

ApEx15

Securities and Derivatives

# Summary of Learning Outcomes

## ApEx15 Securities and Derivatives

ApEx15a Securities	Level
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K1 regulatory requirements affecting securities	Knowledge
K2 principles and key operating features of key overseas markets	Knowledge
K3 information sources and disclosure obligations	Knowledge
<b>U Demonstrate an understanding of:</b>	
U1 key features and risks of typical securities	Comprehension
U2 foreign exchange products and markets	Comprehension
U3 principles and characteristics of new issues as applicable to the process of advising clients	Comprehension
U4 principles and methods of settlement and clearing, according to product types and market	Comprehension
U5 how and where securities trade and the key differences between each method	Comprehension
ApEx15b Derivatives	Level
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K4 regulatory requirements affecting derivatives	Knowledge
K5 principles and key operating features, including the products traded, of key overseas markets	Knowledge
K6 clearing and settlement	Knowledge
<b>U Demonstrate an understanding of:</b>	
U6 principles, characteristics and operation of futures	Comprehension
U7 principles, characteristics and operation of options	Comprehension
U8 characteristics of typical products	Comprehension
U9 methods and organisations involved in the trading of products	Comprehension

# Indicative Content for each Learning Outcome

**ApEx15 SECURITIES AND DERIVATIVES**

Attainment Level	Outcome	Indicative Content
<b>15a Securities</b>		
<b>K</b> Demonstrate knowledge of:	<b>K1 Regulatory requirements affecting securities</b>	<p>K1.1 Issuers of securities – key obligations placed upon them, ie accounting and reporting requirements</p> <p>K1.2 Holders of securities – key obligations placed upon them, ie disclosure requirements</p> <p>K1.3 Securities trading organisations – key obligations placed upon them</p> <p>K1.4 Cross-border regulations – key elements of cross-border regulations that impact on advisers</p> <p>K1.5 UK Listing Authority – key elements of provisions affecting advisers</p>
<b>U</b> Demonstrate understanding of:	<b>U1 Key features and risks of typical securities</b>	<p>U1.1 Shares</p> <ul style="list-style-type: none"> <li>1.1.1 Features and characteristics of ordinary shares and non-voting shares</li> <li>1.1.2 Features and characteristics of the main classes of preference shares</li> <li>1.1.3 Dividends – ex-dividend and cum-dividend, calculation of net and gross dividends</li> <li>1.1.4 Warrants and covered warrants</li> <li>1.1.5 American Depository Receipts and Global Depository Receipts</li> </ul> <p>U1.2 Government Bonds</p> <ul style="list-style-type: none"> <li>1.2.1 Features and characteristics of the main types of UK Government gilts</li> <li>1.2.2 Features and characteristics of UK Treasury bills</li> <li>1.2.3 Features and characteristics of commonly used overseas Government bonds</li> </ul> <p>U1.3 Corporate Debt</p> <ul style="list-style-type: none"> <li>1.3.1 Characteristics, and uses of secured debt</li> <li>1.3.2 Characteristics, and uses of unsecured debt</li> <li>1.3.3 Fixed-floating, cross currency and credit default swaps</li> </ul> <p>U1.4 Fixed interest securities</p> <ul style="list-style-type: none"> <li>1.4.1 Characteristics of yield and yield curves</li> <li>1.4.2 Relationship between price and yield</li> </ul> <p>U1.5 Collective Investment Vehicles</p> <ul style="list-style-type: none"> <li>1.5.1 Features and characteristics</li> <li>1.5.2 Pricing, including whether trading at discount or premium</li> <li>1.5.3 Asset value</li> <li>1.5.4 Gearing and leverage</li> </ul> <p>U1.6 Structured Capital at Risk Products (SCARPs)</p>
<b>U</b> Demonstrate understanding of:	<b>U2 Foreign exchange products and markets</b>	<p>U2.1 Foreign Exchange</p> <ul style="list-style-type: none"> <li>2.1.1 Products and their key characteristics</li> <li>2.1.2 Markets and their key characteristics</li> <li>2.1.3 Calculation of forward &amp; cross rates</li> </ul>

