



ECSE

EASTERN CARIBBEAN SECURITIES EXCHANGE

***DRAFT SYLLABUS OUTLINE FOR THE
REGISTERED REPRESENTATIVE EXAM***

INTRODUCTION

All persons desirous of being licensed as a registered representative must pass an exam administered by the ECSE on the behalf of the Eastern Caribbean Securities Regulatory Commission

This syllabus is geared at outlining the areas of focus of the registered representative exam, thus assisting prospective examinees in preparing for its sitting. The exams evaluates the examinee's general knowledge of securities matters, including issues related to investment instruments, securities markets, brokerage office procedures, the analysis selection and purchase of securities as well as market rules and regulations.

The components in the exam which are outlined by the syllabus captures all the areas which are perceived as "a must know" for registered representatives to effectively perform their role in a) transacting in securities b) providing investment advice and c) managing customer accounts within the parameters established for a proper and efficient market.

REQUIRED STUDY TEXTS AND MATERIALS

1. The Eastern Caribbean Securities Act and Regulations
2. The ECSE Rules for intermediaries
3. The ECSE Rules for Issuers
4. The ECSE Intermediary Operations and Procedures Manual
5. The Eastern Caribbean Securities Depository (ECSD) Rules for Participants
6. The Eastern Caribbean Securities Depository (ECSD) Procedures Manual
- 8 The Eastern Caribbean Central Securities Registry (ECCSR) Rules

RECOMMENDED STUDY TEXTS AND MATERIALS

1. Dictionary Of Finance And Investment Terms by John Downes and Jordan Elliott Goodman published by Barron's
2. A Financial Text : One recommended is Financial Management Theory and Practice by Eugene F. Brigham and Louis C. Gapenski. Published by The Dryden Press Harcourt Brace College Publishers
3. The Vest- Pocket Guide to Stock Brokerage Math by William A. Rini Published by the New York Institute of Finance

SYLLABUS

The following areas listed below represents the core areas, which the registered representative must know in order to be successful on the exam.

Trading Market (ECSM)

- 01.** Identification of primary and secondary market trading activities
- 02.** Identification of the mechanics of trading and trading procedures:
 - 2.1 ECSM quotation increments
 - 2.2 single price auction and trade matching process
 - 2.3 dealer and agency trades
 - 2.4 interpreting ask and bid prices
- 03.** Identification of common trading terms and techniques
- 04.** Types of orders and order qualifiers permissible on the Eastern Caribbean Securities Exchange:
 - 4.1 Limit Order
 - 4.2 Good Till Cancel
 - 4.3 All or None
 - 4.4 Do Not Reduce
 - 4.5 Good for the Day
- 05.** Interpreting trade reports
 - 5.1 discussing market activity of a given trade day based on an ECSE trade report

Equity Securities:

- 01.** Defining why and how companies issue stocks
- 02.** Identification of the various classes of stocks and the related rights of holders:

- 2.1 common
- 2.2 preferred

03. Understanding financial statements and their accompanying notes

- 3.1 Balance Sheet
- 3.2 Income (Expense) Statement
- 3.3 Statement of Changes in Financial Position
- 3.4 Statement of Changes in Retained earnings
- 3.5 Financial Notes

04. Assessing the a firm's financial position and the results of its operations using ratio analysis:

4.1 liquidity:

- 4.1.1 current
- 4.1.2 quick or acid test

4.2 asset management:

- 4.2.1 inventory turnover
- 4.2.2 day sales outstanding
- 4.2.3 fixed assets turnover
- 4.2.4 total assets turnover

4.3 debt management:

- 4.3.1 total debt to total assets
- 4.3.2 times interest earned

4.4 profitability

- 4.4.1 profit margin on sales
- 4.4.2 basic earning power
- 4.4.3 return on total assets
- 4.4.4 return on common equity

4.5 market value

- 4.5.1 price/earning (P/E)
- 4.5.2 market/book

05. Stock Valuation

- 5.1 finding the value of a constant growth stock
- 5.2 finding the value of a nonconstant growth stock
- 5.3 calculating the capital gains yield and the dividend yield of stock

06. Understanding corporate actions and their impact on corporate stock

6.1 Definition of a Corporate Action

6.2 Types of Corporate Actions

- 6.2.1 dividends: i. cash dividends ii. stock dividends
- 6.2.2 splits and reverse splits
- 6.2.3 takeovers and mergers

6.3 Identification of a typical corporate action process flow

07. Calculating the expected return on investments (yield)

08. Understanding dividends

8.1 cum dividend

8.2 ex dividend

8.3 computing the dollar value of a dividend

09. Investment companies:

10.1 defining characteristics and functions

10.2 net asset value

10.3 offering price

Debt Securities:

01. Identification of various types of debt securities and their related features

1.1 treasury bills

1.2 notes

1.3 bonds

1.4 commercial paper

1.5 repurchase agreements

02. Valuation of bills and bonds

03. Determining whether bonds are trading at par, at a premium or at a discount

04. Defining call and put provisions and the respective rationale for their use

05. Calculating bond yields:

5.1 yield to call

5.2 yield to maturity

5.3 nominal

06. Calculating T bills coupon equivalent yield and discount yields

07. Identifying factors affecting yields

08. Calculating the present and future values of interest bearing debt

09. Calculating accrued interest on government bonds

Customer Accounts:

01. Recognizing the procedures and processes for opening new accounts :

- 1.1 forms required to open a cash account
- 1.2 customer-client consultation process
- 1.3 customer disclosures required for opening new accounts
- 1.4 firm disclosures to customers opening new accounts
- 1.5 types of customer instructions that may apply to an account
- 1.6 approval process for new accounts

02. Identification of the procedures for receiving customer orders:

2.1 investment counseling:

- 2.1.1 recognizing what constitutes and does not constitute a recommendation to a customer
- 2.1.2 disclosures required to be made to customers related to a recommended security (ties)
- 2.1.3 appropriate recommendations to customers in relation to broad based primary investment objectives (safety of principal, income and growth of capital) as well as secondary objectives (liquidity and tax minimization)
- 2.1.4 the advantages and disadvantages of common non technical trading plans used by intermediaries for investors -: i. dollar cost averaging ii. constant dollar system iii. constant ratio system

2.2 the purchase and sell process and required data to complete an order form:

- 2.2.1 customer account name or account identifier
- 2.2.2 order instructions i. buy or ii. sell
- 2.2.3 quantity of the order
- 2.2.4 security name and symbol
- 2.2.5 price parameters established by the customer
- 2.2.6 length of time the order is to be in force
- 2.2.7 any specific instructions related to the trade
- 2.2.8 location of the security being sold
- 2.2.9 method of payment for the purchase

03. Demonstrate understanding of key issues that impact the procedures for processing customer orders:

- 3.1 priority of customers orders
- 3.2 issues to consider to ensure best execution of customer's orders

- 3.3 the impact on open orders due to certain corporate actions
- 3.4 the procedures to follow in relation to cancellation of customer orders
- 3.5 the procedures to follow in relation to trade errors

04. Procedures for issuing client confirmations

05. Dealing in discretionary transactions

06. Processing account transfers

- 7.1 legal transfers
- 7.2 regular transfers

07. Identification of the procedures for maintaining stock records:

- 8.1 demonstrate understanding of the functions and importance of the stock record: i. daily stock record take off and ii. monthly stock record
- 8.2 demonstrate understanding of causes and solutions to stock record breaks

Regulations and Rules:

01. Duties and responsibilities of registered representatives in the conduct of securities activities

02. Identification of the Accounts and Records to be kept by broker dealers/limited service brokers and the manner in which these accounts and records should be kept.

03. Application of the Net Capital Rule

3.1 Reason for the Rule

3.2 Definition

- 3.2.1 Aggregate indebtedness
- 3.2.2 Non allowable assets
- 3.2.3 Haircut
- 3.2.4 Mark to market valuation of securities

3.3 Computation

- 3.3.1 Classification of assets and liabilities
- 3.3.2 Customer's Accounts
- 3.3.3 Unsecured Debits
- 3.3.4 Receivables from other Broker Dealers
- 3.3.5 Fail to Receive/Fail to Deliver

04. Identification and application of the regulations governing charges for services performed: commissions and mark-ups/mark-downs and

- 05.** Identification of market abuses including
 - 5.1 insider dealing
 - 5.2 price rigging
 - 5.3 churning
 - 5.4 free riding
 - 5.5 parking
- 06.** Identification of the rules and procedures governing disclosures to customers
- 07.** Identification of regulations and rules governing public communications and advertising standards
- 08.** Demonstrate understanding of the regulations governing reporting requirements applicable to intermediary firms and issuers and their relationship to the operational issues of the intermediary firm
- 09.** Demonstrate understanding of the regulations governing; i. the licensing of securities firms and their associates and ii. transacting of securities activities within the ECSM.
- 10.** The role and responsibilities of the Eastern Caribbean Securities Commission
- 11.** ECSE Trading Rules

New Issues:

- 01.** IPO Process:
 - 1.1 identification and interpretation of issuer and intermediary obligations
 - 1.2 identification and interpretation of registration statements and prospectus requirements
 - 1.3 identification of the underwriting process:
 - 1.3.1 best efforts
 - 1.3.2 firm commitment
 - 1.4 identification of the steps to be followed in placing a stabilization bid

CSD and Registry Rules and Procedures

- 01.** Identification of the various depository transfers and their procedures:

- 1.1 to street
 - 1.2 from street
 - 1.3 free transfers
 - 1.4 sub account transfers
- 02.** Identification of the investor and intermediary obligations arising from the ECSM T + 1 settlement cycle
 - 03.** Identification of procedures to correct a failed settlement
 - 04.** Identification of operational procedures for registration of securities
 - 05.** Identification and interpretation of the intermediary's obligations to the CSD and Registry
 - 06.** Obligations of intermediaries holding accounts in nominee
 - 07.** Intermediary transactions in a dematerialized environment

Analytical

- 01.** Evaluating scenarios of various investors and making recommendations which are suitable:
 - 1.1 providing recommendations that match the investment, investment climate and investor needs
 - 1.2 providing advice on the possible trend of the securities market in the short and long term
- 02.** Analyze issues internal and external to a company's environment and determine their probable impact on a company's stock price
- 03.** Identifying the proper timing and execution of an investment strategy by utilizing technical analysis methods including:
 - 3.1.1. moving averages indicators
 - 3.1.2. relative strength index indicator
 - 3.1.3. linear regression
 - 3.1.4. correlation analysis
- 04.** Recognizing macro -environmental factors and their impact on interest rate trends and subsequently implications for securities market developments

05. Portfolio Analysis

06. Recognizing the application of ECSRC and ECSE rules and regulations in their operational circumstances.