



**CERTIFIED CREDIT PROFESSIONALS (CCP)**

**INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**WEDNESDAY: 22 April 2026. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper consists of five (5) questions. Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

Rama MicroFinance Ltd. has expanded its lending portfolio rapidly over the last two years with much of the growth concentrated in higher-risk credit segments. The Central Bank has issued a notice requiring the institution to justify its capital adequacy levels, risk classification procedures and overall compliance with the Basel framework on capital requirements before a scheduled inspection.

**Required:**

- (a) With reference to the above case, explain **TWO** reasons why the Central Bank would consider closer regulation of the institution necessary. (4 marks)
- (b) Using the facts in the above case, analyse **FOUR** supervisory strategies that the Central Bank may apply during the inspection in order to assess the adequacy of the institution's capital, the appropriateness of its risk classification procedures and its compliance with the Basel capital framework. (8 marks)
- (c) With reference to Rama MicroFinance Ltd.'s rapid credit growth, exposure to higher-risk lending and the inspection concerns raised, evaluate **FOUR** Basel capital adequacy requirements that could affect the institution's future lending strategy portfolio composition and risk appetite. (8 marks)

**(Total: 20 marks)**

**QUESTION TWO**

Emmanuel Microfinance Bank has recorded inconsistent credit approvals across branches and a rise in non-performing loans (NPLs). An internal audit report reveals that some branches are not following the bank's standardised credit policy manual resulting in different appraisal standards, weak documentation and delayed recovery action.

**Required:**

- (a) In the context of the audit findings, distinguish between a credit policy, a procedure and a rule, showing how failure to apply each of them could have contributed to the inconsistent credit approvals across Emmanuel Microfinance Bank's branches. (6 marks)
- (b) With reference to the weaknesses identified in the audit report, analyse **FOUR** components that should be strengthened in the bank's credit manual in order to improve consistency in appraisal, approval, documentation and recovery of loans. (8 marks)
- (c) Using the bank's rising non-performing loans (NPLs), weak follow-up and delayed recovery action as a basis, evaluate how Portfolio at Risk (PAR), NPL ratio and Average Collection Period (ACP) could improve branch-level credit monitoring and management action. (6 marks)

**(Total: 20 marks)**

**QUESTION THREE**

Upendo SACCO has been penalised by the regulator for insider lending breaches, weak loan classification practices and delayed submission of credit compliance reports. The regulator has warned that continued non-compliance could undermine members' confidence, capital strength and the Sacco's long-term sustainability.

**Required:**

- (a) With reference to the regulator’s findings, explain **TWO** general lending requirements and **TWO** capital adequacy requirements applicable to SACCOs. (4 marks)
- (b) With reference to the issues raised in the penalty notice, analyse the prudential requirements relating to Insider lending showing how it could affect regulatory compliance and credit quality at Upendo SACCO. (6 marks)
- (c) Following the penalties imposed by the regulator, evaluate **FIVE** likely consequences of continued non-compliance for Upendo SACCO’s operations, governance, member confidence and financial sustainability. (10 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

Jitegemee Bank’s annual report revealed undisclosed conflicts of interest among directors and weak oversight of credit risk. Shareholders have questioned the integrity of the board decisions and demanded reforms to improve transparency, accountability and confidence in the bank’s governance systems.

**Required:**

- (a) With reference to the above statement, explain **SIX** ways in which effective corporate governance would improve accountability, transparency and sound credit risk management in the bank. (6 marks)
- (b) Analyse **THREE** ways on how the board of directors, the chairman and board committees should discharge their roles in order to address the undisclosed conflicts of interest and strengthen credit risk governance within Jitegemee Bank. (6 marks)
- (c) Based on the shareholders’ concerns and the weaknesses identified in the annual report, evaluate how each of the following measures could restore confidence in Jitegemee Bank:
  - (i) Improved governance reporting (2 marks)
  - (ii) Strengthened internal controls (2 marks)
  - (iii) Enhanced disclosure practices (2 marks)
  - (iv) Effective stakeholder communication and engagement (2 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

Baraka Islamic Microfinance Bank has received complaints from customers alleging aggressive recovery practices and lack of clarity in the disclosure of Shariah-compliant credit products. Some customers claim that they did not fully understand the features of the products, while others argue that the bank’s recovery methods are inconsistent with ethical and Islamic finance principles.

