

The Licensing Examination for Securities and Futures Intermediaries

Paper 8 Securities

Syllabus

(Effective from 1 March 2024)

Topic 1: Overview of securities investments

~~1 Historical background~~

1 Background and overview

- Equity market
- Debt market
- Derivatives market

2 The Stock Exchange of Hong Kong Limited

- Major features
- Market sectors
- Stock exchanges in Mainland China

3 The global securities market

- The US market
- European markets
- Asian markets

4 Key factors affecting the securities markets

- Interest rates
- Interest rates of other countries
- Exchange rates
- Inflation
- Economic cycles and economic policies
- Political factors
- Government initiatives and measures
- Market sentiment

5 Market indices

- Hang Seng Index
- Hang Seng family of indexes
- S&P/HKEX LargeCap Index and GEM Index
- International indices

Topic 2: The Stock Exchange of Hong Kong: primary and secondary markets

1 Primary market

- What is the primary market?
- Why do companies go public (listed)?
- Advantages and disadvantages of listing
- Types of equity markets in Hong Kong
- Initial public offering
- Listing rules
- Types of listing methods
- Role of advisers and professionals
- HKEX hearing
- Road show
- Prospectus conventions
- Prospectus preparation
- Electronic Initial Public Offering

2 Secondary market

- What is the secondary market?
- Trading system
- Corporate actions and raising additional funds
- Clearing and settlement system

3 Market surveillance and its effect on participant behaviour

4 Reporting to investors and the market – keeping the market informed

5 Exchange Participants

Topic 3: Participants in the markets

1 Brokers

- Role and duties
- Licensing
- Responsibilities

2 Traders

3 Research analysts

4 Institutional investors

5 Retail investors and high net worth

- individuals
- 6 Arbitrageurs
- 7 Financial advisers ~~and~~, private wealth managers and family offices
- 8 Credit rating agencies
- 9 Custodians
- 10 Share registrars
- 11 Hong Kong Exchanges and Clearing Limited and its subsidiaries
 - Hong Kong Exchanges and Clearing Limited
 - The Stock Exchange of Hong Kong Limited
 - Hong Kong Futures Exchange Limited
 - Hong Kong Securities Clearing Company Limited
 - The SEHK Options Clearing House Limited
 - HKFE Clearing Corporation Limited
 - OTC Clearing Hong Kong Limited
 - The London Metal Exchange
- 12 Relevant governmental agencies and ~~public bodies~~regulators
 - ~~• Hong Kong Monetary Authority~~
 - ~~• Securities and Futures Commission~~
 - ~~• Financial Services and the Treasury Bureau~~
 - ~~• Financial Services Development Council~~

Topic 4: Types of securities

- 1 Equity securities
 - Ordinary shares
 - Preference shares
 - Bonus shares
 - Rights shares
 - Stock options
 - Warrants
 - Stapled securities

- 2 Margin financing
 - Benefits and risks of margin financing
- 3 Stock borrowing and lending
- 4 Unit trusts and mutual funds
- 5 Exchange-traded funds
 - Leveraged and Inverse Products
- 6 Real estate investment trusts
- 7 Depository/Depository receipts
- 8 Short-term debt instruments
 - Interbank lending market
 - Banker's acceptance
 - Commercial paper
 - Certificates of deposit
 - ~~Exchange Fund~~Government Bills
 - Repurchase agreements
 - Pricing of discounted securities
- 9 Long-term debt securities
 - Types of bonds
 - Bond pricing
 - Bond analysis
 - Risk management for debt securities
- ~~10 Risk management for debt securities~~
 - ~~• Duration~~
 - ~~• Convexity~~
- 10 Security tokens
- 11 Derivatives
 - Futures
 - Forwards
 - Options
 - Swaps
 - Structured products
- 12 Further discussion of stock options
 - Factors affecting option prices
 - Risk parameters
 - Basic option trading strategies
 - Option pricing

Topic 5: Stock market administration

- | | | |
|---|---|---|
| 1 | Trading system in Hong Kong | <ul style="list-style-type: none"> • Technical indicators • Common technical analysis methods |
| | <ul style="list-style-type: none"> • Orion Trading Platform – Securities Market • Trading procedures for the cash market • Trading mechanism for derivatives | 4 Metrics on stock selection |
| | | ***** |
| 2 | Clearing and settlement system in Hong Kong | |
| | <ul style="list-style-type: none"> • Clearing • Settlement | |
| 3 | Transaction costs in stock trading | |
| | <ul style="list-style-type: none"> • Brokerage house • The Stock Exchange of Hong Kong Limited • The government | |
| 4 | Trading records management | |
| | <ul style="list-style-type: none"> • Internal control procedures and code of conduct • Internal audit • <u>Investor identification and transaction reporting regimes</u> | |
| 5 | Conduct of business | |
| 6 | Risk management | |
| 7 | Technology | |
| | <ul style="list-style-type: none"> • Internet securities trading • On-line financial information • Impact of technology | |

Topic 6: Securities analysis

- 1 Fundamental analysis and technical analysis
- 2 Fundamental analysis
 - Top-down analysis and bottom-up analysis
 - Industry analysis and competitive analysis
 - Ratio analysis of a specific company
 - Valuation of equity securities
- 3 Technical analysis
 - Historical data
 - Charts and trend lines