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1.0 ABOUT THE EXAMINATION

1.1 Introduction

The Treasurers Dealership Certificate Examination scheme is intended for Money Market Operators in Nigeria.

1.2 Rationale

The need for this programme is based on the following reasons:

- There exists a knowledge gap in this area. Only theoretical discussions of the subject matter are covered in existing programmes.
- The experience of the recent *unethical* and *unprofessional* practices led to serious legal and financial problems, including insolvency, distress and winding up and/or liquidation of Banks and other Financial Institutions. This clearly calls for a specially designed programme which will emphasise professional skills, competence and proficiency in Money Market Operations on a basis that is standardised, internationally accepted and professionally acknowledged and recognised.
- Money Market Transactions have peculiar characteristics, like other markets, it has its own *terminology*, *conventions*, *market place* and, of course *Dealers*.

When compared with organised markets in developed economies, it becomes essentially imperative that a systematic process of becoming a **Dealer** is put in place if an orderly development of the market is to be achieved

- Practice makes perfect. The nature of transactional relationships between operators (organisations) and their dealers (individuals) in the market, the peculiar mode of dealing (which involves most times telephone discussions) and the implications of Dealers' actions, (as evidenced recently by **Baring Brothers in The UK** and a number of distressed Banks and other Financial Institutions in Nigeria) demand greater emphasis on the practical aspects of the training which is made an essential feature of this programme.
- It is acknowledged that graduates (and non-graduates) of all disciplines now find themselves as employees of Banks and are deployed to work in the Treasury/Financial Institution Department of Banks or Discount Houses or even a non Bank corporate organisation. One way of ensuring that this does not affect adversely the orderly development of the Banking industry and in particular the Financial System, is to ensure that those manning the various markets (in the Banking sector) are schooled and skilled in the *art* and *practice* of the markets. It is in recognition of, and in acknowledgement of the technical and peculiar nature of the trade that this programme has become inevitable.

1.3 Objectives of The Examination

At the end of the programme a successful candidate is expected to:

- understand and be able to analyse investments with a view to managing a portfolio of investments efficiently and profitably.
- have acquired detailed technical knowledge necessary for effective and efficient management of the Treasury Function in a Business Organisation.
- be sufficiently proficient in Money Market operations by International Standards.
- have a good understanding of the elements of and skills required for managing the Assets and Liabilities of a Business organisation in a profitable and effective manner.

2.0 THE EXAMINATION SCHEME

2.1 Format of Examination

The Examination shall be in two parts, Part I - Money Market: Principles & Practice, and Part II – Dealership Practicals (Securities Trading Simulation (STS) or Bourse Game)

2.2 Part I: Money Market: Principles & Practice

2.2.1 Objective

This part will ensure sound theoretical foundation for an intending Dealer in the Money Market and it presupposes that a Dealer must have an adequate working knowledge of the market he intends to **Deal** in.

2.2.2 Subject Content

Part one shall consist of four (4) subjects, namely:

1. Investments: Analysis and Management
2. Treasury Management
3. Assets and Liabilities Management
4. Law and Ethics

2.3 Part II: Dealership Practicals (STS or Bourse Game)

2.3.1 Objective

To expose candidates to the necessary practical skills that will make them proficient in the professional standards,

legal details, ethical conduct and peculiar technicalities of the Money Market (transactions and Dealing procedures).

▪ **Contents of the Practical Sessions**

The series of practical sessions on the Dealing Process and Treasury Management will require the application of specialised skills, technical knowledge and standards of ethical conduct of professionals in the trade, gained from the study in part I.

This Part shall consist of:

1. **Securities Trading Simulation (STS) OR**
2. **Foreign Exchange and Money Market Dealing (Bourse Game)**

3.0 GENERAL REGULATIONS

3.1 Entry Requirement

To be eligible for registration for the Treasurers Dealership Examination (TDC examinations) candidates are required to complete the prescribed application form and submit same with the necessary supporting documents.

3.2 Registration as Student

A candidate will be registered as a student if he meets the following conditions:

3.3 Academic criteria

A candidate must submit acceptable evidence that he has obtained an approved educational qualification as prescribed below:

1. A relevant degree from a recognised University or its equivalent.
2. The final examination certificate of a recognised professional body such as : ACIB, ACA, ACMA, ACCA, ACII, ACIS.
3. Other qualifications of equivalent standard as may be approved from time to time by the Board of Studies.

3.4 Relevant employment criteria

Candidate must be working in:

1. a Financial Institution **or**
2. a Corporate Organisation, preferably in the Treasury Department or performing a related function.