**Required:**

- (a) In relation to the customer complaints highlighted above, list **SIX** principles of responsible lending and consumer protection that could guide Baraka Islamic Microfinance Bank in designing, disclosing and recovering its credit facilities. (6 marks)
- (b) With reference to the complaints on lack of clarity in disclosure of shariah-compliant products, aggressive recovery and unfair treatment of customers, analyse **THREE** ethical theories that could be applied to guide management’s response at Baraka Islamic Microfinance Bank. (6 marks)
- (c) In light of the concerns raised about Shariah-compliant credit products and disclosure, evaluate **FOUR** governance and disclosure requirements specific to Islamic banking institutions, showing how each requirement would strengthen customer confidence and compliance. (8 marks)

**(Total: 20 marks)**

.....



**CERTIFIED CREDIT PROFESSIONALS (CCP)**  
**INTERMEDIATE LEVEL**  
**CREDIT GOVERNANCE AND COMPLIANCE**

**WEDNESDAY: 3 December 2025. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper consists of five (5) questions. Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

- (a) Outline **SIX** objectives of a credit policy. (6 marks)
  - (b) Describe **THREE** challenges of regulating microfinance institutions. (6 marks)
  - (c) Discuss **FOUR** effects of consumer protection law on credit agreements. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) State **SIX** issues related to insider lending in financial institutions. (6 marks)
  - (b) Explain **THREE** profitability metrics used to measure the performance of credit assets. (6 marks)
  - (c) Analyse **FOUR** types of loan securities used in savings and credit cooperative societies (SACCO). (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Outline **FOUR** reasons why financial literacy is of importance to investors. (4 marks)
  - (b) Evaluate **FOUR** tools used in financial regulation. (8 marks)
  - (c) Discuss **FOUR** penalties imposed on financial institutions for non-compliance with prudential guidelines. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Highlight **SIX** rights of the shareholders. (4 marks)
  - (b) With reference to Islamic finance, explain **FOUR** rights of partners in a Musharaka contract. (8 marks)
  - (c) Discuss **FOUR** effects of Basel Accords on the lending practices of commercial banks. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Summarise **FOUR** effects of misrepresentation in hire purchase agreements. (4 marks)
  - (b) Assess **FOUR** responsibilities of boards in the governance of public sector organisations. (8 marks)
  - (c) Analyse **FOUR** components of a code of ethics. (8 marks)
- (Total: 20 marks)**

.....



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 20 August 2025. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) Differentiate “Islamic banking” from “conventional banking” under the following:
- (i) Profit and loss sharing. (2 marks)
  - (ii) Risk sharing. (2 marks)
- (b) Analyse **FOUR** potential consequences of a stringent credit policy. (8 marks)
- (c) Assess **FOUR** advantages of credit compliance reports for Micro-Finance Institutions (MFI’s). (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Outline **SIX** advantages of using portfolio at risk (PAR) to measure credit assets’ performance. (6 marks)
- (b) Describe **THREE** strategies of capital adequacy management. (6 marks)
- (c) Discuss **FOUR** limitations of applying consumer protection laws. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Enumerate **SIX** roles of the government in corporate governance of financial institutions. (6 marks)
- (b) Explain **THREE** roles of the Capital Markets Authority (CMA) in regulating financial institutions. (6 marks)
- (c) Evaluate **FOUR** benefits of corporate governance in Micro-Finance Institutions (MFIs). (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Distinguish between “standardised credit rating approach” and “internal ratings-based (IRB) approach”. (4 marks)
- (b) Summarise **THREE** types of legal frameworks governing cooperative societies. (6 marks)
- (c) Describe **FIVE** responsibilities of management in promoting workplace ethics. (10 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain **FOUR** requirements of lending in savings and credit cooperative societies (SACCO). (8 marks)
- (b) Differentiate between “values” and “ethics” as used in credit governance. (4 marks)
- (c) Propose **FOUR** principles of responsible corporate lending. (8 marks)
- (Total: 20 marks)**

.....