**ApEx15 SECURITIES AND DERIVATIVES**

Attainment Level	Outcome	Indicative Content
<b>15a Securities</b>		
<b>U</b> Demonstrate understanding of:	<b>U3 Principles and characteristics of new issues as applicable to the process of advising clients</b>	<p>U3.1 Key features of the regulations and criteria for the listing of new issues</p> <ul style="list-style-type: none"> <li>3.1.1 The role of UKLA</li> <li>3.1.2 Admission to trading on regulated markets</li> <li>3.1.3 Small and private issues</li> </ul> <p>U3.2 Mechanics of the listing process</p> <ul style="list-style-type: none"> <li>3.2.1 Initial Public Offerings and subsequent issues</li> <li>3.2.2 Underwriting – purpose, practice, rights and responsibilities</li> <li>3.2.3 Stabilisation – acceptable market practices and purposes</li> <li>3.2.4 Issue methods for each of the following: <ul style="list-style-type: none"> <li>3.2.4a Equities</li> <li>3.2.4b Gilts</li> <li>3.2.4c Eurobonds</li> </ul> </li> </ul>
<b>K</b> Demonstrate knowledge of:	<b>K2 Principles and operating features of key overseas markets</b>	<p>K2.1 European - principal markets and timings</p> <p>K2.2 US - principal markets and timings</p> <p>K2.3 Asia - principal markets and timings</p>
<b>U</b> Demonstrate understanding of:	<b>U4 Principles and methods of settlement and clearing, according to product types and market</b>	<p>U4.1 Settlement and clearing in UK Markets – characteristics, operation, roles and responsibilities</p> <p>U4.2 Settlement and clearing in International Markets – settlement periods and procedures</p>
	<b>U5 How and where securities trade and the key differences between each method</b>	<p>U5.1 Trading on regulated markets</p> <ul style="list-style-type: none"> <li>5.1.1 London Stock Exchange Domestic Market</li> <li>5.1.2 LSE Gilt Edged and Fixed Interest Market</li> <li>5.1.3 LSE (International)</li> <li>5.1.4 Virt-x Exchange Limited</li> </ul> <p>U5.2 Other markets operated by recognised investment exchanges</p> <ul style="list-style-type: none"> <li>5.2.1 AiM</li> </ul> <p>U5.3 Markets operated by authorised firms</p> <ul style="list-style-type: none"> <li>5.3.1 OFEX</li> </ul> <p>U5.4 Awareness of trading OTC</p>

## ApEx15 SECURITIES AND DERIVATIVES

Attainment Level	Outcome	Indicative Content
<b>15a Securities</b>		
<b>U</b> Demonstrate understanding of:	<b>K3 Information sources and disclosure obligations</b>	<p>K3.1 Periodic reporting by issuers</p> <p>K3.2 Ad hoc announcements</p> <p>K3.3 News services, RNS, PIPs and SIPs</p> <p>K3.4 Investment research and sales notes</p> <p>K3.5 Financial journalism</p> <p>K3.6 Transparency obligations of shareholders</p> <p>K3.7 Structure of accounting information and company balance sheets</p>

Attainment Level	Outcome	Indicative Content
<b>15b Derivatives</b>		
<b>K</b> Demonstrate knowledge of:	<b>K4 Regulatory requirements affecting derivatives</b>	<p>K4.1 Differences in the UK &amp; US Regulations</p> <p>4.1.1 Segregation of accounts</p> <p>4.1.2 Wholesale and retail markets</p> <p>4.1.3 Role of the Securities and Exchange Commission (SEC) in regulation of derivatives</p> <p>4.1.4 FSA Conduct of Business Rules specific to derivatives</p> <p>K4.2 Market transparency, trade reporting and monitoring</p> <p>K4.3 International Accounting Standards (IAS 4)</p>

15b Derivatives		
Attainment Level	Outcome	Indicative Content
<b>U</b> Demonstrate understanding of:	<b>U6 Principles, characteristics and operation of futures</b>	<p>U6.1 Features and characteristics of futures contracts</p> <p>U6.2 Risk reward profile</p> <p>    6.2.1 What you could lose/gain</p> <p>U6.3 Pricing</p> <p>    6.3.1 Fair value</p> <p>    6.3.2 Basis</p> <p>    6.3.3 Arbitrage</p> <p>U6.4 Strategies</p> <p>    6.4.1 Investment funds, styles, and uses</p> <p>    6.4.2 Types of spread, appropriateness of each and risks</p> <p>    6.4.3 Hedging</p> <p>    6.4.4 Trading different dates</p> <p>    6.4.5 Outrights</p> <p>U6.5 Margins</p> <p>    6.5.1 Concept and principles</p> <p>    6.5.2 Initial and variation</p> <p>    6.5.3 Intraday margin calls</p> <p>    6.5.4 Calculation methods, including SPAN and TIMS</p> <p>    6.5.5 Cover and collateral</p> <p>    6.5.6 Clearing house, clearing broker and client relationships</p>

