

The Licensing Examination for Securities and Futures Intermediaries

Paper 8 Securities

Syllabus (Effective from 1 March 2022)

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 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 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		
	<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 		
12	Relevant agencies and public bodies		
	<ul style="list-style-type: none"> • 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		
	<ul style="list-style-type: none"> • 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 Bills
			• Repurchase agreements
			• Pricing of discounted securities
		9	Long-term debt securities
			• Types of bonds
			• Bond pricing
			• Bond analysis
		10	Risk management for debt securities
			• Duration
			• Convexity
		11	Derivatives
			• Futures
			• Forwards
			• Options
			• Swaps
			• Structured products
		12	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
- 4 Metrics on stock selection