



ACI Operation Certificate

Syllabus

Effective 11 September 2017

*“Setting the benchmark in
certifying the financial
industry globally”*

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Examination delivered in English and German

Introduction

A well-trained and efficiently organised Treasury Operations Department is essential to complete every transaction. The Operations Department provides a vital service to the Front-Office by ensuring that all funds flow in a timely and correct manner and that all the necessary documentation is completed.

Taking into consideration the wider job function of the Operations Staff, this examination has been designed to provide a benchmark for competency in all aspects of the operations and settlement processes. It aims to test candidates' knowledge of the underlying instruments involved in the international financial markets, the processes for efficient settlements and related basic financial calculations. Candidates should also be able to demonstrate appreciation of the scope, importance and the role of the Operations Department, particularly in ensuring an autonomous service to the Front-Office.

In particular, this programme is designed for:

- Recent entrants to the Operations Department (Back-Office);
- Other trading room support areas;
- Internal and external auditors;
- Compliance and risk officers;
- Product Control;
- Vendors.

In addition to the topics outlined below, candidates will be expected to be up-to-date with the latest developments that affect the Operations Department.

1. Overall financial market and front to end treasury view

Overall Objective: To describe the roles of each participant within the financial market and to provide an understanding of how Treasury Trading and Sales, Middle-Office and Operations have to be structured in the risk management context. To give an understanding of how the whole transaction process management can be optimised as well as to explain the importance of providing a quality, customer-orientated service to both internal and external clients.

At the end of this section, candidates will be able to:

- Describe the roles of dealers, brokers and operations officers.
- Understand the reasons for segregation of duties and separate reporting lines.
- Depict the workflow of a transaction, encompassing all aspects of the settlements ^[L]_[SEP] process from deal capture through to management and exception reports.
- Explain the importance of Straight Through Processing (STP) related to timely ^[L]_[SEP] processing, risk, cost and accuracy, as well as the possible ways to improve STP.
- Explain the quality management measures necessary to ensure a high quality ^[L]_[SEP] customer-orientated service. ^[L]_[SEP]

2. Deal capture, trade entry and confirmations

Overall Objective: To explain the payment and confirmation process that follows deal capture and trade entry; list the problems that can arise if mistakes are made; describe how different clearing and payment systems can impact on risk; show an understanding of the correct source of trade information. [L]
[SEP]

At the end of this section, candidates will be able to:

- Understand the usefulness of confirmations.
- Explain the importance of checking and confirmation matching processes.
- Describe the use of automation in the confirmations procedure.
- List the different types of SWIFT messages and their usage.
- State the different steps between deal entry and trade confirmation.
- Describe the different ways in which trade information can be generated.
- Be aware of how the segregation of duties should be applied in trade generation and [L]
[SEP] capture.
- Know how the trade information received from the Front-Office should be validated.

3. Settlement, netting and clearing

Overall Objective: To explain the importance of the different settlement and payment systems as well as the use and handling of the correspondent network and accounts.

At the end of this section, candidates will be able to:

- Understand the use of correspondent banks, nostro / vostro accounts.
- Explain cut off times for payment with good value or short dates.
- Define the different types of domestic and international payment systems.
- Describe different types of settlements such as delivery versus payment, netting and Continuous Linked Settlement (CLS).
- Expand upon the CLS system and parties involved.
- Understand the use, functioning and advantages of bilateral and multilateral netting procedures.

4. Reconciliations and investigations

Overall Objective: To explain the methodology used to match at least two different records, using the same information to identify and investigate differences and taking corrective action when necessary. To explain the way how to proceed to settle outstanding items.

At the end of this section, candidates will be able to:

- Explain the mechanism of a reconciliation system.
- Detect mismatching figures (importance of timely identification).
- Interpret mismatching figures.
- Control incoming and outgoing flows.
- Calculate and agree brokerage, including the checking of discounts.
- Identify the different moves to resolve an outstanding item step by step.
- Resolve and close outstanding items.



5. Treasury systems and data management

Overall Objective: To explain the essentials of a treasury system, the data management for treasury operations as well as the basic accounting of treasury operations.


At the end of this section, candidates will be able to:

- Explain the different ways of financial communication and transfer transactions.
- Describe the different types of static data.
- Define the standard settlement instructions management (usage, maintenance and ^[1]_[SEP]advantages).
- Outline standing data files and tables.
- Understand the management of customer data within the different systems as well ^[1]_[SEP]as the basic procedures to ensure the “know your customer” principles.

6. Risk management, controls, compliance, documentation

Overall Objective: To explain the importance of having strict procedures and controls in place to ensure that no unauthorised or incorrect payments are made and to protect the business from related risks. To describe the purpose of documentation in settling financial transactions.

At the end of this section, candidates will be able to:

- Understand the dangers involved with third party payments and describe the controls that can minimise those risks.
- Outline operational risk, and how it can arise.
- Explain settlement and delivery risk, and how they can be minimised.
- Understand the need to maintain up to date recording of holiday and settlement  files.
- List the due diligence procedures for account opening.
- Explain the relevant regulatory guidelines and recommendations for best practice.
- Describe the Disaster Recovery (DR) and Business Continuity Plan (BCP) principles.
- Identify key documentation issues.
- List the major types of Agreements.
- Expand upon the different risks and have a general understanding of risk models.
- Explain the importance of regulatory policies and compliance.

7. Foreign exchange

At the end of this section, candidates will be able to:

- Define the features of foreign exchange instruments (spot, forward, swap).
- Define the features of Non-Deliverable Forwards (NDF).
- Explain the settlements process for foreign exchange instruments.
- Describe relevant responsibilities, cycle processes and incorporated controls.
- Outline the characteristics of value today and value tomorrow outright.
- Calculate settlement / close out amounts correctly.

