STAND-ALONE CERTIFICATION

CREATION OF STAND-ALONE CERTIFICATION

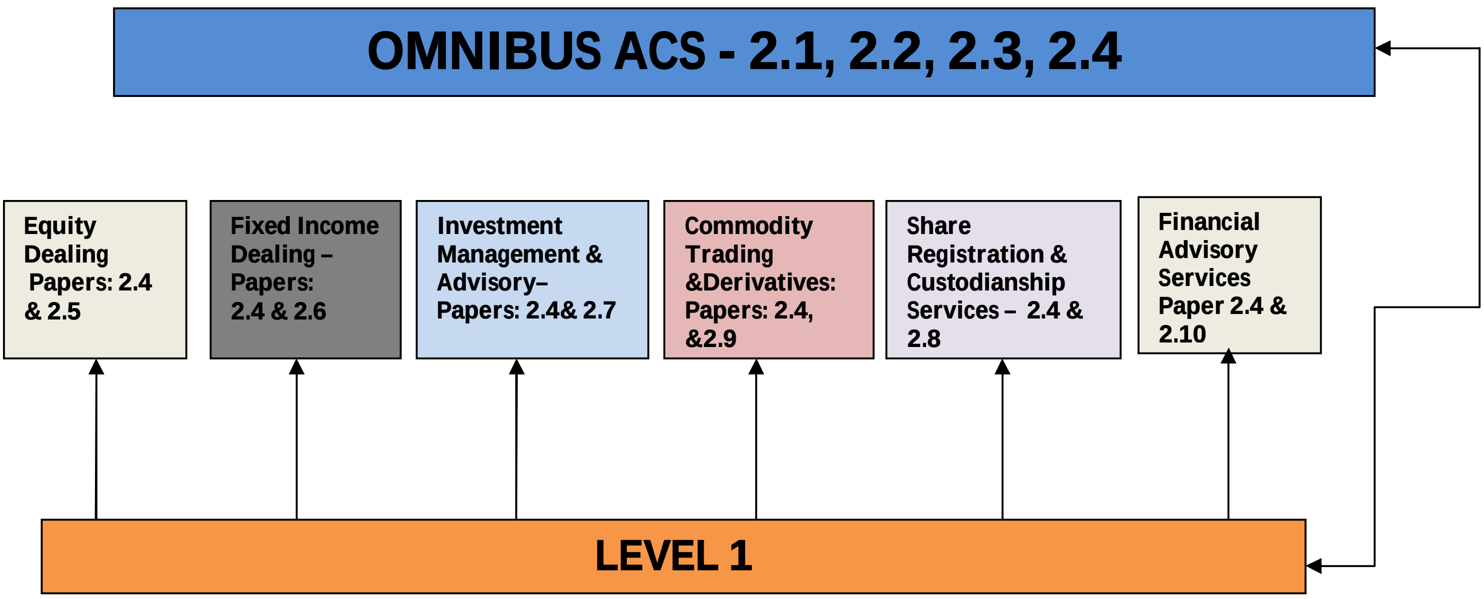
Council at its meeting of Thursday, March 17, 2015 approved the creation of Stand-alone certifications for candidates who want to specialize and focus on their core area of duty. This is in conformity with the structure of the proposed new CISI Bill. Council approved the following stand alone courses:

i. Commodity Trading and Derivatives
ii. Equities Dealing
iii. Fixed Income Dealing
iv. Share Registration & Custodianship Services
v. Investment Management & Advisory
vi. Financial Advisory

Course Structure of the new Certifications

Level 1 and Paper 2.4 are compulsory for all Certifications. Our Exemption policy will also remain the same.

The Course Outline for the various Certifications is as follows:



Key

Paper No	Subjects covered

Paper 1.1	Financial Accounting and Financial Statement Analysis Economics and Financial Markets Quantitative Analysis and Statistics
Paper 1.2	Corporate Finance Equity Valuation and Analysis Fixed Income Valuation and Analysis
Paper 1.3	Derivative Valuation Analysis Portfolio Management Commodity Trading and Futures
Paper 1.4	Ethics and Professional Standards Law relating to securities and investments Regulations of securities and corporate finance
Paper 2.1	Financial Accounting and Financial Statement Analysis Economics and Financial Markets Quantitative Analysis and Statistics
Paper 2.2	Corporate Finance Equity Valuation and Analysis Fixed Income Valuation and Analysis
Paper 2.3	Derivative Valuation Analysis Portfolio Management Commodity Trading and Futures
Paper 2.4	Ethics and Professional Standards Law relating to securities and investments Regulations of securities and corporate finance
Paper 2.5	Equity Dealing
Paper 2.6	Fixed Income Dealing
Paper 2.7	Investment Management & Advisory
Paper 2.8	Share Registration & Custodianship Services
Paper 2.9	Commodity Trading and Derivatives
Paper 2.10	Financial Advisory Services

1. **Omnibus Certification (ACS)**
   Candidates for this certification will continue with the present ACS course structure as we have it now. Candidates in this category are those currently in the ACS programme who wish to continue and new Candidates who want to acquire a comprehensive Certification that will enable them practice in any part of the Capital market.

Such candidates will take the whole of level 1, then Papers 2.1, 2.2, 2.3 and 2.4 as we have it in our curriculum now.

It is good to note that four or more of the special certifications will qualify as Omnibus Certification.

2. **Equities Dealing**
   Candidates for Equities Dealing Certification will take only level 1 plus Papers 2.4 including Paper 2.5.

3. **Fixed Income Dealing**
   Candidates for Fixed Income Dealing Certification will take only level 1 plus Papers 2.4 including Paper 2.6.

4. **Investment Management & Advisory**

   Candidates for Investment Management & Advisory Certification will take only level 1 plus Papers 2.4 including Paper 2.7

5. **Share Registration & Custodianship Services**

   Candidates for Share Registration & Custodianship Services will take only level 1 plus Papers 2.4 including Paper 2.8

6. **Commodity Trading and Derivatives**

   Candidates for Commodity Trading and Derivatives Certification will take only level 1 plus Papers 2.4 including Paper 2.9.

7. **Financial Advisory**
   Candidates for Financial Advisory Certification will take only level 1 plus papers 2.4 including paper 2.10.

8. **Commodity Trading and Derivatives**
   Candidates for Commodity Trading and Derivatives Certification will only take level 1 plus Papers 2.4 including :
   a. Commodity Trading and Futures. 50%
   b. Derivative Valuation Analysis 40%
   c. Portfolio Management 10%

9. **Equities Dealing**
   Candidates for Equities Dealing Certification will only take level 1 plus Papers 2.4 including:
   a. Equity Valuation and Analysis 60%
   b. Portfolio Management 10%
   c. Financial Accounting and Financial Statement Analysis 30%

10. **Fixed Income Dealing**
    Candidates for Fixed Income Dealing Certification will only take level 1 plus Papers 2.4 including:
    a. Fixed Income Valuation and Analysis 60%
    b. Financial Accounting and Financial Statement Analysis 30%
    c. Portfolio Management 10%

11. **Investment Management & Advisory**
Candidates for Investment and Asset Management Certification will only take level 1 plus Papers 2.4 including:
    a. Portfolio Management 60%
    b. Fixed Income Valuation and Analysis 10%
    c. Equity Valuation and Analysis 10%
    d. Derivative Valuation Analysis 10%
    e. Corporate Finance 10%

12. **Share Registration & Custodianship Services**
Candidates for Operations will only take level 1 plus Papers 2.4 including:
    a. Corporate Finance 40%
    b. Principles and Practice of Share Registration 30%
    c. Economics and Financial Markets 30%

13. **Financial Advisory Services**
Candidates for Investment Advisory Certification will only take Level 1 plus Papers 2.4 including:
    a. Corporate Finance 50%
    b. Portfolio Management 20%
    c. Equity Valuation and Analysis 10%
    d. Fixed Income Valuation and Analysis 10%
    e. Commodity Trading and Futures 10%

BENEFITS OF THE STAND ALONE CERTIFICATIONS

i. It is quicker to complete and therefore will enable new members to come into the profession easily. This will lead to increased number of entrants into the industry due to shorter qualification time.

ii. Consequent on (i), there will be increased revenue to the institute due to increase in membership.

iii. There will be increased pass-rate in C.I.S. Examinations due to streamlining and focus.

iv. The Streamlined examinations test the body of knowledge relevant to a member's specific job function. It takes into consideration the various roles within the Investment and securities profession and creates streamlined Examination specific for each role

This model is used in the US where a candidate is able to trade by sitting for only the series 7 Examination. This is a single exam that can be successfully completed within 6 months of joining a stock broking firm.

DETAILED SYLLABUS

Commodity Trading and Derivatives

Broad Learning Objectives

To provide a thorough knowledge of the theory underlying derivative valuation and enable application of this theory to the investment markets and products most commonly used in the markets.

To also provide a basic knowledge of the regulations and practices in commodity trading and futures, their underlying markets, trading and the principles of investment strategies.