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

THURSDAY: 24 April 2025. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) (i) Discuss **THREE** components of a credit manual and how each component supports credit governance and compliance within a financial institution. (6 marks)
- (ii) Evaluate **SIX** benefits of periodically reviewing a credit policy. (6 marks)
- (b) (i) Explain **FOUR** merits of loan provisioning requirements in banking institutions. (4 marks)
- (ii) Describe **FOUR** components of a credit compliance report. (4 marks)
- (Total: 20 marks)**

**QUESTION TWO**

Effective corporate governance in Sacco regulatory authorities is crucial to restoring integrity in the Sacco sector. By implementing strict accountability measures, enhancing transparency, ensuring fairness and enforcing regulatory responsibility, the regulator can curb graft and build a more resilient and trustworthy financial ecosystem.

With reference to the above statement:

- (a) (i) Discuss any **THREE** guiding principles of good corporate governance mentioned above with reference to the graft issues that could face Sacco Societies Regulatory Authority (SASRA) in your country if they are not practiced. (6 marks)
- (ii) Describe **THREE** measures that could be taken to enhance compliance with the principles in (a) (i) above to restore trust in the Sacco sector. (6 marks)
- (b) Effective regulation of insider lending and reckless lending is crucial for maintaining the financial integrity of microfinance institutions (MFIs). Without proper oversight, insider lending can lead to conflicts of interest and financial mismanagement, while reckless lending can result in high default rates and institutional collapse.

With reference to the above statement, discuss **FOUR** regulatory measures that could be put in place to prevent insider lending and reckless lending in microfinance institutions in your country. (8 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) Islamic banking operates based on Shariah principles, which prohibit interest (riba) and emphasises on ethical financial practices, risk-sharing and asset-backed transactions. To ensure compliance, Islamic financial institutions follow distinct accounting and disclosure practices that differ from conventional banks.

With reference to the above statement, explain how the following sharia principles distinguishes Islamic finance from conventional finance:

- (i) Disclosure and transparency requirements. (2 marks)
- (ii) Risk-sharing and accounting treatment. (2 marks)
- (iii) Shariah compliance. (2 marks)

- (b) Explain the following performance indicators with reference to credit assets.
- (i) Collection Effectiveness index (CEI). (2 marks)
  - (ii) Risk migration rates. (2 marks)
  - (iii) Portfolio at Risk (PAR). (2 marks)
- (c) Changes to the Basel Capital Adequacy Framework introduced stricter credit risk management requirements for banks, impacting capital allocation and risk-weighted asset (RWA) calculations.

With reference to the above statement, propose **FOUR** strategic solutions that banks could adopt to address the impact of changes to the Basel Capital Adequacy Framework on credit risk management while maintaining a strong and resilient credit risk management system. (8 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) With reference to Corporate Governance in lending institutions, outline **FOUR** roles of the risk management committee. (4 marks)
- (b) Professional standards, ethics and values ensure that credit decisions are made objectively, ethically and in compliance with regulatory standards, thereby maintaining the institution's reputation and financial stability.

With reference to the above statement, explain **FOUR** solutions to the problem of conflicts of interest in credit governance and compliance. (8 marks)

- (c) The rapid growth of digital lending platforms in your country has provided borrowers with easy access to credit. However, many of these lenders operate without proper regulation. Consumers often face harassment, hidden charges and a lack of transparency in loan terms.
- (i) State **FOUR** effects of unregulated lending practices on borrowers and the financial sector in your country. (4 marks)
  - (ii) Describe **FOUR** remedial measures that could address the effects of unregulated lending mentioned in (c) (i) above in your country. (4 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) Discuss **THREE** advantages and **THREE** disadvantages of inter-Sacco borrowing to the borrowing SACCO. (12 marks)

- (b) With reference to credit policy administration, explain the following terms:

- (i) Manual. (2 marks)
- (ii) Policy. (2 marks)
- (iii) Rule. (2 marks)
- (iv) Procedure. (2 marks)

**(Total: 20 marks)**

.....



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 4 December 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) Highlight **FOUR** prudential guidelines on treatment of collateral. (4 marks)
  - (b) Summarise **FOUR** indicators of reckless lending in a financial institution. (8 marks)
  - (c) Examine **FOUR** factors affecting the credit loss ratio in lending institutions. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) State **FOUR** features of Islamic finance. (4 marks)
- (b) Describe **FOUR** principles of Basel III accord. (8 marks)
- (c) Bangkok Ltd. is facing cash flow challenges. Most of their customers have delayed payments, leading to the company's inability to meet their financial obligations as they fall due. The credit controller of Bangkok Ltd. has been advised to develop a credit policy that will assist him to minimise their financial distress.

