

The Licensing Examination for Securities and Futures Intermediaries

Paper 7 Financial Markets

Syllabus

(Effective from 1 April 2020)

Topic 1: The global financial system

- 1 The role of the financial system in the global economy
 - Supply and demand
 - Economic sectors
 - Flow of funds
 - International capital and investment flows
 - Participants in the global financial system
 - Money and the banking system
- 2 Financial systems and markets
 - Central banks
 - The process of intermediation and disintermediation
 - Characteristics of an effective financial market
 - Types of financial markets
 - Participants in financial markets
 - Prudential regulation and supervision
- 3 Factors affecting global financial markets
 - Economic factors and indicators
 - Changes affecting global economies
 - Globalisation and technology
 - Market expectations
 - Lessons from financial crises

Topic 2: Financial system in Hong Kong

- 1 Roles of the government and regulators
 - Hong Kong Monetary Authority
 - Securities and Futures Commission
 - Mandatory Provident Fund

Schemes Authority

- The Hong Kong Mortgage Corporation Limited
- Insurance Authority
- Exchanges and self-regulatory bodies

- 2 Participants in the Hong Kong financial system
 - Hong Kong Monetary Authority
 - Authorized institutions
 - Fund houses
 - Brokerage houses
 - Hong Kong Exchanges and Clearing Limited
 - Investment banks
- 3 Factors affecting the Hong Kong market
 - Government objectives and policies
 - Mainland China as a major trading and investment partner
 - The US economy
 - Other global and regional influences
 - Regulatory, political and social trends
 - The impact of technology

Topic 3: The equity market

- 1 Overview
 - What is equity?
 - ~~Why raise e~~Equity financing?
 - Methods of ~~raising~~equity financing
 - Why invest in equity?
- 2 Fundamentals of equity securities
 - Initial public offerings
 - Rights issues
 - Bonus issues
- 3 The stock market
 - Stock market indices
 - The stock exchange
 - Bull and bear markets

- 4 Privatisation of government-owned companies
- 5 The Hong Kong equity market
 - Development of the Hong Kong equity market
 - Structure of the stock market
 - Types of equity securities
 - Participants in the equity market
 - Trading and settlement systems

Topic 4: The debt market

- 1 Overview
 - What is debt?
 - Debt securities
 - Advantages of investing in debt securities
 - Characteristics of debt
 - Interest rates
- 2 Categorisation of bonds
- 3 Fundamentals of pricing debt securities
 - Time value of money
 - Pricing of zero coupon debt securities
 - Pricing of coupon debt securities
 - Credit ratings
- 4 Role of the yield curve
 - Yield versus price
 - What is the yield curve?
 - Types of yield curve
- 5 The Hong Kong debt market
 - Development of the Hong Kong debt market
 - Structure of the debt market
 - Types of debt securities
 - Participants in the debt market
 - Trading and settlement systems

Topic 5: The foreign exchange and derivatives markets

- 1 The foreign exchange market
 - Background and definitions
 - History of exchange rates

- Exchange rate regimes
- The foreign exchange market
- 2 The derivatives market
 - What are derivatives?
 - Function of derivatives
 - Classification of derivatives
- 3 The derivatives market in Hong Kong
 - Overview
 - Structure of the derivatives market
 - Types of derivatives
 - Participants in the derivatives market
 - Trading and settlement systems

Topic 6: Financial risk management

- 1 Overview
 - What is risk?
 - Risk versus expected return
 - Fundamental risk management techniques
- 2 Types of financial risks
 - Credit risk and settlement risk
 - Market risk and basis risk
 - Liquidity risk
 - Operational risk
 - Other risks
- 3 The risk management process
 - Identifying risk
 - Measuring risk
 - Managing risk
 - Monitoring risk
- 4 Financial risk management in Hong Kong
 - Financial risk management systems and processes
 - Financial risk management techniques
 - Financial risk management in the future – lessons from the past

Topic 7: Applications in the financial sector

- 1 Corporate finance
 - What is corporate finance?
 - Why is corporate finance important?
 - The work of corporate finance professionals
- 2 Asset management
 - What is asset management?
 - Why is asset management important?
 - The work of asset management professionals
- 3 Financial advising
 - What is financial advising?
 - Why is financial advising important?
 - The work of financial advisers
- 4 Interdependence of functions in the financial markets – an illustration
