

swedsec

Specialists

PROFICIENCY REQUIREMENTS LICENSING EXAMINATION

1 JANUARY 2023

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Introduction

Background

Swedsec's mission is to create a high level of knowledge, regulatory compliance and good ethics among employees on the financial market by demanding licensing and regulatory compliance for continued licensing. Swedsec's vision is to provide for a high level of confidence in the finance market. A prerequisite for such confidence is that personnel working on the finance market possess adequate knowledge and skills to carry out their duties. The licensing requirement covers different categories of employees with varying work duties and roles within the company's affiliated to Swedsec.

Target groups

Proficiency requirements as regards the licensing exam for specialists have been determined primarily based on the knowledge which ought to be required of professional categories who engage in various types of specialist functions, e.g. fund and portfolio management, analysis and securities trading. More information about the target group is provided in Swedsec's Rules and Regulations, Chapter 3, section 1, category C.

The proficiency requirements constitute a basic level of proficiency which all licence holders in the target group must possess. This does not, of course, preclude the possibility that, as a consequence of her or his work duties and position, an employee may require in-depth and/or additional knowledge over and above that which is covered by these proficiency requirements. It is the responsibility of the affiliated company to assess what is appropriate based on the employee's work duties.

Structure and function of the proficiency requirements

The proficiency requirements are divided into sections (subject areas), subsections, and checkpoints. A checkpoint specifies what the licence holder is expected to master within a given, relatively small field of knowledge. Every single item in the licensing examination is directly linked to a checkpoint in this document.

The proficiency requirements are intended to function as a support, among other things when developing relevant syllabuses and also to serve as a basis when setting examination questions. In addition, they are designed to give an overview of what is expected of a licence holder. It is the task of professional training providers to interpret the proficiency requirements and develop a relevant and instructive course based on such interpretation.

Changes to proficiency requirements

The applicable proficiency requirements are available on www.swedsec.se. A review is conducted annually and as required. Changes to the proficiency requirements are published on www.swedsec.se after a decision has been taken. It is the responsibility of each individual professional training provider to stay abreast of the most recent version.

Structure of the licence proficiency

The licensing exam is divided into the following three areas:

1. Financial instruments, markets and trading
2. Economic analysis

3. Ethics and rules and regulations

The section 'Ethics and rules and regulations' covers knowledge of the rules applicable to the operations as well as ethical issues such as privacy, maintaining a distance from impermissible activities, and deciding what may be appropriate. In contrast to the area of rules and regulations, the ethics area is not suitable in all respects for a proficiency examination based essentially on questions with multiple-choice answers. Therefore, as a supplement to the examination the annual proficiency update will normally include ethics/practical cases where the licence holder is given the opportunity to discuss and take decisions regarding ethical issues and dilemmas, where there is not always any obvious right or wrong answer.

Exam structure

The licencing exam for specialists consists of 30 standard questions from each section. The examination thus comprises a total of 90 standard questions. All standard questions have undergone thorough quality control in terms of facts, quality, and language. In addition, all questions have been trialled and analysed using statistical methods. This is done by including five as yet unapproved questions from each section, the answers to which do not influence the final score. The candidates' answers to these questions will therefore not be included in the final score, but will be stored for statistical analysis. score. The candidates' answers to these questions will be stored for statistical analysis and, following careful assessment, may thereafter be included in tests as ordinary questions. It is not evident from the test which questions are standard and which are being trialled. The candidate thus answers a total of 105 questions, 90 of which determine the candidate's score.

To pass the licensing exam, a candidate must have an overall score of at least 70% correct answers and at least 60% correct answers in each section.

Cognitive levels, weight and size

The cognitive levels describe the degree of complexity of the questions.

Level	Definition
Recall (R)	A candidate is required to recognise and remember concepts, definitions, and facts.
Comprehend (C)	A candidate is required to understand and be able to explain various connections and contexts.
Apply (A)	A candidate is required to be able to apply, for instance, formulae, rules, statutes, and methods

For each checkpoint, there is a mark defining the cognitive level that the candidate must achieve regarding the knowledge in question. The level is denoted by the initial letter in the name of the level: R, C or A. The cognitive levels are interrelated and closely connected. If, for instance, a checkpoint refers to the cognitive level Apply, there will be marks in the columns for Recall, Comprehend and Apply. It is thus assumed that if a licence holder is able to analyse a certain piece of knowledge, he or she is also be able to apply it, understand it, and is familiar with it.

The matrices for each checkpoint state the checkpoint's size and weight. A large checkpoint involves a greater proficiency requirement, and consequently the licensing exam will probably include more questions on such checkpoints. A checkpoint can have weight 1 or 2, where weight 2 is the highest weight, which also influences the number questions in the licensing exam.

