

Module Code: LU2023

Module Name: Law Relating to Domestic Banking

Credit Value: 15

YOU MUST NOT PUT YOUR NAME OR STUDENT ID ANYWHERE IN THE BODY OF THE FILE OR TITLE OR YOU MAY INVALIDATE THIS ASSESSMENT

Summative Assessment Type: 6-hour examination (submitted on Moodle).

Maximum Word Limit: 2000.

Submissions **MUST NOT** exceed the maximum word limit. Footnotes and a bibliography are **NOT** required for this assessment. If footnotes are used to cite sources, they **ARE** included in the word count.

Instructions: Please answer **TWO** questions from the four questions set.

The assessment opens at: **10:00am (GMT) on Thursday 15th May 2025.**

The assessment closes at: **15:59am (GMT) on Thursday 15th May 2025.**

Answers **MUST** be submitted on Moodle **BEFORE** the submission box closes at the time above (unless you have special arrangements authorised by the Exams Office).

Submissions **MUST** conform to the CLS LLB/GELLB House Style (on Moodle).

As this is an assessment by online exam, you are **NOT** expected to cite your sources in footnotes in accordance with OSCOLA or any other formal referencing system. However, you are expected to indicate in the main body of the text to which sources you are referring or paraphrasing (e.g. "As argued by [author] in [book or article title]...", "The case of X v Y established that..."), including the core textbook. Furthermore, any verbatim quotes from sources should be in quotation marks ('...'). Failure to follow these instructions may amount to poor academic practice and potentially academic misconduct.

Internal Examiner: Dr Ilias Kapsis

External Examiner: Prof Jay Cullen (M)/ Dr Shamini Ragavan (S)

ANSWER TWO QUESTIONS ONLY

1. Using examples from any area of banking law covered in the module, evaluate the effectiveness of financial regulation in protecting society and banks from financial crises.
2. *"We expect automated investment services to meet the same regulatory standards as traditional discretionary or advisory services"* - Financial Conduct Authority (FCA).

Critically evaluate the above statement and explain the main challenges associated with the regulation of robo-advisors.

3. Ahmed is the owner and director of Stargazer Limited, a technology company that is a customer of Galactic Bank. The company has a current business account with Galactic and Ahmed is authorised to instruct the bank.

On 31 March 2025, Ahmed instructed Galactic through its e-banking platform to immediately transfer £5,000,000 from the company's account in Galactic to an account that Stargazer had opened in a crypto-exchange to purchase 10,000 units of a newly released cryptocurrency.

Nita, the bank manager overseeing Stargazer's accounts, informed Ahmed that the bank refused to execute the payment, claiming that it was for Ahmed's purposes and the bank did not allow payments linked to cryptocurrencies.

Ahmed responded that the cryptocurrency purchase was for company purposes. The 10,000 units of the cryptocurrency to be purchased through the crypto-exchange would be sent to an exchange wallet controlled by Stargazer. He also claimed that buying cryptocurrencies was not illegal. The bank was not convinced and did not execute the payment.

By the end of April 2025, the price of the cryptocurrency that Ahmed wished to buy had doubled.

Stargazer had been planning to acquire Quantum Limited, another technology company. On 10 April 2025, Ahmed discussed the case with Nita, and Stargazer applied to Galactic Bank for a £50,000,000 loan to fund the acquisition. The loan was approved.

Last week, Ahmed called Nita. He was furious and accused her of leaking information about Stargazer's plan to Lenor Limited, a competitor. Ahmed claimed that, as a result of the leak, Lenor offered Quantum a higher price than Stargazer and acquired the company. Lenor was also a customer of Galactic Bank and Nita had worked as a manager for the company before joining the bank. Nita denied that she leaked any information.

Ahmed said that Stargazer would sue Galactic Bank for the losses it suffered. The bank responded by notifying Ahmed that it would close Stargazer's current account with Galactic at the end of May 2025.

Advise Ahmed and Galactic Bank on their respective rights and duties.

4. Rajiv works as a manager at Excellent Bank. One of Rajiv's duties is to monitor accounts of certain big business customers for compliance with anti-money laundering regulations. Lea, the owner and director of Star Systems Limited, a technology start-up, is one of the bank's customers. Lea and Star Systems are long-term Excellent customers.

On 15 April 2025, Lea instructed the bank to immediately transfer £10,000,000 from Star Systems' account to an overseas account owned by Megatrends, a foreign consultancy company. According to Lea, the payment was for an invoice issued by Megatrends for the provision of consultancy services to Star Systems. Rajiv found the explanation unsatisfactory. The invoice seemed fake, and a quick internet search convinced Rajiv that Megatrends was probably not a genuine consultancy company.

Rajiv concluded that the transaction raised money laundering concerns. He paused the transaction execution and reported the case to the bank's nominated officer, who filed a Suspicious Activity Report (SAR) with the National Crime Agency (NCA), asking for the agency's consent. NCA started an investigation into the transaction. The bank did not inform Lea.

In 2023, before joining the bank, Rajiv worked at Star Systems as an accountant. He was fired a few months later following a dispute over pay with Lea. When Rajiv filed the SAR, he approached Lea privately, told her what he had done, and informed her that her transaction was paused as the bank was waiting for the outcome of the NCA's investigation. Lea became upset and accused Rajiv of damaging her company's reputation as a revenge for his earlier dismissal from Star Systems.

Finally, the money laundering investigation cleared the transaction, which was executed with a week's delay. Still upset, Lea threatens legal action against the bank, alleging that the delay caused by the "unacceptable" bank's conduct triggered a £100,000 penalty clause in the contract with Megatrends. She also claims that the bank's action was Rajiv's revenge for his earlier dismissal from Star Systems.

Following Lea's threat, Excellent Bank ordered an internal investigation into Rajiv's handling of the case. In particular, the bank investigates if Rajiv's actions were justified and if the anti-money laundering rules had been followed.

Advise Lea and Rajiv.

END OF ASSESSMENT