Discuss **FOUR** areas that the credit policy should cover. (8 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) Describe **THREE** provisions governing loan write-off in a cooperative society. (6 marks)
  - (b) Summarise **THREE** theories of financial regulation. (6 marks)
  - (c) Describe **FOUR** categories of services offered by Microfinance institutions (MFIs) to their clients. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) State **FOUR** factors that have led to banking sector regulatory reforms. (4 marks)
  - (b) Examine **FOUR** challenges facing corporate governance in the public sector. (8 marks)
  - (c) With reference to standards of professional conduct, discuss **FOUR** duties of credit professionals to their clients. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Highlight **SIX** benefits of financial consumer protection frameworks. (6 marks)
  - (b) Summarise **SIX** ways in which boards of directors of financial institutions could strengthen governance in their boards. (6 marks)
  - (c) Discuss **FOUR** types of information on non-performing loans disclosed by banks to central bank. (8 marks)
- (Total: 20 marks)**
- .....

Chopi.co.ke



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 21 August 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) Explain the meaning of the following terms as used in consumer protection:
- (i) Consumer. (2 marks)
  - (ii) Conflict of interest. (2 marks)
- (b) Enumerate **EIGHT** duties of a cooperative society member during an Annual General Meeting. (8 marks)
- (c) Discuss **FOUR** challenges of implementing financial regulations. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Summarise the **THREE** pillars of Basel II. (6 marks)
- (b) Explain the roles of the following stakeholders in corporate governance:
- (i) Shareholders. (2 marks)
  - (ii) Lenders. (2 marks)
  - (iii) Government. (2 marks)
- (c) Evaluate **FOUR** effects of non-performing assets (NPAs) on a bank profitability. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Outline **SIX** factors that a credit analyst should consider when evaluating the quality of credit assets. (6 marks)
- (b) Explain **SIX** principles of financial transactions under Islamic finance. (6 marks)
- (c) Summarise **FOUR** prohibitions of financial institutions under the principle of fairness. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Ukwetu Microfinance bank posted the following information in their audited financial statements for the year ended 31 December 2023:

| Item                                    | Amounts in Sh.“000” |
|---|---------------------|
| Gross non-performing loans and advances | 62,803,777          |
| Loan loss provisions                    | 31,559,060          |
| Discounted value of securities          | 30,032,617          |
| Interest in suspense                    | 4,561,732           |

**Required:**

Compute the following:

- (i) Total non-performing loans and advances. (2 marks)
  - (ii) Net non-performing loans. (2 marks)
  - (iii) Net non-performing loans exposure. (2 marks)
- (b) Describe **THREE** challenges of capital adequacy requirement by Sacco Societies Regulation Authority (SASRA). (6 marks)
- (c) Explain **FOUR** contents of a corporate governance report. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain **TWO** elements of professionalism as a standard of professional conduct. (4 marks)
  - (b) Summarise **EIGHT** steps of developing an effective credit policy. (8 marks)
  - (c) Discuss **FOUR** methods of managing delinquency in a microfinance institution. (8 marks)
- (Total: 20 marks)**
- .....



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 24 April 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) Explain the following Islamic financial instruments:
- (i) Ijara. (2 marks)
  - (ii) Murabaha. (2 marks)
- (b) Discuss **FOUR** advantages of maintaining the Central Bank as a single banking regulator. (8 marks)
- (c) Analyse **FOUR** contents of core capital (Tier I-capital), with reference to capital adequacy for lending institutions. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Explain the following terms as used in measuring the performance of credit assets:
- (i) Portfolio at Risk (PAR). (2 marks)
  - (ii) Credit Loss Ratio (CLR). (2 marks)
  - (iii) Collection Efficiency Ratio (CER). (2 marks)
- (b) Examine **THREE** external risks faced by microfinance institutions. (6 marks)
- (c) Identify **FOUR** responsibilities of an organisation's board in credit risk management. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Summarise **THREE** sanctions for unfair practices under the consumer protection laws. (6 marks)
- (b) Enumerate **SIX** rights of a member of a cooperative society. (6 marks)
- (c) Describe **FOUR** benefits of business ethics. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) State **FOUR** elements of a credit policy. (4 marks)
- (b) Assess **FOUR** objectives of the Basel proposals in relation to banks' supervision. (8 marks)
- (c) Highlight **EIGHT** roles of the Assets and Liabilities Management Committee (ALCO), in a lending institution. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain the meaning of the following theories of banking regulation:
  - (i) Micro-prudential regulation. (2 marks)
  - (ii) Macro-prudential regulation. (2 marks)
- (b) Discuss **FOUR** ethical values that underpin good corporate governance. (8 marks)
- (c) Analyse **FOUR** conditions governing inter-sacco borrowings. (8 marks)