Section 1 – Financial instruments, markets and trading

Section 1 covers knowledge regarding different financial instruments, markets and trading. A licence holder must be proficient as regards concepts, definitions and the structure of various financial instruments. The licence holder must also be proficient regarding the important parts of the transaction chain, i.e. the way in which trading takes place in different instruments and on different markets; the way in which performed transactions are cleared and settled; and rules governing holdings of financial instruments. Accordingly, the licence holder must be well acquainted with the securities administration processes. A licence holder must be able to apply this knowledge in his or her relations with clients and relations with counterparties on the market.

In the capacity of a specialist, greater in-depth understanding of these issues is required and the licence holder must also be able to apply the knowledge in his or her day-to-day work.

The finance market's functions and parties

The parties and their function on the retail market

The licence holder must understand the functions of banks, fund management companies, insurance companies and investment firms for the savings and pensions of retail clients.

The parties and their function on the institutional market

The licence holder must understand the functions of investment banks, asset managers, brokers, market makers and trading venues on the institutional market.

Checkpoint	Weight	Size	Cognitive level
The parties and their function on the retail market	1	Small	C
The parties and their function on the institutional market	1	Small	C

Fixed income instruments

Money market instruments

The licence holder must understand the most common money market instruments such as certificates of deposit and treasury bills. In addition, the licence holder must understand the various types of fixed income certificates on offer.

Bonds

The licence holder must understand long fixed income investments commonly available on the market as well as their basic characteristics, primarily government bonds, covered bonds, Floating Rate Notes (FRN), inflation-linked bonds and corporate bonds with different credit risks. The licence holder must also be familiar with the characteristics of Eurobonds and subordinated bonds. The licence holder must also understand the role of the different rating agencies and how they set credit ratings.

Sustainable bonds

The licence holder must be familiar with what characterises green, social, and sustainable bonds as well as how they differ from traditional bonds. The licence holder must be familiar with what characterises a sustainability-linked bond and how it differs from green, social, and sustainable bonds.

The licence holder must also be familiar with Green/Social Bond Principles and Sustainability-Linked Bond Principles.

Bond issues

The licence holder must be familiar with the different issuers on the Swedish bond market – the State, home loan institutions, banks, municipalities and county councils, as well as non-financial undertakings. The licence holder must be familiar with how bonds are normally issued on the Swedish bond market – regular auctions via the Swedish National Debt Office, sales by authorised distributors as well as directed placements. The licence holder must also be familiar with the purport of scheduled programmes (Medium Term Notes, MTN).

Repos (repurchase agreements)

The licence holder must know what a repo and reverse repo are, the identity of the parties on this market, and the various areas of use of repos.

Fixed income derivative instruments

The licence holder must be familiar with the common fixed income derivative instruments traded on the market, their basic characteristics and how they are used. This applies primarily to

- interest futures and FRAs (Forward Rate Agreements);
- interest swaps including OIS (overnight index swaps);
- CDS (Credit Default Swaps)

Checkpoint	Weight	Size	Cognitive level	
Money market instruments	2	Large	R	C
Bonds	2	Large	R	C
Sustainable bonds	2	Large	R	
Bonds issues	2	Large	R	
Repos (repurchase agreements)	2	Small	R	
Fixed income derivative instruments	1	Large	R	

Shares and share-related instruments

Shares, convertible instruments and subscription rights

The licence holder must understand the difference between ordinary shares and preference shares and between class A and class B shares.

The licence holder must be familiar with

- what warrants and convertible instruments are;
- the pricing of these instruments; and
- when it is appropriate, from an investor perspective, that these rights are attached to the instrument.

Share derivatives

The licence holder must understand the functioning of the common types of share derivatives traded in the market, i.e. options, forwards and futures. The licence holder must also understand the effects of combinations of such derivative instruments or underlying assets. Accordingly, the licence holder must be able to interpret a profit and loss diagram. The licence holder must understand the option concepts of at-the-money, in-the-money, and out-of-the-money. In addition, the licence holder must understand share swaps and the compensation received and payment made by the parties in such a contract.

Exchange listing

The licence holder must be familiar with the usual reasons why a company chooses to list on an exchange.

If the company carries out a new issue in connection with the listing, an IPO (Initial Public Offering), the terms bookbuilding, oversubscription option, subscription commitment, issue underwriting and lock-up are relevant. The licence holder must understand the meaning of these terms.

The licence holder must understand the connection between stabilisation and over-allotment options in connection with an IPO, as well as the requirements applicable to such phenomena.

Checkpoint	Weight	Size	Cognitive level	
Shares, convertible instruments and subscription rights	2	Large	C	
Share derivatives	2	Large	C	
Exchange listing	2	Large	R	C

Structured investments

Structured investments

The licence holder must understand the structure of the most common structured investments such as capital-protected investments, market investments and also leveraged investments such as warrants, mini futures and leverage certificates and CFD (Contracts for difference). The licence holder must be familiar with the different risks associated with investments, particularly issuer risk and liquidity risk as well as risks such as market risk. The licence holder must generally understand how the structure of the different investments, for example the occurrence of capital protection, barriers, coupons or leverage, affect both possibilities of return as well as risks. The licence holder must also be familiar with the costs that are associated with each product and how these can affect the return.