8. Money market

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Overall Objective: To explain the characteristics of the major money market instruments, specific responsibilities and associated settlement processes.

At the end of this section, candidates will be able to:

- Define the characteristics of the major money market instruments.
- Describe the trade life cycle and controls for money market instruments.
- Understand the main money market benchmark fixings.
- Explain the settlements process for the major money market instruments.
- Calculate settlement and close out amounts as well as the related penalty fees.
- Define the characteristics of major short-term securities instruments.
- Appreciate the use of repos in the liquidity management of a bank.
- Describe the trade life cycle and controls for short-term securities instruments.

9. Derivatives

Overall Objective: To explain the specific features of exchange-traded and Over The Counter (OTC) derivative markets as well as the characteristics of optional and non-optional derivatives, including the specific responsibilities and processes associated with them.

At the end of this section, candidates will be able to:

- Recognise the differences between exchange-traded and OTC derivative markets.
- Explain the characteristics of the plain vanilla derivative instruments (FRAs, futures ^[1]_[SEP] and swaps).
- Calculate reset / fixing rates and margins for plain vanilla derivative instruments ^[1]_[SEP] such as swaps, total return swaps, FRAs, IRS, CIRS and futures.
- Reconcile correctly financial futures positions and margin calls with the clearing ^[1]_[SEP] agent.

10. Short-term bonds and notes

Overall Objective: To explain the characteristics of short-term debt instruments, notes and bonds as well as the specific responsibilities and processes associated with them.

At the end of this section, candidates will be able to:

- Define the features of the major short term fixed income securities such as commercial paper, treasury notes and bonds.
- Outline bond market indicators and indexes.
- Distinguish coupon bonds from zero coupon bonds.
- Differentiate, within the corporate debt products, instruments such as junk bonds, ^[L]_[SEP] bond indentures, callable bonds, convertible bonds and floating rate bonds.
- Describe the trading characteristics on exchanges, OTC, on secondary markets as ^[L]_[SEP] well as on third and fourth markets.
- Explain the securities issuing process by corporates.
- Outline the relevant responsibilities, cycle processes and incorporated controls.
- Calculate settlement / close out amounts correctly; understand the price / yield ^[L]_[SEP] relationship.
- Describe the reconciliation of securities held, the use of custodians as well as the ^[L]_[SEP] delivery of securities.
- Explain the collateral management for bank liquidity.

Examination Procedure

Format: The examination lasts 2 hours and consists of 75 multiple-choice questions. The **overall pass level** is 60% (45 correct answers), assuming that the minimum score criteria for each of the topic baskets is met. There is a **minimum score criteria** of 40% for each Topic Basket.

Calculators: Some questions will require the use of a calculator. A basic one will be provided on the computer screen. You may also use your own hand-held calculator, provided it is neither text programmable nor capable of displaying graphics with a size more than 2 lines.

	Topic Basket	Number of questions	Minimum of correct answers	Minimum score level
1	Overall financial market and front to end treasury view	5	2	40%
2	Deal capture, trade entry and confirmations	10	4	40%
3	Settlement, netting and clearing	10	4	40%
4	Reconciliations and investigations	10	4	40%
5	Treasury systems and data management	5	2	40%
6	Risk management, controls, compliance and documentation	10	4	40%
7	Foreign exchange	5	2	40%
8	Money market	5	2	40%
9	Derivatives	10	4	40%
10	Short term bonds and notes	5	2	40%
	Total	75		

Grades

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

Examination Fee

EUR 250 all taxes included.

ACI OPERATIONS CERTIFICATE

Reading List and Internet Links

General

- **The FX Global Code** available at: www.globalfxc.org/docs/fx_global.pdf
- **Mastering Treasury Office Operations** written by Denis Nolan and Gordon Amos. CHAPTERS 1-7: ISBN 0 273 635794 Publisher - Pearson Education (£90.00). www.pearsoned.co.uk
- **Treasury Operations Handbook** written by Philip J L Parker ACIB, ISBN 978-1-4461-9450-8. Publisher www.lulu.com 2010 (£35.00) available from www.lywood-david.co.uk/mmtw4.htm
- **Back Office and Operational Risk** written by Mervyn J. King. Published 2010 by Harriman House Publishing. ISBN 9781906659363. (£45.50) www.harriman-house.com
- **FCA Handbook** available at: www.handbook.fca.org.uk
- **Payment systems** For CHIPS available at: http://www.chips.org/reference/docs_rules/000721.pdf
- **CLS Best Practice** Contact: <http://www.cls-services.com>
- **ICMA** The Global Master Repurchase Agreement (GMRA) is available at: <http://www.icmagroup.com/resources/icma-documentation/>
- **ISDA** <http://www.isda.org/publications/pubguide.aspx> Some documentation may only be available to members/subscribers

Basic understanding of accounts

- **Mastering Treasury Office Operations** written by Denis Nolan and Gordon Amos. 159 ff in: ISBN 0 273 635794 Publisher - Pearson Education (£90.00). www.pearsoned.co.uk

Repos

- **Mastering Repo Markets** written by Robert Steiner ISBN10: 0273625896 ISBN13: 9780273625896
The only book covering these markets in this way, *Mastering Repo Markets* contains worked examples and exercises throughout, practice drills which reflect the style of the ACI exams, plus a complete practice examination paper.

Derivatives

- **Mastering Derivatives Markets** A Step-by-Step Guide to the Products, Applications and Risks. 4th Edition. By Francesca Taylor. Dec 2010, Paperback, 432 pages (£50.00). ISBN13: 9780273735670; ISBN10: 0273735675 www.pearsoned.co.uk