

The Licensing Examination for Securities and Futures Intermediaries

Paper 8 Securities

Syllabus

(Effective from 1 August 2018)

Topic 1: Overview of securities investments

- 1 Historical background
 - 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
 - Political factors
- 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
- eIPO

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 and high net worth investors

6 Arbitrageurs

7 Financial advisers

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
 - OTC Clearing Hong Kong Limited
- 12 Regulatory bodies
 - Hong Kong Monetary Authority
 - Securities and Futures Commission

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 Pilot programme securities
- 6 Exchange-traded funds
 - Leveraged and Inverse Products
- 7 Real estate investment trusts
- 8 Depository/Depository receipts
- 9 Short-term debt instruments
 - Interbank lending market
 - Banker's acceptance

- Commercial paper
- Certificates of deposit
- Exchange Fund Bills
- Repurchase agreements
- Pricing of discounted securities
- 10 Long-term debt securities
 - Types of bonds
 - Bond pricing
- 11 Risk management for debt securities
 - Duration
 - Convexity
- 12 Derivatives
 - Futures
 - Forwards
 - Options
 - Swaps
 - Structured products
- 13 Further discussion on 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
 - ~~Automatic Order Matching and Execution System~~ [Orion Trading Platform – Securities Market](#)
 - Trading procedures for the cash market
 - Trading mechanism for derivatives
- 2 Clearing and settlement system in Hong Kong
 - Clearing
 - Settlement
- 3 Transaction costs in stock trading
 - Brokerage house
 - The Stock Exchange of Hong Kong Limited
 - The government
- 4 Trading records management

- Internal control procedures and code of conduct
 - Internal audit
- 5 Conduct of business
- 6 Risk management
- 7 Technology
- 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
 - Technical indicators
 - Common technical analysis methods
