UNIVERSITY OF LONDON

CENTRE FOR FINANCIAL AND MANAGEMENT STUDIES

MSc Examination
Postgraduate Diploma Examination
for External Students

91DFM C241
91DFM C341

FINANCE AND FINANCIAL LAW

Legal Aspects of International Finance

Specimen Examination

This is a specimen examination paper designed to show you the type of examination you will have at the end of the year for Legal Aspects of International Finance. The number of questions and the structure of the examination will be the same as on this one, but the wording and the requirements of each question will be different. Best wishes for success on your final examination.

You have THREE hours to complete the examination.

You must answer THREE questions. Answer at least ONE question from Section A. The remaining two questions may be chosen from either Section A or Section B.

PLEASE TURN OVER
You must answer **THREE** questions. Answer at least **ONE** question from Section A. The remaining two questions may be chosen from *either* Section A or Section B.

**Section A**

*Answer at least **ONE** question from this section.*

1. Bloomsbury Foods plc entered into a contract in 2003 with Guadalhortuna Fruit SA to buy three tonnes of olives per month from them over a five-year period. Under this contract, payment is to be received by Guadalhortuna Fruit SA no later than the 15th day of the month following receipt of the olives. No payment has, however, been made by Bloomsbury Foods plc since September 2005.

   Guadalhortuna Fruit have now discovered that those drafting the contract did not include clauses covering choice of law or jurisdiction. They seek your advice as to where, and under what law, they can bring proceedings against Bloomsbury Foods. Bloomsbury Foods plc is registered in England and Wales, and its premises are also located there. Guadalhortuna Fruit SA is registered in Spain and its premises are located there.

   Advise Guadalhortuna Fruit SA.

2. LASM, the national airline of the Republic of Santa Maria, wholly owned by the state, bought five aircraft from Boeing in July 2005. Payment was to be made in six quarterly instalments, although the purchase was largely financed by a loan obtained by the Ministry of Finance from Anglo-Atlantic Bank. In January 2006, a new government in Santa Maria declared that all debts owed by the state to any foreign creditor were to be cancelled. LASM has therefore not made its second quarterly payment to Boeing, while the Ministry of Finance has informed Anglo-Atlantic Bank that it will not be making any further repayments on its loan.

   Advise Boeing and Anglo-Atlantic Bank. What factors will influence whether or not they can compel either of the defaulting parties to repay the debts?
3. In a bid to improve the economy of the region, a plan is made to build a railway line from Bangkok, via Phnom Penh, to Ho Chi Minh City. The railway will be operated by a private company, in which the Thai, Cambodian and Vietnamese governments will each take a 20% share. (The remaining 40% will be held by private investors.) Approaches have been made to a number of financial institutions who are considering whether to offer loans to finance the construction of the line. Advise the institutions as to what issues they should consider in deciding whether to offer the funding, and the different risks involved in project finance.

4. Marchmont Bank wishes to introduce a new securities settlement system and realises that this will mean a new set of standard term agreements to govern these. They are not confident in the agreements which their previous legal advisers drew up and so ask you to explain to them what issues the new contracts should cover and how these should be addressed.

Advise the bank.

Section B

5. Evaluate the role of private equity and hedge funds in capital markets and how have they converged in recent years.

6. Discuss the legal characteristics of an international bond. How do corporate and sovereign bonds differ?

7. Discuss the different types of risk involved in the international settlement of securities.

8. Discuss the ways in which financial and legal risks can be managed in an international derivatives transaction and securitisation.

[END OF EXAMINATION]