Syllabus

1. Financial Markets and Instruments

1.1 Derivatives Markets
1.1.1 Fixed income derivatives
1.1.2 Interest rate options
1.1.3 Interest rate futures
1.1.4 Delivery options
1.1.5 Conversion factors
1.1.6 Cheapest-to-deliver bonds
1.1.7 Custom interest rate agreements (interest swap, IRA, cap, floor and swaptions)
1.1.8 Equity derivatives
1.1.9 Options on individual stocks
1.1.10 Stock index futures and options

1.2 Futures Markets
1.2.1 Basic characteristics of futures contract
1.2.2 Mechanics of trading in futures markets

1.3 Related Markets*
1.3.1 Swaps*
1.3.1.1 Characteristics of swaps*
1.3.1.2 Related products (IRA, cap, floor, swaptions)*

2. Analysis of Derivatives and Other Products

2.1 Futures
2.1.1 Factors determining contract price
2.1.2 Theoretical price of futures
2.1.3 Basis and factors causing change
2.1.4 Arbitrage problems
2.1.5 Hedging strategies
2.1.5.1 The hedge ratio
2.1.5.2 The perfect hedge
2.1.5.3 Minimum variance hedge ratio
2.1.5.4 Hedging with several futures contracts

2.2 Options
2.2.1 Determinants of option price
2.2.2 Options pricing models
2.2.2.1 B&S option pricing formula and variants

2.2.2.2 European options on stocks paying known dividends
2.2.2.3 European options on stocks paying unknown dividends
2.2.2.4 American options on stocks paying known dividends
2.2.2.5 Options on stock indices
2.2.2.6 Options on futures
2.2.2.7 Options on currencies
2.2.2.8 Warrants
2.2.2.9 Binomial option pricing model
2.2.3 Sensitivity analysis of options premiums
2.2.3.1 The strike price
2.2.3.2 Price of underlying assets, and delta and gamma
2.2.3.3 The time to maturity and theta
2.2.3.4 Interest rate and rho
2.2.3.5 Volatility of the stock returns and vega
2.2.4 Volatility and related topics*
2.2.4.1 Estimating volatility from historical data*
2.2.4.2 Implied volatility and volatility smile*
2.2.5 Exotic options*
2.2.6 Options strategies*
2.2.6.1 Covered call*
2.2.6.2 Protective put*
2.2.6.3 Spreads*
2.2.6.4 Straddles*
2.2.6.5 Strangles*

2.3 Asset-backed securities*
2.3.1 Types of underlying assets*
2.3.1.1 Instalment contract*
2.3.1.2 Revolving lines of credit*
2.3.1.3 Other assets*
2.3.2 Cash flow characteristics*
2.3.3 Credit enhancement*
2.3.4 Valuation methodologies*

3 Introduction to Commodity Trading and Futures

3.1 Development of Commodity Trading and Futures
3.1.1 Origins of commodity trading and futures
3.1.2 The roles of speculators, hedgers and arbitrageurs in Commodity derivative markets
3.1.3 The reasons for the development of more complex and structured derivatives and who buys them

3.2 General Principles of Derivatives

3.2.1 The basic concepts and fundamental characteristics of:
3.2.1.1 Forward and futures contracts
3.2.1.2 Contracts for differences
3.2.1.2 The basic concepts and fundamental characteristics of options contracts, including:
3.2.2 Basic puts and calls Options on cash and futures
3.2.2.1 American, European
3.2.2.2 Common path dependent and average Pricing options

3.2.3 The risks and rewards associated with derivatives:
3.2.3.1 Counterparty risk
3.2.3.2 Market risk

3.2.3.3 Liquidity risk
3.2.3.4 Risks to the buyer of options
3.2.3.5 Risks to the writer of options

3.2.4 The significance of gearing to exchange-traded derivatives:
3.2.4.1 How margin facilitates gearing
3.2.4.2 Effect on derivative positions
3.2.4.3 Reward versus outlay
3.2.4.4 Reward versus risk

3.2.5 The principles and differences between the two major measures of exchange-traded Liquidity (open interest and volume)
3.2.6 The main features and differences of Over the Counter (OTC) traded products in contrast to exchange-traded products:
3.2.6.1 How an OTC traded product is traded
3.2.6.2 Standard versus bespoke OTC contracts
3.2.6.3 Set maturity or expiry dates versus bespoke OTC contracts
3.2.6.4 Margin requirements versus collateral
3.2.6.5 Central clearing versus counterparty risk
3.2.6.6 Liquidity from standard versus bespoke OTC contracts
3.2.6.7 Actively managed exchange-traded versus OTC hedging
3.2.6.8 Market transparency versus confidential transactions

3.2.7 The trading mechanisms by which OTC and exchange-traded markets meet:
3.2.7.1 Block trades
3.2.7.2 Against Actual / Exchange for Physicals (EFPs) / Exchange for Swaps (EFSs)
3.2.8 How to interpret basic options diagrams (long call, long put, short call, and short put)

3.2.9 The main features and principles of commodity markets:

- Economics – supply and demand
- Geopolitical developments
- Correlation and substitutions
- Regulation, taxation, subsidies and tariffs
- Spot and forward markets
- Physical and derivative markets
- Market participants
- Quote driven versus order driven
- Electronic trading, floor and voice

4. Underlying Commodity Markets

4.1 Physical Markets

4.1.1 The main features of agricultural markets, and how the physical characteristics, supply and demand, and storage and transportation issues influence prices:

- Grains
- Timber and pulp
- Soft commodities (e.g. coffee, cotton, sugar)
- Citrus and orange juice
- Livestock and crush contracts

4.1.2 The main features of metals markets and how the physical characteristics, supply, demand, storage and transportation issues influence prices in these markets, including:

- Precious metals
- Non-ferrous (aluminium, copper, lead, tin, zinc)

- Iron and steel
- Scrap and secondary

4.1.3 The main features of energy markets and how the physical characteristics, supply, demand, storage and transportation issues influence prices in these markets, including
- Crude oil
- Oil products (e.g. heating, gasoline, kerosene, synthetics, crack)
- Gas (e.g. Natural, LPG, LNG)
- Coal
- bioenergy / biomass (e.g. ethanol, biodiesel, biofuels)

4.1.4 The main features of power markets and how the market characteristics, supply, demand, storage and transportation issues influence prices in these markets, including:
- Electricity
- Others (solar, wind, fuel cells)

4.1.5 The main features of plastics markets and how the physical characteristics, supply, demand, storage and transportation issues influence prices in these markets, including:
- Polyethylene, poly vinly chloride PVC, polypropylene, polystyrene, EVA

4.1.6 The main features of the carbon and emissions markets and how the market characteristic and supply and demand issues influence prices in these markets, including:
- Legal and regulatory impacts

4.1.7 The main features of freight and shipping markets and supply and demand issues influence prices:
- Freight contracts
- Cleared market contracts

4.2 Price discovery in Commodity Markets

4.2.1 The structure of the different commodity markets (energy, precious metals, base metals, agricultural, others) and how this impacts price discovery
4.2.2 The effect of short term speculation versus long term risk management in commodity derivative markets and the resultant relationship between near and far derivative prices
4.2.3 The impact of storable versus non-storable commodities, the role that storage facilitation plays in arbitrage and hence derivative price discovery and the impact of transportation constraints or costs on short term commodity derivative pricing
4.2.4 The impact of seasonality affects on supply and demand in and hence pricing of commodity derivative markets
4.2.5 The role of yield or production forecasts, the impact of short term inelasticity of supply and the current and the expected supply and demand balance on commodity derivative pricing
4.2.6 How good market liquidity and transparency leads to better commodity price discovery
4.2.7 How artificial restrictions (e.g. tariffs and barriers) impact commodity prices
4.2.8 The relationship of local to regional to global commodity markets
4.2.9 How and where futures prices provide unbiased estimates of future cash prices
4.2.10 How and where futures prices, rather than cash markets, are the primary point for price discovery
4.2.11 Application of futures prices to determine expectations of (future) cash market prices and cash market information to derive future price relationships
4.2.12 The key features of other commodity-related markets and the influences on supply and price:
- Weather
- Insurance

5. Exchange Traded Commodity Futures and Options

5.1 Commodity Derivative Exchanges

5.1.1 The structures, physical and electronic trading processes, clearing mechanisms and main products of the following exchanges:

- Abuja Securities and Commodity Exchange
- Liffe,
- CME Group
- Emerging Markets: BM&F, SAFEX, DME

5.1.2 The membership structures (brokers, dealers and broker/dealers, general clearing, individual clearing and non-clearing) and their principal rights:

- Executing trades for third parties
- Executing trades for their own account
- Executing trades for other members
- Capacity as broker
- Capacity as dealer
- Capacities of clearing members

5.2 Trading Platforms

5.2.1 The essential details of the trading mechanisms:

- Electronic platforms, telephone and open outcry
- Whether quote, order driven or hybrid markets
- How the trading host matches orders
- The order types accepted by the markets
- The trading strategies that are recognised
- Record keeping

5.2.2 The essential details of wholesale trading facilities:

- block trades and basis trades
- against actuals, exchange for physical, exchange for swaps

5.2.3 The significance, implications and uses of wholesale trading facilities

6. Principles of Exchange-Traded Commodity Futures and Options

6.1 Commodity Futures Pricing

6.1.1 The mechanisms for futures pricing and the relationship with the underlying cash prices together with the significance of contributing factors:

- contango and backwardation
- Price convergence at maturity
- The concept of fair value
- Convenience yield
- Terms structure and forward curves

6.1.2 The implications of the cost of carry and what may be included in these:

- What is cost of carry?
- Interest rates and asset yields
- Storage costs, insurance and interest costs

6.1.3 The relationship between a future and its relevant cash market, price yield and interest rates

6.1.4 The importance of basis:

- Behaviour at expiry
- Significance of changes
- Basis risk

6.1.5 The principles of cash/futures arbitrage:

- What should be included in arbitrage calculations?
- Cash and carry arbitrage
- When arbitrage opportunities exist
- Arbitrage possibilities
- Arbitrage risk

6.2 Commodity Options Pricing

6.2.1 The factors of options pricing:

- Option premium
- Time value
- Intrinsic value
- What affects time and intrinsic values
- In-the-money, out-of-the-money and at-the-money

6.2.2 The factors determining option premiums:

- Volatility
- Interest rates
- Strike or exercise price
- Time to expiry
- The underlying price

6.2.3 Calculation of an option value using the Put /Call Parity Theorem:

- What is the Put/Call Parity Theorem
- Identifying arbitrage opportunities
- Risk free interest rate

6.2.4 Calculation of the sensitivity of the option premium to changes in price by applying delta values to cumulative positions and the meaning and uses of delta

6.2.5 The meaning and uses of the concept of gamma

6.2.6 The meaning and uses of the concept of theta

6.2.7 The requirements of, and process for, premium payment:

- When paid, immediately or marking to market
- The roles of the clearing house and broker
- What the seller receives

6.3 Market Transparency, Trade Reporting and Monitoring

6.3.1 The purpose and requirements of trade reporting in markets:

- Information to be reported
- Process for reporting
- Responsibility for reporting

6.3.2 The advantages and main sources for Exchange Price Feeds:

- Price transparency
- Current bids and offers
- Trade prices
- High/low prices
- Last night closing price
- Traded volume

6.3.3 The importance of monitoring volume and open interest information and settlement:

- Purpose of monitoring open interest
- Breach of credit limit
- Guarantee in the event of settlement failure

- Effect of client's failure to monitor open interest

6.4 Order/Instruction Flow and Order Type

6.4.1 The principles of order flow:
- How clients, brokers and exchange members are linked
- Electronic and open outcry markets
- Audit trail

6.4.2 The definition, significance and differences between principal and agency orders (i.e. of dual capacity versus agency orders):
- Dealing as a principal
- Cross trading
- Advantages to the client

