

BOWEN UNIVERSITY, IWO, OSUN STATE

COLLEGE OF LAW

FIRST SEMESTER EXAMINATION, 2023/2024 SESSION

COURSE CODE: PCL 517 COURSE TITLE: CAPITAL MARKET LAW I

INSTRUCTIONS

ATTEMPT ANY FOUR QUESTIONS

EACH QUESTION CARRIES 17½ MARKS

TIME ALLOWED: 3 HOURS

1. A capital market is a forum for trading of capital funds (equity and debt), which exists in contradistinction to the money market. It is "... the complex of institutions and mechanisms through which intermediate-term funds and long-term funds are pooled and made available to business as well as government, and instruments already outstanding are transferred."
Situate the Nigerian capital market in the preceding statement, underscoring its functions, the objectives for its establishment, and the transmutation of its major institution from the Nigerian Stock Exchange to the Nigerian Exchange Group PLC (NGX).
2. A group of promoters plans to partner with foreign investors so as to set up a securities exchange in Nigeria. They are aware that the Securities and Exchange Commission (SEC) is the apex regulatory authority of the Nigerian capital market and the regulator of securities exchanges as well as other self-regulatory organizations in the market.
Due to the fact that regulatory compliance is germane to investor protection, the group requires you to brief it of fifteen enforcement and compliance functions of the SEC as well as the functions and operation of its Enforcement and Compliance Department, including investigation and referral for prosecution of securities regulation violation.
Advise the group
3. Hedging is a means of offsetting investment risk. The manager of a large pool of funds such as pension fund may hedge her exposure to interest rate or currency risk by buying or selling derivatives.
Appraise derivatives and FIVE of their types.
4. Mabel Kunte was called to the Nigerian Bar fifteen years ago and has a busy practice largely in litigation and general regulatory compliance. A couple of years ago, she became an external solicitor to Intercalated Bank PLC. The bank intends to issue securities on the NGX, a foremost market for public offers of securities in Nigeria, so as to raise fund for its expansion across the Sub-Saharan Africa. Consequently, it briefed Mabel Kunte to be the solicitor to the issue. Mabel Kunte superintended the preparation and due diligence of the offer documents and presented them to the Securities and Exchange Commission (SEC) for registration. The SEC rejected the documents on the ground that Mabel Kunte is incompetent to act in that capacity without first securing SEC accreditation and registration.

As a capital market law expert, Mabel Kunte perceives SEC's stance as an undue interference with his competence to handle capital market matters as an aspect of her thriving law practice. She has approached you for advice on the issue. In addition, she requires you to define clearly her functions as a capital market solicitor under the extant rules.

Advise Mabel Kunte on the issues raised.

5. **Foremost Cooperative Housing Limited requires the residents of its housing units to buy shares in the company so as to secure housing. No matter the number of shares they buy, the residents will be entitled to one vote each in the cooperative. By the terms of the invitation to treat, the cooperative company would treat the shares as a refundable deposit so that the shares will be non-negotiable. In other words, the shareholders will not be able to transfer the shares to third parties. If a member decides to leave the cooperative, he will be obligated to sell his shares to the company at the original price. The members will not be entitled to dividends contingent on profits.**

Ade Kudi, a resident of the Foremost Cooperative Housing desires to buy the shares of the scheme, provided they qualify as securities under the Investments and Securities Act and relevant judicial decisions.

Advise Ade Kudi.

6. **Mambila PLC produces a range of sound made in Nigeria automobiles. Due to the cost of imported motor vehicles in Nigeria and the increasing patronage of Mambila PLC vehicles, the company plans to offer its securities to the public for subscription urgently so as to raise capital for increased production. The directors of the company are so excited about the prospect of increased vehicle sales that they have caused leaflets on the offer to be produced for circulation in their wide sphere of influence. Many prospective investors have been approaching the investment division of the company, which promises to advertise the offer in two major national newspapers within a week.**

As a capital market law intern that is new in the investment division of the company, appraise the actions of Mambila PLC in the light of extant SEC Rules and Regulations and decided cases.

Assuming that Mambila PLC had made a successful Initial Public Offer of its securities but intends to approach the capital market in the nearest future for more funds, what advice would you offer and what are the conditions precedent and subsequent for that approach?