
ACI Dealing Certificate Preparation Course Money Markets: Products & Market Discipline

Seminar supported by the Luxembourg Ministry of Finance

CONTENT

1. Basic Interest Rate Calculations

Overall Objective

To understand the principles of the time value of money. To be able to calculate short-term interest rates and yields, including forward-forward rates, and to use these interest rates and yields to calculate payments and evaluate alternative short-term funding and investment opportunities. Candidates should know what information is plotted in a yield curve, the terminology describing the overall shape of and basic movements in a curve, and the classic theories which seek to explain changes in the shape of a curve. They should also know how to plot a forward curve and understand the relationship between a yield curve and forward curves.

2. Cash Money Markets

Overall Objective

To understand the function of the money market, the differences and similarities between the major types of cash money market instrument and how they satisfy the requirements of different types of borrower and lender. To know how each type of instrument is quoted, the quotation, value date, maturity and payment conventions that apply and how to perform standard calculations using quoted prices. Given the greater inherent complexity of repo, a good working knowledge is required of its nature and mechanics.

3. Foreign Exchange

Overall Objective

To understand and be able to apply spot exchange rate quotations. To understand basic spot FX dealing terminology and the role of specialist types of intermediary. To recognise the principal risks in spot and forward FX transactions. To calculate and apply forward FX rates, and understand how forward rates are quoted. To understand the relationship between forward rates and interest rates. To understand time options. To be able to describe the mechanics of outright forwards, FX swaps and forward-forward FX swaps, explain the use of outright forwards in taking currency risk and explain the use of FX swaps in rolling spot positions, hedging outright forwards, creating synthetic foreign currency assets and liabilities, and in covered interest arbitrage. To display a good working knowledge and understanding of the rationale for NDFs. To be able to recognise and use quotes for precious metals, and demonstrate a basic understanding of the structure and operation of the international market in precious metals.

4. Forward-forwards, FRAs and Money Market Futures & Swaps

Overall Objective

To understand the mechanics of and how to use money market interest rate derivatives to hedge interest rate risk.

5. Options

Overall Objective

To understand the fundamentals of options. To recognise the principal classes and types, and understand the terminology, how they are quoted in the market, how their value changes with the price of the underlying asset and the other principal factors determining the premium, how the risk on an option is measured and how they are delta hedged. To recognise basic option strategies and understand their purpose.

6. Principles of Asset & Liability Management

Overall Objective

To understand the fundamentals of Asset & Liability Management as a practice of managing and hedging risks that arise due to mismatches between the asset side and the liability side of the balance sheets of a bank. To explain how main risk factors like funding and liquidity risk, market risk (FX, Interest Rate, Equity, Commodity, etc.), credit risk, leverage risk, business risk and operational risk are interrelated and how they affect the balance sheet of a financial institution. To describe common risk management and hedging techniques which help control these effects and to understand how these techniques are used to set up a state-of-the-art ALM approach.

7. Principles of Risk

Overall Objective

To understand why risk is inherent in banks business models and why effective risk management is a key driver for banks success. Candidates will be able to describe major risk groups: credit, market, liquidity, operational, legal, regulatory, and reputation risk. They will understand the significance of risk groups for different banking businesses and units. Candidates will also get an overview about methods and procedures needed to manage these risk types and extend their understanding to different risk/return profiles of shareholders, regulators and debt providers.

8. The Model Code (version from January 2013)

The Model Code is a valuable guide to best conduct and international best practice for all market participants. It is a practical study of over-the-counter market practices and conventions, distilled from the core best practices in the foreign exchange, money market and related derivative markets and is an integral part of the ACI suite of examinations.

Overall Objective

For candidates to have a thorough knowledge of the provisions of the Model Code and market practices, with particular emphasis on high standards of integrity, conduct and professionalism as well as the monitor and control mechanisms to be introduced to protect individuals and their institutions from undue risks and resultant losses.

Candidates will be expected to be able to:

- describe the purpose of the Model Code, and its application within the industry comprehend managements' responsibilities with regards to monitor and control policies that must, could and should be considered to be introduced into their own

- institutions to ensure full compliance with the letter and spirit of the Model Code
- explain the roles and responsibilities of the back and middle office and their relationship to the front office
 - recognise undesirable practices and unprofessional conduct issues highlighted in the Model Code
 - use and explain standard market terminology
 - comprehend the general risk management principles for dealing business
 - understand the ALM best practices
 - demonstrate a sound knowledge in the processing and settlement of claims
 - calculate back valuation and use of funds compensation amounts
 - describe post-trade standards and practices
 - explain the use of technology and general security
 - apply the market practices covering trading in:
 - o Foreign exchange
 - o Money market
 - o Derivatives
 - employ the market best practices concerning dealing with:
 - o Customers
 - o Voice brokers
 - o Electronic broking platforms
 - o Prime brokers
 - o Operations
 - describe the scope of The Model Code
 - identify the role of the ACI's Committee for Professionalism as the author of The Model Code
 - demonstrate a working knowledge of The Model Code by selecting the recommended responses to given issues as well as recognising what are appropriate standards of personal conduct in various circumstances, recommended dealing practice, the proper conduct and management of Syllabus – ACI Dealing Certificate - 13_June_2013 relationships with corporate/commercial clients and brokers, general risk management principles for dealing business and specific recommendations for the prudent organisation and management of such business
 - explain the procedures for disputes, differences, mediation and use of the ACI expert determination service along with compliance with the Model Code
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Examination procedure

Format: the examination lasts 2 hours and consists of 90 multiple-choice questions. The overall pass level is 60% (54 correct answers), assuming that the minimum score criteria for each of the topic baskets is met.

There is a minimum score criteria of 60% for the Model Code section and 50% for each of the other topic baskets.

Grades:

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|-------------|---------------|
| Pass | 60% - 69.99 % |
| Merit | 70 - 79.99% |
| Distinction | 80% and above |

Examination Fee: +/- 184 USD + VAT at the local rate.



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