



Clearing and Settlement Operations Certification

Summary of the Syllabus

OBJECTIVE OF THE EXAMINATION

This Certification Exam is specifically designed to meet the minimum qualification needs of the financial market participants at brokerage houses, investment advisors, banks and asset management companies with investment analysis and modelling function and to ensure that they are competent to provide buying & selling recommendations to stock market investors.

TARGET AUDIENCE

This exam is by and large mandated for Clearing and Settlement Staff working at Brokers, Investment Advisors, Banks and Asset Management Companies.

SYLLABUS STRUCTURE

The unit 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***, ***be able to calculate*** and also ***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 SPECIFICATIONS

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 will not change by more than plus or minus 2.

| Examination Specification 100 multiple choice questions | | |
|--|------------------------------------|------------------|
| Element No. | Elements | Questions |
| 1 | Overview of Capital Markets | 20 |
| 2 | Financial Intermediaries | 20 |
| 3 | Brokerage Operations | 20 |
| 4 | Clearing Process | 20 |
| 5 | Risk Management | 20 |
| | Total | 100 |

ASSESSMENT STRUCTURE

- This will be a two-hour examination of 100 Multiple Choice Questions (MCQs).
- All questions will carry equal marks.
- There will be no negative marking.

SUMMARY OF THE SYLLABUS

ELEMENT 1

Overview of Capital Markets

1.1 Financial systems and markets

1.1.1 Capital Markets

1.1.1.1 Stock Markets

1.1.1.1.1 Primary Market

1.1.1.1.2 Secondary Market

1.1.1.2 The OTC Market

1.1.1.3 Bond Markets

1.1.1.3.1 Money Market

1.1.1.4 Derivatives Markets

1.1.1.5 Foreign Exchange Market

1.2 Regulator (Securities and Exchange Commission of Pakistan)

ELEMENT 2

Financial Intermediaries

2.1 Stock Exchanges

2.1.1 The Pakistan Stock Exchange

2.1.2 The Pakistan Mercantile Exchange

2.2 Broker Clearing Members

2.3 Non-Broker Clearing Members

2.4 Custodian Clearing Members

2.5 Settling Banks

2.6 Depository (The Central Depository Company of Pakistan Limited)

2.7 Clearinghouse (National Clearing Company Limited)

ELEMENT 3

Brokerage Operations

3.1 Trading Cycle

3.2 Front-Office

3.2.1 Business Development

3.2.2 Account opening

3.2.3 Unique Identification Number (UIN) and Know Your Customer (KYC)

3.2.4 Order Management

3.2.5 Types of orders

3.2.6 Types of Markets

3.2.7 Order Confirmation

3.3 Middle-Office

3.3.1 Risk Management

3.3.2 Types of Risk

3.4 Back-Office

3.4.1 Clearing and Settlement Process

3.4.2 Accounting

ELEMENT 4

Clearing Process

4.1 Introduction

4.2 Role of the Clearinghouse

4.3 Settling Banks and their function

4.4 Clearing members **Error! Bookmark not defined.**

4.5 Depository Company

4.5.1 Segregation of client assets

4.5.2 Share Pledge

4.6 Clearing Process

4.6.1 Clearing process for Exchange Trades

4.6.1.1 Activities on the Trade Date (T)

4.6.1.2 Clearing Process for Non-exchange transactions

4.7 Activities on the day after the trade (T+1 or Settlement Day minus 1)

4.8 Settlement Process

4.8.1 Settlement Cycle

4.8.2 Settlement Date Activities

4.8.2.1 Money Default Procedures

4.8.2.2 Squaring Up Process

ELEMENT 5

Risk Management

5.1 Risk Management by the Stock Exchanges

5.1.1 Base Minimum Capital

5.1.2 Net Capital Balance

5.1.3 Netting

5.1.4 Exposure Margins

5.1.5 Circuit breakers

5.2 Risk Management by the Clearinghouse

5.2.1 Non-Broker Clearing Members

5.2.2 Debt Market Clearing Members

5.2.3 Custodian Clearing Members

5.2.4 Securities Lending and Borrowing

5.2.5 Margin Financing System

5.2.6 Margin Trading System