Checkpoint	Weight	Size	Cognitive level	
Structured products	2	Large	C	

Funds

Net asset value calculation, fees and risk measurement in funds

The licence holder must understand how a fund's NAV (Net Asset Value) is calculated. The licence holder must understand different fee concepts associated with investments in funds, e.g. annual fee, management fee and what is referred to as the "Norman amount". The licence holder must be aware of the way in which fees

affect the return over time and the fact that fees are always deducted when return is shown. The licence holder must be familiar with the most common measurements of risk used with respect to funds.

Fund categories and types of funds

The licence holder must be familiar with the characteristics of different categories of funds such as equity funds, mixed funds, fixed income funds and hedge funds, how they differ from each other, and which regulations are applicable to them. The licence holder must also be familiar with the characteristics of non-UCITS funds, alternative investment funds (AIF), and other funds. In addition, the licence holder must understand the difference between exchange traded funds (ETFs) and traditional funds, and be familiar with the way in which exchange traded funds are structured.

Various ways to take sustainability into consideration in investments

The licence holder must be familiar with the most common methods that fund managers can use for conducting sustainability work, e.g. the exclusion of investments from the portfolio, choosing sustainable investments and endeavours to directly influence the company through active participation at shareholder meetings, in dialogues, or via other forums. The licence holder must also be familiar with the concept of “transition” and how it can be applied in respect of sustainable investments.

Information regarding sustainability in funds

The licence holder must be aware of where it is possible to obtain information about the sustainability work in the fund management that is conducted, e.g. in the funds’ information brochures, through the Sustainability Profile or via a service provider (such as Morningstar), and must be familiar with metrics such as carbon intensity.

The licence holder must be familiar with the disclosure regulation (SFDR), its purpose, and which types of financial products and services are covered. The licence holder must be familiar with the disclosure regulation’s definition of financial products which (1) promote environmental or social characteristics in accordance with Article 8 (known as light green) or (2) have sustainable investment as their objective in accordance with Article 9 (known as dark green), as well as how the requirements for client information differ between the various categories of funds.

The licence holder must also be familiar with the two categories of sustainability indices and the difference between the: EU Climate Transition Benchmarks (CTB) and EU Paris-aligned benchmarks (PAB).

Checkpoint	Weight	Size	Cognitive level	
NAV calculation, fees and risk measure in funds	2	Large	R	C
Fund categories and types of funds	2	Large	R	C
Fund management sustainability work	2	Large	R	
<u>Various ways to take sustainability into consideration in investments</u>	<u>2</u>	<u>Large</u>	<u>R</u>	
<u>Information regarding sustainability in funds</u>	<u>2</u>	<u>Large</u>	<u>R</u>	

Trading in financial instruments and currencies

Different types of trading venues

The licence holder must understand what a regulated market, OTF platform and an MTF platform are, as well as the principal legal differences between these types of trading venues. In addition, the licence holder must know what a systematic internaliser is.

Stock market trading

The licence holder must be generally familiar with how the listing requirements for companies listed on a Swedish regulated market (e.g. NASDAQ Stockholm or NGM Equity) differ from corresponding requirements with respect to a Swedish trading venue (e.g. First North, Nordic MTF or Spotlight Stock Market) and that all trading in shares admitted to trading on a regulated market or trading venue must, as a main rule, take place on such a marketplace or through a systematic internaliser. The licence holder must also understand the role played by liquidity guarantors.

Bond market trading

The licence holder must understand how trading is carried out on the Swedish bond market, including trading on the interbank market and trading in which all categories of investors have a possibility to participate. The licence holder must understand the role played by market makers in respect of trading on the interbank market. The licence holder must also understand the different roles of issuers and investors on the bond market and how they typically act on this market.

The Swedish Securities Market Association has issued a recommendation entailing that Swedish institutions that trade in bonds (in SEK) shall jointly disclose certain information (total volume, highest and lowest price, etc.) at the end of each trading day. The licence holder must be familiar with what is to be disclosed and when reporting/publication must take place.

Forex trading

The licence holder must be familiar with forex trading and how currencies or currency derivatives are traded on the Swedish and international currency markets. The licence holder must understand the meaning of the terms spot rates, forward rates and cross rates. The licence holder must understand the quoting of bid-offer spreads and how forward rates are quoted as bid-offer margins against spot rates. The licence holder must also know how cross rates are quoted. The licence holder must understand the connection between spot prices and forward prices.

Commodities trading

The licence holder must be familiar with the most common commodities derivatives available on the Swedish market and their basic functions.

Trading in different types of financial instruments

The licence holder must understand the way in which trading takes place in financial instruments on markets other than the stock market, bond market, currency market and commodities market. This applies particularly to trading in financial instruments such as warrants, exchange traded fund units (ETFs), exchange traded certificates, and other types of structured products (both principal-protected and non-principal-protected).

