



## SYLLABUS

### The ACI Operations Certificate (Prometric Code: 310-010)

### Examination delivered in ENGLISH

## Introduction

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A well-trained and efficiently organized 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

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**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 optimized 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 process from deal capture through to management and exception reports.
- Explain the importance of Straight Through Processing (STP) related to timely 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 customer-orientated service.

## 2. Deal capture, trade entry and confirmations

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**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.

**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 the 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 capture.
- Know how the trade information received from the Front-Office should be validated.

### 3 . Settlement, netting and clearing

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**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

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**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

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**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 advantages).
- Outline standing data files and tables.
- Understand the management of customer data within the different systems as well as the basic procedures to ensure the “know your customer” principles.

## 6. Risk management, controls, compliance, documentation

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**Overall Objective:** To explain the importance of having strict procedures and controls in place to ensure that no unauthorized 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 minimize those risks.
- Outline operational risk, and how it can arise.
- Explain settlement and delivery risk, and how they can be minimized.
- 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 such as the Model Code.
- 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

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**Overall Objective:** To describe the characteristics of foreign exchange instruments and specific responsibilities and settlement processes associated with them.

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

- Define the features of foreign exchange instruments (spot, forward, swap).
- 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 outrights.
- 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 settlement processes associated.

**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

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**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:**

- Recognize the differences between exchange-traded and OTC derivative markets.
- Explain the characteristics of the plain vanilla derivative instruments (FRAs, futures and swaps).
- Define the features of Non-Deliverable Forwards (NDF).
- Calculate reset / fixing rates and margins for plain vanilla derivative instruments such as swaps, total return swaps, FRAs, IRS, CIRS and futures.
- Reconcile correctly financial futures positions and margin calls with the clearing agent.

## 10. Short-term bonds and notes

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**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, bond indentures, callable bonds, convertible bonds and floating rate bonds.
- Describe the trading characteristics on exchanges, OTC, on secondary markets as 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 relationship.
- Describe the reconciliation of securities held, the use of custodians as well as the delivery of securities.
- Explain the collateral management for bank liquidity.

## Examination Procedure

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**Format:** The examination duration is 2 hours and consists of 80 multiple-choice questions. Some questions will require the use of a basic calculator. This will be provided on screen.

**Minimum** score levels per topic basket will apply. Score levels for **each** of the 10 topic sections is as follows:

| #  | Topic section   | Questions related to the topic | Minimum of correct answers | %           |
|----|---|--------------------------------|----------------------------|-------------|
| 1  | Overall financial market and front to end treasury view | 5                              | 2                          | 40.0        |
| 2  | Deal capture, trade entry and confirmations             | 8                              | 3                          | 37.5        |
| 3  | Settlement, netting and clearing                        | 10                             | 4                          | 40.0        |
| 4  | Reconciliations and investigations                      | 10                             | 4                          | 40.0        |
| 5  | Treasury systems and data management                    | 5                              | 2                          | 40.0        |
| 6  | Risk management, controls, compliance and documentation | 10                             | 4                          | 40.0        |
| 7  | Foreign exchange  | 8                              | 3                          | 37.5        |
| 8  | Money market  | 8                              | 3                          | 37.5        |
| 9  | Derivatives   | 8                              | 3                          | 37.5        |
| 10 | Short term bonds and notes                              | 8                              | 3                          | 37.5        |
|    | <b>Total</b>  | <b>80</b>                      | <b>Average</b>             | <b>38.8</b> |

## Grades

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|             |                    |
|-------------|--------------------|
| Pass        | 50,00 % - 64,99 %  |
| Merit       | 65,00 % - 74,99 %  |
| Distinction | 75,00 % and higher |



## ACI OPERATIONS CERTIFICATE READING LIST and Internet Links

### General

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- **Mastering Treasury Office Operations** written by Denis Nolan and Gordon Amos.  
CHAPTERS 1-7:  
ISBN 0 273 635794  
Publisher - Pearson Education (£40).  
Web pages [www.financialminds.com](http://www.financialminds.com)
- **Back Office and Beyond, 2nd Edition**, written by Mervyn J King.  
Publisher Gilmour Drummond contact Harriman House on: [www.global-investor.com](http://www.global-investor.com) or Gilmour Drummond Publishing on telephone: + 44 1923 244 547 or email: [CragCompany@aol.com](mailto:CragCompany@aol.com)
- **The ACI Model Code**, published by ACI – The Financial Markets Association. Copies can be downloaded from [www.aciforex.com](http://www.aciforex.com)
- **FSA Handbook**  
FSA Central Bank Authority  
FSA Handbook online version available at: [www.fsa.gov.uk](http://www.fsa.gov.uk)
- **Payment systems**  
For CHIPS available at: [http://www.chips.org/reference/docs\\_rules/000721.pdf](http://www.chips.org/reference/docs_rules/000721.pdf)
- **CLS Best Practice**  
Contact: <http://www.cls-services.com>
- **NIPS Code**  
available at: <http://www.bankofengland.co.uk/markets/forex/fxjsc/nipscode.pdf>
- **ICMA**  
The Global Master Repurchase Agreement (GMRA) is available at:  
<http://www.icmagroup.org/content/legal1/global1.Par.0002.ParDownloadFile.tmp/GMRA1995%20Agreement.pdf>
- **ISDA**  
<http://www.isda.org/>  
Documentation (e.g. Master Agreements) is only available to members/subscribers

## Basic understanding of accounts

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- **Mastering Treasury Office Operations** written by Denis Nolan and Gordon Amos  
S. 159 ff in:  
ISBN 0 273 635794  
Publisher - Pearson Education (£40).  
Web pages [www.financialminds.com](http://www.financialminds.com)

## Repos

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- **Mastering Repos** written by Robert Steiner  
ISBN  
Publisher – Pearson Education  
Web pages [www.financialminds.com](http://www.financialminds.com)

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

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- **Mastering Derivatives Markets by Francesca Taylor**  
"We run a number of courses on financial products and this book serves as excellent pre-course reading as well as an everyday reference handbook." Maricar Obieta, Vice President, GCIB, Citibank, NA  
  
Publisher – Pearson Education  
Web pages [www.financialminds.com](http://www.financialminds.com)

## Bonds

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- **Euromoney Institutional Investor PLC**

### **International Capital Markets Module 3: International Money Markets**

The development, main features and uses of the different products in international money markets – both government short-term debt as well as corporate products such as commercial paper – are reviewed in Module 3.

Price: £40

[http://www.euromoneyplc.com/product.asp?PositionID=search&ProductID=3794&Catalog=PLC&results\\_per\\_page=10&search=money%20market&SearchTypeID=&SearchInterestID=](http://www.euromoneyplc.com/product.asp?PositionID=search&ProductID=3794&Catalog=PLC&results_per_page=10&search=money%20market&SearchTypeID=&SearchInterestID=)

### **International Capital Markets Module 4: International Bond Markets**

Module 4 outlines the common features of Eurobonds, foreign and domestic bonds, primary and secondary markets, bond valuation, and yield curves.

Price: £40

[http://www.euromoneyplc.com/product.asp?PositionID=search&ProductID=3795&Catalog=PLC&results\\_per\\_page=10&search=bond&SearchTypeID=&SearchInterestID=&PageMove=0](http://www.euromoneyplc.com/product.asp?PositionID=search&ProductID=3795&Catalog=PLC&results_per_page=10&search=bond&SearchTypeID=&SearchInterestID=&PageMove=0)