3.5 Entry for Examinations

1. A candidate may enter for any number of subjects at a time for the Part I examination.
2. A candidate can be allowed to sit for the Part I Examinations Only three (3) months after registration as a student.
3. No candidate will be allowed to sit for the Part II Examinations unless he has completed the Part I.

3.6 Examination Time Table

The Examinations shall be held twice a year i.e. April and October.

■ Minimum Requirements for Passing the Examinations

A student shall be declared successful in an Examination in the paper where the student obtains the minimum pass mark prescribed by the Examining body, which is 50%.

▪ **Examination Results**

Candidates will be informed of their Examination results individually by post.

A list of the results will also be made available at the Secretariats of the two collaborating bodies.

3.7 Award of Certificate

3.7.1 Upon the recommendations submitted to it by the Board of Studies, the Council of the Chartered Institute of Bankers of Nigeria shall approve the results of the TDC Part 1 Examination, following which a successful candidate shall be issued with a Statement of Result.

3.7.2 On successful completion of Part II, the candidate shall be issued with a certificate jointly issued by the Chartered Institute of Bankers of Nigeria and Money Market Association of Nigeria with the names and seals of both parties affixed thereto.

3.7.3 A recipient of the Certificate will now apply to Money Market Association of Nigeria to be registered as an Authorised Dealer and have his/her name entered into the Authorised Dealers Directory.

3.8 Examination Fee Structure

The fee structure for now is as follows:

Application form	-	=N=500 - 00 (once)
Registration fee	-	= N=2,000-00 (once)
Subject fee	-	=N=2,000-00 (per subject)
Part II	-	=N=10,000 (Practicals)

4.0 THE BOARD OF STUDIES (BOS)

There shall be a BOS which will consider the result of the examinations after each Examination exercise and recommend same for the approval of the Council of The Chartered Institute of Bankers of Nigeria.

The Board of Studies shall be responsible for the level of technical standards and competencies of the Examination.

5.0 PREPARATION FOR THE EXAMINATION

5.1 The programme is highly specialised and very technical. The training is designed to produce a technically skilled and proficient dealer who can fit into any Treasurership post in Nigeria, Europe, U.S.A, Asia and the Americas.

Special coaching classes are therefore recommended.

5.2 A mandatory pre-examination experience in Money Market/Banking Business as a staff in Treasury/FX or a functionally related Department of a Bank, Discount House, Other Non-Bank Financial Institution or a Corporate Organisation is required.

6.0 DEALERSHIP RETREAT

Attendance at a mandatory post- examination Annual Dealership Retreat (TREASURERS' RETREAT) is required for the annual validation of a candidate's *licence* which will involve the inclusion of his/her name in the Authorised Dealers Directory (A.D.D)

7.0 SUBJECT SYLLABUS

PART ONE: MONEY MARKET: PRINCIPLES & PRACTICE

INVESTMENTS: ANALYSIS AND MANAGEMENT

TREASURY MANAGEMENT

ASSETS AND LIABILITIES MANAGEMENT

LAW AND ETHICS

PART TWO: DEALERSHIP PRACTICALS

SECURITIES TRADING OR

FOREIGN EXCHANGE AND MONEY MARKET DEALING

7.1 Part One: Money Market: Principles & Practice

7.1.1 Investments: Analysis and Management

1 Overview of the Financial Services Industry

2 Background Considerations

- Background for Understanding Investments
- Types of Securities
- Securities Markets
- Returns and Risks Concepts

3 Sources of Finance

4 Fixed-Income Securities (FIS)

- Analysis of Fixed Income Securities (FIS)
- Valuation and Management of FIS

5 Portfolio Management

- Portfolio Theory
- Capital Market Theory
- Efficient Markets
- Measuring Portfolio Performance
- Factor Models and Arbitrage Pricing Theory

6 Investment Management Issues

- Risk Management and Insurance
- Pension Fund Investment Management
- Equities and Debt Instruments
- Investor Relations Management

- Investment Companies
- Rating of Debt Instruments

7. Financial Analysis

- Financial Management Issues
- Working Capital Management
- Techniques of Financial Analysis

8. Financial Engineering Principles

- What is Financial Engineering
- Reasons for Financial Engineering
- The "Building Block" Approach
- Stumbling blocks to Financial Engineering

9. The Budgeting Process

- Capital Budgeting
- Monitoring and Evaluating

10. Capital Structure and Cost of Capital

11. Dividend Policy

12. Introduction to International Financial Institutions and Markets

INVESTMENTS: ANALYSIS & MANAGEMENT

Recommended Text & Reading List

- Jones , Charles Parker - Investments: Analysis & Management
2nd Ed. New York Chichester: Wiley
1994
- Cohen, J.B.,
Zinbarg; E.D.& Zeikel, A - Investment: Analysis & Portfolio
Management 5th ed Homewood, II Irwin
- Mayo Associates - Financial Management.