Algorithmic trading

The licence holder must know what is meant by the terms algorithmic trading, algorithmic high-frequency trading, smart order routing, and direct electronic access. The licence holder must know that a securities

institution which engages in algorithmic trading must have in place systems and controls that ensure that the institution's trading system is resilient, has sufficient capacity and prevents incorrect orders.

Order processing

The licence holder must understand the rule that an undertaking which executes client orders must take all necessary measures to achieve the best possible result for the client. The licence holder must also know that the undertaking's guidelines regarding execution of client orders must state the manner in which client orders are executed and the marketplaces which the undertaking uses. The licence holder must also be aware that, upon request by the client, the undertaking must be able to demonstrate that the client order has been executed in accordance with the guidelines.

The licence holder must also understand what the rules regarding the execution of a client's order entail in terms of order placement sequence, aggregation and allocation entail.

Short selling

The licence holder must understand what short selling means and how it is carried out in practice. The licence holder must be familiar with what a short net position entails, which financial instruments must be included in the calculation of a short net position, what is required in order for short selling to be permissible in respect of shares mainly traded on a trading venue within the EU, and what is meant by liquid shares.

Trading rules and market supervision

The licence holder must be familiar with the operations conducted on the Swedish trading venues and the most important aspects of the rules and regulations applicable to trading on those trading venues, particularly with respect to order placement, reporting of manual trades and cancellation of trades and where one can find so-called trading information. Finally, the licence holder must understand the role and duties of market supervision and the measures that market supervision may take.

Checkpoint	Weight	Size	Cognitive level	
Different types of trading venues	1	Small	R	C
Stock market trading	2	Large	R	C
Bond market trading	2	Large	R	C
Forex trading	1	Large	R	C
Commodities trading	1	Small	R	
Trading in other types of financial instruments	2	Small		C
Algorithmic trading	2	Large	R	
Order processing	2	Large	R	C
Short selling	1	Small	R	C
Trading rules and market supervision	2	Small	R	C

Account operations, clearing and settlement

Securities accounts and the VPC system

The licence holder must understand the difference between a holding being directly registered on an account at Euroclear Sweden and being held on a custody account at a securities institution, as well as the commercial and administrative reasons that may justify a client choosing an account or a custody account. The licence holder must understand the difference between a financial instrument being registered on an account in Sweden or abroad.

Delivery rules and settlement

The licence holder must be familiar with the delivery rules applicable in connection with the settlement of transactions in different types of financial instruments. The licence holder must also be familiar with the rights and obligations of clients and institutions in connection with the settlement of a securities transaction. The licence holder must be familiar with the more important events surrounding clearing of exchange traded derivatives and how different types of exercise may affect an option holding.

Reporting and reconciliation of transactions

The licence holder must understand the requirements for reporting transaction, contract notes, as well as the special rules governing confirmations and reconciliations in connection regarding with derivative transactions.

Checkpoint	Weight	Size	Cognitive level
Securities accounts and the VPC system	2	Small	C
Delivery rules and settlement	1	Small	R
Reporting and reconciliation of transactions	2	Small	C

Information requirements on the securities market

Prospectuses

The licence holder must know when a prospectus must be prepared, be familiar with which main areas must be addressed in a prospectus, and know where investors can find prospectus information.

Key investor information documents

The licence holder must be familiar with the general rules regarding key investor information documents with respect to funds and PRIIP (packaged retail investment and insurance-based investment products) and the type of customers and products covered by the rules. The licence holder must also be familiar with which information must be stated in the key investor information document. The licence holder must also understand the difference between key investment information documents, marketing materials, product sheets and other information produced for products. In addition, the licence holder must understand how and when different types of information must be presented to the client.

Flagging (threshold notification) rules

The licence holder must understand the following aspects of the applicable threshold notification rules in Sweden: which persons (including closely associated parties) are covered by the statutory threshold notification rules; the applicable threshold levels; the parties to whom reporting must take place and the

reporting deadlines; as well as the main rules as to which instruments and types of positions are subject to the notification obligation rules.

Reporting and public disclosure of short selling transactions

The licence holder must understand when and how short positions in shares, certain fixed income instruments or credit instruments must be reported to the Swedish Financial Supervisory Authority or another regulatory authority within the EEA, and when and how such positions must be made public. The licence holder must be familiar the publicly available information regarding short positions.

Transaction reporting

The licence holder must be aware of the fact that transactions in financial instruments must be reported to the Swedish Financial Supervisory Authority or other regulatory authorities within the EEA, and must be generally proficient in the requirements applicable to transaction reporting.

Position reporting of derivative transactions and transactions for securities financing

The licence holder must be aware of the fact that derivative positions and transactions for securities financing must be reported to Trade Repositories. The licence holder must be generally proficient in the applicable requirements and regarding the more important Trade Repositories.

Public disclosure of inside information

The licence holder must know that listed companies are obliged to publicly disclose inside information, and know where such information is available.

