

Exam

Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The National Credit Code came into force on 1 July 2010. Most credit contracts that were in existence before that date are:
- A) regulated by the Australian Competition and Consumer Commission.
 - B) regulated by the National Credit Code.
 - C) regulated by contract law.
 - D) regulated by the state or territory credit codes laws that applied before 1 July 2010.

Answer: B

- 2) The main regulator of the National Credit Code is:
- A) The Australian Competition and Consumer Commission.
 - B) The Australian Credit Council.
 - C) The Australian Competition Tribunal.
 - D) The Australian Securities and Investments Commission.

Answer: D

- 3) The National Credit Code applies to a credit contract when:
- A) the debtor is a natural person and the credit is wholly or predominantly for personal or domestic purposes.
 - B) the debtor is a natural person and the credit is wholly or predominantly for the purchase of a residential investment property.
 - C) the debtor is a strata corporation and the credit is wholly or predominantly for personal or domestic purposes.
 - D) one or more of the above exist.
 - E) A or B above exist.

Answer: D

- 4) Which of the following credit contracts would not be covered by the National Credit Code?
- A) A loan to refinance a residential investment property.
 - B) A loan to buy new furniture for a family home.
 - C) A loan to refinance a commercial investment property.
 - D) A and B above.

Answer: C

- 5) Which of the following is not an essential requirement that must be satisfied for a credit contract to be regulated by the National Credit Code?
- A) The lender is a commercial credit provider.
 - B) The lender has the right to impose charges for providing credit.
 - C) The credit is wholly or predominantly for personal, domestic or household use.
 - D) The debtor is a natural person or a registered proprietary company.

Answer: D

6) Credit contracts that are regulated by the National Credit Code include:

- A) home loans.
- B) continuing credit contracts e.g. credit cards.
- C) contracts for the sale of goods by instalments.
- D) all of the above.
- E) A and B only.

Answer: D

7) Under the National Credit Code, consumers cannot be required:

- A) to mortgage personal property, such as a motor vehicle used for work purposes.
- B) to enter a written contract (unless it is approved by the government department or agency responsible for enforcing the code).
- C) to mortgage their house or place of residence.
- D) to mortgage their right to their wages or superannuation.

Answer: D

8) Which of the following types of credit are regulated by the National Credit Code?

- A) Bart receives a personal loan from the Zelda Finance Company.
- B) Bart borrows \$500 from a pawnbroker after giving his racing bike as security for the loan.
- C) Bart's employer gives him a five-year personal loan that is 2% below the standard interest rate.
- D) All of the above.

Answer: A

9) Which of the following types of credit contracts are protected by the National Credit Code?

- A) An account with a department store.
- B) Consumer credit contracts that must be repaid in 30 days.
- C) Insurance premiums paid by instalments.
- D) Credit provided by pawnbrokers.
- E) All of the above.

Answer: A

10) Heather borrows money from a business that specialises in short term 'pay day' loans. The loan will be regulated by the National Credit Code if:

- A) the fees and charges exceed 5% of the loan.
- B) the interest exceeds 24% per annum.
- C) Heather agrees to repay the loan through a direct debit from her weekly pay.
- D) A and B occur
- E) A, B and C occur.

Answer: E

11) The National Credit Code applies to related transactions. Which of the following would qualify as a related transaction under the Code?

- A) A contract to buy gym equipment from Harvey Norman that was paid for by a loan from the Zelda Finance Company.
- B) A guarantee by an aunt that she will be responsible for her nephew's home loan if he cannot satisfy the repayments.
- C) An insurance contract that will provide repayments for a consumer credit loan if the borrower becomes ill and cannot earn an income.
- D) All of the above.
- E) A and B only.

Answer: D

12) Which of the following is a key requirement that a credit provider must include in an information statement that is given to a debtor before the making of a credit contract?

- A) Details of enforcement expenses.
- B) Default rates.
- C) Details of repayments.
- D) Details of commissions paid.

Answer: B

13) Which one of the following is not a key requirement that a credit provider must include in its pre-contractual statement to a prospective borrower?