Further Reading

- Checkley, P. - Investment: 2nd ed Droitwich: P.
Andrew,Chartered Institute of Bankers,
London
- Grapper John &
Denton Nicholas - All that Glitters: The rise & fall of
Barings London Hamish Hamilton
1996
- Levy Hainn
Sarnat, Mashall - Capital Investment. & Financial
Decisions 3rd ed. Englewood Cliffs.
London Printice-Hall Int.
- Lofthouse, S: - Equity Investment Management: How to
Select Stocks & Markets Chehester:
Wiley 1994
- Mott Graham - Investment Appraisal for Managers: A
Guide To Profit Planning 2nd ed.
Aldershot: Gower
- Renberg, Werner - Making Money With Mutual Funds:
Investment Strategy. To beat the Markets
NY: Chichester Wiley 1988
- Sharpe, W.F.
Alexander, G.J. - Investments: 4th ed..
London: Prentice-Hall Int

7.1.2 TREASURY MANAGEMENT

1 Macro Economic Environment

- Macro Economic Concepts and their Inter-relationships
- Structure of the Nigerian Economy
- Monetary and Fiscal Policies
- The Regulatory Environment

2 Institutional Framework

- Business Policy, Organisation and Structure
- Financial Policy, Objectives and Planning
- Operational Risks and its Management
- Operational Activities
 - Structure of an Operational Support System
 - Technological Aspects of an Operational Support System
 - System Selection

3 Dealing Room Ethics

- Confidentiality/Insider Trading/Personal Favour
- Full Compliance/Limits (Position/Liquidity)
- Good Conduct

4 Financial Instruments and Markets

- Local Currency Instruments
- Foreign Currency Instruments
- Money Market vs Capital Market
- Primary Market vs Secondary Market

- Government Bond Markets
- Intermediation vs Disintermediation
- Measuring Market Liquidity
- Repurchase Agreements
- Futures Markets

5 The Money Market

- Money Markets: Definition and Characteristics
- Introduction to Short Term Management
- Some Methods of Issuance and Marketing of Debt Instruments

6 Hedging Techniques

- Forwards and Options
- Futures and Swaps

7 The Foreign Exchange Management

- Economics of Foreign Exchange
- Forecasting: Economic Indicators
- Technical Analysis: History and Alternatives
- History and Development of FX Markets
- Foreign Exchange Risk and Exposure
- Cross Currency Rates and Arbitrage
- Foreign Exchange Swaps
- Currency Baskets

8 The Futures Markets

- History and Development
- Currency and Interest Rate Futures Contracts
- Pricing, Trading and Settlement

- Futures in Trading, Hedging and Arbitration
- Definition of BASIS and BASIS RISK
- Volume and Open Interest Statistics

9 Forward Rate Agreements (FRAs)

- Definition, Rationale of FRAs
- FRA: Settlement Calculation and Documentation
- FRA: Hedging, Trading and Accounting

10 Interest Rate Swaps (IRS)

- Definition, Rationale for IRS
- IRS Settlement, Calculation and Documentation
- IRS: Hedging , Trading and Accounting

11 Options

- Options Strategies
- Pricing Models.

12 Treasury Management

- Developing a long Term Funding Strategies
- Liquidity/Profitability Management
- Exposure Management

13 Risk Management

- Types of Risk
- Measuring and Controlling Risks
- Use of Limits
- Day-to-Day Control of Exposures
- Risks of Custody and Safekeeping.

