

The Licensing Examination for Securities and Futures Intermediaries

Paper 8 Securities

Syllabus (Effective from 1 April 2020)

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
- 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 and high net worth individuals

6 Arbitrageurs

7 Financial advisers and private wealth managers

8 Credit rating agencies

9	Custodians	8	Depository/Depository receipts
10	Share registrars	9	Short-term debt instruments <ul style="list-style-type: none"> • Interbank lending market • Banker's acceptance • Commercial paper • Certificates of deposit • Exchange Fund Bills • Repurchase agreements • Pricing of discounted securities
11	Hong Kong Exchanges and Clearing Limited and its subsidiaries <ul style="list-style-type: none"> • 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 • London Metal Exchange 	10	Long-term debt securities <ul style="list-style-type: none"> • Types of bonds • Bond pricing
12	Regulatory bodies <ul style="list-style-type: none"> • Hong Kong Monetary Authority • Securities and Futures Commission 	11	Risk management for debt securities <ul style="list-style-type: none"> • Duration • Convexity
Topic 4: Types of securities		12	Derivatives <ul style="list-style-type: none"> • Futures • Forwards • Options • Swaps • Structured products
1	Equity securities <ul style="list-style-type: none"> • Ordinary shares • Preference shares • Bonus shares • Rights shares • Stock options • Warrants • Stapled securities 	13	Further discussion on stock options <ul style="list-style-type: none"> • Factors affecting option prices • Risk parameters • Basic option trading strategies • Option pricing
2	Margin financing <ul style="list-style-type: none"> • Benefits and risks of margin financing 	Topic 5: Stock market administration	
3	Stock borrowing and lending	1	Trading system in Hong Kong <ul style="list-style-type: none"> • Orion Trading Platform – Securities Market • Trading procedures for the cash market • Trading mechanism for derivatives
4	Unit trusts and mutual funds	2	Clearing and settlement system in Hong Kong <ul style="list-style-type: none"> • Clearing • Settlement
5	Pilot programme securities	3	Transaction costs in stock trading <ul style="list-style-type: none"> • Brokerage house • The Stock Exchange of Hong
6	Exchange-traded funds <ul style="list-style-type: none"> • Leveraged and Inverse Products 		
7	Real estate investment trusts		

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