Checkpoint	Weight	Size	Cognitive level	
Prospectuses	2	Small	R	
Key investor information documents	2	Large	R	C
Flagging rules	2	Small		C
Reporting and public disclosure of short selling transactions	1	Small	R	C
Transaction reporting	1	Small	R	
Reporting of derivative transactions and transactions for securities financing	1	Small	R	
Public disclosure of inside information	1	Small	R	

Section 2 – Economic analysis

Section 2 covers macroeconomic analysis, financial statistics, valuation of fixed income and derivative instruments, share valuation and company valuation, as well as portfolio theory. The central theme in this section concerns anticipated return and risk, in respect of both individual assets as well as portfolios of assets. Anticipated return requires a valuation. Valuation of different types of financial instruments, such as bonds and shares, requires in turn an understanding of both anticipated cash flows and as regards the selection of applicable return requirement, which in turn requires an understanding of the fundamentals of the portfolio theory analysis apparatus. Portfolio theory is, in turn, based on methods and results within financial statistics. Finally, the macroeconomic analysis provides conditions for improved assessments of future anticipated cash flows and improved understanding of overall systematic risks in the economy – knowledge which facilitates day-to-day risk management.

Macroeconomic analysis

Macroeconomic concepts and definitions

The licence holder must understand the most important items in a country's balance of resources and balance of payments. The licence holder must also understand the concepts of GNP, GNI, public and private savings, CPI, inflation, money supply and exchange rate policy.

Economic growth and business cycles

The licence holder must understand the concepts of economic growth, production gap, boom and bust. The licence holder must understand the aggregated demand and aggregated supply model, and be able to apply such an AS/AD model in order to analyse the economic effect of demand shocks and supply shocks in the short-term and long-term.

Keynesian business cycle policy

The licence holder must understand the fundamental ideas behind the Keynesian view of stabilisation policy. In particular, the licence holder must understand the multiplier effect of changes in demand and explain how this provides scope for finance policy measures to stimulate or dampen economic activity. The licence holder must understand how finance policy measures are normally financed as well as the connection between budget deficit and government debt.

Monetary policy and central banks

The licence holder must be familiar with the instruments at the disposal of a central bank in order to actively conduct monetary policy and understand how the credit multiplier functions. The licence holder must be familiar with the Swedish Central Bank's monetary policy goals and, in general terms, the corresponding goals of the ECB and Federal Reserve.

Inflation and unemployment

The licence holder must understand the Phillips curve, i.e. the relationship between inflation and unemployment in the short-term and long-term. The licence holder must understand the role of expectations in this relationship and be familiar with the way in which, and why, opinions regarding the Phillips curve as a reason for economic policy measures have changed over time.

The open economy

The licence holder must understand the concepts of foreign debt, floating exchange rates, fixed exchange rates, currency flows, depreciation and appreciation, interest parity, and currency union. The licence holder must also be able to understand in what way, and why, a floating exchange rate affects the possibility to conduct active monetary policy in a small, open economy such as Sweden.

Checkpoint	Weight	Size	Cognitive level
Macroeconomic concepts and definitions	2	Large	C
Economic growth and business cycles	2	Large	C A
Keynesian business cycle policy	2	Large	C
Monetary policy and central banks	2	Large	
Inflation and unemployment	2	Large	C
The open economy	2	Large	C

Financial statistics

Averages (arithmetic and geometric mean values)

The licence holder must understand the concepts of arithmetic and geometric mean values, understand the situations in which each measure can be used, and be able to apply each measure in calculations.

Spread measure (variance and standard deviation)

The licence holder must understand the concept of variance and standard deviation and how these measures can be used in order to quantify risk. The licence holder must also be able to apply this knowledge in calculations.

Covariance (correlation)

The licence holder must understand the purport of the concept of correlation and be able to apply it when calculating portfolio risk.

Probabilities and normal allocation

The licence holder must understand the concept of probabilities; understand characteristics of normal allocation; and be able to apply such allocation in calculations of probabilities as regards outcomes within certain standard deviation ranges. The licence holder must understand how, with the help of normal allocation, to assess the probability of loss on a financial investment.

Regression analysis

The licence holder must understand how a regression analysis is carried out, be generally familiar with the way in which such an analysis can be used in economic analysis, and understand the concepts of intercept, slope coefficient, and explanation value.

Checkpoint	Weight	Size	Cognitive level
Averages (arithmetic and geometric mean values)	2	Small	C A
Spread measure (variance and standard deviation)	2	Small	C A

Covariation (correlation)	2	Small	C	A
Probabilities and normal allocation	2	Small	C	A
Regression analysis	2	Small	R	C

Analysis and evaluation of fixed income instruments

Interest concepts

The licence holder must understand how to calculate simple interest, compound interest, nominal interest and inflation-linked interest, and the situations in which each measurement is useful. The licence holder must also understand the concept of present value.

