



ICMA Executive Education
Operations Certificate Programme
(OCP2013)

Programme Syllabus

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1. Introduction

The ICMA Centre's OCP Certificate is a second-level qualification intended primarily for two types of candidate. Firstly, operations practitioners within their first ten years in the industry and, secondly, operations managers who would benefit from a broader knowledge of the various operational functions within the industry.

Candidates will come from organisations involved in both the sell-side and buy-side of the industry plus Central Banks, National Central Securities Depositories, International Central Securities Depositories, Global Custodians, Stock Exchanges and Regulators.

The course is open to ICMA members and non-members alike.

The Certificate places strong emphasis on developing practical skills based on a thorough understanding of the main operational processes for cash markets securities (equities, bonds and equity-linked).

The programme aims to develop a manager's ability to follow the life-cycle of a securities transaction from clearing & settlement through to asset servicing. Candidates who gain this qualification are therefore recognised to have achieved a level of professional competency that ensures they can quickly adapt and add value to the business of any financial institution.

As a second-level, intermediate qualification, the OCP Certificate syllabus requires that the candidate should already have either attended the Securities Operations Foundation Certificate (SOFC) course ⁽¹⁾ or have familiarity with:

- Fundamental Numerical Skills
- Basic Accounting Concepts
- Forms and Types of Securities (equities, bonds, convertibles, ADRs/GDRs, warrants, etc.)
- The Securities Marketplace (Participants, Regulators, Custodians, etc.)
- Definitions and features of the main types of Corporate Action event

For anyone who needs further reading, please refer to the documentation that can be found on Blackboard (the University of Reading's online learning system) and to the various sections in the course book (see Section 3: Pre-Course Information below).

Regulatory and operational risk issues will form an integral part of the course.

The OCP is a "Recommended Exam" on the Wholesale Banking / Operations list, compiled by the UK's FSSC (Financial Services Skills Council). The programme has also met the FSSC's Key 6 "Appropriate Exam" standards for activities 16 (Overseeing on a day-to-day basis safeguarding and administering investment or holding of client money) and 17 (Overseeing on a day-to-day basis administrative functions for managing investments).

¹ For details, see <http://www.icmagroup.org/Training-Development/i-introductory-programmes/securities-operations-foundation-course-sofc>

2. Structure of the OCP Syllabus

The OCP syllabus is organised around nine broad subject areas, all of which are concerned with understanding the processes that govern the following groups of pre- and post-trade topics:

1. Products & Participation
2. Market Infrastructure - The Clearing Houses
3. Post-Trade Life Cycle (*both primary and secondary markets*)
4. Securities Lending & Borrowing
5. Custody
6. Corporate Actions
7. Technology in Operations
8. New Industry Initiatives
9. Effective Operations Management

The course materials noted in Section 1 above will be made available to candidates on *Blackboard* (ICMA Executive Education's Online Campus) from early December 2012. For those candidates who are unable to access *Blackboard*, they will be able to request hard copy versions of the documentation.

We will cover the remaining sessions during the course itself together with an operations simulation exercise.

Listed below are the specific learning objectives (LOs) for each topic covered in the OCP syllabus. The purpose of the LOs is to:

1. Give candidates a clear 'road-map' of the competencies that they may be required to demonstrate in the Certificate examination. (Every LO is examinable.)
2. Provide a useful checklist for the tutor faculty in preparing candidates for the OCP examination.

Candidates who are genuinely able to meet the LOs should be confident of passing the examination.

3. Pre-Course Information

Before attending the course, candidates will have received a variety of reference materials including a pre-course book on securities operations ⁽²⁾, an extract from the ICMA Rulebook and other documents.

Topic	Sources
Fundamental Numerical Skills	These skills include an understanding and application of: <ul style="list-style-type: none"> ▪ Day counts using different market conventions ▪ Interest & Accrued Interest ▪ Application of LIBOR rates & other benchmark rates
Basic Accounting Concepts	<ul style="list-style-type: none"> ▪ Pre-course book – Chapter 28 (p. 386)
Forms and Types of Securities (equities, bonds, convertibles, ADRs/GDRs, warrants)	<ul style="list-style-type: none"> ▪ Pre-course book – Chapter 7 (p. 101) ▪ Equities ▪ Money Markets ▪ Bond Structures ▪ Bond Market Sectors
The Securities Marketplace (Participants, Regulators, Custodians, etc.)	<ul style="list-style-type: none"> ▪ Pre-course book – Chapter 2 (p.9) ▪ Capital Markets Overview ▪ Issuers & Intermediaries ▪ Investors