6.4.3 The range of types of orders, their uses and effects:
- Concept of immediate and resting orders
- Correction of mistakes and errors
- Types of order
- Market order
- Limit order
- Market if touched order
- Opening and closing orders
- Good till cancelled
- Immediate or cancel / fill or kill order
- Stop order
- Stop limit order

6.5 Trade Registration

6.5.1 The processes involved in trade registration, trade input and trade matching and differing requirements of electronic and open outcry markets

6.5.2 The purpose and importance of give-ups and allocations:
- Reasons to allocate a trade to an account
- Use of give-up agreements
- Risk implications

6.5.3 The use of different types of accounts:
- Use of house accounts
- Customer accounts – segregated and non-segregated

7 Principles of OTC Commodity Derivatives*

7.1 Concepts and Characteristics*

7.1.1 The basic concepts and fundamental characteristics of forwards, swaps, caps floors and collars*

7.1.2 The basic concepts and fundamental characteristics of commodity- linked bonds and other structured products*

International Swaps and Derivatives Association (ISDA) Documentation*

7.2.1 The main ISDA documents supporting OTC derivative activities:*
- Master agreements and bridges*
- Credit support documentation*
- Master give up agreements*
- Commodity definitions*
- Energy agreement bridge*
- Energy annexes*
- Protocols*

7.3 Commodity Forwards and Swaps*

7.3.1 the mechanisms for OTC derivative pricing and the relationship with the underlying cash prices together with the significance of contributing factors:*

- Forward and forward/forward rates*
- Cash flow analysis and the zero curve*
- The role of interest rates and yields*
- Other factors affecting pricing*

7.4 Commodity Options*

7.4.1 The common OTC option products*:

- European, American, Bermudan, Asian*
- Swing options (single swing and multi swing)*
- lookbacks and variants*
- Ratchets/cliquets*
- Concept of lookalikes*

7.4.2 The mechanisms for option pricing and the relationship with the underlying cash prices together with the significance of contributing factors*:

- Structure*
- Arbitrage restrictions*
- Valuation inputs*
- Black Scholes model*
- Binomial model*

7.4.3 The requirements of, and process for, premium payment*:

- When paid*
- Credit exposure*
- The collateral process*

7.5 Market Platforms and Trade Processing*

7.5.1 The trading mechanisms and platforms for common OTC Derivatives along with processing requirements and platforms*:

- Commodity products (forwards, swaps and options)*
- Energy products (forwards, swaps and options)*
- Confirmations and contracts*
- Internal and external reconciliations*
- Swift*

8. Principles of Clearing and Margin

8.1 Definition and Purpose of Clearing

8.1.1 The purpose of clearing and the function of novation:

- Mutual offset system
- Principal to principal
- Broker’s position

8.1.2 The risks usually associated with the clearing process:

- Implications of default
- Counterparty risk
- Currency risk
- Settlement risk

8.1.3 The role played by a clearing house in the clearing process:

- Clearing house relationship with members in settlement
- Payment systems between a clearing house and its members

8.1.4 The backing arrangements in place in the event of a member default:

- novation
- Guarantee of performance of the contract
- Default fund
- Insurance cover
- Members' contributions
- Principal to buyer and seller
- Control of funds to clearing members' accounts
- Requirement for members to use an approved bank

8.1.5 The relationship between clearing members and non-clearing members:

- Clearing versus non-clearing member
- Use of general clearing members to clear trades
- Use of clearing member to clear non-member trades

8.1.6 The principles of mutual and independent guarantees:

- Mutual guarantees versus independent guarantees
- Purpose of the guarantees
- Funding of the default fund at the clearing house

8.1.7 The services offered by prime brokers as they relate to derivatives:

- Borrowing and lending
- Financing positions
- Providing custody and safekeeping of assets
- Clearing and settling trades
- Administering onshore and offshore funds
- Corporate actions
- Capital introductions
- Risk management
- Regulation of prime brokers

8.1.8 The importance of accurate and timely settlement processes for OTC products:

- Deal tickets and term sheets
- Trade confirmations
- Reconciliation processes (internal and external)
- Cashflow/asset movement instructions and control processes
- Close out or maturity instructions
- The implications of spreadsheet environments

8.1.9 The definition, purpose and uses of collateral and the major types of acceptable collateral (cash versus non-cash)

8.1.10 The potential impact of credit exposures on OTC positions*:

- Nature of OTC contracts*
- Mark to market and potential exposures*
- Term of OTC derivatives*
- Credit support agreements*
- Acceptable forms of collateral (certainty and currency of asset)*
- Letters of credit*
- The collateral process (mark to market, hurdle, minimum cashflow, parties involved)*

8.1.11 The definition and significance of credit lines*:

- Purpose of credit lines*
- what credit lines cover*
- Deals in excess of a credit line*
- Significance of collateral*

8.1.12 How OTC products can be centrally cleared*:

- Eligibility and credit standing of counterparts*

- Constraints placed upon contract terms*
- The margin processes*
- Advantages and uses of centralised clearing of OTC products*

8.1.13 Exchanges/clearing houses offering OTC clearing arrangements and for which major products*

8.1 .14 The role of the clearing house as counterparty in delivery:

- when the clearing house becomes the counterparty
- Role of the clearing house as counterparty
- Role of the clearing house as guarantor
- Counterparty risk
- Assignment
- Use of warrants in delivery

8.2 Margin

8.2.1 The various types of margin and their purposes:

- Initial
- Variation
- Marking to market
- Trigger levels
- Offsetting long and short positions
- When paid
- Types of transactions on which these are required
- Counterparty risk
- Counterparty for margin calls
- Maintenance margining systems
- Delivery margining systems

8.2.2 Price limits and position limits and the effects of their application

8.2.3 How a firm deals with margin payments for its own positions and for its clients' positions through its books:

- Use of house accounts
- Use of client segregated accounts
- Use of client non-segregated / pooled accounts
- Advantages and risks

8.2.4 The difference between the clearing house's margin and that of the broker and the collection/payment process:

- Amounts paid by clearing member and its clients
- Acceptable collateral
- Flow of margin
- Letters of credit

8.2.5 The means by which exchanges establish settlement prices:

- what are settlement prices
- Closing ranges / prices

8.2.6 The nature and use of offsets for spread/spot month margining

8.2.7 Why the clearing house might call intra-day margin

8.2.8 Methods of margining involving delta and SPAN and their implications*:

- Use of delta*
- Use of SPAN*
- Effect of price change in the underlying*
- Use of Net Liquidation Value*

9 Delivery and Settlement

9.1 Aspects of Settlement

9.1.1 The purpose of the Exchange Delivery Settlement Price (EDSP) and the factors affecting it: EDSP

- When is the EDSP set

- Auction process
- Contracts on which EDSP is set
- Factors included in calculating the EDSP value
  Reasons for exchange to set the EDSP
  No EDSP on the last notice day

9.1.2 The process of cash settlement and physically delivered contracts and the final payment processes for each:
Cash settlement
Physical delivery
Factors used in ascertaining the invoice amount
Who calculates the invoice amount
Differences between physical and non- physical delivery of commodity products

9.1.3 The importance and implications of the delivery of open contracts at expiry and the significance of the short position:
Purpose of open contracts
Physical versus cash delivery
Financials versus commodities
Avoidance of delivery – reasons and methods
Advantages and disadvantages of cash delivery
Asset delivery to the clearing house
Seller's choice of delivery time and method
Underlying asset delivery to the clearing house
Relevance of first notice day, last notice day and delivery day or period

9.1.4 The purpose and uses of LME closing contracts

9.2 Exercising Commodity Options

9.2.1 The significance and implications of the exercise of options, the assignment of obligations, abandonment and expiry:
Purpose of assignment of obligations
Instigating an assignment notice
Receiving an assignment notice
Abandonment
Which options are most likely to be exercised before expiry
Exercise at expiry
European, American and Asian options
Action upon exercise
Reasons for assignments
Effect of assignment
Advantages to the investor
Probability of assignment

9.2.2 The significance of automatic exercise:
Purpose of automatic exercise
Options that may be subject to automatic exercise
Reasons for clearing houses to adopt automatic exercise
Benefits to members and holders of long positions
Prevention of automatic exercise

10. Trading, Hedging and Investment Strategies

10.1 Commodity Derivatives Users

10.1.1 The categories of users of derivatives and their respective use of derivative products:
Hedger
Speculator
Arbitrageur

10.2 Futures Spread Trading

10.2.1 The distinctions between intramarket spread and intermarket spreads and the scenarios in which they may be appropriate:
Use in differing market conditions
Situations resulting in profitability/loss
Swaps versus futures trading

10.3 Options Strategies

10.3.1 The use of derivatives for speculation and hedging:
Speculation: long calls, short puts (bullish)
Speculation: short call, long puts (bearish)
Hedging: covered calls and protective puts
Recognise diagrammatic representation of each strategy
Maximum upside and downside for each strategy

10.3.2 Creation of basic synthetic options and futures:
Synthetic long
Synthetic short
Synthetic put
Synthetic cal

10.3.3 The characteristics and effects of vertical spreads:
Bull call and bear call spreads
Bull put and bear put spreads
Use in differing market conditions
Anticipating modest market rises/falls (bull/bear markets) Risks

10.3.4 The characteristics and effects of long and short straddles and strangles:
Use in differing market conditions
Anticipating modest market rises/falls (bull/bear markets) Risks

10.3.5 Calculation of maximum profits/losses in simple examples of the above strategies

10.3.6 The uses, characteristics and effects of horizontal and diagonal spreads:
Use in differing market conditions
Anticipating modest market rises/falls (bull/bear markets) Risks

10.4 Commodity Hedging

10.4.1 The characteristics and implications of long and short positions

10.4.2 Basis, basis trading and basis risk:
Problems caused by changes in basis
How changes in basis can be used to advantage by an investor

10.5 Basics of Hedging Options

10.5.1 The application and effects of delta hedging and how to establish an equivalent long/short position

10.6 Comparison of Exchange-Traded and OTC Hedges*

10.6.1 The advantages and disadvantages of using exchange-traded versus OTC products in hedge management*:

Exposure characteristics versus contract specification*
Ease/cost of closing OTC transactions versus exchange-traded positions*
Margins versus collateral processes*
Counterparty exposure versus centralised clearing*
Price transparency*
Best execution*

10.7 Structured Commodity Financing*

10.7.1 How structured commodity financing enables producers to finance their activities*:
Export pre-finance*
Counter trade finance*
Toll finance*

10.8 Applications of Commodity Derivative Strategies*

10.8.1 The benefits of portfolio diversification gained through exposure to different commodities, as well as across asset classes*:
Asset allocation within a commodity portfolio*
Commodity exposure within a portfolio of other asset classes*
The use of commodity exposure for hedging*

10.8.2 Calculation (through the knowledge gained above) of a derivatives position with an underlying market equivalency, either to establish or to hedge a required exposure*:
Long/short through futures*
Long/short through single options*
Long/short through option combinations*
Long/short through simple OTC derivatives*
Long/short through exchange-traded contracts*
Limits to upside and/or downside exposures*

10.8.3 The uses and advantages of covered calls and covered Puts*:
Motivation for the writer of a covered call*
Motivation for the buyer of a protective put*
Risks/maximum losses*
Use in different market conditions*

10.8.4 Evaluation of the relative attractiveness of derivative positions to specific client circumstances*:
Producers*
Suppliers*
Shippers*
Insurers*
Banks*
Private client investment portfolios*
High net worth / portfolios*
Institutional asset managers*
Corporate treasurers*
Hedge funds*

11 Regulatory Requirements

11.1 Scope of Regulation

11.1.1 The scope and purposes of regulation of commodities and commodity derivatives, the roles of, and interaction between, physical market regulators and financial market regulators and the main activities of financial regulators.

