



CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

Introduction to Securities and Investment (International)

Effective from 10 September 2017

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Objective of the Examination

The objective of the examination is to provide candidates with a basic introduction to the financial services industry with a particular focus on investments.

The examination will test candidates' knowledge and understanding of the following elements:

- Introduction
- Economic Environment
- Financial Assets and Markets
- Equities/Stocks
- Bonds
- Derivatives
- Investment Funds
- Financial Services Regulation
- Other Financial Products

Syllabus Structure

The syllabus is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, **understand** or **be able to calculate**. These words indicate the different levels of skill to be tested.

Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** require the candidate to be able to use formulae to perform calculations

Candidate Update

Candidates are reminded to visit cisi.org/candidateupdate regularly for updates on industry changes that could affect their examination.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility in order to ensure that each examination has a consistent level of difficulty.

Examination specification: 50 multiple choice questions		
Element number	Element	Questions
1	Introduction	2
2	Economic Environment	3
3	Financial Assets and Markets	7
4	Equities/Stocks	9
5	Bonds	5
6	Derivatives	6
7	Investment Funds	7
8	Financial Services Regulation	5
9	Other Financial Products	6
Total		50

Assessment Structure

A one-hour examination, consisting of 50 multiple choice questions.

Candidates sitting the examination by computer based testing may be asked to answer up to 10% additional trial questions. These will not be separately identified and do not contribute to the result. Candidates who are asked to answer additional questions will be given proportionately more time to complete the test.

Summary Syllabus

Element 1 Introduction

- 1.1 The Financial Services Industry

Element 2 Economic Environment

- 2.1 Economic Environment

Element 3 Financial Assets and Markets

- 3.1 Providing information
- 3.2 Cash Deposits
- 3.3 Money Market Instruments
- 3.4 Property
- 3.5 Foreign Exchange Market

Element 4 Equities/Stocks

- 4.1 Equities/Stocks

Element 5 Bonds

- 5.1 Characteristics
- 5.2 Corporate Bonds

Element 6 Derivatives

- 6.1 Derivatives Uses
- 6.2 Futures
- 6.3 Options
- 6.4 Terminology
- 6.5 Derivatives/Commodity Exchanges
- 6.6 Swaps

Element 7 Investment Funds

- 7.1 Introduction
- 7.2 Open-Ended/Mutual Funds
- 7.3 Closed-Ended Investment Companies
- 7.4 Real Estate Investment Trusts
- 7.5 Exchange-Traded Funds
- 7.6 Hedge Funds
- 7.7 Private Equity

Element 8 Financial Services Regulation

- 8.1 Introduction
- 8.2 Financial Crime
- 8.3 Insider Trading and Market Abuse

Element 9 Other Financial Products

- 9.1 Retirement Planning
- 9.2 Loans
- 9.3 Mortgages
- 9.4 Life Assurance

Element 1 Introduction

1.1 The Financial Services Industry

On completion, the candidate should:

1.1.1 *know* the role of the following within the financial services industry:

- retail banks/commercial banks
- savings institutions
- investment banks
- private banks
- retirement schemes
- insurance companies
- fund managers
- stockbrokers
- custodians
- third-party administrators
- industry trade bodies
- sovereign wealth funds
- peer to peer/crowdfunding

Element 2 Economic Environment

2.1 Economic Environment

On completion, the candidate should:

2.1.1 *know* the factors which determine the level of economic activity:

- state-controlled economies
- market economies
- mixed economies
- open economies

2.1.2 *know* the role of central banks

2.1.3 *know* how goods and services are paid for and how credit is created

2.1.4 *understand* the meaning of inflation/deflation:

- measurement
- impact
- control

2.1.5 *understand* the impact of the following economic data:

- gross domestic product
- balance of payments
- level of unemployment

Element 3 Financial Assets and Markets

3.1 Providing information

On completion, the candidate should:

3.1.1 *know* relevant sources of information for investment products, costs and charges:

- key investor information documents
- prospectuses
- financial statements
- financial data

