



ACI Dealing Certificate Preparation Course

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 be able to describe the mechanics of outright forwards and 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 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 Risk

Overall Objective

To identify and distinguish between the principal types of risk in the markets, and to explain the main policies and procedures used to mitigate these risks. To understand the principles of position keeping and valuation, using spot FX as an example.

7. The Model Code

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 demonstrate an in depth knowledge and understanding of each of the following.

- the purpose of the Model Code, and its application within the industry
- 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
- the roles and responsibilities of the back office and their relationship to the front office
- undesirable practices and unprofessional conduct issues highlighted in the Model Code
- market terminology
- the general risk management principles for dealing business
- the procedures for dispute resolution, mediation and expert determination
- the market practices covering dealings in
 - Foreign exchange



- Money market
- Derivatives
- Dealer-broker relationships
- Dealer-customer relationships

Examination Procedure

Format: The examination consists of a single paper of 2 hours duration divided into the following 9 topic baskets:

Basic Interest Rate Calculations	5 questions	5 marks
Cash Money Market	5 questions	5 marks
Cash Money Market Calculations	5 questions	5 marks
Foreign Exchange	10 questions	10 marks
Foreign Exchange Calculations	5 questions	5 marks
Forward-forward, FRAs and Money Market Futures & Swaps	10 questions	10 marks
Options	5 questions	5marks
Principles of Risk	5 questions	5 marks
The Model Code	30 questions	30 marks
Total maximum score		80 marks

The overall pass level is 60% (48 marks), assuming that the minimum score criteria for each of the topic baskets is met.

There is a minimum score criteria of 50% for the Model Code section and 40% for each of the other topic baskets.

Grades:

Pass 60%

Merit 70-79.99%

Distinction 80% and above

Examination Fee: +/- Euro 255 + VAT at the local rate.