11.1.2 The main financial regulators regulating commodity derivatives, including the scope of their jurisdiction, the regulatory frameworks and the licensing regimes

11.2 Exchange Rules and Regulations

11.2.1 The requirement to adhere to the principles of market integrity, trading and membership rules and regulations of the main commodity exchanges and markets

11.3 Principles Based Regulation

11.3.1 The importance of the principles based approach to regulation:
Client classification
Treating customers fairly
Suitability and appropriateness of the transaction/product best execution

11.3.2 The differences between rules based and principles based regulation

11.4 Dealing with clients

11.4.1 The difference in regulation once clients move from pure physical commodity transactions to investment activities

11.4.2 The client classification, Anti Money Laundering, Identification and verification requirements and the financial crime issues that may arise when carrying on business with physical trading companies located in higher risk jurisdictions (e.g. risk assessment of clients, PEPs, third party payments)

11.4.3 The appropriateness and suitability assessment and the requirements to provide risk warnings to clients

11.4.4 The best execution, order handling and other client relationship / client- facing rules

11.4.5 The market abuse regimes of the key regulators the prohibitions on front running
the potential market abuse in the commodity derivatives markets

11.4.6 The purpose of sanctions, the main regimes and how they impact on commodity derivatives trading

11.5 Risk Management and Ethics

11.5.1 The key risks and how they are managed and mitigated
Market
Credit
Operational

11.5.2 How and when reputational risks, environmental and human rights issues may arise

11.5.3 The socioeconomic effects of buyer power

11.5.4 The management of conflicts of interest, personal account dealing issues and inducements

11.6 International Accounting Standards*

11.6.1 The requirement under IAS 39 to disclose the ‘fair value’ of all derivative positions held*

11.6.2 The impact that fair value accounting may have on the derivative activities of banks and corporate*

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DETAILED SYLLABUS

2. EQUITY DEALING

Broad Learning Objectives
To intelligently assess factors important to investing decisions such as risk, liquidity and Solvency. Equity traders should have a good understanding of accounting Measurements which provide the raw data for Equity analysis.

To provide a thorough knowledge of the theory underlying equity asset valuation and enable application of this theory to the investment markets and products most commonly used in those markets

DETAILED SYLLABUS

1.1 Financial reporting system
1.1.1 Business activities and principal financial statements

Overview of business activities, legal requirement to prepare financial statements and the concept of separate legal entity

1.1.1.2 Principal financial statements:
1.1.1.2.1 Balance sheet
1.1.1.2.2 Income statement
1.1.1.2.3 Presentation formats of balance sheet and Income statement
1.1.1.2.4 Classification of expenses (by nature or by function)
1.1.1.2.5 Statement of cash flows
1.1.1.2.6 Statement of changes in equity
1.1.1.2.7 The comprehensive income
1.1.1.2.8 Notes to financial Statements
1.1.1.2.9 Other sources of financial information
1.1.1.3 Relationship between business activities and financial statements

1.1.2 Financial reporting issues
1.1.2.1 Uses of financial accounting reports
1.1.2.2 Authority for establishing, and nature of, accounting standards, International differences in accounting and market-oriented and bank-oriented accounting systems
The International Accounting Standards Board,
The International Financial Reporting Interpretations Committee,
International Financial Reporting Standards,
International Accounting Standards and
IFRIC interpretations
1.1.2.2.2 Nigerian Accounting Standards Board and Statements of Accounting Standard (SASs);
1.1.2.2.3 Financial Reporting Council
1.1.2.2.4 Additional disclosures required in the financial statements for NSE listed companies;
Role of the auditor and the reasons for auditors issuing a qualified report

1.2 Statement of cash flows

1.2.1 Rationale for the statement of cash flows
1.2.2 Relationship between income flows and cash flows

1.3.1 Mergers and acquisitions*
1.3.1.1 Acquisitions*
1.3.1.1.1 Asset valuation in acquisitions*
1.3.1.1.2 Accounting for goodwill*
1.3.1.2 Mergers*
1.3.1.2.1 Pooling of interests method*
1.3.1.2.2 Purchase method*
1.3.1.2.3 Criteria for pooling of interests*

1.3.2 Consolidated financial statements*
1.3.2.1 The scope of consolidation*
1.3.2.2 Consolidation methods*
1.3.2.2.1 Full line consolidation*
1.3.2.2.1.1 Need for *
1.3.2.2.1.2 Meaning of*
1.3.2.2.1.3 Elimination of double counting*
1.3.2.2.1.4 Minority interests*
1.3.2.2.1.5 Limitations*
1.3.2.2.2 Partial consolidation*
1.3.2.2.2.1 Equity method*
1.3.2.2.2.2 Proportionate consolidation*
1.3.2.3 The difference arising from consolidation*
1.3.2.4 Uses of each method*
1.3.2.5 The consolidation procedure*
1.3.2.6 Analysis of the difference arising from initial consolidation*
1.3.2.7 Impairment of goodwill*

Financial Statement Analysis

2.1 Financial reporting and financial statement analysis
2.1.1 Income flows vs cash flows
2.1.1.1 Relation between net income and cash flows from operation
2.1.1.2 Net income and cash flows in various stages of life cycle
2.1.2 Quality of earnings/earnings management
2.1.2.1 Data issues in analysing financial statements
2.1.2.1.1 Non-recurring income items
2.1.2.1.2 Income, gains and losses from discontinued operations
2.1.2.1.3 Accounting changes*
2.1.2.1.3.1 Changes in accounting estimates*
2.1.2.1.3.2 Changes in accounting policies*
2.1.2.1.3.3 Adjustments to prior financial statements*
2.1.2.2 Significance and implications of alternative accounting principles on the financial statements*

2.1.3 Earnings per share (EPS)
2.1.3.1 Calculation of EPS (simple capital structure and complex capital Structure)
2.1.3.1.1 Basic earnings per share
2.1.3.1.2 Diluted earnings per share
2.1.3.2 Using EPS to value firms
2.1.3.3 Criticisms of EPS

2.1.4 Segment reporting*
2.1.4.1 Definition*
2.1.4.1.1 Industry segments*
2.1.4.1.2 Geographical segments*
2.1.4.2 Disclosure requirements*
2.1.4.3 Using segment information in the analysis*

2.1.5 Interim financial statements*

2.2 Analytical tools for gaining financial statement insights*

2.2.1 Balance sheets*
2.2.1.1 Common size analysis*
2.2.1.2 Time series analysis*
2.2.2 Income statement
2.2.2.1 Common size analysis
2.2.2.2 Time series analysis

2.3 Analytical tools for assessing profitability and risk

2.3.1 Profitability analysis
2.3.1.1 Return on Assets (ROA)
2.3.1.1.1 Desegregation of ROA
2.3.1.1.2 Interpreting ROA

2.3.1.2 ROCE
2.3.1.2.1 Relating ROA to ROCE
2.3.1.2.2 Desegregating ROCE

2.3.2 Risk analysis

2.3.2.1 Short-term liquidity risk
2.3.2.1.1 Current ratio
2.3.2.1.2 Quick ratio
2.3.2.1.3 Operating cash flow to current liabilities
2.3.2.1.4 Working capital activity ratio
2.3.2.1.5 Operating cash flow to cash interest cost

2.3.2.2 Long-term solvency risk
2.3.2.2.1 Debt ratio
2.3.2.2.2 Interest coverage ratio
2.3.2.2.3 Operating cash flow to total liabilities
2.3.2.2.4 Operating cash flow to capital expenditure

2.3.2.3 Financial distress risk*
2.3.2.3.1 Univariate analysis*
2.3.2.3.2 Multiple discriminant analysis*

2.3.3 Break-even analysis*

2.3.4 Pro forma financial statements*
2.3.4.1 Steps in preparing pro forma financial statements*
2.3.4.2 Conditions when common size percentages, growth rates and Turnover provides the best projections of financial statement amounts*
2.3.4.3 Current issues in financial accounting and their effects on financial Statement analysis*

3.1 **Principles of Valuation**
3.1.1 What is value?
3.1.2 The valuation process
3.1.3 Value creation for shareholders

3.2 **Discounted Cash Flow**
3.2.1 What is cash flow?

