



Fundamentals of Capital Markets Certification

Summary of the Syllabus

OBJECTIVE OF THE EXAMINATION

The IFMP Fundamentals of Capital Markets Certification Exam cover the basic concepts of financial markets, types of assets and contracts, financial intermediaries and their mechanisms, available instruments of investment and trade, risks and returns, and market indices. This course is aimed towards all capital market participants.

TARGET AUDIENCE

IFMP Fundamentals of Capital Markets Certification Programme is mandated for all intermediaries in the capital market of Pakistan.

SYLLABUS STRUCTURE

The curriculum is divided into elements and these are broken down into a series of learning objectives. Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate** and **be able to apply**. 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
- **be able to apply** require the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

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 to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus 2.

Examination Specification 100 multiple choice questions		
Element number	Element	Questions
1	Code of Ethics and Conduct	10
2	Structure of Financial Markets	30
3	Fixed Income Securities	15
4	Shares	15
5	Measuring Investment Returns	15
6	Risks	15
	Total	100

ASSESSMENT STRUCTURE

- This will be a 150 minutes examination of 100 Multiple Choice Questions.
- All questions will carry equal marks.
- There will be no negative marking.

SUMMARY OF THE SYLLABUS

Element 1

Code of Ethics and Conduct

-Background

-The Code of Ethics

-Code of Conduct

Safeguard customers' interest and uphold public trust

Provide clear, concise and effective disclosure

Encourage fair competition

Act responsibly, with integrity and placing customers first in areas of conflict

Promotion and support of ethical decision making behavior through sound corporate governance

Confidentiality and Appropriate Use of Information

Skills Enhancement

Element 2

The Organisation and Structure of Financial Markets

-Market Organisation and Structure

-The Functions of the Financial System

Saving

Borrowing

Equity capital

Managing risks

Trading assets

Information motivated trading

Determining rates of return

Capital allocation

-Assets and Contracts

Classification of assets and markets

-Securities

Fixed Income

Equities

Pooled Investments

-Currencies

Forward Contracts

Futures Contracts

Swap Contracts

Option Contracts

Other Contracts

-Commodities

-Real Assets

-Financial Intermediaries

Brokers and Exchanges

Dealers

Securitizers

Depository Institutions and other Non-Banking Financial Institutions (NBFIs)

Insurance Companies

Arbitrageurs

Settlement and Custodial Institutions

-Positions

Order Mechanism

Order Execution

Execution Order Timing

Clearing Instructions

-Primary Security Markets

Public Offerings

Private Placements and other Primary Market Transactions

The Importance of Secondary Markets

-Secondary Securities Markets and Contract Market Structures

Call and Continuous Markets

Quote-driven, Order-driven and Brokered Markets

-Efficient Financial Systems

-Market regulation

Element 3

Fixed Income Securities

-Bond Characteristics

Bond Maturity

Bond Interest Rate (Coupon)

Par Value

Redemption, Retirement and Conversion

Callable and Puttable (Embedded Options) Bonds

Prepayment

Conversion

Collateralized versus Non-Collateralized

-Valuing Fixed Income Securities

-Government Bonds

-Government Saving Schemes

Element 4

Shares

- Common and Preferred Stock
- Classes of Stock
- Understanding Various Ways Stocks Are Described
- Market Capitalization
- Industry and Sector
- Defensive and Cyclical
- Growth and Value
- Volatility
- Stock Splits
- Evaluating a Stock
- Buying and Selling Stock
- Trading vs. Buy-and-Hold
- Advanced Short-Term Trading
- Buying on Margin
- Short Selling

Element 5

Measuring Investment Returns

- Introduction
- Concept of Time Value and its Computation
- Significance of Present Value in Financial Planning
- Fixed Annuity or Floating Annuity
- Ordinary Annuity or Annuity Due
- Inflation Linked Annuity
- Loan Repayment Schedule
- Payback Period
- Holding Period Return
- Compounding
- Net Present Value (NPV)
- Real and Nominal Return
- Effective and Nominal Return
- Calculating Nominal Interest Rate
- Calculating Effective Interest Rate
- Time Weighted Rate of Return
- Instruments with Tax Free Income and Taxable Income

Element 6

Risk

-Types of risks

Market Risk (Systematic and Unsystematic)

Interest-rate risk

Inflation risk

Currency risk

Liquidity risk

Sociopolitical risk

-Nonsystematic Risk

Management risk

Credit risk

-Other Investment Risks

-Assessing Risk

Step 1: Determining the Risk of an Asset Class

Step 2: Selecting Risk

Step 3: Evaluating Specific Investments

-Take a Broad View

-Investing to Minimize Risk

-Using Asset Allocation

-Using Diversification

-How Much Diversification?

-Measuring Risk

-Modern Portfolio Theory

-Market Indices

-Index Weighting Schemes

RECOMMENDED READINGS

The next section of this study guide covers a brief extract from some of the below mentioned documents. Candidates are advised to study the respective documents (in detail and original) which are available free-to-download from IFMP's website and / or the respective organization's websites.

1. Anti-Money Laundering Act, 2010
2. Anti-Money Laundering Ordinance, 2009
3. Anti-Money Laundering Regulations, 2008
4. Anti-Money Laundering Rules, 2008
5. Pakistan Stock Exchange (PSX) Rule Book
6. Book Building Regulations, 2015
7. Broker Agents Registration Rules, 2001
8. CDC Act, 1997
9. CDC Regulations
10. Code of Corporate Governance, 2012
11. Commodity Exchange and Futures Contracts Rules (March, 2005)
12. Debt Securities Trustee Regulations, 2012
13. Directive to Brokers on Conduct of Business (February 7, 2003)
14. Income Tax Ordinance, 2001
15. NCCPL Procedure, 2003
16. NCCPL Regulations, 2003
17. NCEL General Regulations (May, 2007)
18. Real Estate Investment Trust Regulation, 2015
19. Research Analysts Regulations, 2015
20. SECP Act, 1997
21. Securities (Leveraged Market and Pledging) Rules, 2011
22. Securities Act, 2015
23. Securities and Exchange Rules, 1971
24. Stock Exchange Members (Inspection of Books and Record) Rules, 2001