



SYLLABUS

The ACI Settlements Certificate (Prometric Code: 310-003)

**Examination delivered in
ENGLISH and GERMAN**

Introduction

No transaction can take place without the back-office. It provides a vital service to the front office by ensuring that all funds flow in a timely and correct manner and all the necessary documentation is completed. This examination has been designed to provide a benchmark for competency in all aspects of the settlements process. It aims to test candidates' knowledge of the underlying instruments involved in the financial markets, and the processes for efficient settlements and related basic financial calculations. Candidates should also be able to demonstrate appreciation of the scope and importance of the back-office role, particularly in providing a service to the front office.

In particular, this programme is designed for:

- new and recent entrants to the back-office;
- other trading room support areas;
- internal auditors.

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

Section 1 Risk Management and Controls

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.

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

- explain the dangers involved with third party payments and describe the controls that can minimise those risks
- explain operational risk, and how it can arise
- explain settlement and delivery risk, and how they can be minimised
- explain 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.

Section 2 Payments and Confirmations

Overall Objective: To explain the payment and confirmation process that follows deal capture and trade entry and to list the problems that can arise if mistakes are made, and to describe how different clearing and payment systems can impact on risk.

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

- explain why confirmations are sent
- explain the importance of checking
- describe the use of automation in the confirmations procedure
- explain the different types of domestic and international payment systems
- list the different types of SWIFT messages and their usage
- explain the use of correspondent banks, nostro/vostro accounts
- explain cut off times for payment with good value, short dates etc

Section 3 Derivatives

Overall Objective: To apply the knowledge acquired thus far to include derivatives, and to explain the additional responsibilities involved in settling these products.

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

- calculate reset/fixing rates and margins for a variety of derivative instruments such as swaps, Forward Rate Agreements (FRAs) and futures
- identify the procedures involved at exercise and expiry of both over the counter (OTC) and exchange-traded options
- reconcile correctly financial futures positions and margin calls with the clearing agent

Section 4 Money Markets

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

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

- define the characteristics of the major money market instruments
- explain the settlements process for the major money market instruments
- calculate settlement/close out amounts correctly

Section 5 Foreign Exchange

Overall Objective: To explain the characteristics of Foreign Exchange instruments, and the settlement processes associated with them.

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

- define the characteristics of Foreign Exchange instruments
- explain the settlements process for Foreign Exchange instruments
- calculate settlement/ close out amounts correctly

Section 6 Market Conventions

Overall Objective: To explain the roles played by the settlements staff and to explain the importance of providing a quality, customer-orientated service to the front office. To explain market terminology, and its relationship to the appropriate instruments.

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

- explain the reasoning behind separate reporting lines and timely settlement
- describe the workflow of a typical deal, encompassing all aspects of the settlements process from deal capture to management and exception reports

Section 7 Settlement and Accounts

Overall Objective: To list the different reconciliation procedures that operations areas are typically involved in, and to explain how institutions seek to maximise all revenues, as well as describing the impact on the P&L of reconciliation failures for the Foreign Exchange and Money Markets. To explain the underlying rationale for and mechanics of netting.

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

- explain the importance of front, middle and back office reconciliation of overnight positions
- explain the importance of timely identification of outstanding amounts in nostro reconciliations
- explain the method used to calculate and agree brokerage, including the checking of discounts
- describe the switching of funds between nostros leaving adequate cover
- explain the risks of overdraft interest versus idle balances
- describe the reconciliation of securities held and collateral management
- describe the use of custodians and the delivery of securities
- explain the difference between bilateral and multilateral netting procedures

Section 8 Documentation

Overall Objective: To explain the significance of documentation in settling financial transactions.

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

- identify key documentation issues
- list the major types of Agreements

Examination Procedure

Format: The examination duration is 1½ hours and consists of multiple choice questions. Some questions will require the use of a basic calculator which is available on the test screen, or alternatively, candidates may bring into the examination a HP 12C, 17B or 19B or any hand held calculator without programmable (text) capability, such as a Casio. Candidates may use the Formula Sheet which is available on the test screen.

Minimum score levels per topic basket will apply. Score levels for **each** of the 8 topic sections is as follows:

1. Risk Mgt & Controls	5 correct out of 14	35.7%
2. Payments & Confirms.	3 correct out of 8	37.5%
3. Derivatives	2 correct out of 6	33.3%
4. Money Markets	3 correct out of 8	37.5%
5. FX	2 correct out of 6	33.3%
6. Mkt Conventions	2 correct out of 6	33.3%
7. Settlements & Accounts	4 correct out of 10	40%
8. Documentation	1 correct out of 3	33.3%

Grades

Pass	50-64.99%
Merit	65-74.99%
Distinction	75% and higher

Examination Fee

Euro 200 + vat at the local rate.