Valuation of bonds

The licence holder must understand the concepts of coupon rate and yield to maturity (“yield”) and understand and be able to apply the formula as to how the price of a coupon bond with a fixed coupon rate and without credit risk is to be calculated. The licence holder must understand and be able to explain how this price is affected, in general terms, by changes in coupon rate, term to maturity or yield. The licence holder must understand the concept of credit spread, be familiar with how the different rating agencies on the capital market set credit ratings, and how the different credit ratings affect the prices and risks of bonds with credit risk compared with corresponding bonds without credit risk.

Rate sensitivity and duration

The licence holder must understand the concept of duration; be able to explain how duration can be interpreted as a measure of rate sensitivity; and understand how, in general terms, duration is affected by changes in coupon rate, term to maturity or yield. The licence holder must also be familiar with the assumptions under which duration is an appropriate measure of rate sensitivity.

Yield curve

The licence holder must understand the way in which the yield curve, i.e. the difference between yields with different terms to maturity, is to be interpreted. In particular, the licence holder must understand the way in which monetary policy and inflation expectations affect the appearance of the curve, the so-called expectations hypothesis model in respect of the curve’s slope. The licence holder must understand the concepts of spot rates, interest rate futures and zero coupon rate.

Checkpoint	ight	Size	Cognitive level		
Interest concepts	2	Small	C		
Valuation of bonds	2	Large	R	C	A
Rate sensitivity and duration	2	Small	R	C	
Yield curve	2	Large	C		

Analysis and valuation of derivate instruments

Risk management using futures contracts

The licence holder must understand the way in which long and short positions in futures contracts change the risk exposure in a position in the underlying asset, and how an investor can use futures instruments in order to manage risks. The licence holder must be able to apply this knowledge in practical calculations.

Risk management using option contracts

The licence holder must understand the way in which held or issued positions in call options or put options change the risk exposure in a position in the underlying asset and how an investor can use options in order to manage risks. The licence holder must be able to apply this knowledge in practical calculations.

Fundamental valuation of options

The licence holder must understand the way in which the value of a call option, in general terms, is affected by the price of the underlying asset, the strike price, the term to expiry, volatility of the underlying asset, and the risk-free rate of interest. In addition, the licence holder must be familiar with the concept of put-call-parity and how put-call-parity relates the prices of call and put options to each other. Finally, the licence holder must understand the concepts of real value and time value.

Checkpoint	Weight	Size	Cognitive level	
Risk management using futures contracts	2	Large	C	A
Risk management using option contracts	2	Large	C	A
Fundamental valuation of options	2	Large	R	C

Company valuation

The dividend model

The licence holder must understand the dividend model for share valuation (Dividend Discount Model). The licence holder must understand the connection between the general dividend model and the Gordon model and be able to apply the Gordon model in practical calculations.

The cash flow model

The licence holder must understand the cash flow model for company valuations (Discounted Cash Flow Model). The licence holder must understand the concepts of unrestricted cash flow, enterprise value and net debt. The licence holder must also understand the way in which a forward-looking valuation model can be divided into two prognosis periods and what, in this context, is meant by the concept of horizon value. The licence holder must be able to apply the cash flow model in practical calculations.

Capital costs

The licence holder must understand the importance of capital costs in a valuation context; understand the concept of weighted capital cost and its constituent elements; and be able to apply this knowledge in practical calculations.

Measurements of profits, capital and cash flows

A number of different measurements of profit, capital and cash flows are available in conjunction with company valuations and credit analyses. The licence holder must be familiar with the most commonly occurring measurements and understand their relationship to each other. The licence holder must understand which income statement items are included in the profit measurements:

- Operating profit before depreciation and amortisation (EBITDA)
- Profit before net financial items (EBIT)
- Profit before tax (EBT, Pretax profit)
- Net profit for the year (Net Profit)

The licence holder must understand how the relationship between the measurement 'Profit after net financial items' and the above profit concepts. The licence holder must know what the measurement 'Other comprehensive income' (OCI) measures and how it is reported in the income statement. The licence holder must also understand the difference between EBITDA and Free Cash Flow and the difference between Free Cash Flow and the measurement 'Cash flow for the year after financing activities', which is found in companies' cash flow statements.

The licence holder must understand which balance sheet items are included in measurements of capital:

- Total Capital
- Capital Employed
- Net Operating Assets or Invested Capital

Working capital

The licence holder must understand the mutual relationship between these three measurements of capital.

Key performance indicators in conjunction with company analyses

The licence holder must understand how the most important financial key performance indicators in conjunction with company analysis and valuation are calculated. These key performance indicators include the four profitability measurements:

- Return on total capital (ROA, ROTC)
- Return on capital employed (ROCE)
- Return on operating capital (ROOC, ROIC)
- Return on equity (ROE)

In addition, the licence holder must understand the calculation of the three margin measurements:

- Operating margin, EBIT margin
- EBITDA margin
- Pretax profit margin, EBT margin

as well as the five financial measurements:

- Equity/asset ratio
- Debt/equity ratio
- Net debt/equity ratio
- Net debt/EBITDA
- Interest coverage ratio

The licence holder must also understand the connection to leverage or the connection to return, i.e. how the return on equity depends on the return on capital employed, on the debt/equity ratio and the borrowing rate. The licence holder must understand what this connection looks like also when employing return on operating capital as a capital base.