- A) Details regarding any insurance cover that is to be financed under the credit contract.
- B) All credit fees and charges that are or may become payable.
- C) Details regarding the credit provider's legal advisers.
- D) The method and frequency of interest charges.

Answer: C

14) Under the National Credit Code, the terms of a credit contract may be changed if:

- A) the contract contains unjust terms.
- B) the contract causes hardship to the borrower.
- C) the credit provider decides to make a unilateral change, such as an increase in the interest rate.
- D) one or more of the above occur.
- E) A or B occur.

Answer: D

15) Which of the following statements is not correct in relation to Chapter 3, which is aimed at informing consumers and deterring them from making unsuitable credit contracts?

- A) Credit providers must assess whether a credit contract is unsuitable for a credit applicant.
- B) A credit contract that requires the consumer to sell their principal place of residence to repay a loan is likely to cause substantial hardship.
- C) Credit providers are prevented by privacy laws from verifying a consumer's requirements and financial situation.
- D) A credit contract will be unsuitable if it causes a consumer to suffer substantial hardship.

Answer: C

16) Mica borrowed \$600 000 to purchase a residential property. She suffered a serious injury after a car accident and cannot make the repayments. Her credit provider has refused to delay and reduce her repayments. Which of the following statements is accurate in relation to Mica's rights under the National Credit Code?

- A) Mica has the right to have the contract declared unjust.
- B) Mica has no rights because her loan was not wholly or predominantly for personal purposes.
- C) Mica has no rights because the loan amount is above the maximum threshold of \$500 000.
- D) Mica has the right to have the contract declared void.

Answer: C

17) Some credit providers have the right to vary the terms of the contract. Variations may occur as a result of:

- A) unilateral changes.
- B) proof that the contract is unjust and causing hardship.
- C) mutual agreement of the parties.
- D) all of the above.

Answer: D

- 18) Which of the following statements is not correct in relation to s 76 of the National Credit Code which allows a court to reopen a contract because it is unjust?
- A) The court may take into account whether the borrower received independent advice.
 - B) The court may take into account the relative bargaining powers of the borrower and the lender.
 - C) The court may order that the contract is void and the borrower has no more obligations to the borrower.
 - D) An application to reopen a contract must be made within 12 months from when the contract ended.

Answer: D

- 19) Which of the following is a remedy or penalty that may be imposed for a breach of the National Credit Code?
- A) A civil penalty of up to \$500 000 for each breach - if the application is made by a credit provider or ASIC.
 - B) The withdrawal of a credit provider's licence for up to five years.
 - C) A requirement to apologise and offer compensation through public advertisements.
 - D) A criminal penalty of up to \$1.1 million for each breach.

Answer: A

- 20) Which of the following powers, remedies or penalties are not available to courts under the National Credit Code?
- A) A civil penalty of up to \$750 000 for each breach - if the application is made by a credit provider or ASIC.
 - B) The power to set aside a credit contract or mortgage.
 - C) The power to cancel or reduce an interest charge or fee.
 - D) The power to order a provider to make public apologies and offer compensation through public advertisements.

Answer: A

- 21) The Zelda Finance Company breached six key requirements of the National Credit Code during 2011. Knowing it is under investigation from ASIC and up to 100 current and former Zelda customers are planning to apply for remedies for breaches of the requirements, Zelda applies for a penalty order before ASIC or the consumers can take action. Which of the following statements is not accurate in this situation?
- A) The consumers are barred from making an application for penalty orders.
 - B) The consumers have the right to make individual claims for losses they have suffered.
 - C) Zelda's civil penalties are restricted to \$500 000 for each breach.
 - D) The court may reduce the amount of the penalty if Zelda does not have the financial resources to pay the appropriate penalties.
 - E) Zelda may lose the right to impose interest charges on the current credit contracts if the breaches are very serious.

Answer: E

- 22) Which of the following is/are not classified as cash dealers under the *Financial Transactions Reports Act 1998*?
- A) Payroll delivery companies.
 - B) Insurance companies.
 - C) Currency dealers.
 - D) All of the above.
 - E) A and B only.