3.2.2 Basics of cash flow analysis
3.2.3 Terminal values

3.3 Capital Budgeting
3.3.1 Investment decision criteria
3.3.1.1 Payback rules
3.3.1.2 Discounting payback period method
3.3.1.3 IRR
3.3.1.4 NPV
3.3.2 Cost of capital
3.3.2.1 Cost of equity capital
3.3.2.2 Cost of debt capital
3.3.2.3 WACC
3.3.2.4 Corporate taxes, interest subsidy and cost of Capital
3.3.3 Capital Asset Pricing Model (CAPM)
3.3.3.1 Measuring beta
3.3.3.2 Certainty equivalents
3.3.3.3 Risk free rate
3.3.3.4 Risk adjusted discount rates
3.3.3.4.1 Capital market line
3.3.3.4.2 Security market line

4. Long-Term Finance Decisions
4.1 Investment decisions
4.1.1 Investment decision criteria
4.1.2 Periodic budgeting
4.1.3 Project evaluation

4.2 Project evaluation
4.2.1 The decision process
4.2.2 Methods for ranking investment proposals
4.2.3 Capital resource rationing
4.2.4 Common pitfalls (e.g. sunk costs, depreciation)

4.3 Equity
4.3.1 Basic feature of common stock
4.3.2 Retained earnings
4.3.3 Preferred stock

4.4 Hybrid Instruments

5. Capital Structure and Dividend Policy
5.1 Leverage and the value of the firm
5.1.1 Modigliani-Miller theory
5.1.1.1 Irrelevance Theorem
5.1.1.2 Corporate taxes and capital structure
5.1.2 Bankruptcy cost model*
5.1.3 Agency cost model*

5.2 Dividend Policy
5.2.1 Type of dividends (cash dividends, stock dividends and Splits)
5.2.2 Repurchase of stock
5.2.3 Irrelevance theorem
5.2.4 Clientele effect*

5.2.5 Signalling model*
5.2.6 Dividend policy in the local market*

6. Mergers and Acquisitions*

6.1 Valuation issues*
6.1.1 Valuation of the target*
6.1.2 Tax issues*
6.1.3 Issues for the offeror*
6.1.4 Motives*

6.2 Forms of acquisition*
6.2.1 Takeovers*
6.2.2 Approved acquisitions*
6.4.3 Creeping takeovers*
6.4.4 Eliminating minority interests*

6.3 Strategies for the acquirer*
6.3.1 Aggressive or agreed*
6.3.2 Conditional or unconditional*
6.3.3 Timing*
6.3.4 Board considerations*

6.4 Defensive strategies*
6.4.1 Pre-emptive vs reactive*
6.4.2 Pre-emptive (long-term) strategies*
6.4.3 Reactive (short-term) strategies*

7. International Corporate Finance*
7.1 International capital budgeting for multinational firm*
7.1.1 Foreign project appraisal*
7.1.2 Political risk analysis*
7.1.3 Managing Foreign exchange exposure*

7.2 Discount rate for foreign direct investments*

7.3 Multinational working capital management*

7.4 Asset and project finance*

7.4.1 Asset-backed securities*
7.4.2 Leasing*
7.4.3 Project evaluation*
7.4.4 Lender’s evaluation of the project*
7.4.5 Syndication*

8 The Equity Market

8.1 Overview
8.1.1 Definition of equity
8.1.2 Reasons for raising equity finance
8.1.3 Methods of raising equity finance
8.1.4 Reasons for investing in equity

8.2 Fundamentals of equity securities
8.2.1 Initial Public Offerings
8.2.2 Rights issues

8.2.3 Bonus issues

8.3 The stock market
8.3.1 Stock market indices, Calculation of Stock Market Indices - NSE ASI, etc., Relevance of Nigeria Stock Market Common Stock Index
8.3.2 The stock exchange
8.3.3 Bull and bear markets

8.4 Privatisation of government-owned companies

8.5 The Nigerian equity market
8.5.1 Structure of the stock market
8.5.2 Types of equity securities
8.5.3 Participants in the equity market
8.5.4 Trading and settlement systems

9 Equity Markets and Structures

9.1 Types of equity securities
9.1.1 Common stock
9.1.2 Preferred stock
9.1.3 Equity mutual fund shares

10. Understanding the Industry Life Cycle*

11 Analysing the Industry Sector and Its Constituent Companies*

11.1 The industry sector*
11.2 Characteristic of the industry*

11.3 Macro factors*
- 11.3.1 The global economy*
- 11.3.2 The domestic economy*
- 11.3.3 Demand and supply shocks*
- 11.3.4 Federal Government policies*

11.4 Forecasting for companies in the sector*
11.5 Balance sheet factors*
11.6 Corporate strategy*
11.7 Valuations*

12. Understanding the Company
12.1 Historical financial performance
12.2 Segmental information
12.3 Inventory, debtors and creditors
12.4 Depreciation and amortisation
12.5 Completing the forecasts

13 Valuation Model of Common Stock

13.1 Dividend discount model
13.1.1 Zero-growth model
13.1.2 Constant growth model
13.1.3 Multiple growth model

13.2 Free cash flow model

13.3 Economic Value Added (EVA)*
Market Value Added (MVA)*
Cashflow Return on Investment (CFROI)*
Abnormal earnings discount model*

13.4 Measures of relative value
13.4.1 Price/earnings ratio
13.4.2 Price/book value ratio
13.4.3 Price/cash flow ratio
13.4.4 Price/sales ratio

14 **Other Analytical Techniques**

14.1 Quantitative analysis: what it is*
14.2 Quantitative analysis: practical examples*
14.3 Quantitative analysis: alphas and betas*
14.4 Quantitative analysis: value-added content*
14.5 Technical analysis*

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DETAILED SYLLABUS

3. FIXED INCOME DEALING

To provide a thorough knowledge of the theory underlying fixed income valuation and enable application of this theory to the investment markets and products most commonly used in the markets.

Syllabus

1 The Debt Market

1.1 Overview
1.1.1 Meaning of debt
1.1.2 Characteristics of debt
1.1.3 Interest rates

1.2 The Nigerian debt market
1.2.1 Development of the Nigerian debt market
1.2.2. Structure of the debt market
1.2.3 Types of debt securities
1.2.4 Participants in the debt market
1.2.5 Trading and settlement systems

2 Financial Markets and Instruments

2.1 Fixed Income: Corporate and Government
2.1.1 Types of fixed income securities
2.1.1.1 Money market instruments
2.1.1.2 Government bonds
2.1.1.3 Corporate securities
2.1.2 Indices

3 Time Value of Money

3.1 Time Value of Money
3.1.1 Simple versus compound interest
3.1.2 Present and future value
3.1.3 Annuities
3.1.4 Continuous discounting and compounding

3.2 Bond Yield Measures
3.2.1 Yield vs discount
3.2.2 Current yield
3.2.3 Yield to maturity
3.2.4 Yield to call
3.2.5 Pricing conventions
3.2.6 Other basic concepts
3.2.6.1 Spot rates
3.2.6.2 Discount function
3.2.6.3 Forward rates
3.2.6.4 Relations between spot rate, forward rate and the Slope of the term structure
3.3 Term Structure of Interest Rates
3.3.1 Yield curves and shapes
3.3.2 Theories of term structure
3.3.2.1 Expectations hypothesis
3.3.2.2 Liquidity preferences
3.3.2.3 Market segmentation and preferred habitat theories

3.4 Bond Price Analyses
3.4.1 Basic price/yield relationship
3.4.2 Yield spread analysis
3.4.2.1 Types of spreads
3.4.2.2 Determinants of yield spreads
3.4.3 Valuation of coupon bonds using zero-coupon prices
3.4.3.1 Static arbitrage and valuation of coupon bonds
3.4.3.2 Strips markets

3.5 Risk Measurement
3.5.1 Risk measurement tools
3.5.2 Duration and modified duration
3.5.3 Convexity*
3.5.4 Hedging

3.6 Credit Risk
3.6.1 Industry consideration
3.6.2 Ratio analysis
3.6.3 Credit rating and rating agencies

4 Bonds with Warrants

4.1 Investment Characteristics
4.2 Value of Warrants

5. Convertible Bonds

5.1 Investment Characteristics
5.2 Value of Conversion Benefits

6 Callable Bonds

6.1 Investment characteristics
6.1.1 Price-yield relationship for a callable bond
6.1.2 Negative convexity

6.2 Valuation and Duration*
6.2.1 Determining the call option value*
6.2.2 Option-adjusted spread*
6.2.3 Effective duration and convexity*

7 Floating Rate Notes*

7.1 Investment Characteristics and Types*
7.2 Valuation Method*

8 Mortgage-backed Securities*

8.1 Types of Mortgages*
8.1.1 Level-payment fixed-rate*
8.1.2 Adjustable-rate (ARM)*

8.2 Types of Securities*
8.2.1 Pass-through securities*
8.2.2 Collateralised mortgage obligations*

8.3 Factors Affecting Market Price*

8.3.1 Underlying collateral*
8.3.2 Structure and seasoning*
8.3.3 Prepayment rate*
8.3.4 Level of interest rate*
8.3.5 Liquidity*
8.3.6 Credit risk*

8.4 Valuation Methodologies*
8.4.1 Static cash flow yield methodology*
8.4.2 Prepayment model*

9 Fixed income Portfolio Management Strategies

9.1 Active Management
9.1.1 Interest rate anticipation strategies
9.1.2 Yield spread analysis
9.1.3 Maturity spacing strategies

9.2 Passive Management
9.2.1 Buy and hold
9.2.2 Indexation
9.2.3 Immunisation
9.2.4 Cash flow matching

9.3 Portfolio Construction Based on a Factor Model*
9.3.1 Model specification*
9.3.2 Suitable factors such as interest rates, spreads*
9.3.3 Managing factor sensitivities*

9.4 Computing the Hedge Ratio: The Modified Duration Method*

10. Principles of valuation

10.1 What is value?
10.2 The valuation process
10.3 Value creation for shareholders

11 Discounted cash flow

11.1 What is cash flow?
11.2 Basics of cash flow analysis
11.3 Terminal values

12 Capital budgeting

12.1 Investment decision criteria
12.1.1 Payback rules
12.1.2 Discounting payback period method
12.1.3 IRR
12.1.4 NPV

12.2 Cost of capital
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12.2.3 WACC
12.2.4 Corporate taxes, interest subsidy and cost of Capital

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14.4.2 Leasing*
14.4.3 Project evaluation*
14.4.4 Lender's evaluation of the project*
14.4.5 Syndication*

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15.2 Income statement
15.3 Presentation formats of balance sheet and Income statement
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15.5 Statement of cash flows
15.6 Statement of changes in equity
15.7 The comprehensive income
15.8 Notes to financial Statements
15.9 Other sources of financial information
15.10 Relationship between business activities and financial statements

16 Financial reporting issues
16.1 Uses of financial accounting reports
16.2 Authority for establishing, and nature of, accounting standards,

16.3 International differences in accounting and market-oriented and bank-oriented accounting systems
16.4 The International Accounting Standards Board,
16.5 The International Financial Reporting Interpretations Committee, International Financial Reporting Standards, International Accounting Standards and IFRIC interpretations
16.6 Nigerian Accounting Standards Board and Statements of Accounting Standard (SASs);
1.6.7 Financial Reporting Council
1.6.8 Additional disclosures required in the financial statements for NSE listed companies; Role of the auditor and the reasons for auditors issuing a qualified report

17 Framework for the preparation and presentation of financial statements

17.1 Objectives of financial statements
17.2 Underlying assumptions of financial statements (going concern, accrual basis, consistency, etc)
17.3 Qualitative characteristics of financial statements
17.4 Elements of financial statements
17.5 Recognition of elements of financial statements
17.6 Measurement of elements of financial statements
17.7 Concepts of capital and capital maintenance

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DETAILED SYLLABUS

4. INVESTMENT MANAGEMENT & ADVISORY

Broad Learning Objectives

To provide a thorough knowledge of the theory underlying Asset and portfolio management and enable application of this theory to global investment markets.