Checkpoint	Weight	Size	Cognitive level	
The dividend model	2	Large	C	A
The cash flow model	2	Large	C	A
Capital costs	2	Small	C	A
Measurements of profit, capital and cash flows	2	Large	R	C
Key performance indicators in conjunction with company analyses	2	Large	C	

Portfolio theory

Anticipated return, realised return, and risk

The licence holder must understand the concept of anticipated return and be able to apply it in practical calculations. The licence holder must also understand the difference between anticipated return and realised return and the way in which this difference reflects the concept of risk.

Risk-free return and risk premiums

The licence holder must be familiar with what is meant by risk-free return, and how this is usually approximated in practice. A licence holder must understand what is meant by a forward-looking risk premium and be familiar with the way in which backward-looking historical data can be used to assess the size of various risk premiums.

Total risk and risk decomposition

The licence holder must understand the way in which total risk with respect to an asset or a portfolio is calculated and how it can be broken down into systematic risk and company-specific risk (unique risk). In addition, the licence holder must be familiar with the concept of factor risks, and understand in general terms how the systematic risk can, in turn, be divided into various factor risks.

Diversification and risk spread

The licence holder must understand the way in which diversification can reduce the total risk in a portfolio. The licence holder must understand the effects of diversification on both systematic risk and the unique risk in the portfolio, and thereby also understand how these two risks sources establish the floor as regards the degree to which the risk can be reduced in the portfolio. Finally, the licence holder must be familiar with the way in which the correlations between the assets influence the possibility to reduce risk through diversification.

Market risks

The licence holder must be familiar with the definition of the concept of market risk and its various components: price risk, interest rate risk, reinvestment risk and currency risk. The licence holder must also generally understand how these different types of risk may influence the client's investments.

Risks sources other than market risk

The licence holder must understand the concepts of counterparty risk, liquidity risk, credit risk and operational risk.

Efficient portfolios and the efficient frontier

The licence holder must understand two important and fundamental concepts of portfolio theory, namely efficient portfolios and the efficient frontier. The licence holder must be able to apply this knowledge in analyses of assets and portfolios.

CAPM and anticipated return

The licence holder must understand the Capital Asset Pricing Model (CAPM) and its constituent elements. The licence holder must be able to apply CAPM in practical calculations of return requirements. The licence holder must be generally familiar with the strengths and weaknesses of CAPM as a model for anticipated return.

Concepts within the area of asset management

The licence holder must understand the concepts of strategic and tactical allocation, active and passive management, alpha/beta separation, core/satellite investing, enhanced indexing and ALM.

Value at Risk and Expected Shortfall

The licence holder must understand how the Value at Risk (VaR) and Expected Shortfall measurements are calculated and how they are to be interpreted. The licence holder must also be familiar with the most common strengths and weaknesses of these two measurements.

Risk-adjusted measures of return

The licence holder must understand the way in which Alfa, Sharpe Ratio, Tracking Error and Information Ratio are calculated; how these measures are interpreted and in which situations the respective measure should be used. The licence holder must be able to apply this knowledge in analyses of portfolios. The licence holder must also understand the concept of active risk.

Various market indices

The licence holder must be familiar with the most commonly occurring types of indices that are used for measuring the performance of different markets. The licence holder must understand the difference between capital-weighted, price-weighted and equally-weighted indices as well as the difference between a price index and a return index. Finally, the licence holder must be familiar with the most common sustainability-focused equity indices, and understand in particular what the ESG index entails in terms of investment strategy.

Checkpoint	Weight	Size	Cognitive level	
Anticipated return, realised return, and risk	2	Small	C	A
Risk-free return and risk premiums	2	Small	R	C
Total risk and risk decomposition	2	Large	R	C
Diversification and risk spread	2	Small	R	C
Market risks	2	Large	R	C
Risks sources other than market risk	2	Small		C
Efficient portfolios and the efficient frontier	2	Large		C A
CAPM and anticipated return	1	Large	R	C A
Concepts within the area of asset management	1	Large		C
Value at Risk and Expected Shortfall	1	Small	R	C
Risk-adjusted measures of return	2	Large		C A
Different market indices	1	Large	R	C

Section 3 – Ethics and rules and regulations

Section 3 covers knowledge about regulations and ethical behaviour on the securities market. A licence holder must possess broad proficiency within the area and be able to use such knowledge as terms of reference in his or her work. In practice, this entails, among other things, that the licence holder must be familiar with concepts and definitions, and possess fundamental knowledge, regarding various commercial law rules surrounding the securities business, as well as knowledge of certain fundamental civil law statutes affecting the securities market. The subsections within the area are relatively independent of each other. However, one common feature of many subsections is that they are aimed, in a broader context, at protecting the health of the securities market and ensuring that public confidence in this market is maintained.

