



SECURITIES & INVESTMENT INSTITUTE LEVEL 3 CERTIFICATE IN INVESTMENTS

UNIT 2 SECURITIES

April 2009 (Syllabus version 8)

Examiner's Report

General comments

This Report is created against syllabus version 8, which was current for examinations from 19 November 2007 to 31 March 2009. However, all of the comments are confined to those areas of the syllabus also covered in version 9 to ensure that they are useful for candidates sitting in the future.

The pass rate for the last year was 73.2% with 62% of candidates achieving a pass on their first sitting.

Candidates may have seen from the syllabus that almost 60% of the questions are set against learning objectives requiring candidates to have an 'understanding' of a particular matter as opposed to simple knowledge of some aspect of the industry. It is this level of 'understanding' that differentiates between those candidates who are successful and those who may not be. I would recommend that, where the syllabus requires an 'understanding' of a matter, additional care is taken when studying for the exam.

During the year, I have received a few comments about the 'trial' questions. These are additional questions that are being trialled and are not included in candidates' scores. This is common practice and allows questions to be tested in examination conditions without candidates being penalised should a question not meet to the examining body's usual high standards. Naturally, for that reason, they cannot be separately identified.

In the specific comments below, I have given some guidance on six areas in which candidates are losing marks. The comments are in syllabus order and I have given some indication of the extent to which a weakness in that area may have contributed to candidates' failure to achieve their desired results. This is followed by a suggested revision plan.

Specific comments

In this section of the Report, syllabus references relate to version 8 with version 9 references given in brackets.

2.4 (2.4) AIM

Candidates seem to struggle on this section of the syllabus. The main aspects that appear to be poorly understood are the AIM admission criteria and regulatory framework. Only 37% of the available marks for this section are achieved. The average question attracts around 70% correct responses, which means that, on average, there are 33 additional marks to be gained per 100 candidates in this section.

Bearing in mind the relatively simple requirements of an AIM listing and the fact that the syllabus requires only a 'knowledge' of those requirements, these additional marks should be easy to gain for a relatively modest increase in revision.

2.5 (2.5) Listing Securities

This is a relatively large section of the syllabus and consequently attracts a correspondingly large number of questions. As this is an important area, the learning objectives require candidates to develop an understanding of the subject, not simply to 'know' the details. There are four areas within this section where an improvement in candidates' understanding should be rewarded. These are an understanding of offers for sale; follow on offers and the roles origination teams and syndicate groups.

Candidates scored an average of only 57% on these questions compared with 80% on the remaining questions on this section. The average paper will probably contain 3 or 4 questions on these areas and therefore I feel that candidates should be able to pick up some additional marks here.

3.5 (3.2) Transaction reporting

Questions on this section relating to what constitutes a reportable transaction and the reporting channels are generally well answered. However, candidates do seem to lack an understanding of the purpose of transaction reporting or which party is responsible for reporting. Statistically, candidates who did well in their exam also did well on this section. Equally, the reverse is the case with evidence of guesswork, which brings the success rate for questions on these areas of the subject to below 60%.

3.7 (3.4) London Stock Exchange International Equity Market

The learning objectives in this section cover a fairly wide understanding of IOB, ITBB and IRS. While candidates appear to have a good understanding of IOB and IRS, the same is not true of ITBB. Candidates may have noticed that they are no longer required to know the trading hours of IOB and ITBB, although questions on those aspects did not appear to present much difficulty.

The learning objective on ITBB is another that requires the candidate to 'understand' ITBB and it appears that this understanding is not as strong as that seen against IOB. The result is that fewer than 60% of the marks are gained and a significant element of guesswork is seen.

4.1 (4.1) Settlement

Another large section of the syllabus, attracting 6 or 7 questions. Performance in this section is very mixed. Questions on settlement in the UK, registered title and CLS achieved good responses. Those requiring knowledge or understanding of other aspects such as settlement outside the UK, nominees, stamp duty, 'ex' and 'cum' rights, fall short, achieving, in some cases, fewer than 50% of the available marks.

There are a lot of marks that could be picked up here and this section, particularly those aspects that I have mentioned, should be thoroughly revised.