Answer: A

23) Under the *Financial Transactions Reports Act 1998* cash dealers and members of the public must report 'significant transactions' of:

- A) \$20 000 or more in cash or other means of payment.
- B) \$5 000 or more in cash or other means of payment.
- C) \$10 000 or more in cash.
- D) \$20 000 or more in cash.

Answer: C

24) Cash dealers and members of the public must:

- A) report international or telegraphic transfers of money to or from Australia.
- B) verify the identity of persons or entities who open or are signatories to an account with a credit balance of \$1000 or more.
- C) report 'suspect' transactions of any amount.
- D) conform with all of the above.
- E) conform with A and B only.

Answer: D

25) The second stage of the *Anti Money Laundering and Counter-Terrorism Financing Act* will apply to:

- A) real estate agents.
- B) lawyers.
- C) accountants.
- D) all of the above.
- E) A and B above.

Answer: D

26) The cornerstone feature of the *Anti Money Laundering and Counter-Terrorism Financing Act* (AML/CTF) is that the Registered Entity must:

- A) prevent and manage AML/CTF risks.
- B) know its customers.
- C) design systems to effectively identify its customers.
- D) comply with all of the above.
- E) comply with A and B only.

Answer: D

27) Reporting Entities under the *Money Laundering and Counter-Terrorism Financing Act* (AML/CTF) are not obliged to:

- A) require their customers to satisfy a 100 points identification check.
- B) retain records of services they provide to their customers.
- C) verify the identities of their customers.
- D) monitor transactions.

Answer: A

28) Under the *Anti Money Laundering and Counter-Terrorism Financing Act*, a financial institution is prohibited from entering into a 'correspondent banking relationship' with another financial institution unless:

- A) it ensures the correspondent bank is a bona fide shelf bank.
- B) it carries out a due diligence assessment of the possible AML/CTF risks.
- C) It establishes a *prospero* account on behalf of a foreign financial institution.
- D) all of the above occur.

Answer: B

- 29) Under the *Anti Money Laundering and Counter-Terrorism Financing Act*, the identification procedures for a natural person who is a 'low to medium' risk must include:
- A) collecting the customer's full name, date of birth and residential address.
 - B) sighting an original or certified copy of a primary identification document, such as a current Australian passport.
 - C) verifying the customer's name and their address or date of birth.
 - D) All of the above.
 - E) A and B only.

Answer: D

- 30) How many identification points is an applicant for an internet banking account required to satisfy under the *Anti Money Laundering and Counter-Terrorism Financing Act*?
- A) 120. B) 100. C) 150. D) None.

Answer: D

- 31) Which of the following statements is not true in relation to suspect transactions under the *Anti Money Laundering and Counter-Terrorism Financing Act*?
- A) Employees or representatives of a Reporting Entity who fail to report a suspicious transaction could face fines or imprisonment.
 - B) A Reporting Entity may be obliged to report a person although it has no contractual or business relationship with that person.
 - C) A trigger for a suspect transaction is that a customer of an RE is not who they claim to be.
 - D) The RE must continue to provide services to a customer after reporting the transaction to avoid alerting the customer to any investigation by AUSTRAC.

Answer: D

- 32) Under the *Anti Money Laundering and Counter-Terrorism Financing Act*, Related Entities must retain records of specific services and related documents for:
- A) 3 years from the date of the service.
 - B) 5 years from the date that the customer terminated their business relationship.
 - C) 5 years from the date of the service.
 - D) 7 years from the date of the service.

Answer: D

- 33) Which of the following are defences to a breach of the *Anti Money Laundering and Counter-Terrorism Financing Act*?
- A) 'We took reasonable care and exercised due diligence'.
 - B) 'We made a reasonable mistake of fact'.
 - C) 'We reasonably relied on legal and financial advice'.
 - D) All of the above.
 - E) A and B only.

Answer: E

- 34) Which of the following is not a power of the Australian Transaction Reports and Analysis Centre (AUSTRAC)?
- A) To issue rules that Reporting Entities are legally obliged to follow.
 - B) To publish 'name and shame' details of a Reporting Entity's enforceable undertaking.
 - C) To appoint external auditors to assess a Reporting Entity's risk management procedures.
 - D) To impose fines for breaches of key requirements.

Answer: D