3.2 Cash Deposits

On completion, the candidate should:

3.2.1 *know* the characteristics of fixed-term and instant-access deposit accounts

3.2.2 *understand* the distinction between gross and net interest payments

3.2.3 *be able to calculate* the net interest due given the gross interest rate, the deposited sum, the period and the tax rate

3.2.4 *know* the advantages and disadvantages of investing in cash

3.3 Money Market Instruments

On completion, the candidate should:

3.3.1 *know* the difference between a capital market instrument and a money market instrument

3.3.2 *know* the definition and features of the following:

- treasury bill
- commercial paper
- certificate of deposit

3.3.3 *know* the advantages and disadvantages of investing in money market instruments

3.4 Property

On completion, the candidate should:

3.4.1 *know* the characteristics of property investment:

- commercial/residential property
- direct/indirect investment

3.4.2 *know* the potential advantages and disadvantages of investing in property

3.5 Foreign Exchange Market

On completion, the candidate should:

3.5.1 *know* the basic structure of the foreign exchange market including:

- currency quotes
- settlement
- spot/forward
- short-term currency swaps

3.5.2 *be able to calculate* a forward exchange rate

Element 4 Equities/Stocks

4.1 Equities/Stocks

On completion, the candidate should:

4.1.1 *know* the features and benefits of ordinary and preference shares/common stock and preferred stock:

- dividend
- capital gain
- pre-emptive rights
- right to vote

4.1.2 *be able to calculate* the share dividend yield

4.1.3 *understand* the risks associated with owning shares/stock:

- price risk
- liquidity risk
- issuer risk
- foreign exchange risk

4.1.4 *know* the definition of a corporate action and the difference between mandatory, voluntary and mandatory with options

4.1.5 *know* the different methods of quoting securities ratios

4.1.6 *understand* the following terms:

- bonus/scrip/capitalisation issues
- rights issues/open offer
- stock splits/reverse stock splits
- dividend payments
- takeover/merger

4.1.7 *know* the purpose and format of annual company meetings

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4.1.8 *know* the differences between the primary market and the secondary market

4.1.9 *understand* the characteristics of depositary receipts:

- American depositary receipt
- global depositary receipt
- dividend payments
- how created/pre-release facility
- rights

4.1.10 *know* the role of stock markets

4.1.11 *know* the types and uses of the main global stock exchange indices

4.1.12 *know* how shares are traded:

- on-exchange/over-the-counter
- multilateral trading facilities
- order-driven/quote-driven

4.1.13 *understand* how settlement takes place:

- process
- settlement cycles

Element 5 Bonds

5.1 Characteristics

On completion, the candidate should:

5.1.1 *understand* the characteristics and terminology of bonds:

- coupon
- redemption
- nominal value

5.1.2 *know* the definition and features of government bonds:

- US
- UK
- France
- Germany
- Japan

5.1.3 *know* the potential advantages and disadvantages of investing in government bonds

5.2 Corporate Bonds

On completion, the candidate should:

5.2.1 *know* the definitions and features of the following types of bond:

- domestic
- foreign
- eurobond
- asset-backed securities
- zero coupon
- convertible

5.2.2 *be able to calculate* the flat yield of a bond

5.2.3 *know* the potential advantages and disadvantages of investing in corporate bonds

5.2.4 *understand* the role of credit rating agencies and the difference between investment and non-investment grades

Element 6 Derivatives

6.1 Derivatives Uses

On completion, the candidate should:

6.1.1 *know* the uses and application of derivatives

6.2 Futures

On completion, the candidate should:

6.2.1 *know* the definition and function of a future

6.3 Options

On completion, the candidate should:

6.3.1 *know* the definition and function of an option

6.3.2 *understand* the following terms:

- calls
- puts

6.4 Terminology

On completion, the candidate should:

6.4.1 *understand* the following terms:

- long
- short
- open
- close
- holder
- writing
- premium

- covered
- naked
- over-the-counter
- exchange-traded

6.5 Derivatives/Commodity Exchanges

On completion, the candidate should:

