

NATIONAL LAW UNIVERSITY, DELHI
LL.M. Degree Programme, I-Semester (Batch of 2019)
End-Semester Examination, December - 2019
Paper: Law and Practice of Finance

Time: 3:00 Hours

Total Marks: 50

Instructions:

1. All questions are compulsory.
 2. No clarification shall be sought on the question paper.
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Q.1 Examine whether a security interest has been created in the following cases:

- a) A stockbroker has to deliver certain traded stocks/shares, which he had sold short, on the settlement date. To deliver these shares it borrows them from a mutual fund and gives it debentures of a certain traded value. The exchange is supposed to be unwounded after two weeks with same number of stocks of the same companies being given to the mutual fund in lieu of debentures of a certain value. **(5 Marks)**
- b) An online aggregator of hotel rooms charges a commission of 25% for the money spent by customers referred to the hotel by it. The commission amount had to kept in a separate account and not mixed with other moneys of the hotel to be turned over to the aggregator every three months. Similarly, the aggregator kept the payments made by the customers directly to it in a separate account to be adjusted against the amount due to it. **(5 Marks)**

Q.2 Examine the ways by which the payment of dues can be ensured in the following cases by creditor/financier/supplier: **(2.5*4=10 Marks)**

- a) A shipping company wants to buy two oil tankers taking into account its future business growth and after negotiations places orders with a shipbuilder, with ships being supposed to be delivered after 5 years. Pursuant to this order, it needs to make an advance payment equivalent to 10% of the order value for which it approaches a bank for credit. The existing properties and accounts of the shipping company are already secured in favour of another bank.
- b) A bank gives credit to a garment manufacturer, whose existing manufacturing facilities and accounts are secured in favour of state finance corporation, to fulfil orders to supply school uniforms to a NGO for distribution amongst poor school children.
- c) A supplier of raw diamonds wishes to sell them to a processor for the purpose of cutting and polishing of the diamonds. But the processor is unable to pay for them as the banks are unwilling to finance such a transaction after PNB burnt its fingers in the Nirav Mody scam involving financing of buying of raw diamonds.
- d) Abhijeet, the virtually sole shareholder of an office complex development company, needs to get loan to get the land from the government on long term lease for the company after having bid the maximum amount for the lease. The terms of the lease provide that the land can neither be subleased nor transferred or mortgaged without the construction of the promised office complex and even subsequent to it shall require prior permission of the government. Abhijeet needs to provide a satisfactory security to the financier.

Q.3 A tobacco products company seeks to diversify into power generation via a wholly owned subsidiary. As a counsel for the syndicate financing the project, identify the potential risks and how to overcome the same. **(10 Marks)**

Q.4 Distinguish between the following:

- a) Independent/legal set off and equitable/transactional set off **(5 Marks)**
- b) Common law rules of priority and the principles of waterfall laid out in the Insolvency and Bankruptcy Code. **(5 Marks)**

Q.5 Write short notes on the following:

- a) Methods of credit enhancement in securitization **(5 Marks)**
- b) Credit derivatives **(5 Marks)**