CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

Securities

Level 4

Effective from 31 December 2021

Objective of the examination

The objective of the examination is to ensure that candidates can apply appropriate knowledge and understanding of securities, markets and related functions and administration.

The examination will test candidates' understanding and practical application of the following elements:

- Types of securities
- Money markets and cash
- Foreign exchange
- Settlement and safe custody
- Prime brokerage
- Accounting analysis
- Portfolio construction
- Investment selection and administration

Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (cisi.org/candidateupdate) on a regular basis for updates that could affect their examination as a result of industry change.

Syllabus structure

The unit is divided into **elements.** These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **understand, apply, apply knowledge of, apply an understanding of, be able to analyse, be able to assess** or **be able to be able to calculate**. These words indicate the different levels of skill to be tested.

- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle

- **apply** requires the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

- **apply knowledge of / an understanding of** requires the candidate to demonstrate practical application of one or more items of knowledge or understanding

- **be able to analyse** requires the candidate to review the information content in detail and draw conclusions

- **be able to assess** requires the candidate to review the information content and to make an informed judgement

- **be able to calculate** requires the candidate to be able to use formulae to perform calculations

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than two.

Examination specification **80 multiple choice questions**		
Element number	**Element**	**Questions**
1	Cash, Money Markets and the Foreign Exchange Market	5
2	Fixed Income Securities	20
3	Equities	20
4	Collective Investments	8
5	Settlement, Safe Custody and Prime Brokerage	7
6	Securities Analysis	8
7	Portfolio Construction	8
8	Investment Selection and Administration	4
Total		**80**

Assessment Structure

Assessment is a 2 hour examination of 80 multiple choice questions.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% additional questions as trial questions that will not be separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

Summary Syllabus

Element 1 Cash, Money Markets and the Foreign Exchange Market

1.1 Cash Instruments and Markets

1.2 Foreign Exchange Instruments and Markets

Element 2 Fixed Income Securities

2.1 Characteristics of Fixed Income Securities

2.2 Characteristics of Sovereign & Government Bonds

2.3 Characteristics of Corporate Debt

2.4 Characteristics of Eurobonds

2.5 Issuing Fixed Income Securities

2.6 Fixed income markets and trade execution

2.7 Valuation of Fixed Income Securities

Element 3 Equities

3.1 Characteristics of Equities

3.2 Issuing Equity Securities

3.3 Equity Markets and Trade Execution

3.4 Accounting for Corporate Actions

3.5 Warrants and Contracts for Difference

Element 4 Collective Investments

4.1 Characteristics of Collective Investment Funds and Companies

4.2 Structured Products

4.3 Analysis of Collective Investments

Element 5 Settlement, Safe Custody and Prime Brokerage

5.1 Clearing, Settlement and Safe Custody

5.2 Prime brokerage and equity finance

Element 6 Securities Analysis

6.1 Financial Statement Analysis

6.2 Environmental, Social and Governance (ESG) On completion, the candidate should:

Element 7 Portfolio Construction

7.1 Market Information and Research

7.2 Portfolio Construction

Element 8 Investment Selection and Administration

8.1 Investment Selection and Suitability

8.2 Administration and Maintenance

Element 1 Cash, Money Markets and the Foreign Exchange Market

1.1 Cash Instruments and Markets

On completion, the candidate should:

1.1.1 *be able to analyse* the main investment characteristics, behaviours and risks of cash deposit accounts:

- Deposit taking institutions and credit risk assessment
- Term, notice, liquidity and access
- Fixed and variable rates of interest
- Inflation
- Statutory protection
- Foreign currency deposits
- Structured Deposits

1.1.2 *be able to analyse* the main investment characteristics, behaviours and risks of Treasury Bills:

- Purpose & method of issue
- Minimum denomination
- Normal life
- Zero coupon and redemption at par
- Market access, trading and settlement

1.1.3 *be able to analyse* the main investment characteristics, behaviours and risks of Commercial Paper:

- Purpose & method of issue
- Maturity
- Discounted security
- Unsecured and secured
- Asset backed
- Credit rating
- Market access, trading and settlement

1.1.4 *be able to analyse* the main investment characteristics, behaviours and risks of Repurchase Agreements:

- Purpose
- Sale and repurchase at agreed price, rate and date
- Tri-party repos
- Documentation