TREASURY MANAGEMENT

Recommended Text & Reading List

- Robert Steiner - Mastering Repos market *A Step by Step Guide to the Products, Applications and Risks* FT Pitman Publishing, Market edition 1997
- Robert Steiner - Mastering Market Calculations *A Step by Step Guide to the Mathematics of the Markets* FT Pitman Publishing, market editions 1997
- Julian - Introduction to Foreign Exchange and Money Markets, Askeaton Press London 1996
- Robert Steiner - Mastering Financial Calculations: *A Step by Step Guide to the Mathematics of the Markets*. FT Pitman Publishing, Market edition 1997
- Paul Roth - Mastering Forex and Money Markets *A Step by Step Guide to the Products, Applications and Risks*. FT Pitman Publishing Market edition 1997
- Collier P.A.
Cooke, T.E &
Glynn J.J. - Financial & Treasury Management, Oxford: Heinemann Professional book. In Association with CIMA
- Sutherland J.
Canwel D. - Financial Transactions: Costing & Pricing London: Hoothers & Stoughts 1996
- Vince, Ralph - The Mathematics of money Management: Risk Analysis Techniques for Traders. NY Chichester; Wiley 1992
- Kolb, R.W. - Financial Derivatives: Englewood Cliffs N.J. London-Prentice 1993
- Ritter, L.S. &
Silber W.L. - Principles of Money, Banking & Financial Markets 7th ed. N.Y. Basic Books
- Tiner; J.I. &
Conneely J.M. - Accounting for Treasury Products: A Practical Guide to Accounting, Taxation & Risk Control 2nd ed.

- Back, P.L. - Corporate Cash Management. Cambridge Woodhood 1988
- Dickson
G.C.A. et al - Corporate Risk Management. Published for Inst. of Risk
Management by Witherby 1989
- Errington
Charles - Financial Engineering: A Handbook for Managing the Risk-
Reward Relationship. Basingstoke: Macmillian 1993
- Hull John - Introduction to Futures & Options Markets. 2nd ed. London:
Prentice-Hall Int'L ed.

In addition to the recommended texts, the following are also recommended:

- (a) CBN Monetary Guidelines
- (b) CBN Annual Report
- (c) FX Guidelines
- (d) Federal Government Budget Breakdown.

7.1.3 ASSETS AND LIABILITIES MANAGEMENT (ALM)

1 Assets and Liabilities Management: An Overview

- Introduction
- Organization
- Requirements for Effectiveness
- Decision - Making
- Techniques & Strategies
- Design and Implementation
- Auditing the process
- Regulatory Issues
- Prudential Guidelines

2 ALM Mathematics

- Pricing Securities
- Mathematics of Interest rate
- Duration and Price Volatility (include Transfer pricing)
- Money Market Yields
- Determinants of Interest rate
- Rationalisation
- Loanable Funds Theory
- Inflation and Interest Rate Levels
- Interest Rate and Business Cycles
- Marketability, Default risk and Liquidity
- Rate Sensitivity Analysis
- Managing Interest Rate Risk
- Gap Analysis
- Gap Versus Duration Model

3 ALM and Risk Management

- Derivatives
- Forward-based derivatives
- Swaps, Futures and Options
- Impact of Derivatives

4 ALM and Liability Management

- Components and measures of Liquidity
- Cash and Liquidity Requirements
- Liquidity Profitability Continuum
- Uses and importance of Maturity ladder matrix
- Planning your liquidity
- Liquidity Crisis

5 Determination of Cost of Funds

- Evaluating cost of Bank Funds
- Marginal Cost Concept
- Marginal Cost in Transfer Pricing
- Funding Costs and Bank Risks
- Controlling non-interest Expense

6 The Balance Sheet

- Structure, complexity and analysis
- Off balance Sheet Activities
- Bank Ratings
- Non-Interest Income

7 Strategic ALM

- Capital Adequacy
- Capital and Profitability Management

- Capitalisation, Distress and Bank Management

8 Management Information Requirement

- Treasury Management and ALM reports
- Interpreting the Reports

9 Current Issues in ALM

- Capitalisation
- Distress Management

** Students are advised to be abreast with current events.

Assets and Liabilities Management

Recommended Texts & Reading List

- M.C. Huizer - The ALM function Homewood III Dow Jones Irwin 1991
- Platt Robert - Controlling Interest Rate Risk: New Techniques & Applications for Money Management New York John Wiley & Sons 1986
- Stigum M. et al - Managing Bank Assets and Liabilities Homewood III Dow Jones – Irwin 1983
- Bullock;C.P. - Bank Funds Management London 1992
- Gardner; M. et al - Managing Financial Institutions: An A&L approach 2nd ed.
- Nwankwo; G.O. - Bank Management: Principles and Practice London 1992
- ” - The Prudential Regulation of Nigerian Banks
- Koch; T.W. - Bank Management 2nd edition
- Cassidy Dan - Liability Exposures Witherby 1989 (published for Institute of Risk Management)

7.1.4 LAW AND ETHICS

1 Banking Laws

- Statute and Regulations
- Guarantees and Indemnities
- Properties Rights and Interests
- Company and Partnership Law
- Agency
- Contracts
- Bankruptcy Law
- The Legal Nature of the Banker and Customer Relationship.
- Arbitration Act.