**(Total: 20 marks)**

.....

Chopi.co.ke



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 6 December 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) Explain the following terms as used in prudential guidelines for lending institutions.
- (i) Authorisation. (2 marks)
  - (ii) Compliance function. (2 marks)
- (b) Examine **FOUR** guidelines for constituting boards of financial institutions. (8 marks)
- (c) Discuss **FOUR** factors that could influence the formulation of a credit policy of a firm. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Identify **FOUR** lending disclosure requirements for compliance by cooperative societies. (4 marks)
- (b) Explain **FOUR** types of financial institutions' regulations. (8 marks)
- (c) Discuss **FOUR** criticisms of Basel III accord. (8 marks)
- Total: 20 marks**

**QUESTION THREE**

- (a) Differentiate between "agency theory" and "stakeholder theory". (6 marks)
- (b) Describe **THREE** features of unregulated lending institutions. (6 marks)
- (c) Summarise **FOUR** principles of economically based 'Sharia' Law. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Differentiate between "collection effective index" (CEI) and "days sales outstanding" (DSO) as measures of collections performance. (4 marks)
- (b) Examine **FOUR** areas covered by prudential guidelines of collections performance requirement for microfinance institutions. (8 marks)
- (c) Discuss **FOUR** broad categories of ethical theory. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) State **SIX** functions of consumer protection agencies. (6 marks)
- (b) Suggest **SIX** reasons why the central bank may require higher minimum capital ratios to be maintained by a lending institution. (6 marks)
- (c) Evaluate **FOUR** activities of directors that may conflict with organisation's business interests. (8 marks)
- (Total: 20 marks)**
- .....



CCP INTERMEDIATE LEVEL

CREDIT GOVERNANCE AND COMPLIANCE

WEDNESDAY: 23 August 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) (i) Differentiate between “Implied credit policy” and “Stated credit policy”. (4 marks)
- (ii) Enumerate **FOUR** reasons why it is important for the credit manager to undertake periodic review of a credit policy. (4 marks)
- (b) Explain **THREE** effects of a consumer protection agreement in the financial sector. (6 marks)
- (c) Discuss **THREE** goals of financial regulations. (6 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) State **FOUR** reasons why “Riba” is prohibited in Islamic banking. (4 marks)
- (b) Examine **FOUR** elements of Basel IV proposals. (8 marks)
- (c) Describe **FOUR** signs of delinquency in a microfinance institution. (8 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) (i) Differentiate between “renegotiated substandard loans” and “renegotiated doubtful loans”. (4 marks)
- (ii) Summarise **FOUR** benefits of risk classification of credit assets. (4 marks)
- (b) Outline **SIX** principles of good governance in a Saving and Credit Cooperative Society (SACCO). (6 marks)
- (c) Assess **THREE** roles of a bank risk management committee. (6 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) (i) Describe the term “Credit risk migration matrix”. (2 marks)
- (ii) Explain **THREE** reasons why a credit risk rating system is important. (6 marks)
- (b) Explain **THREE** ways in which agency relationship conflict could arise in an organisation. (6 marks)
- (c) Examine **THREE** principles of operational risk management. (6 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) Outline **SIX** actions that could demonstrate that a credit officer operates within the dictates of professional ethical standards. (6 marks)
- (b) Analyse **THREE** elements of an ineffective loan management process. (6 marks)
- (c) Discuss **FOUR** responsibilities of a director of a financial institution. (8 marks)

**(Total: 20 marks)**

.....