1.2 Foreign Exchange Instruments and Markets

On completion, the candidate should:

1.2.1 *understand* the role, structure and main characteristics of the foreign exchange market:

- OTC market
- Quotes, spreads and exchange rate information
- Market participants and access to markets
- Volume, volatility and liquidity
- Risk mitigation: rollovers and stop losses
- Regulatory/ supervisory environment

1.2.2 *understand* the determinants of spot foreign exchange prices:

- Currency demand – transactional and speculative
- Economic variables
- Cross- border trading of financial assets
- Interest rates
- Free, pegged and managed rates

1.2.3 *be able to calculate* forward foreign exchange rates using:

- adding or subtracting forward adjustments
- Interest rate parity

1.2.4 *be able to analyse* how foreign exchange contracts can be used to buy or sell currency relating to overseas investments, or to hedge non-domestic currency exposure:

- Spot contracts
- Forward contracts
- Currency Futures
- Currency Options
- Non-deliverable forwards

Element 2 Fixed Income Securities

2.1 Characteristics of Fixed Income Securities

On completion, the candidate should:

2.1.1 *Understand* the main characteristics of fixed income securities

- Short, medium and long dated
- Dual dated
- Floating rate
- Zero coupon
- Use of ratings
- Credit enhancements

2.1.2 *Understand* the main risks of fixed income securities:

- The impact of ratings
- The concept of 'risk free'
- Currency, credit and inflation risks

2.2 Characteristics of Sovereign & Government Bonds

On completion, the candidate should:

2.2.1 *understand* the main investment characteristics, behaviours and risks of government debt (for example, USA, Germany, Japan & UK)

2.2.2 *understand* the relationship between interest rates and bond prices:

- Yield (flat yield & yield to maturity)
- Interest payable
- Accrued interest (clean and dirty prices)
- Effect of changes in interest rates

2.2.3 *understand* the main investment characteristics, behaviours and risks of index-linked debt:

- Retail Price and Consumer Price indices as measures of inflation
- Process of Index Linking
- Indexing effects on price, interest and redemption
- Return during a period of zero inflation
- Harmonised price index

2.2.4 *understand* the main issuers and characteristics of supranational and public authority debt

2.3 Characteristics of Corporate Debt

On completion, the candidate should:

2.3.1 *understand* the main investment characteristics, behaviours and risks of corporate debt:

- Financial institutions & special purpose vehicles
- Fixed and floating charges
- Debentures
- Types of asset backed securities
- Mortgage backed securities
- Securitisation process
- Roles of participants

2.3.2 *understand* the main investment characteristics, behaviours and risks of the main types of unsecured debt:

- Income bonds
- Subordinated
- High yield
- Convertible bonds
- Contingent convertible bonds

2.4 Characteristics of Eurobonds

On completion, the candidate should:

2.4.1 *understand* the main investment characteristics, behaviours and risks of Eurobonds:

- Types of issuer: sovereign, supranational and corporate
- Types of Eurobond: straight, FRN/ VRN, subordinated, asset backed, convertible
- International bank syndicate issuance
- Immobilisation in depositories
- Continuous pure bearer instrument: implications for interest & capital repayment
- Accrued interest, ex-interest date

2.5 Issuing Fixed Income Securities

On completion, the candidate should:

2.5.1 *understand* the responsibilities and processes of the UK Debt Management Office in relation to the management and issue of UK Government debt:

- Gilts
- Treasury Bills
- Primary market makers: Gilt Edged Market Makers (GEMMs)
- Intermediaries: Inter-Dealer Brokers (IDBs)

2.5.2 *understand* the main bond pricing benchmarks and how they are applied to bond issues:

- Spread over government bond benchmark
- Spread over/under inter-bank benchmarks
- Spread over/under swap

2.5.3 *understand* the purpose, structure and process of the main methods of origination and issuance and their implications for issuers and investors:

- Scheduled funding programmes and opportunistic issuance (e.g. MTN)
- Auction/tender
- Reverse inquiry (under MTN)

2.6 Fixed income markets and trade execution

On completion, the candidate should:

2.6.1 *understand* the role, structure and characteristics of government bond markets in the developed markets of USA, Germany, Japan and UK including:

- Market environment: relative importance of Exchange vs. OTC trading vs Organised Trading Facilities (OTFs)
- Participants – primary dealers, broker dealers and inter-dealer brokers
- Access considerations
- Regulatory/supervisory environment

2.6.2 *understand* the differences between the developed markets and the emerging economies

2.6.3 *understand* the purpose and key features of the global strip market

- Result of stripping a bond
- Zero coupon securities
- Access considerations

2.6.4 *understand* the role, structure and characteristics of global corporate bond markets:

- Decentralised dealer markets and dealer provision of liquidity
- Relationship between bond and equity markets
- Bond pools of liquidity (including OTFs) versus centralised exchanges
- Access considerations
- Regulatory/supervisory environment

2.6.5 *understand* the different quotation methods, and the circumstances in which they are used

- Yield
- Spread
- Price

2.7 Valuation of Fixed Income Securities

On completion, the candidate should:

2.7.1 *understand* the purpose, influence and limitations of global credit rating agencies, debt seniority and ranking in cases of default/bankruptcy:

- Senior
- Subordinated
- Mezzanine
- PIK (Payment in Kind)
- Tiers of bank debt

2.7.2 *be able to analyse* sovereign, government and corporate credit ratings from an investment perspective:

- Main rating agencies
- Country rating factors
- Debt instrument rating factors
- Investment & sub-investment grades
- Use of credit enhancements
- Impact of grading changes
- Considerations when using credit rating agencies

2.7.3 *be able to analyse* the factors that influence bond pricing:

- Credit rating
- Default risk
- Impact of interest rates
- Market Liquidity
- Inflation

2.7.4 *be able to analyse* fixed income securities using the following valuation measures, and understand the benefits and limitations of using them:

- Flat yield
- Yield to maturity
- Nominal and real return
- Gross redemption yield (using internal rate of return)
- Net redemption yield
- Modified duration

2.7.5 *be able to analyse* the specific features of bonds from an investment perspective:

- Coupon and payment date
- Maturity date
- Embedded put or call options
- Convertible bonds
- Exchangeable bonds

2.7.6 be able to calculate and interpret:

- Simple interest income on corporate debt
- Conversion premiums on convertible bonds
- Flat yield
- Accrued interest (given details of the day count conventions)

Element 3 Equities

3.1 Characteristics of Equities

On completion, the candidate should:

3.1.1 *understand* the main investment characteristics, behaviours and risks of different classes of equity:

- Ordinary
- Cumulative, participating, redeemable and convertible preference shares
- Voting rights, voting and non-voting shares
- Ranking for dividends
- Ranking in liquidation

3.1.2 *understand* the purpose, main investment characteristics, behaviours and risks of Depositary Receipts:

- American Depositary Receipts
- Global Depositary Receipts
- Beneficial ownership rights
- Structure
- Unsponsored & sponsored programmes
- Transferability

3.2 Issuing Equity Securities

On completion, the candidate should:

3.2.1 *understand* the purpose and key features of the following:

- Primary issues
- Secondary issues
- Issuing, listing & quotation
- Dual listings
- Cross listings
- Delisting (cancelling)

3.2.2 *understand* the main regulatory, supervisory and trade body framework supporting UK financial markets:

- Companies Acts
- The Financial Conduct Authority (FCA) and UK Listing Authority (UKLA)
- Prudential Regulation Authority (PRA)
- HM Treasury
- Payment Systems Regulator
- The Panel on Takeovers and Mergers (POTAM)
- Exchange membership and rules
- Relevant trade associations and professional bodies

3.2.3 *understand* the structure of the UK Exchanges, the types of securities traded on their markets, and the criteria and processes for companies seeking admission:

- London Stock Exchange Main Market
- High growth segment
- AIM
- Aquis
- Market participants
- Implications for investors

3.2.4 *understand* the process of issuing securities in the UK with or without a prospectus:

- Prospectus Directive (PD) or equivalent where applicable
- Eligibility and registration criteria for Natural Persons and Small and Medium Sized Enterprises (SMEs)

3.2.5 *understand* the purpose, structure and stages of an initial public offering (IPO) and the role of the Origination Team

- Structure: base deal plus greenshoe
- Stages of an IPO
- Underwritten versus best efforts
- Principles and process of price stabilisation

3.2.6 *understand* the benefits for the issuer and investors of the different processes used in an IPO