5.1 (5.1) Takeovers and Mergers

A small section but one that does appear to create difficulties for candidates. In view of the number of aspects covered by the learning objectives, this section attracts 2 or 3 questions. This is another section where those candidates who did well in the exam also did well here. However, a significant proportion of candidates appear to have guessed the answer to some questions, which has resulted in candidates achieving fewer than 50% of the available marks. While it may not seem attractive to concentrate on a small area of the syllabus, this section requires only 'knowledge' of certain aspects of the Directive and Code and is examined accordingly. The extra marks that could be picked up here may make all the difference!

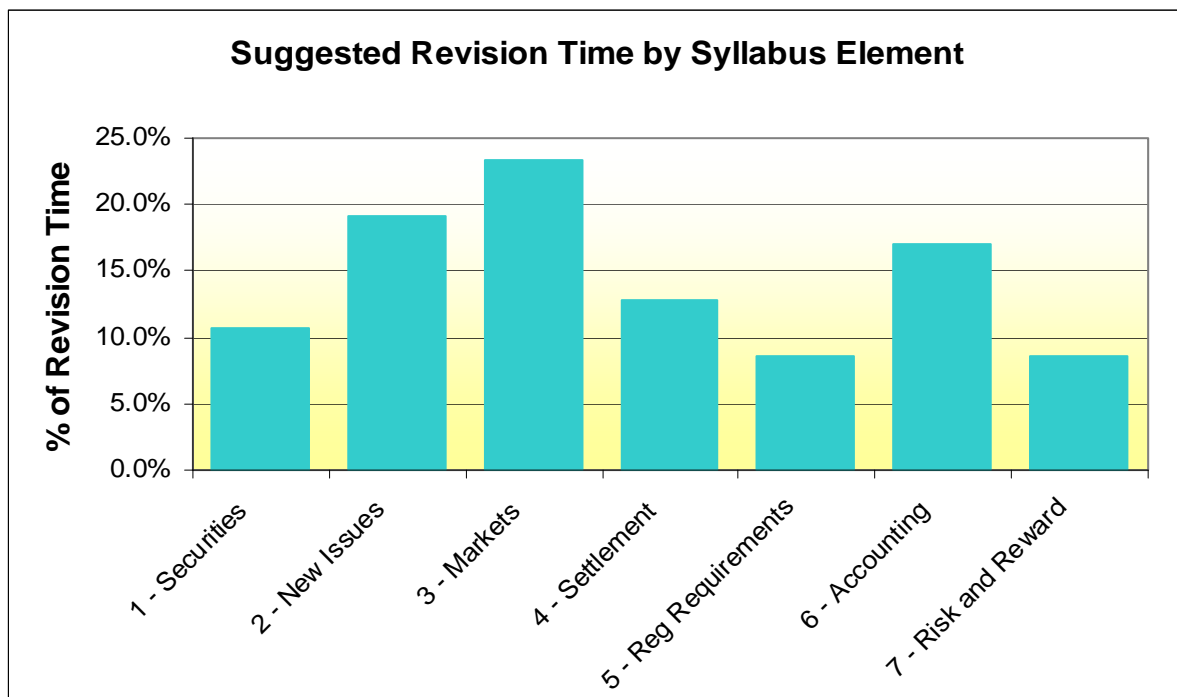
6.4 (6.4) Cash Flow Statement

Another relatively small section but one that does attract very mixed responses. A high percentage of answers to questions concerning the purpose of cash flow statements or their contents is seen but questions on the differences between Enterprise Cash Flow and Equity Cash Flow are not well answered with 60% of the marks being achieved. In addition, candidates appear confused between profit and cash where candidates achieved only around 50% of the marks.

Revision

The following graph gives suggested revision times. It is based on candidates' performance in each of the syllabus Elements; the perceived difficulty of each of the questions within those Elements and the number of marks that were lost but could be gained with an improvement in knowledge and understanding. In other words – where the best chances are of picking up extra marks!

Do be aware, however, that the underlying data relates to average figures taken from thousands of sittings. Each candidate will have his or her individual strengths and weaknesses and should adjust their personal revision schedule accordingly. I have included this as a starting point and trust that it will be useful.



As a final thought – 38% of candidates who score a marginal fail are within 3 marks of a pass. I hope that the foregoing assists future candidates to achieve those few marks.