**CCP INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**WEDNESDAY: 26 April 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) Explain the meaning of the following terms as used in central bank's prudential guidelines:
- (i) Subordinated debt. (2 marks)
  - (ii) Position held with trading intent. (2 marks)
- (b) Analyse **FOUR** forms of powers held by the regulators of financial institutions. (8 marks)
- (c) Discuss **FOUR** challenges inhibiting the growth of a strong credit culture among co-operative societies in your country. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Outline **FOUR** business activities prohibited under Microfinance Act. (4 marks)
- (b) Assess **FOUR** achievements of Basel III Accord. (8 marks)
- (c) Describe **FOUR** board committees established by commercial banks. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) (i) Explain the term "loan loss provision". (2 marks)
- (ii) Enumerate **FOUR** factors that affect the calculation of loan loss provision. (4 marks)
- (b) State **SIX** agendas for cooperative society's annual general meeting. (6 marks)
- (c) Describe **FOUR** ways a credit policy could be used as a tool of managing credit risk. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Analyse **THREE** rules guiding profit sharing in Musharakah financing model. (6 marks)
- (b) Outline **SIX** responsibilities of integrity assurance Officers in a bank. (6 marks)
- (c) Describe **FOUR** organisational policies that support responsible business conduct in credit providing institutions. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain **THREE** disadvantages of using Value at risk (VAR) as a risk management tool. (6 marks)
- (b) Examine **THREE** components of the cooperative society's governance structure. (6 marks)
- (c) Summarise **FOUR** roles and responsibilities of the board audit committee. (8 marks)
- (Total: 20 marks)**

.....



**CCP INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**WEDNESDAY: 7 December 2022. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) With reference to the banking regulatory process, explain the role of the following:
- (i) Licensing. (2 marks)
  - (ii) Regulatory supervision. (2 marks)
- (b) Analyse **FOUR** roles of the risk management function. (8 marks)
- (c) Summarise **FOUR** benefits of credit policies and procedures. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) (i) Explain the term “ethical dilemma”. (2 marks)
- (ii) Enumerate **FOUR** requirements for ethics and compliance programs. (4 marks)
- (b) Enumerate **SIX** duties of a secretary to the SACCO’s board of directors. (6 marks)
- (c) Describe **FOUR** requirements of know your customer (KYC) for microfinance institutions. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Explain the following terms:
- (i) Collateral haircut. (2 marks)
  - (ii) On-balance sheet netting. (2 marks)
  - (iii) Maturity mismatches. (2 marks)
- (b) Examine **THREE** criticisms of musharakah financing model. (6 marks)
- (c) With reference to the second pillar of Basel III, describe **TWO** principles for supervisory review. (4 marks)
- (d) Enumerate **FOUR** fiduciary responsibilities of an Agent within the context of “Principal Agent Relationships”. (4 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Outline **THREE** circumstances when a bank may disclose consumer information to a third party. (3 marks)
- (b) List **FIVE** forms of breaches to consumer protection by unregulated lending institutions. (5 marks)
- (c) (i) State **FOUR** types of reckless and fraudulent lending in microfinance institutions. (4 marks)
- (ii) Summarise **FOUR** risk mitigation strategies used by micro finance institutions. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Examine **THREE** implications of credit portfolio at risk to an organisation. (6 marks)
- (b) Discuss **THREE** applications of Value at Risk (VaR) model. (6 marks)
- (c) Explain **FOUR** responsibilities of a shareholder. (8 marks)

**(Total: 20 marks)**

.....

[www.chopi.co.ke](http://www.chopi.co.ke)



