



# Introduction to Securities and Investment (International)

Effective from 10 September 2023

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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
- Equities/Stocks
- Bonds
- Other Markets and Investments
- Derivatives
- Investment Funds
- Financial Services Regulation
- Other Financial Products
- Financial Advice

## 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](http://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.

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

## 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 Equities/Stocks**

- 3.1 Equities/Stocks

### **Element 4 Bonds**

- 4.1 Characteristics
- 4.2 Government Bonds
- 4.3 Corporate Bonds
- 4.4 Bonds

### **Element 5 Other Markets and Investments**

- 5.1 Cash Deposits
- 5.2 The Money Market
- 5.3 Property
- 5.4 The Foreign Exchange Market

### **Element 6 Derivatives**

- 6.1 Derivatives Uses
- 6.2 Futures
- 6.3 Options
- 6.4 Terminology
- 6.5 Derivatives/ Commodity Markets
- 6.6 Swaps
- 6.7 Credit Default Swaps

### **Element 7 Investment Funds**

- 7.1 Introduction
- 7.2 Open-Ended/Mutual Funds
- 7.3 Closed-Ended Investment Companies
- 7.4 Exchange-Traded Funds
- 7.5 Alternative Investment Funds

**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 10 Financial Advice**

- 10.1 Areas of Financial Advice
- 10.2 Process for giving financial advice
- 10.3 Legal concepts relevant in financial advice



## **Element 1 Introduction**

### **1.1 The Financial Services Sector**

On completion, the candidate should:

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

- retail banks/ commercial banks
- savings institutions
- investment banks
- private banks
- pension funds
- insurance companies
- fund managers
- stockbrokers
- custodians
- platforms
- third-party administrators (TPAs)
- industry trade and professional bodies
- sovereign wealth funds
- peer to peer/crowdfunding

1.1.2 *know* the function of and differences between retail and professional/commercial business and who the main customers are in each case

1.1.3 *know* the role of investment distribution channels including:

- independent and restricted advice
- execution only
- robo advice

1.1.4 *know* about the following themes

- Fintech
- Environmental, Social, and Governance (ESG)

**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 stages of the economic cycle and the role of government in determining:

- economic policy
- fiscal policy
- monetary policy

2.1.3 *know* the function of central banks

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

- Gross Domestic Product (GDP)
- balance of payments
- budget deficit / surplus
- level of unemployment
- exchange rates
- inflation/ deflation

**Element 3 Equities/Stocks**

**3.1 Equities/Stocks**

On completion, the candidate should:

- 3.1.1 *know* how a company is formed and the differences between private and public companies
- 3.1.2 *know* the features and benefits of ordinary and preference shares / common stock and preferred stock:
- dividend
  - capital gain
  - share benefits
  - right to subscribe for new shares
  - right to vote
- 3.1.3 *be able to calculate* the share dividend yield
- 3.1.4 *understand* the advantages, disadvantages and risks associated with owning shares / stock:
- price risk
  - liquidity risk
  - issuer risk
  - foreign exchange risk
- 3.1.5 *know* the definition of a corporate action and the difference between mandatory, voluntary and mandatory with options, including takeovers and mergers
- 3.1.6 *understand* the following terms:
- bonus / scrip / capitalisation issues / stock splits / reverse stock splits
  - rights issues / open offer
  - dividend payments
  - buybacks

3.1.7 be able to calculate:

- theoretical ex rights price
- theoretical ex bonus price

3.1.8 *know* the purpose and format of annual general meetings

3.1.9 *know* the function of a stock exchange

- primary/ secondary market
- listing

3.1.10 *understand* the characteristics of depositary receipts:

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

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

3.1.12 *know* how shares are traded:

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

3.1.13 *know* the method of holding title and related terminology: registered and bearer; immobilised and dematerialised

3.1.14 *understand* the role of the central counterparty in clearing and settlement

3.1.15 *understand* how settlement takes place:

- participants
- process
- settlement cycles

## **Element 4 Bonds**

### **4.1 Characteristics**

On completion, the candidate should:

4.1.1 *understand* the characteristics and terminology of bonds:

- coupon
- redemption
- nominal value
- yields

### **4.2 Government Bonds**

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

- types
- US
- UK
- China
- Germany
- Japan

### 4.3 Corporate Bonds

On completion, the candidate should:

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

- domestic
- foreign
- eurobond
- asset-backed securities, including covered bonds
- zero coupon
- convertible
- floating rate notes
- medium term notes

### 4.4 Bonds

On completion the candidate should:

4.4.1 *know* the potential advantages and disadvantages of investing in different types of bonds

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

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

## **Element 5 Other Markets and Investments**

### **5.1 Cash Deposits**

On completion, the candidate should:

- 5.1.1 *know* the characteristics of fixed-term and instant access deposit accounts
- 5.1.2 *know* the advantages and disadvantages of investing in cash
- 5.1.3 *know* the differences between crypto currencies and fiat currencies

### **5.2 The Money Market**

On completion, the candidate should:

- 5.2.1 *know* the difference between a capital market instrument and a money market instrument
- 5.2.2 *know* the definition and features of the following:
  - Treasury Bill
  - Commercial Paper
  - Certificate of Deposit
  - Money market funds
- 5.2.3 *know* the advantages and disadvantages of investing in money market instruments

### **5.3 Property**

On completion, the candidate should:

- 5.3.1 *know* the characteristics of property investment:
  - commercial / residential property
  - direct / indirect investment
- 5.3.2 *know* the potential advantages and disadvantages of investing in property

## **5.4 The Foreign Exchange Market**

On completion, the candidate should:

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

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

5.4.2 *be able to calculate* a forward exchange rate using interest rate parity formula

## **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

## **6.5 Derivatives/ Commodity Markets**

On completion, the candidate should:

6.5.1 *know* the characteristics of the derivatives and commodity markets

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

## **6.7 Credit Default Swaps**

On completion, the candidate should:

6.7.1 *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, disadvantages, and risks of collective investment
- 7.1.2 *know* the difference between active and passive (eg index) management
- 7.1.3 *know* the types of funds and how they are classified

**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

**7.3 Closed-Ended Investment Companies**

On completion, the candidate should:

- 7.3.1 *know* the characteristics of closed-ended investment companies:
  - share classes
  - gearing
  - Real Estate Investment Trusts (REITs)
- 7.3.2 *know* the meaning of the discounts and premiums in relation to the pricing of closed-ended investment companies
- 7.3.3 *know* how closed-ended investment companies' shares are traded

## **7.4 Exchange-Traded Funds**

On completion, the candidate should:

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

- trading
- replication methods
- synthetic / non-synthetic

## **7.5 Alternative Investment Funds**

On completion, the candidate should:

7.5.1 *know* the basic characteristics of hedge funds:

- risks
- cost and liquidity
- investment strategies

7.5.2 *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 and authorisation of firms
- 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 *know* what money laundering is, the stages involved and the related criminal offences
- 8.2.2 *know* how firms / individuals can be exploited as vehicles for financial crime:
  - fraud
  - cybercrime
  - terrorist financing

### **8.3 Insider Trading and Market Abuse**

On completion, the candidate should:

- 8.3.1 *know* the offences that constitute insider trading and 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 benefits provided by pensions

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 rate of borrowing

9.2.3 *be able to calculate* the effective annual 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
- loan to value

9.3.2 *know* the definition of and types of mortgage:

- repayment

- interest only
- offset

9.3.3 *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 *know* the basic principles of life assurance and the definition of the following types of life policy:

- term assurance
- whole of life

### **Element 10 Financial Advice**

#### **10.1 Areas of Financial Advice**

On completion, the candidate should:

10.1.1 *understand* the main areas of financial advice:

- budgeting
- protection
- borrowing
- investment and saving
- later life planning
- estate planning
- tax planning and offshore considerations

#### **10.2 Process for giving financial advice**

On completion, the candidate should:

10.2.1 *understand* the key factors in the financial advice process:

- the client relationship
- affordability, suitability, attitude to risk
- matching solutions with needs
- use of communication skills in giving advice
- monitoring and reviewing clients' circumstances
- information given to clients
- consumer rights and remedies, including awareness of their limitations

### **10.3 Legal concepts relevant in financial advice**

On completion, the candidate should:

10.3.1 *understand* the key legal concepts relating to:

- legal persons (wills / intestacy / personal representatives / trustees / companies / limited liabilities / partnerships)
- contract, capacity to contract
- agency
- real estate, personal property and joint ownership
- powers of attorney
- insolvency and bankruptcy
- identifying, reporting scams