Syllabus

1. Modern Portfolio Theory

1.1 The Risk/Return Framework
1.1.1 Return
1.1.1.1 Measures of return (e.g. holding period, arithmetic average, Geometric average, time-weighted and dollar weighted)

1.1.2 Risk
1.1.2.1 Components of total risk (i.e. systematic or unsystematic)

1.1.3 Measures of risk
1.1.3.1 Measures (e.g. variance, standard deviation, coefficient of variation, Covariance, correlation and beta)
1.1.3.2 Value at Risk

1.2 Efficient Market Hypothesis
1.2.1 Definition and assumptions
1.2.2 Alternative hypothesis
1.2.3 Types of market efficiency
1.2.3.1 Weak form
1.2.3.2 Semi-strong form
1.2.3.3 Strong form hypothesis
1.2.4 Market anomalies*

1.2.4.1 Size effect (i.e. small firm effect)*
1.2.4.2 High E/P ratio effect*
1.2.4.3 Day of the week effect*
1.2.4.4 Year-end or January effect*
1.2.4.5 Return patterns (e.g. value line enigma, quarterly earnings surprises)*
1.2.4.6 Fama-French book value/market value*

1.3 **Portfolio Theory**
1.3.1 Diversification and portfolio risk
1.3.2 Markowitz model and efficient frontier
1.3.3 Portfolio analysis using higher moments

1.3 **Capital Asset Pricing Model (CAPM)**
1.3.1 Major assumptions
1.3.2 Capital market line (CML)
1.3.3 Security market line (SML)
1.3.4 Zero-beta CAPM

1.3.5 International CAPM*

1.4 **Arbitrage Pricing Theory***

1.4.1 Assumptions*
1.4.2 One factor models*

1.4.3 Multi-factor models*
1.4.3.1 Time-series approach*
1.4.3.2 Cross-sectional approaches*
1.4.3.3 Statistical approaches (factor analysis)*

1.4.4 Arbitrage pricing theory*
1.4.4.1 Factor models and arbitrage portfolios*
1.4.4.2 Factor risk premiums and expected returns*

2 Investment Policy
2.1 Investment Objectives
2.1.1 Setting investment objectives for individuals
2.1.2 Deciding portfolio structure

2.1.3 Setting objectives for institutions
2.1.3.1 Objectives (return requirement, risk tolerance)
2.1.3.2 Constraints (liquidity, time horizon, tax Considerations, legal and regulatory Considerations)
2.1.3.3 Pensions and employee benefit funds
2.1.3.4 Endowment funds
2.1.3.5 Insurance companies and commercial banks