**CCP INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**WEDNESDAY: 3 August 2022. Afternoon paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) With reference to cooperative societies, identify eight rules that apply when a member is guaranteeing another member for a loan. (8 marks)
- (b) Examine four objectives of Basel Accords. (8 marks)
- (c) Identify four restrictions on banking institutions while granting facilities to insiders on preferential terms. (4 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Enumerate six consumer rights that are sought and protected. (6 marks)
- (b) Highlight four features of Shariah-compliant valid financial contracts. (4 marks)
- (c) (i) Distinguish between liberal and strict credit policy. (4 marks)
- (ii) Outline six circumstances when a credit manager would prefer a liberal credit policy. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Explain the following terms as used in the management of non-performing assets (NPAs) in lending institutions:
- (i) Impaired loan. (2 marks)
- (ii) Credit loss ratio. (2 marks)
- (iii) Nonperforming loans to total gross loans ratio. (2 marks)
- (b) Outline four issues addressed by a microfinance (MFI) liquidity risk management plan. (4 marks)
- (c) Discuss three sources of ethical standards. (6 marks)
- (d) Examine four objectives of the Corporate Governance framework in banking. (4 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Regulators of financial institutions have policy implementation powers. Discuss four categories of such powers. (8 marks)
- (b) Explain three benefits of having the Central Bank serve as the supervisory agency of banks. (6 marks)
- (c) Describe six roles and responsibilities of a bank's board credit committee (BCC). (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) In respect to board independence, identify five categories of individuals whose presence on a financial institution board may be viewed as detrimental to the interest of shareholders. (5 marks)
- (b) Examine three types of credit portfolio concentration. (6 marks)
- (c) Enumerate five requirements for SACCO's external borrowing and limits on loans. (5 marks)
- (d) Discuss four characteristics of corporate governance. (4 marks)

**(Total: 20 marks)**

.....

[www.chopi.co.ke](http://www.chopi.co.ke)



**CCP INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**TUESDAY: 5 April 2022. Afternoon paper.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

- (a) Discuss seven objectives of Kenya Bankers Association (KBA) in reinforcing a reputable and professional banking sector. (7 marks)
  - (b) Outline five functions of Bank's Assets and Liabilities Committee (ALCO). (5 marks)
  - (c) State eight functions performed by Financial Institutions Regulatory Agencies. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Propose four economic advantages of Islamic finance. (8 marks)
  - (b) In relation to consumer protection Act and Regulations:  
Describe six unfair practices that the Act considers as "false, misleading or deceptive representations". (6 marks)
  - (c) In respect of Non-Performing Assets (NPA), analyse four guidelines for treatment of a collateral. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Discuss four asset provisioning requirements that a Savings and Credit Cooperative (SACCO) is required to conform to. (8 marks)
- (b) Chief Risk and Policy Specialist at Diana Credit Analytics (PLC) was the Chief Guest of the 15<sup>th</sup> Credit Analysts Annual Conference. In her paper titled "Developments in Credit Underwriting and Bank Credit policy", she was quoted saying "Credit policies may be the most important tool for the Board of Directors and Bank Management to define an institution's underwriting standards and credit risk appetite. However, many credit policies at community banks have been in place for a long time, with only small or ad hoc updates put in place as needed, thus the reason for increase in Non-Performing Assets".

**Required:**

- Analyse eight steps a Bank's Risk and Policy Analyst should follow to conduct an adequate and effective credit policy and manual review. (6 marks)
  - (c) With reference to the Central Bank Prudential guidelines, identify three instances that could justify a bank loan to be written off. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) With reference to Microfinance Act, highlight five kinds of information contained in periodic reports submitted to Central Bank. (5 marks)
- (b) The following information was extracted from the books of Lyaa Itune Ltd. a Microfinance Institution (MFI).

**Lyaa Itune Ltd. Loan Portfolio at Risk (PAR) by overdue**

| <b>Loan Portfolio</b>       | <b>31 December 2021</b>                     |
|-----------------------------|---|
| On schedule                 | 8,537,514                                   |
| <b>Defaulting Portfolio</b> | <b>475,885</b><br><b>(Summarised below)</b> |
| <b>Loan overdue:</b>        |   |
| 1-29 days                   | 137,004                                     |
| 30-59 days                  | 100,950                                     |
| 60-89 days                  | 82,022                                      |
| 90-179 days                 | 73,009                                      |
| 180-359 days                | 55,880                                      |
| 360 days up                 | 27,020                                      |
| <b>Total</b>                | <b>9,013,399</b>                            |

**Required:**

- (i) Calculate PAR 30. (3 marks)
  - (ii) Calculate PAR 60. (3 marks)
  - (iii) Calculate PAR 90. (3 marks)
  - (c) Identify three techniques that financial institutions could use to promote sound corporate culture. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Enumerate four Disclosure Requirements under Basel III for banks. (4 marks)
- (b) Explain the following areas of financial institutions regulatory matrix:
  - (i) Prudential regulation. (2 marks)
  - (ii) Systemic regulation. (2 marks)
  - (iii) Consumer protection. (2 marks)
  - (iv) Competition. (2 marks)
- (c) The Chief Executive Officer shall ensure that the Board of Directors is frequently and adequately appraised of the operations of the Sacco Society through presentation of relevant Board papers.

