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

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
- London Metal Exchange

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/Depositary 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
- 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

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