6.5.1 *know* the function of a derivatives exchange and the products traded

6.5.2 *know* the potential advantages and disadvantages of investing in the derivatives and commodity markets

6.6 Swaps

On completion, the candidate should:

6.6.1 *know* the definition and function of interest-rate swaps

6.6.2 *know* the definition and function of credit default swaps

Element 7 Investment Funds

7.1 Introduction

On completion, the candidate should:

7.1.1 *understand* the potential advantages and disadvantages of collective investment

7.1.2 *know* the difference between active and passive management

7.2 Open-Ended/Mutual Funds

On completion, the candidate should:

7.2.1 *know* the characteristics and different types of open-ended fund/mutual fund:

- US
- Europe

7.2.2 *know* the purpose and principal features of the Undertakings for Collective Investment in Transferable Securities (UCITS) directive in European markets

7.3 Closed-Ended Investment Companies

On completion, the candidate should:

7.3.1 *know* the characteristics of closed-ended investment companies:

- share classes

7.3.2 *understand* the factors that affect the price of closed-ended investment companies

7.3.3 *know* the meaning of the discounts and premiums in relation to closed-ended investment companies

7.3.4 *know* how closed-ended investment companies' shares are traded

7.4 Real Estate Investment Trusts

On completion, the candidate should:

7.4.1 *know* the basic characteristics of real estate investment trusts:

- tax implications
- property diversification
- liquidity
- risk

7.5 Exchange-Traded Funds

On completion, the candidate should:

7.5.1 *know* the main characteristics of exchange-traded funds:

- trading
- replication methods
- synthetic/non-synthetic

7.6 Hedge Funds

On completion, the candidate should:

7.6.1 *know* the basic characteristics of hedge funds:

- risks
- cost and liquidity
- investment strategies

7.7 Private Equity

On completion, the candidate should:

7.7.1 *know* the basic characteristics of private equity:

- raising finance
- realising capital gain

Element 8 Financial Services Regulation

8.1 Introduction

On completion, the candidate should:

- 8.1.1 *understand* the need for regulation
- 8.1.2 *understand* the main aims and activities of financial services regulators
- 8.1.3 *know* the Chartered Institute for Securities & Investment Code of Conduct
- 8.1.4 *understand* the key principles of professional integrity and ethical behaviour in financial services

8.2 Financial Crime

On completion, the candidate should:

- 8.2.1 *understand* the terms that describe the three main stages of money laundering
- 8.2.2 *know* the action to be taken by those employed in financial services if money laundering activity is suspected

8.3 Insider Trading and Market Abuse

On completion, the candidate should:

- 8.3.1 *know* the offences that constitute insider trading and the instruments covered
- 8.3.2 *know* the offences that constitute market abuse and the instruments covered

Element 9 Other Financial Products

9.1 Retirement Planning

On completion, the candidate should:

9.1.1 *know* the reasons for retirement planning

9.1.2 *know* the basic features and risk characteristics of retirement funds:

- state schemes
- corporate retirement plans:
 - defined benefit
 - defined contribution
- personal schemes

9.2 Loans

On completion, the candidate should:

9.2.1 *know* the differences between bank loans, overdrafts and credit card borrowing

9.2.2 *know* the difference between the quoted interest rate on borrowing and the effective annual percentage rate of borrowing

9.2.3 *be able to calculate* the effective annual percentage rate of borrowing, given the quoted interest rate and frequency of payment

9.2.4 *know* the difference between secured and unsecured borrowing

9.3 Mortgages

On completion, the candidate should:

9.3.1 *understand* the characteristics of the mortgage market:

- interest rates
- repayment

9.3.2 *know* the prohibition on interest and the types of mortgage contracts that exist in Islamic finance

9.4 Life Assurance

On completion, the candidate should:

9.4.1 *understand* the basic principles of life assurance

9.4.2 *know* the main types of life policy:

- term assurance
- whole of life