

## **ADVANCED GLOBAL SECURITIES OPERATIONS**

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<b>DATE OF EXAM</b>	Thursday 26 June 2008
<b>3 HOURS</b>	2.00 pm – 5.00 pm
<b>RUBRIC</b>	SECTION A - <b>ALL</b> questions in this section are to be answered SECTION B – <b>ALL</b> questions in this section are to be answered SECTION C – <b>ONE</b> question in this section to be answered SECTION D – <b>ONE</b> question in this section to be answered

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### **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, before conducting designated investment business for a private client, firms are required to enter into an agreement with a private customer. Identify THREE designated investment business types. (3 marks)
- 2 In the UK a tax levy known as SDRT is imposed on certain securities transactions. Explain what SDRT is an abbreviation for and when it is applicable. (3 marks)
- 3 What is the current Settlement convention of transactions in UK Government debt issues and what name is commonly given to these government debt issues? (3 marks)
- 4 Sub-Custodians form a vital and integral part of the business known as *Global Custody*. Identify THREE of the main items that would form the basis of how a Sub-Custodian might typically wish to calculate their fees and the basis on which you would expect these fees to be charged. (3 marks)
- 5 Securities Lending is a very popular business activity. However, within this business activity there is something known as Manufactured Dividends. Explain fully what a manufactured dividend is and when it occurs. (3 marks)
- 6 In Custody parlance “*Contractual Settlement*” is commonly used terminology. Briefly describe what you understand contractual settlement to be. (3 marks)
- 7 Corporate Actions and the associated terminology is a critical part of global securities operations. Explain what you understand the terminology *Voluntary* and *Mandatory* to mean and give examples of the types of issues that relate to each. (3 marks)
- 8 Straight Through Processing (STP) is becoming an increasingly important part of the Financial Services industry. However it does have both advantages and disadvantages. Identify TWO advantages and ONE disadvantage associated with STP. (3 marks)
- 9 Transition Management is becoming an increasingly important business function. Firms who are good Transition Managers have to have a range of skills. Briefly describe what you believe THREE relevant skills to be. (3 marks)
- 10 There have been several important global markets developments in the last two years. Name TWO of these developments and give ONE reason for each. (3 marks)

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

- 11 You are the manager of a Global Custody firm's Trade Settlement area. Your senior management has asked you to prepare a presentation for a prospective new customer who is particularly interested in knowing how your firm manages the *Cradle-to-grave Settlement* process. Your presentation must outline:
- (a) The primary tasks undertaken by your firm in pre Trade Settlement; (5 marks)
  - (b) The primary tasks undertaken by your firm in post Trade Settlement. (5 marks)
- 12 A junior member of your staff has asked you for an explanation of what a "Bonus Issue" is. How would you answer this question so that the junior member of staff is fully aware of:
- (a) What a "Bonus Issue" is; (5 marks)
  - (b) The benefits a "Bonus Issue" could bring and to whom. (5 marks)
- 13 The fulfilment of regulatory requirements is of paramount importance to any institution conducting business in the investment industry. The opening of client accounts is a critical juncture in the scheme of things.
- (a) Identify the overriding principle that must be adhered to before accepting a client and how that principle might be adhered to. (5 marks)
  - (b) What are the key standardised regulatory elements that should be applied when opening a client account? (5 marks)

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

- 14 You are the manager of your firm's Client Transition Team. Your team consists of several operatives. A situation has arisen, and has been brought to your attention by a member of your team about another team member. It has been reported to you by Bob that a client has complained to him about the manner in which a particular transition is being handled by John. It is reported that John is unhelpful when reporting certain issues to the client and in some cases abusive when items are queried by the client.
- (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 actions 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 Offshore Funds Settlement section. Your firm offers a service to its clients whereby they will accept Buy and Sell orders of Offshore Unit Trusts from its clients. It has been brought to your attention that a request to sell units in a fund registered in the Cayman Islands has missed the fund's stated quarterly Redemption deadline.
- (a) Discuss the potential impacts that this could have on your firm.
  - (b) Outline the actions you would immediately take.
  - (c) Outline the potential remedial actions you will likely have to take.
  - (d) Outline what you will do to prevent this from happening again.

*(20 marks)*

## **SECTION D**

**TOTAL 20 MARKS**

### **Answer ONE question in this section**

- 16 You are the Senior Network Operations manager of a Global Custodian institution. You have been tasked with appointing a Sub-custodian in a new market. Your staff has conducted the local searches and completed the Request For Proposal (RFP) process. You now have to make a recommendation to your Directors as to which Sub-custodian you would appoint.

- (a) Discuss how you would approach the task in hand.
- (b) Outline what factors you need to take into consideration to help you make a recommendation.

*(20 marks)*

- 17 You are the Senior Manager of your firm's Network Management 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 in your particular cost centre.

What are the significant items that you would include in your report to your Board of Directors?

*(20 marks)*