaf
a. Discuss the core roles and objectives of the five authorities.  

(15 marks)

b. With reference to their roles and objectives, evaluate the structural changes within the UK financial services.  

(10 marks)

Total: 25 marks