2.2 Capital market expectations

2.2.1 Economic, social, political and market factors

2.2.2 Forecasting models

2.3 Practical portfolio management

2.3.1 Defining the objectives for component parts of the portfolio

2.3.2 Seeking and briefing investment managers

2.3.3 Meeting the investment manager

2.3.4 Investment management

2.3.5 Monitoring and reviewing investment managers

2.4 Specifying the investment mandate

2.4.1 The need for an investment mandate

2.4.2 The mandate

2.4.3 Standard investment management agreement

2.5 Practice of portfolio management

2.5.1 Portfolio construction and re-balancing

3 Asset Allocation

3.1 Asset Allocation Overview

3.1.1 What is asset allocation?

3.1.2 Who does asset allocation?

3.1.3 Implementing and managing the asset allocation process

3.1.4 Evolution of asset allocation theory, practice and Performance

3.1.5 Capital market expectations (economic, social, political and Market factors)

3.2 Type of Asset Allocation

3.2.1 Integrated asset allocation

3.2.2 Strategic asset allocation

3.2.3 Tactical asset allocation

3.2.4 Dynamic asset allocation

3.3 Current issues*

3.3.1 Balanced versus specialist manage debate*

3.3.2 Role of asset consultants and research houses*

3.3.3 Asset allocation in a low inflation environment*

3.3.4 Role of government policy in influencing asset allocation decisions*

4 Practical Portfolio Management

4.1 Managing an Equity Portfolio*

4.1.1 Active management*

4.1.1.1 Technical analysis/market timing*

4.1.1.2 Stock selection/industry selection*

4.1.1.3 Growth/value style*

4.1.1.4 Specialisation/themes*

4.1.1.5 Anomalies*

4.1.1.6 Top-down/bottom-up*

4.1.1.7 Adjusting the beta of an equity portfolio*

4.1.2 Passive management*

4.1.2.1 Buy and hold*

4.1.2.2 Stock index funds*

4.1.2.3 Customised funds*

4.1.2.4 Completeness funds*

4.1.2.5 Factor/style funds*

4.1.2.6 Indexing technology*

4.1.2.7 Benchmark choice*

4.1.2.8 Choice of the tracking error*

4.1.3 Combined strategies*

4.1.3.1 Active/passive combinations*

4.1.4 Portfolio construction based on a factor model*

4.2 Derivatives in Portfolio Management

4.2.1 Combining options and traditional assets

4.2.2 Portfolio insurance

4.2.2.1 Static portfolio insurance

4.2.2.2 Dynamic portfolio insurance

4.2.2.3 Constant proportion portfolio insurance

4.2.3 Hedging with stock index futures

4.2.4 Hedging with foreign exchange futures

4.2.5 Hedging with interest rate futures

4.2.6 Use of swaps in portfolio management

4.2.7 Asset allocation with futures

4.3 Managing a Property Portfolio*

4.3.1 The role of property in a diversified portfolio*

4.3.2 The property investment decision*

4.3.3 Microeconomic influences on property returns*

4.3.4 Macroeconomic influences on property returns*

4.3.5 Difference property investments*

4.4 Alternative Assets/Private Capital*

4.4.1 Unlisted (non-property) securities*

4.4.2 Terms, conditions and characteristics*

4.4.3 Role in a traditional portfolio*

4.4.4 Managing unlisted security vehicles*

4.4.5 Monitoring and reporting*

4.5 International Investments

4.5.1 International diversification

4.5.1.1 Cross-correlations

4.5.1.2 Country risk

4.5.1.3 Emerging markets

4.5.2 Hedging foreign exchange risk

4.5.2.1 Effective management of currency risk

4.5.2.2 Behaviour of currency returns

4.5.2.3 Is it a separate asset class/zero sum game?

4.5.2.4 Treatment of currency within a global portfolio/optimal level of Hedge

4.5.2.5 Black's paper on universal currency hedge

4.5.2.6 Use of overlay strategies

4.5.2.7 Key sensitivities

4.5.2.8 Currency-related example of performance attribution

4.5.3 International equities*

4.5.3.1 Reasons for holding international equity assets*

4.5.3.2 Performance objectives*

4.5.4 International fixed income*

4.5.4.1 Reasons for holding international fixed interest assets*

4.5.4.2 Performance objectives*

4.5.5 Managing a portfolio of international assets*

4.5.5.1 International investing*

4.5.5.2 Global asset allocation*

4.5.5.3 Portfolio management styles*

4.5.5.4 Portfolio construction*

4.5.5.5 Portfolio management strategy*

5 Performance Measurement

5.1 Monitoring influence of asset allocation on performance

5.2 Performance Measurement and Evaluations

5.2.1 Risk-return measurement

5.2.1.1 Market and book value evaluation

5.2.1.2 Time horizon and performance measurement

5.2.1.3 Inflow/outflow of cash and performance measurement

5.2.1.4 Time-weighted and dollar-weighted rate of return

5.2.2 Risk-adjusted performance measures

5.2.2.1 Sharpe’s measure

5.2.2.2 Treynor’s measure

5.2.2.3 Jensen’s alpha

5.2.2.4 Appraisal ratio

5.2.3 Relative investment performance *

5.2.3.1 Manager-universe comparison*

5.2.3.2 Indices and benchmarks*

5.2.3.2.1 Index definition and calculation*

5.2.3.2.2 Choosing and constructing a benchmark*

5.2.3.2.3 Domestic vs. International benchmarks*

5.2.3.2.4 Cash benchmark and currencies*

5.2.3.2.5 Multi-currency investments and interest rate differentials*

5.2.3.2.6 Currency overlay and performance measurement*

5.2.3.2.7 Balanced benchmarks*

5.2.3.2.8 Random and normal portfolios*

5.2.3.2.9 Index vs. universe median*

5.2.3.3 Style-bogey comparisons*

5.2.4 Performance attribution analysis*

5.2.4.1 Asset allocation effect*

5.2.4.2 Industry selection effect*

5.2.4.3 Security selection effect*

5.2.4.4 Investment timing effect*

5.2.4.5 Attribution analysis of fixed income portfolio*

5.2.5 Special issues*

5.2.5.1 Performance evaluation of international investments*

5.2.5.2 A single currency attribution model by Brinson et al*

5.2.5.3 Multi-currency attribution and interest rate differentials*

5.2.5.4 Performance evaluation of derivative investments*

5.2.5.5 Effects of costs (including taxes, commissions, incentive fees etc.)*

5.3 Monitoring fund performance

5.3.1 Performance measurement

5.3.2 The manager review process

5.3.3 Selection and evaluation of fund managers

6 Management of Investment Institutions

6.1 Assessing and Choosing Managers*

6.1.1 Style analysis*

6.1.2 Means of style analysis*

6.1.3 Style analysis: application to different asset classes equity*

6.1.4 Risks, controls and prudential issues: organisational issues*

6.1.5 Risks, controls and prudential issues: fee structures*

7 Asset liability-analysis and management

7.1 Introduction

7.1.1 The role of ALM in corporate finance

7.1.2 ALM with pension funds and insurance

7.1.3 Types of models (sequential, integrated, simultaneous dynamics)

7.2 Modelling liabilities

7.2.1 Types of liabilities

7.2.2 Factor growth and inflation

7.2.3 Discount rates

7.3 Modelling assets

7.3.1 Categorisation of assets and asset classes

7.3.2 Forecasting asset returns

7.3.3 Asset volatilities and correlations

7.4 Funding ratios

7.4.1 Definitions

7.4.2 Corridor accounting

7.5 Integrated optimisation

7.5.1 Target functions

7.5.2 Stochastic simulation, dynamics

7.5.3 Scenario analysis

7.5.4 Risk parameters and probabilities

7.5.5 Stress testing, management rules

7.6 Interpretation of results

7.6.1 Average returns and volatilities

7.6.2 Missing targets, loss functions

7.7 Dynamics and implementation

7.7.1 Dynamic adjustment of liabilities

7.7.2 Dynamic asset allocation and rebalancing

7.7.3 Liability driven investing

8.0 Principles of valuation

8.1 What is value?

8.2 The valuation process

8.3 Value creation for shareholders

8.4 Discounted cash flow

8.4.1 What is cash flow?

8.4.2 Basics of cash flow analysis

8.4.3 Terminal values

8.5 Capital budgeting

8.5.1 Investment decision criteria

8.5.1.1 Payback rules

8.5.1.2 Discounting payback period method

8.5.1.3 IRR

8.5.1.4 NPV

8.5.2 Cost of capital

8.5.2.1 Cost of equity capital

8.5.2.2 Cost of debt capital

8.5.2.3 WACC

8.5.2.4 Corporate taxes, interest subsidy and cost of Capital

8.5.3 Capital Asset Pricing Model (CAPM)

8.5.3.1 Measuring beta

8.5.3.2 Certainty equivalents

8.5.3.3 Risk free rate

8.5.3.4 Risk adjusted discount rates

8.5.3.4.1 Capital market line

8.5.3.4.2 Security market line

9 Long-term Finance Decisions

9.1 Investment decisions

9.1.1 Investment decision criteria

9.1.2 Periodic budgeting

9.1.3 Project evaluation

9.2 Project evaluation

9.2.1 The decision process

9.2.2 Methods for ranking investment proposals

9.2.3 Capital resource rationing

9.2.4 Common pitfalls (e.g. sunk costs, depreciation)

9.3 Equity

9.3.1 Basic feature of common stock

9.3.2 Retained earnings

9.3.3 Preferred stock

9.4 Long-term debt

9.4.1 Bank loans

9.4.2 Corporate bond

9.5 Hybrid instruments

9.5.1 Bond with warrants

9.5.2 Convertible bond

9.5.3 Other hybrid instruments

9.6 Issuing securities

9.6.1 Issuing methods

9.6.2 Issuing equity

9.6.3 Issuing debt

9.6.4 Underwriting of Security Company

9.6.5 Rights

9.6.6 Dilution

9.6.7 Protective covenants

9.7 Liquidation and reorganisation*

9.7.1 Bankruptcy liquidation*

9.7.2 Bankruptcy reorganisation*

10. Short-term Finance Decisions*

10.1 Short-term financing*

10.1.1 Current asset financing*

10.1.1.1 Needs for working capital*

10.1.1.2 Components of working capital*

10.1.2 Short-term financial plan*

10.1.2.1 Short-term financing resources*

10.1.2.2 Short-term financial planning models*

10.2 Credit and cash management*

10.2.1 Credit management*

10.2.1.1 Commercial credit instruments*

10.2.1.2 Credit decision*

10.2.2 Cash management*

10.2.2.1 Target cash balance model*

10.2.2.2 Cash conversion cycle*

10.2.2.3 Investing idle cash balance*

10.3 Short-term lending and borrowing*

10.3.1 Short-term lending*

10.3.1.1 Money markets*

10.3.1.2 Alternatives to money markets*

10.3.2 Short-term borrowing*

10.3.2.1 Credit rationing*

10.3.2.2 Secured and unsecured loan*

11. Capital Structure and Dividend Policy

11.1 Leverage and the value of the firm

11.1.1 Modigliani-Miller theory

11.1.1.1 Irrelevance Theorem

11.1.1.2 Corporate taxes and capital structure

11.1.2 Bankruptcy cost model*

11.1.3 Agency cost model*

11.2 Dividend policy

11.2.1 Type of dividends (cash dividends, stock dividends and splits)

11.2.2 Repurchase of stock

11.2.3 Irrelevance theorem

11.2.4 Clientele effect*

11.2.5 Signaling model*

11.2.6 Dividend policy in the local market*

12. Mergers and Acquisitions*

12.1 Valuation issues*

12.1.1 Valuation of the target*

12.1.2 Tax issues*

12.1.3 Issues for the offeror*

12.1.4 Motives*

12.2 Forms of acquisition*

12.2.1 Takeovers*

12.2.2 Approved acquisitions*

12.4.3 Creeping takeovers*

12.4.4 Eliminating minority interests*

12.3 Strategies for the acquirer*

12.3.1 Aggressive or agreed*

12.3.2 Conditional or unconditional*

12.3.3 Timing*

12.3.4 Board considerations*

12.4 Defensive strategies*

12.4.1 Pre-emptive vs reactive*

12.4.2 Pre-emptive (long-term) strategies*

12.4.3 Reactive (short-term) strategies*

13. International Corporate Finance*

13.1 International capital budgeting for multinational firm*

13.1.1 Foreign project appraisal*

13.1.2 Political risk analysis*

13.1.3 Managing Foreign exchange exposure*

13.2 Discount rate for foreign direct investments*

13.3 Multinational working capital management*

13.4 Asset and project finance*

13.4.1 Asset-backed securities*

13.4.2 Leasing*

13.4.3 Project evaluation*

13.4.4 Lender's evaluation of the project*

13.4.5 Syndication*

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DETAILED SYLLABUS

5. SHARE REGISTRATION & CUSTODIANSHIP SERVICES

BROAD LEARNING OBJECTIVES

To understand the nature and laws governing the Regulations and Practice of Capital market operations including Share Registration and to appreciate the principles and methods involved in dispute resolution in the Capital Market. .

SYLLABUS

1. **The Nigerian Capital Market**

1.1 Definition

1.2 Categorisation of Capital Market

1.21 Primary Market and Secondary Market

1.22 Equities Market, Bond Market and Derivative Market

1.3 Stock Market Instruments

1.31 Equity

1.32 Fixed Interest Securities (Debt Stock)

- Preference Shares, Debenture Stock, Government Bond

1.33 Derivatives

- Rights, ETF, etc

2 Trading in the Secondary Market

- Automated Trading System (ATS):
  - Components of ATS: the Trading workstation, the Trading Engine and the Trading Software
  - Stages of the ATS: Pre-open stage, Open Stage and Close Stage
  - Queue Priority of ATS: Price, Time of Entry, Cross Priority, Source of order, Special Fill
- Quote / Order Driven and Hybrid Markets
- Types of Orders
  - Market order, limit order, Day order, Open order, Good Till Cancel order, Daily limit order, Fill or Kill order, Stop loss order
  - Clearing, delivery and settlement

    Settlement Cycle, Settlement Process, Clearing and settlement Risks, ways of Reducing the Risks

3 Procedure for Buying and Selling Stocks

- Selling Process (when physical certificates are involved)
- Buying Process
- Contract Notes (NSE Rule 96)
- New Statutory Charges

4 Procedure For Moving Stock from one Stockbroking Firm to another

5 Procedure of Transferring the Estate of Deceased to the Beneficiaries

6 Stock Market Official List and Stock Index

7 Margin Transactions

8 Capital Market Institutions

- Securities and Exchange Commission
- The Nigerian Stock Exchange
- The Central Securities Clearing System
- Stockbroking Firms
- Issuing Houses
- Capital Market Registrars

9. Share Issues

9.1 Methods of Share Issues

- Offer for subscription
- Offer for sale
- Rights Issue
- Introduction
- Tender
- Conversion
- Private Placement

9.2 The Nine Stages of Public Quotation

10. Stock Listing on the Nigerian Stock Exchange

10.1 listing Requirements of Nigerian Stock Exchange

- Listing Requirements of the First Tier Securities Market (Main Listing)
- Listing Requirements of Second Tier Securities Market (SSM)

10.2 Post Listing Requirements of the Nigerian Stock Exchange

10.3 Benefits of being listed on the Stock Exchange

10.4 Disadvantages of being listed on the Stock Exchange

11 Money Laundering in the Capital Market

- Definition of money laundering
- Description of Money Laundering
- Regulatory policies to combat Money Laundering.
- Efforts at curbing Money laundering in the Capital Market

12 Dispute Resolution Mechanisms in the Capital Market

- Investment and Securities Tribunal (IST)
- Securities and Exchange Commission (SEC)
- The Nigerian Stock Exchange (NSE)
- The Chartered Institute of Stockbrokers (CIS)

13. 1.Introduction to Share Registration

13.1 Definitions

13.11 Share Registration

13.12 Register of Shareholders

13.13 Dividends

13.14 Share Certificates

13.15 The Registrar

13.16 Allotment

13.17 IPOs

13.18 New Issues

13.2 New Issues

13.2.1 Methods of raising capital in the capital market

13.2.2 Parties to new issue and the roles of Registrars

13.2.3 Allotment process

13.2.4 Creation of the Register of shareholders and printing of share certificates

13.2.5 Handling matters relating to Rights Issues, Money Return Accounts, Fees, etc

13.3 Share Register Maintenance

13.3.1 Change of address and change of name

13.3.2 Matters relating to deceased shareholders

13.3.3 Consolidation of accounts and amalgamation

13.3.4 Signature and certificate verification process

13.3.5 Attending to enquiries concerning dividends, share certificates and duplicates

14.0 Laws Governing Share Registration in Nigeria

14.1 Provisions of CAMA 1990:

14.1.1 Register of Shareholders

14.1.2 Share certificates

14.1.3 Probates

14.1.4 Letter of Administration

14.1.5 Transfer and Transmission of shares

14.1.6 Power of Attorney

14.1.7 Annual Returns

14.1.8 Unclaimed Dividends

14.2 Provisions of ISA 1999 as amended in 2007

15.0 SEC Rules on Share Registration and Issuing Houses

16.0 The Role of Registrars in the Preparation and conduct of General Meetings

4.10 During poll

4.11 When there is confusion

17.0 Dividend Payment and Management

5.1 types of Dividend

5.2 preparation and implementation of dividend payments

5.3 the handling of dividend accounts, reconciliations and unclaimed dividend

5.4 Script Issues

18.0 Fraud in Share Registration

18.1 Nature and types of Fraud

18.2 causes of fraud

18.3 prevention and control

18.4 matters relating to security in Share Registration

18.5 handling of security items like Dividend and Share Certificates

19.0 Contemporary Issues in Share Registration

19.1 e-dividend

19.2 e-bonus

19.3 e-allotment

19.4 e-offer

20. **Forms Used by Market Operators**

- Certificate Deposit Form (CDF)
- Transfer Form
- Particulars Of Shareholders Form
- Script Receipt
- Inter-Member Transfer Form
- Detachment Of Account Form (Form DAF 07)
- Detachment Of Account Form (DAF 08)