15b Derivatives		
Attainment Level	Outcome	Indicative Content
<b>U</b> Demonstrate understanding of:	<b>U7 Principles, characteristics and operation of options</b>	U7.1 Features and characteristics of options contracts <ul style="list-style-type: none"> <li>7.1.1 Calls</li> <li>7.1.2 Puts</li> </ul> U7.2 Risk reward profile <ul style="list-style-type: none"> <li>7.2.1 What could be lost/gained r calls and puts according to whether buying or selling</li> </ul> U7.3 Pricing <ul style="list-style-type: none"> <li>7.3.1 Fair value</li> <li>7.3.2 Basis</li> <li>7.3.3 Arbitrage</li> <li>7.3.4 Premiums <ul style="list-style-type: none"> <li>7.3.4a Factors affecting premium calculation</li> <li>7.3.4b In the money</li> <li>7.3.4c Out of the money</li> <li>7.3.4d At the money</li> </ul> </li> <li>7.3.5 Impact of volatility</li> </ul> U7.4 Strategies <ul style="list-style-type: none"> <li>7.4.1 Investment funds, styles, and users</li> <li>7.4.2 Types of spread, appropriateness of each and risks</li> <li>7.4.3 Straddles and strangles</li> <li>7.4.4 Hedging</li> </ul> U7.5 Exercise styles – European and American
	<b>U8 Characteristics of typical products</b>	U8.1 Commodities – what the following are, what influences their price, how they are delivered and settled: <ul style="list-style-type: none"> <li>8.1.1 Metals</li> <li>8.1.2 Energy</li> <li>8.1.3 Agriculturals and softs</li> <li>8.1.4 Bandwidth and others</li> </ul> U8.2 Financial – characteristics, markets and uses, including leverage, of the following asset types: <ul style="list-style-type: none"> <li>8.2.1 Interest rates</li> <li>8.2.2 Forex</li> <li>8.2.3 Equities</li> </ul> U8.3 Financial – characteristics, markets and uses, including leverage, of the following product types: <ul style="list-style-type: none"> <li>8.3.1 Swaps</li> <li>8.3.2 Credit derivatives</li> <li>8.3.3 Covered warrants</li> <li>8.3.4 Structured Capital At Risk Products (SCARPs)</li> </ul>

15b Derivatives		
Attainment Level	Outcome	Indicative Content
<b>U</b> Demonstrate understanding of:	<b>U9 Methods and organisations involved in the trading of products</b>	<p>U9.1 OTC</p> <ul style="list-style-type: none"> <li>9.1.1 Products – swaps, options, forwards, contracts for difference (CFD), forward rate agreements (FRA)</li> <li>9.1.2 How the products are traded and settled</li> <li>9.1.3 Relevance of moving markets and the implications for market abuse</li> </ul> <p>U9.2 Exchange Traded</p> <ul style="list-style-type: none"> <li>9.2.1 Products of the London Metal Exchange (LME), International Commodities Exchange (ICE), Euronext.liffe and EDX London</li> <li>9.2.2 How these products are traded and settled</li> </ul> <p>U9.3 Principal exchanges and their key operating principles</p>
<b>K</b> Demonstrate knowledge of:	<b>K5 Principles and operating features, including the products traded, of key overseas markets</b>	<p>K5.1 US</p> <p>K5.2 Europe</p> <p>K5.3 Asia</p>
	<b>K6 Clearing and settlement</b>	<p>K6.1 Role of the clearing and settlement process</p> <ul style="list-style-type: none"> <li>6.1.1 Purpose, operation and risks</li> <li>6.1.2 Relationship with exchanges, membership criteria and applicable regulations</li> <li>6.1.3 Contract novation and registration</li> <li>6.1.4 Margining</li> <li>6.1.5 Close out</li> <li>6.1.6 Futures cash settlement and delivery</li> <li>6.1.7 Option exercise and assignment</li> <li>6.1.8 Emergency and default powers</li> </ul>