2 Law Relating to Money Market Operations

- Negotiable Instruments
- Foreign Exchange Decree
- Money Laundering Decree
- Foreign Investment Commission Decree of 1995.

3 Regulations, Supervision and Compliance

- Role of CBN, NDIC & Securities and Exchange Commission
- Structure & Activities of Regulatory & Self Regulatory Agencies
- Method & Powers of Regulatory & Self Regulatory Agencies
- Compliance Issues
- Trends in Regulatory & Compliance Issues

- Code of Banking Practice

4 FX and Domestic Currency Transaction Procedures

- General Considerations
- Transaction Details
- Rights and Obligations
- Credit Procedures
- Settlement Rules
- Settlement of Differences, Compensation and Disputes
- Guidelines on 2-Way Quote Dealing System
- Dealing Procedure in the Secondary Money Market and Open Market Operations

5 Law & Ethics - A Review of The Issues

- Ethical & Professional Conduct
- Personal Morality vs Business Morality
- The need for Ethical Statement for Financial Institutions.

LAW AND ETHICS

Recommended Texts & Reading List:

- | | | |
|--|---|---|
| Adewunmi, Wole | - | Ethics in the Financial Services Business
(The CIBN Press Limited, 1998 |
| Ajomo, M.A. (ed) | - | General Principles of Law for Professional
Exams. University Press Ibadan. |
| Davies, PWF | - | Current Issues in Business Ethics London
Routledge, 1997 |
| Central Bank of Nigeria | - | Foreign Operations Manual |
| “ “ “ “ | - | Fiscal and Monetary Policy Circulars |
| “ “ “ “ | - | Decree No. 24 |
| “ “ “ “ | - | Bankers Tariff |
| “ “ “ “ | - | Guideline on Discount Houses |
| “ “ “ “ | - | Guideline on Clearing House |
| Nigeria Interbank Settlement
System | - | Guidelines/Operations Manual |
| Elegido, J.E. | - | Fundamentals of Business Ethics Lagos
Business School Management Series |
| Federal Government of Nigeria | - | Bank and Other Financial Institutions
Decree |
| “ “ “ “ | - | Companies and Allied Matters Decree |
| “ “ “ “ | - | The Foreign Exchange Decree 1995 |
| “ “ “ “ | - | Money Laundering Decree |
| “ “ “ “ | - | The Chartered Institute of Bankers Decree
1990 |
| “ “ “ “ | - | Arbitration Act. |
| Money Market Association of
Nigeria | - | Constitution |
| “ “ “ “ | - | Code of Conduct |
| “ “ “ “ | - | Guidelines on Foreign Exchange Trading
Activities |
| “ “ “ “ | - | Senior Treasurers Retreat Publication |
| CBN/NDIC | - | Financial Distress in Nigeria |
| Wole Adewunmi et al | - | Data Processing and Management |

Further Reading

- | | |
|------------------|---|
| Paul Hersy et al | - Management of Organisational Behaviour |
| Baly; M.E. | - Professional Responsibility 2 nd ed.
Chichester Wiley |
| Callaham, J.C. | - Ethical Issues in Professional Life NY:
Oxford University Press 1988 |
| Chry Ssides, G.D | - An Introduction to Business Ethics
London Chapman & Hall 1993 |
| Griffiths, A.P | - Ethics - Cambridge University Press 1993 |
| Walton, C.C. | - Corporate Encounter: Ethics, Law & the
Business Environment 1 st ed. Forth Worth:
Dryden Press |
| Adeniji O.A. | - Law Relating to Banking 1986 |
| O. Sagay | - Law of Contract |
| Perry E.F. | - Law & Practice of Banking |
| Drucker, P.F. | - Management-Tasks, Responsibilities
Practices |
| Koontz et al: | - Principles of Management |

7.2 Part Two: Dealership Practicals (Bourse Game)

7.2.0 Dealership Practicals

Module I : Securities Trading

- Introduction to Securities Trading
- Types of Markets
- Types of Short term Securities
- Participants in the Market
- Types of Transactions
- Structure/Trending of Rates
- Factors Affecting Interest Rates
- Risk & Controls in Securities Trading
- Dealing in financial Super Products.

Module II : Foreign Exchange and Money Market Dealing

- Introduction to FX and Money Market
- Factors Affecting Interest Rate and Exchange Rate
- Risks and Controls in FX and Money Market
- Spot and Forward FX
- Cross Rate
- Swap Rate
- FX and Money Market Products
- Dealing in FX and Money Market Products
- Dealing in Financial Derivatives