21. Terms Used by Market Operators

- Market Float
- Transmission
- Endorsement
- Demobilisation

- Norminal Transfer And Normal Transfer
- Technical Suspension And Full Suspension
- Dematerialisation And Rematerialisation
- Vending Agreement And Underwriting Agreement
- Certificate Of Exemption And Declaration Of Compliance
- Market Breadth And Market Depth
- Demutualization
- Over The Counter (OTC) Market
- Unclaimed Dividends
- Reverse Auction
- Resilient Market
- Investors Protection Fund
- Trade Guarantee Fund

RECOMMENDED TEXTBOOKS

1.	David Ogogo	Theory and Practice of Share Registration in Nigeria Business Innovators ltd (2006)
2.	Deacon Oba Ekiran	Basic Understanding of Capital Market Operations
3.	SEC	Consolidated SEC Rules
4.	CSCS	Rules and Regulations of Central Securities Clearing System
5.	NSE	Nigerian Stock Exchange Rules and Regulations Governing Dealing Members
6.	Alile & Anao	The Nigerian Stock Market Operation
7.	Odeife Dennis	Understanding of the Capital Market in Nigeria
8.	Areago R. B.	Nigerian Stock Exchange, Genesis, Organisation & Operations

6. 0 DETAILED SYLLABUS

6.1 FINANCIAL ADVISORY SERVICES

Broad Learning Objectives

To provide a thorough knowledge of the issues involved in the financing and investment decision and the theory underlying portfolio management, , Fixed Income, Equity Valuation and enable application of this theory to the investment markets and products most commonly used in those markets.

To provide a basic knowledge of the regulations and practices in commodity trading and futures, their underlying markets, trading and the principles of investment strategies.

SYLLABUS

1. Fundamentals of Corporate Finance

   1.1 Goals of corporate firm

      1.1.1 Value maximisation of shareholders

      1.1.2 Corporate governance issue

         1.1.2.1 Agency relationship

         1.1.2.2 Control of the firm

   1.2 The finance function and the firm's objectives

   1.3 Role of financial manager

   1.4 Principles of valuation

      1.4.1 What is value?

      1.4.2 The valuation process

      1.4.3 Value creation for shareholders

   1.5 Discounted cash flow

      1.5.1 What is cash flow?

      1.5.2 Basics of cash flow analysis

      1.5.3 Terminal values

   1.6 Capital budgeting

      1.6.1 Investment decision criteria

         1.6.1.1 Payback rules

         1.6.1.2 Discounting payback period method

1.6.1.3 IRR

1.6.1.4 NPV

1.6.2 Cost of capital

1.6.2.1 Cost of equity capital

1.6.2.2 Cost of debt capital

1.6.2.3 WACC

1.6.2.4 Corporate taxes, interest subsidy and cost of capital

1.6.3 Capital Asset Pricing Model (CAPM)

1.6.3.1 Measuring beta

1.6.3.2 Certainty equivalents

1.6.3.3 Risk free rate

1.6.3.4 Risk adjusted discount rates

1.6.3.4.1 Capital market line

1.6.3.4.2 Security market line

2. Long-term Finance Decisions

2.1 Investment decisions

2.1.1 Investment decision criteria

2.1.2 Periodic budgeting

2.1.3 Project evaluation

2.2 Project evaluation

2.2.1 The decision process

2.2.2 Methods for ranking investment proposals

2.2.3 Capital resource rationing

2.2.4 Common pitfalls (e.g. sunk costs, depreciation)

2.3 Equity

2.3.1 Basic feature of common stock

2.3.2 Retained earnings

2.3.3 Preferred stock

2.4 Long-term debt

2.4.1 Bank loans

2.4.2 Corporate bond

2.5 Hybrid instruments

2.5.1 Bond with warrants

2.5.2 Convertible bond

2.5.3 Other hybrid instruments

2.6 Issuing securities

2.6.1 Issuing methods

2.6.2 Issuing equity

2.6.3 Issuing debt

2.6.4 Underwriting of security company

2.6.5 Rights

2.6.6 Dilution

2.6.7 Protective covenants

2.7 Liquidation and reorganisation*

2.7.1 Bankruptcy liquidation*

2.7.2 Bankruptcy reorganisation*

Capital Structure and Dividend Policy

3.1 Leverage and the value of the firm

3.1.1 Modigliani-Miller theory

3.1.1.1 Irrelevance Theorem

3.1.1.2 Corporate taxes and capital structure

3.1.2 Bankruptcy cost model*

3.1.3 Agency cost model*

3.2 Dividend policy

3.2.1 Type of dividends (cash dividends, stock dividends and splits)

3.2.2 Repurchase of stock

3.2.3 Irrelevance theorem

3.2.4 Clientele effect*

3.2.5 Signaling model*

3.2.6 Dividend policy in the local market*

4. Mergers and Acquisitions*

4.1 Valuation issues*

4.1.1 Valuation of the target*

4.1.2 Tax issues*

4.1.3 Issues for the offeror*

4.1.4 Motives*

4.2 Forms of acquisition*

4.2.1 Takeovers*

4.2.2 Approved acquisitions*

4.4.3 Creeping takeovers*

4.4.4 Eliminating minority interests*

4.3 Strategies for the acquirer*

4.3.1 Aggressive or agreed*

4.3.2 Conditional or unconditional*

4.3.3 Timing*

4.3.4 Board considerations*

4.4 Defensive strategies*

4.4.1 Pre-emptive vs reactive*

4.4.2 Pre-emptive

(long-term) strategies*

4.4.3 Reactive (short-term) strategies*

International Corporate Finance*

5.1 International capital budgeting for multinational firm*

5.1.1 Foreign project appraisal*

5.1.2 Political risk analysis*

5.1.3 Managing Foreign exchange exposure*

5.2 Discount rate for foreign direct investments*

5.3 Asset and project finance*

5.3.1 Asset-backed securities*

5.3.2 Leasing*

5.3.3 Project evaluation*

5.3.4 Lender's evaluation of the project*

5.3.5 Syndication*

6. Modern Portfolio Theory

6.1 The Risk/Return Framework

6.1.1 Return

6.1.1.1 Measures of return (e.g. holding period, arithmetic average, Geometric average, time-weighted and dollar weighted)

6.1.2 Risk

6.1.2.1 Components of total risk (i.e. systematic or unsystematic)

6.1.3 Measures of risk

6.1.3.1 Measures (e.g. variance, standard deviation, coefficient of variation, covariance, correlation and beta)

6.1.3.2 Value at Risk

6.2 Efficient Market Hypothesis

6.2.1 Definition and assumptions

6.2.2 Alternative hypothesis

6.2.3 Types of market efficiency

6.2.3.1 Weak form

6.2.3.2 Semi-strong form

6.2.3.3 Strong form hypothesis

6.2.4 Market anomalies*

6.2.4.1 Size effect (i.e. small firm effect)*

6.2.4.2 High E/P ratio effect*

6.2.4.3 Day of the week effect*

6.2.4.4 Year-end or January effect*

6.2.4.5 Return patterns (e.g. value line enigma, quarterly earnings surprises)*

6.2.4.6 Fama-French book value/market value*

6.3 Portfolio Theory

6.3.1 Diversification and portfolio risk

6.3.2 Markowitz model and efficient frontier

6.3.3 Portfolio analysis using higher moments

6.4Capital Asset Pricing Model (CAPM)

6.4.1 Major assumptions

6.4.2 Capital market line (CML)

6.4.3 Security market line (SML)

6.4.4 Zero-beta CAPM

6.4.5 International CAPM*

6.5 Arbitrage Pricing Theory*

6.5.1 Assumptions*

6.5.2 One factor models*

6.5.3 Multi-factor models*

6.5.3.1 Time-series approach*

6.5.3.2 Cross-sectional approaches*

6.5.3.3 Statistical approaches (factor analysis)*

6.5.4 Arbitrage pricing theory*

6.5.4.1 Factor models and arbitrage portfolios*

6.5.4.2 Factor risk premiums and expected returns*

7 Investment Policy

7.1 Investment Objectives

7.1.1 Setting investment objectives for individuals

7.1.2 Deciding portfolio structure

7.1.3 Setting objectives for institutions

7.1.3.1 Objectives (return requirement, risk tolerance)

7.1.3.2 Constraints (liquidity, time horizon, tax considerations, legal and regulatory considerations)

7.1.3.3 Pensions and employee benefit funds

7.1.3.4 Endowment funds

7.1.3.5 Insurance companies and commercial banks

7.2 Capital market expectations

7.2.1 Economic, social, political and market factors

7.2.2 Forecasting models

7.3 Practical portfolio management

7.3.1 Defining the objectives for component parts of the portfolio

7.3.2 Seeking and briefing investment managers

7.3.3 Meeting the investment manager

7.3.4 Investment management

7.3.5 Monitoring and reviewing investment managers

7.4 Specifying the investment mandate

7.4.1 The need for an investment mandate

7.4.2 The mandate

7.4.3 Standard investment management agreement

7.5 Practice of portfolio management

7.5.1 Portfolio construction and re-balancing

8 Practical Portfolio Management

8.1 Managing an Equity Portfolio*

8.1.1 Active management*

8.1.1.1 Technical analysis/market timing*

8.1.1.2 Stock selection/industry selection*

8.1.1.3 Growth/value style*

8.1.1.4 Specialisation/themes*

8.1.1.5 Anomalies*

8.1.1.6 Top-down/bottom-up*

8.1.1.7 Adjusting the beta of an equity portfolio*

8.1.2 Passive management*

8.1.2.1 Buy and hold*

8.1.2.2 Stock index funds*

8.1.2.3 Customised funds*

8.1.2.4 Completeness funds*

8.1.2.5 Factor/style funds*

8.1.2.6 Indexing technology*

8.1.2.7 Benchmark choice*

8.1.2.8 Choice of the tracking error*

8.1.3 Combined strategies*

8.1.3.1 Active/passive combinations*

8.1.4 Portfolio construction based on a factor model*