3.3 Equity Markets and Trade Execution

On completion, the candidate should:

3.3.1 *apply* fundamental UK regulatory requirements with regard to trade execution and reporting:

- Best Execution
- Aggregation and allocation
- Management of conflicts of interests and prohibition of front running

3.3.2 *understand* the key features of the main trading venues:

- Regulated and Designated Investment Exchanges
- Recognised Overseas Investment Exchanges
- Whether quote or order driven
- Main types of order –
    - Limit
    - Market
    - Fill or kill
    - Execute and eliminate
    - Iceberg
    - Named
- Liquidity and transparency

3.3.3 *understand* the key features of alternative trading venues:

- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities
- Systematic Internalisers
- Dark Pools

3.3.4 *understand* Algorithmic Trading

- Reasons
- High Frequency Trading
- Potential consequences for the market (e.g. flash crashes, increased liquidity, increased volume, illusion of volume)

3.3.5 *understand* the concepts of trading cum, ex, special cum and special ex:

- The meaning of ‘books closed’, ‘ex-div’ and ‘cum-div’, ‘cum’, ‘special ex’, ‘special cum’, and ‘ex rights’
- Effect of late registration

3.3.6 *apply* knowledge of the key differences between international markets:

- Regulatory and supervisory environment
- Corporate Governance
- Liquidity and transparency
- Access and relative cost of trading

3.3.7 *be able to assess* how the following factors influence equity markets and equity valuation:

- Trading volume and liquidity of domestic and international securities markets
- Relationship between cash and derivatives markets, and the effect of timed events
- Market consensus and analyst opinion
- Changes to the economic outlook
- Implications of Foreign Exchange

3.3.8 *understand* the purpose, construction, application and influence of indices on equity markets:

- Market regional & country sectors
- Market capitalisation sub sectors
- Free float and full market capitalisation indices
- Fair value adjusted indices

3.4 Accounting for Corporate Actions

On completion, the candidate should:

3.4.1 *understand* the purpose and structure of corporate actions and their implications for investors:

- Stock capitalisation or consolidation
- Stock and cash dividends
- Rights issues
- Open offers, offers for subscription and offers for sale
- Placings

3.4.2 *be able to calculate* the theoretical effect on the issuer's share price of the following mandatory and optional corporate actions:

- Bonus/scrip
- Consolidation
- Rights issues

3.4.3 *be able to analyse* the following in respect of corporate actions:

- Rationale offered by the company
- The dilution effect on profitability and reported financials
- The effect of share buybacks

3.5 Warrants and Contracts for Difference

On completion, the candidate should:

3.5.1 *be able to analyse* the main purposes, characteristics, behaviours and relative risk and return of warrants and covered warrants:

- Benefit to the issuing company
- Right to subscribe for capital
- Effect on price of maturity and the underlying security
- Exercise and expiry
- Calculation of the conversion premium on a warrant

3.5.2 *be able to analyse* the main characteristics of Contracts for Difference (CFDs):

- Types and availability of CFDs
- CFD providers – market maker versus direct market access
- Margin
- Market, liquidation & counterparty risks
- Size of CFD market and impact on total market activity
- Differences in pricing, valuing and trading CFDs compared to direct investment
- Differences in pricing, valuing and trading CFDs compared to spread bets

Element 4 Collective Investments

4.1 Characteristics of Collective Investment Funds and Companies

On completion, the candidate should:

4.1.1 *be able to analyse* the key features, accessibility, risks, charges, valuation and yield characteristics of open-ended investment companies (OEICs) / investment companies with variable capital (ICVCs) / SICAVs

4.1.2 *be able to analyse* the key features, accessibility, risks, charges, valuation and yield characteristics of unit trusts

4.1.3 *be able to analyse* the key features, accessibility, risks, charges, valuation and yield characteristics of investment trusts

4.1.4 *be able to compare and contrast* the key features, accessibility, risks, charges, valuation and yield characteristics of Real Estate Investment Trusts (REITs) with Property Authorised Investment Funds (PAIFs)

4.1.5 *be able to analyse* the key features, accessibility, risks, charges, valuation and yield characteristics of the main types of Exchange Traded Products

4.1.6 *be able to analyse* the key features, accessibility, risks, charges, valuation and yield characteristics of the main types of Non-Mainstream Pooled Investments (NMPI)