² Every candidate will receive a copy of: Simmons, Michael, (2002), "Securities Operations – A Guide to Trade and Position Management", Published by John Wiley & Sons, Chichester

Definitions and features of Corporate Action types	<ul style="list-style-type: none"> ▪ Pre-course book – Chapter 26 (p. 341)
Reference Documents	<ul style="list-style-type: none"> ▪ Glossary of Terms <ul style="list-style-type: none"> ○ pre-course book p.435 ▪ ICMA Rule Book ed. October 2009 (with update in December 2009): Section V - but excluding: <ul style="list-style-type: none"> ○ Sections 900 & 1000 and ○ Indexes to Sections 900 & 1000

Please note that candidates should read the pre-course book (plus the other documents that are available on Blackboard) as these will account for 15% of the marks in the end-of-course examination.

4. Subject Areas

1. Products and Participation

This topic will be covered in the first two sessions on day 1. By the end of these sessions the candidate will be able to:

- Distinguish the main activities of the different participants in the securities industry
- Outline the main features of a variety of different bonds and equities
- Characterise the activities of the main market participants in the equities and fixed income markets
- Judge why a participant may prefer one type of instrument over another

Session 1 - Products

The first session checks candidates' understanding of fundamental bond and equity products before considering more complex structures (e.g. inflation linked bonds, asset backed securities and exchange traded funds). Mention will be made of the main principles of both market and credit risk.

Session 2 - Participation

The second session provides an overview of each of the main markets and what the different participants are actually doing. For example, we consider a defined benefit pension fund manager who is trying to match a stream of annuities through the use of equities, government and corporate bonds as well as inflation exposure.

2. Market Infrastructure - The Clearers

The traditional model of product-based clearing organisations is changing with consolidation of the providers and the provision of multi-product clearers.

Learning Objectives

By the end of this session, the candidate will be able to:

- Determine the role that clearing plays in the post-trade environment
- Consideration of the barriers to post-trade integration in Europe (the so-called Giovannini barriers)
- Evaluate the risks inherent in the business and decide ways of controlling them
- Recognise ways in which the clearing business is changing

3. The Trade Life Cycle

Several operational activities follow the generation of transactions by the Front Office. Within OCP, there are three (pre-settlement) phases that cover both Primary Market and Secondary Market transactions.

3.1 The Trade Life Cycle - Pre-Settlement

This first phase starts with trade capture from the Front Office followed by the trade enrichment/validation, calculation of cash amounts and the confirmation/affirmation of trade with counterparties. We then consider the securities settlement conventions employed by market and product type.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Analyse the risks associated with incomplete or erroneous transaction details
2. Know how trades are captured by firms' internal settlement systems
3. Determine which data components are required in order to successfully enrich each transaction and the use of static data defaults

4. Describe the ways two trading counterparties can agree the transaction details with each other and the different approaches adopted for institutional clients
5. Differentiate securities settlement conventions by both product type and marketplace

3.2 The Trade Life Cycle - Settlement & Fails Management

This second phase looks at the transaction reporting requirements of the various regulatory bodies, the transmission of transaction delivery/receipt instructions to the clearing systems and the matching of instructions by these systems. We then analyse how transactions are settled and how transaction failures are managed.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Analyse a clearing system's unmatched report to determine the appropriate course of action within the relevant timing deadlines
2. Distinguish the different types of settlement (e.g. gross settlement, net settlement) and assess the impact on operational activities
3. Forecast the cash funding requirements
4. Understand the reasons why transactions fail to settle and the financial implications of these

5. Manage settlement fails and decide what actions are appropriate

3.3 Primary Market Settlements

The third and final phase is to provide an overview of how newly-issued debt securities are settled

Learning Objectives

By the end of this session, the candidate will:

1. Understand the function of the International Central Securities Depositories and the roles of the key players in the issuance process
2. Know how new issues are accepted and distributed
3. Understand the different formats of newly-issued securities - Classical Global Note and New Global Note

4. Securities Lending & Borrowing

One of the key stages in enabling securities sales to be settled efficiently is the identification of securities availability and the execution of appropriate borrowing transactions. This session looks at how operations can predict their securities requirements and the choices available to cover them. We consider the methods & importance of managing the securities positions.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Analyse the principles of securities financing and compare the available choices
2. Evaluate the risks associated with securities financing
3. Discuss the concept of collateral, why it is required and how to manage it (e.g. substitution, corporate actions, etc.)
4. Compare and contrast the various types of collateral
5. Judge the importance of marking loans and collateral to market (revaluation) and the processes that accompany this
6. Determine the links with other operational units (e.g. settlements, reconciliation, reporting, etc.)

