

ADVANCED GLOBAL SECURITIES OPERATIONS

DATE OF EXAM	6 DECEMBER 2007
3 HOURS	2.00 pm – 5.00 pm
RUBRIC	SECTION A - <i>ALL</i> questions in this section are to be answered SECTION B – <i>ALL</i> questions in this section are to be answered SECTION C – <i>ONE</i> question in this section to be answered SECTION D – <i>ONE</i> question in this section to be answered

NOTES TO CANDIDATES

1. Please insert your Candidate Number on the cover of your Answer Book. *Do not insert your name.*
 2. Show *all* workings in your Answer Book.
 3. Candidates may attempt the sections in any order. Please indicate clearly in your Answer Book which questions you are answering.
 4. Please insert in the box provided on the cover of your Answer Book the numbers of the questions you have attempted in the order in which they appear in the Answer Book.
 5. You may use only the calculator provided.
 6. You must hand your Answer Book to an invigilator before you leave the Examination Hall. *Failure to do so will result in disqualification.*
 7. Candidates are reminded that no marks will be awarded for illegible work.
 8. The decision of the panel is final and no correspondence will be entered into concerning the grade awarded.
 9. Once submitted, the examination scripts become the property of Securities & Investment Institute and will not be returned to candidates.
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PLEASE TURN OVER WHEN INSTRUCTED

Answer ALL questions in this section

- 1 Under the FSA rules, ordinarily firms are required to enter into an agreement with a private customer. When is it allowable for a firm not to do this? (3 marks)
- 2 The Panel on Takeovers and Mergers (PTM) levy is imposed on certain securities transactions. When should a firm ensure that this levy is imposed? (3 marks)
- 3 Settlement of securities transactions in all of the leading markets is primarily achieved electronically. This is achievable because of what is known as *Dematerialisation* or *Immobilisation*. Explain what these terms generally mean. (3 marks)
- 4 Sub-Custodians form a vital and integral part of the business known as *Global Custody*. Explain why this is the case. (3 marks)
- 5 Securities Lending is a very popular business activity. However, within this business activity there is something known as *Daylight Exposure*. Explain fully what *Daylight Exposure* is. (3 marks)
- 6 In Cash Management parlance “*Sweeping*” is common terminology. Describe what Sweeping is and how it benefits all the parties involved. (3 marks)
- 7 Corporate Actions are a critical part of a company’s corporate strategy. Explain the reasons why a company might decide to announce a Rights Issue and what the benefit to a company is of taking this action. (3 marks)
- 8 Straight Through Processing is becoming an increasingly important part of the Financial Services industry. What are THREE key business drivers for the introduction of STP into any business process? (3 marks)
- 9 When entering into any ongoing business relationship with another firm to provide certain services, how would you recommend that both firms are able to manage the ongoing relationship? (3 marks)
- 10 There have been several important global markets developments in the last 2 years. Name TWO of these developments. (3 marks)

SECTION B**TOTAL 30 MARKS****Answer ALL questions in this section**

- 11 You are the manager of your firm's Trade Settlement area. The management of *Risk* is becoming increasingly important to both clients and the institutions that serve those clients. Your senior management have asked you to prepare a presentation for a prospective new customer. Your presentation must outline:
- a) The fundamental primary risk or risks involved in Trade Settlement. (5 marks)
 - b) The measures that you and your firm take to mitigate such risk(s). (5 marks)
- 12 Your in-house portfolio accounting system has generated an ex-capitalisation position in ABC Co Ltd. This position differs from that which your Sub-Custodian reports to you. Explain how this could be the case and describe the action you would take to determine the correct position on which you should act. (10 marks)
- 13 The fulfilment of regulatory requirements is of paramount importance to any institution conducting business in the investment industry.
- a) Discuss what your personal commitment is to uphold the Anti-Money Laundering regulations. (7 marks)
 - b) List THREE ways in the securities and investment business in which criminals could launder money. (3 marks)

SECTION C**TOTAL 20 MARKS****Answer ONE question in this section**

- 14 You are the manager of your firm's Corporate Actions department. A situation has arisen and been brought to your attention; there is a dispute between your staff and the administration staff of a fund management institution that you serve, with regards to the outcome of a particular rights issue. Your staff have notes to suggest that a verbal instruction was received to take up all of the fund manager's clients rights entitlement; whereas the fund manager's staff say they did not issue any verbal instruction, as they wanted to lapse the rights and want the position removed from their client's portfolio. The value of the shares involved has since dropped by 20%.
- a) Describe the actions you would take to clarify this situation.
 - b) Explain the key drivers that will influence the action you will take.
 - c) Itemise the action you would take to remedy the situation.
 - d) Outline the actions you would take to prevent this from recurring.
- (20 marks)

- 15 You are the manager of your firm's Cash Management section. Your firm offers contractual settlement in certain markets. However, you have noticed that your firm's accounts at some of your various sub-custodians regularly go into overdraft.
- a) Discuss the impacts that this has on your firm.
 - b) Identify what you think the probable main causes would be.
 - c) Outline the actions you would take to prevent this from continuing. *(20 marks)*

SECTION D

TOTAL 20 MARKS

Answer ONE question in this section

- 16 You are the Senior Operations Manager of a Fund Management institution. It has been brought to your attention that some of the important client details concerning the country of residence of one of your wealthy private clients have been recorded incorrectly by your firm. These details have been incorrect since the client was taken on some years ago. Explain what action you need to take and what the ramifications for your client and your firm might be. *(20 marks)*
- 17 You are the Manager of the Transition Section in your firm's securities operations department. Your Board of Directors has decided to review the firm's costs as part of a drive to generate a better profit margin for the whole firm. You have been asked to produce a report which identifies the possibilities for cutting costs.

What are the significant items that you would include in your report to your Board of Directors? *(20 marks)*