4.2 Structured Products

On completion, the candidate should:

4.2.1 *be able to analyse* the key features, accessibility, risks, valuation and yield characteristics of the main types of retail structured products and investment notes (Capital Protected, Autocall, Buffer Zone)

- Structure
- Income and capital growth
- Investment risk and return
- Counterparty risk
- Expenses
- Capital protection

4.3 Analysis of Collective Investments

On completion, the candidate should:

4.3.1 *be able to analyse* the factors to take into account when selecting collective investments:

- Quality of firm, management team and administration
- Investment mandate – scope, controls, restrictions and review process
- Investment strategy
- Exposure, allocation, valuation and quality of holdings
- Prospects for capital growth and income
- Asset cover and redemption yield
- Track record compared with appropriate peer universe and market indices
- Key person risk and how this is managed by a firm
- Shareholder base
- Measures to prevent price exploitation by dominant investors
- Liquidity, trading access and price stability
- Suitability

Element 5 Settlement, Safe Custody and Prime Brokerage

5.1 Clearing, Settlement and Safe Custody

On completion, the candidate should:

5.1.1 *understand* how fixed income, equity, money market and foreign exchange transactions are cleared and settled in the UK, Germany, USA and Japan:

- Principles of Delivery versus Payment (DVP) and Free Delivery
- Trade confirmation process
- Settlement periods
- International Central Securities Depositories (ICSD) - Euroclear & Clearstream
- International Exchanges

5.1.2 *understand* how settlement risk arises, its impact on trading and the investment process, and how it can be mitigated:

- Underlying risks: default, credit and liquidity
- Relative likelihood of settlement-based risks in developed and emerging markets
- Effect of DVP and Straight Through Processing (STP) automated systems
- Risk mitigation within markets and firms
- Continuous Linked Settlement

5.1.3 *understand* which transactions may be subject to or exempt from financial transaction taxes

5.1.4 *understand* the principles of safe custody, the roles of the different types of custodian, and how client assets are protected:

- Global
- Regional
- Local
- Sub custodians
- Clearing & settlement agents

5.1.5 *understand* the implications of registered title for certificated and uncertificated holdings:

- Registered title versus unregistered (bearer)
- Legal title
- Beneficial interest
- Right to participate in corporate actions

5.1.6 *understand* the characteristics of nominees:

- Designated nominee accounts
- Pooled nominee accounts
- Corporate nominees
- Details in share register
- Legal and beneficial ownership

5.2 Prime brokerage and equity finance

On completion, the candidate should:

5.2.1 *understand* the purpose, requirements and implications of securities lending:

- Benefits and risks for borrowers and lenders
- Function of market makers, intermediaries and custodians
- Effect on the lender's rights
- Effect on corporate action activity
- Collateral
- Potential risks of lack of consolidated disclosure by funds

5.2.2 *understand* the purpose and main types of Prime Broker equity finance services and their impact on securities markets:

- Securities lending and borrowing
- Leverage trade execution
- Cash management
- Core settlement
- Custody
- Rehypothecation
- Repurchase agreements
- Collateralised borrowing
- Tri-party repos
- Synthetic financing

Element 6 Securities Analysis

6.1 Financial Statement Analysis

On completion, the candidate should:

6.1.1 *understand* the purpose, structure and relevance to investors of statements of financial position.

6.1.2 *understand* the purpose, structure and relevance to investors of statement of profit and loss.

6.1.3 *understand* the purpose, structure and relevance to investors of statement of cash flow.

6.1.4 *be able to analyse* securities using the following financial ratios:

- Liquidity
- Asset turnover
- Gearing

6.1.5 *be able to analyse* securities using the following profitability ratios:

- Net profit margin
- Operating profit margin
- Equity multiplier
- Return on Capital Employed

6.1.6 *be able to analyse* securities using the following investor ratios:

- Earnings per share
- Price / Earnings (both historic and prospective)
- Dividend yield
- Dividend cover
- Interest cover

6.1.7 *understand* the main advantages and challenges of performing financial analysis:

- Comparing companies in different countries and sectors
- Comparing different companies within the same sector
- Over-reliance on historical information
- Benefits and limitations of relying on third party research
- Comparing companies that use different accounting standards

6.2 Environmental, Social and Governance (ESG)

On completion, the candidate should:

6.2.1 *understand* the main factors taken into account when conducting an analysis of Environmental, Social and Governance (ESG) risks and opportunities

Element 7 Portfolio Construction

7.1 Market Information and Research

On completion, the candidate should:

7.1.1 *understand* the use of regulatory, economic and financial communications:

- Primary and secondary information providers
- Government resources and statistics
- Broker research and distributor information
- Regulatory resources

7.1.2 *understand* the different types and uses of research and reports:

- Fundamental analysis
- Technical analysis
- Fund analysis
- Fund rating agencies and screening software
- Broker and distributor reports
- Sector-specific reports

7.1.3 *be able to assess* key factors that influence markets and sectors:

- Responses to change and uncertainty
- Volume, liquidity, and nature of trading activity in domestic and overseas markets
- Publication of announcements, research and ratings

7.1.4 *be able to assess* the interactive relationship between the securities and derivatives markets, and the impact of related events on markets

7.1.5 *be able to assess* the interactive relationship between different forms of fixed interest securities and the impact of related events on markets

7.2 Portfolio Construction

Candidates will not be expected to undertake the calculation of any variables mentioned in this Learning Objective.

On completion, the candidate should:

7.2.1 *understand* the main types of portfolio risk and their implications for investors:

- Systemic risk
- Market / systematic risk - asset price volatility, currency, interest rates, commodity price volatility
- Non-systematic risk
- Liquidity, credit risk and default

7.2.2 *understand* the core principles used to help mitigate portfolio risk:

- Correlation
- Diversification
- Active and passive strategies
- Hedging and immunisation

7.2.3 *understand* the key approaches to investment allocation for bond, equity and multi-asset portfolios:

- Asset class
- Geographical area
- Currency
- Issuer
- Sector
- Maturity

7.2.4 *understand* the main aims and investment characteristics of the main cash, bond and equity portfolio management strategies and styles:

- Indexing/passive management
- Active/ market timing including High Conviction style
- Passive-active combinations
- Smart indexing
- Growth versus income
- Market capitalisation
- Liability driven
- Immunisation
- Long, short and leveraged
- Issuer and sector-specific
- Contrarian
- Quantitative
- Growth versus value investing

7.2.5 *understand* how portfolio risk and return are evaluated using the following measures:

- Holding period return
- Money weighted return
- Time weighted return
- Total return and its components
- Standard deviation
- Value at Risk
- Volatility
- Covariance and correlation
- Risk-adjusted returns (e.g. Sharpe Ratio)
- Benchmarking
- Alpha
- Beta

Element 8 Investment Selection and Administration

8.1 Investment Selection and Suitability

On completion, the candidate should:

8.1.1 *apply* a range of essential information and factors to form the basis of appropriate investment selection and suitability:

- Financial needs, preferences and expectations
- Income and lifestyle – current and anticipated
- Attitude to risk / capacity for loss
- Level of knowledge and experience of investing
- Existing debts and investments

8.1.2 *be able to analyse* and select strategies suitable for the client's aims and objectives in terms of:

- Investment horizon
- Current and future potential for growth and yield
- Requirement for capital protection
- Protection against inflation
- Liquidity, trading and ongoing management
- Mandatory or voluntary investment restrictions
- Impact of fees and charges
- Ethical / Environmental, Social and Governance (ESG) considerations

8.1.3 *be able to analyse* and select investments suitable for a particular portfolio strategy:

- Direct holdings, indirect holdings and combinations, including structured products
- Role of derivatives, including CFDs
- Impact on client objectives and priorities
- Diversification
- Cash, deposit accounts and money market funds

8.1.4 *Understand* the key risks associated with unregulated investments such as peer-to-peer lending and cryptocurrencies

8.2 Administration and Maintenance

On completion, the candidate should:

8.2.1 *apply* key elements involved in managing a client portfolio:

- Systematic and compliant approach to client portfolio monitoring, review, reporting and management
- Selection of appropriate benchmarks to include market and specialist indices, total return and maximum drawdown
- Arrangements for client communication

8.2.2 *understand* how changes can affect the management of a client portfolio:

- Client circumstances
- Financial environment
- New products and services available
- Administrative changes or difficulties
- Investment-related changes (e.g. credit rating, corporate actions)
- Portfolio rebalancing
- Benchmark review
- Changing regulatory environment