5. Custody

5.1 Safe Custody

This session focuses on the activities that follow the settlement process and includes the ways securities are held in safe-keeping.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Analyse the different types of safe custody movement and the ways safe custody accounts are maintained by the custodians on behalf of their clients
2. Examine the headline points that are covered in a custody legal agreements
3. Decide what responsibilities the custodians have regarding the release of assets and the segregation of clients' assets from those of the custodian

5.2. Market Infrastructure - The Custodians

The custodian provides a vital link between the market and the industry infrastructure. This session looks at the different types of custodian and their participation in the operational processes.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Compare and contrast the roles of the different types of custodian. These include:
 - a. Central Securities Depositories (CSDs)
 - b. International CSDs and their depositories
 - c. Local Custodians
 - d. Global Custodians and their sub-custodians
2. Assess the services provided by the custodians and their participation in the operational processes
3. Examine the risks & rewards associated with the role of the custodian

6. Corporate Actions/Income Collection

This session deals with the operational aspects of corporate actions and income collection. (Candidates should be familiar with the definitions & features of the different types of event. Information is available in the pre-course reading.)

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Interpret key dates such as ex-, cum- and record/book close dates in order to predict who is entitled to participate in any particular event
2. Examine the importance of deadlines and the consequences of late decisions
3. Compare the roles and responsibilities undertaken operationally by the investor/custodian/issuer
4. Decide what appropriate actions should be taken in response to situations as they arise (e.g. investor querying an entitlement, missing a Rights Issue, etc.)
5. Determine the operational requirements associated with Withholding Tax and local Income Tax
6. Evaluate the current industry initiatives and the impact on the Corporate Action business

7. Technology in Operations

We operate in an environment where technology is all-pervasive from trade capture through to reconciliation and beyond. Without technology, Straight Through Processing (STO) could not happen and settlement cycles would extend way beyond the typical T+3 convention.

Learning Objectives:

By the end of this module, the candidate will be able to:

1. Appreciate the link between technology and the efficient running of Operations
2. Decide which processes lend themselves to automation
3. Evaluate the regulatory requirements that drive investment in technology and data storage
4. Discuss the importance of firewalls within the systems to segregate particular functions
5. Be aware of management responsibility in the maintaining and development of the IT strategy through the trade life-cycle

8. New Industry Initiatives

Not a day goes by when some initiative, whether regulatory or market-driven, is placed before us for consultation, commentary and implementation. High on the agenda are initiatives such as Target 2 Securities, Basel III, consolidation in the market infrastructure and so on. As these changes are having an impact on our business, it is imperative to be aware of the changes and what it means for our industry and organisations.

Learning Objectives

By the end of this module, the candidate will be able to:

1. Evaluate how the key initiatives will affect the workings of an Operations Department
2. Conclude why these topics are of such significance
3. Assess how these will impact on the trade life-cycle and thus the running of an Operations division

9. Effective Operations Management

Operations managers have a number of tools & techniques at their disposal to monitor operational performance and risks to ensure that operational efficiency is maximised and exposure to risk is minimised. This session examines the most common tools & techniques in current use and how they can be combined within a common performance and risk measurement framework to provide ongoing assurance that operational effectiveness is maximised.

Learning objectives:

By the end of this module, the candidate will have gained insights into how to:

1. Design and implement an effective operations management framework
2. Measure and rank the effectiveness of processing / operational functions that comprise an operations division
3. Prioritise operational improvements and construct a route map to operational excellence

4. Examination

All candidates sit a three-hour examination, which covers the material presented during the various lecture sessions and contained in the pre-course material. The examination consists of 75 multiple-choice questions. The pass mark is 45 correct answers out of 75 questions (i.e. 60%). Successful candidates will receive the ICMA Operations Certificate. Candidates who score 68 correct scores or more, will receive a Distinction.

To assist candidates in their final examination preparation/revision, the afternoon on day 5 will be devoted to a classroom session that will (a) summarise the entire course and (b) explain the examination administration. After this, candidates will be free to revise (in groups or individually) and members of the teaching faculty will be available to answer any questions.