With reference to the above statement, highlight eight contents of such Board paper. (8 marks)

**(Total: 20 marks)**

.....



**CCP INTERMEDIATE LEVEL**

**PILOT PAPER**

**CREDIT GOVERNANCE AND COMPLIANCE**

**December 2021.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

- (a) Explain four main objectives of banking institutions regulations. (8 marks)
  - (b) Suggest six common red-flags that suggests that a loan policy need to be reviewed. (6 marks)
  - (c) Analyse three main responsibilities of lending institutions board risk management committee. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) With reference to non-deposit taking Sacco regulations 2020, highlight six administrative sanctions that can be taken against the Sacco and its officers by the Regulatory Authority. (6 marks)
  - (b)
    - (i) Explain the term “Greenfield micro finance”. (2 marks)
    - (ii) Discuss three stages of new institution creation under greenfield micro finance model. (6 marks)
  - (c) Highlight three main features of Islamic banking. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Discuss five roles of board audit committee. (5 marks)
  - (b) Examine five basic ethical principles in banking industry. (10 marks)
  - (c) Analyse five shortcomings addressed by Basel III. (5 marks)
- (Total: 20 marks)**

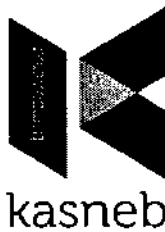
**QUESTION FOUR**

- (a)
    - (i) Explain the internal rating-based model of credit risk measurement. (3 marks)
    - (ii) Outline three main elements of internal rating-based approach. (3 marks)
  - (b) Discuss three main objectives of good governance in cooperative societies. (6 marks)
  - (c) Highlight four components of a credit policy. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Analyse five responsibilities of microfinance institutions independent board of directors. (10 marks)
  - (b) Propose four common parameters of credit sensitive transactions. (4 marks)
  - (c) Summarise three characteristics of an efficient credit policy. (6 marks)
- (Total: 20 marks)**

.....



**CCP INTERMEDIATE LEVEL**

**CREDIT GOVERNANCE AND COMPLIANCE**

**THURSDAY: 16 December 2021.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

- (a) Explain four factors a credit manager should consider when formulating a credit policy. (8 marks)
  - (b) Analyse three practices prohibited in Islamic banking. (6 marks)
  - (c) Assess six responsibilities of a micro finance credit committee. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Analyse five actions that the board and appropriate board committees might consider as part of their credit risk management oversight within an organisation. (10 marks)
  - (b) Explain three responsibilities of Digital Lenders Associations (DLAs) in your country. (6 marks)
  - (c) With reference to SACCO society regulations 2020, outline four lending disclosure requirements. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Analyse four principles of Basel III. (8 marks)
  - (b) Discuss the seven principles of cooperatives. (7 marks)
  - (c) With reference to central bank prudential guidelines, describe five elements of a sound capital assessment process. (5 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Explain one objective and one key policy instrument of the following types of financial regulations:
    - (i) Prudential. (2 marks)
    - (ii) Allocative. (2 marks)
    - (iii) Protective. (2 marks)
    - (iv) Organisational. (2 marks)
  - (b) Describe the following measures of assets performance.
    - (i) Average collection period. (3 marks)
    - (ii) Collection effective index. (3 marks)
  - (c) Enumerate three delinquency management methods used by microfinance institutions. (6 marks)
- (Total: 20 marks)**

[www.chopi.co.ke](http://www.chopi.co.ke)

**QUESTION FIVE**

- (a) Explain three benefits of good corporate governance in financial institutions regulatory agencies. (6 marks)
  - (b) Explain any three basic principles of Islamic banking. (6 marks)
  - (c) Distinguish between the following approaches to values:
    - (i) “The utilitarian approach” and “The rights approach”. (4 marks)
    - (ii) The “virtue approach” and “The common-good approach”. (4 marks)
- (Total: 20 marks)**

.....