Basic ethics and regulations on the securities market

Basic ethical values and reporting of the company's violations of regulations

The licence holder must understand the main content of Guidance on ethical guidelines at securities institutions (dated 18 June 2013) issued by the Swedish Securities Dealers Association, i.e.

- what is meant by acting in accordance with an ethical standard;
- the concept of improper transactions; and
- how side-line work and other secondary activities are to be addressed.

The licence holder must also understand how he or she is required to act upon discovering any violation of regulations or irregularities within the undertaking.

- to whom to turn at the undertaking with a complaint regarding violation of regulations or irregularities; and
- be familiar with whistleblowing systems.

Undertakings' sustainability work

The licence holder must know that information about an undertaking's sustainability work is available in the undertaking's published sustainability report, that in the EU, sustainability reporting is mandatory for large companies, and that the sustainability reports ordinarily do not need to be reviewed by an auditor. The licence holder must understand the term "double materiality", the purpose of conducting a materiality analysis, and what conducting a materiality analysis entails.

The licence holder must be aware that ESG ratings are an information source for sustainable asset management, and be familiar with which organisations provide them and the possibilities and limitations of these ratings.

The Swedish Supervisory Authority's role and regulations

The licence holder must be familiar with the role of the Financial Supervisory Authority as the supervisory authority, as well as with the Financial Supervisory Authority's role in connection with the formulation of new rules.

Securities business - licences and scope

The licence holder must be familiar with the various investment services and/or investment businesses that require a licence from the Financial Supervisory Authority, and what is covered by each service/business.

Fund business - concepts and information requirements

The licence holder must be familiar with the main concepts in the Investment Funds Act (2004:46) and the Alternative Investment Funds Managers Act (2013:561) and understand the respective roles of the management company/fund manager and depositary in relation to the fund. The licence holder must also be familiar with the information which must be provided to fund unit holders and prospective fund unit holders.

Self-regulation bodies on the securities market

The licence holder must be familiar with the most important industry associations on the securities market, such as the Swedish Securities Markets Association, the Swedish Investment Fund Association, the Swedish Bankers' Association, and the Association for Generally Accepted Principles in the Securities Market, and their aims. The licence holder must also be familiar with the way in which self-regulation is structured and how it differs from statutes and other regulations.

Swedsec's rules and regulations

The licence holder must understand which companies and persons are subject to Swedsec's rules and regulations; the rights and obligations to which they give rise as regards affiliated companies and the licence holders; and the sanctions which may be taken against parties which breach the rules and regulations.

Checkpoint	Weight	Size	Cognitive level	
Basic ethical values and reporting of the company's violations of regulations	2	Large	R	C
Undertakings' sustainability work	2	Small	R	C
The Swedish Supervisor Authority' role and regulations	2	Small	R	
Securities business - licences and scope	2	Large	R	
Fund business - concepts and information requirements	2	Large	R	C
Self-regulation bodies on the securities market	1	Small	R	
Swedsec's rules and regulations	2	Small		C

Conflicts of interest and duty of confidentiality

Protecting the clients' interests

The licence holder must be able to apply the basic requirement that securities institutions must protect the interests of their clients and that they must act honestly, fairly and professionally and in such a manner that public confidence in the securities market is maintained.

Conflicts of interest

The licence holder must be able to apply the most important rules regarding conflicts of interest as set forth in the Securities Market Act and in Commission Delegated Regulation (EU) 2017/565. The licence holder must understand which activities, or combinations of activities, within a securities institution lead to the greatest

risk of conflicts of interest. The licence holder must also be familiar with the accepted methods used to avoid clients being detrimentally affected by conflict of interest.

Rules regarding incentives

The licence holder must understand the rules set forth in Chapter 9, sections 21 and 22 of the Securities Market Act and the Swedish Financial Supervisory Authority's regulations FFFS 2007:2 as to when a securities institution may pay or accept an incentive.

Analyses and investment recommendations

The licence holder must understand the fundamental rules regarding analyses and investment recommendations set forth in in Article 20 of the Market Abuse Regulation and Commission Delegated Regulation (EU) 2016/958.

Rules regarding securities transactions by employees and closely associated parties

The licence holder must be able to apply the rules regarding employees' own securities transactions or those of closely associated parties. These are set forth in statute and in rules issued by the Swedish Securities Markets Association (formerly the Swedish Securities Dealers Association) and by the Swedish Investment Fund Association.

Rules regarding bribery and corruption

The licence holder must be able to apply fundamental rules regarding a prohibition on bribery and corruption. This is contingent on the licence holder understanding the connection between the employee's or consultant's performance of duties in order for the issue of bribery and corruption to arise, the circumstances which determine whether a benefit is improper, and benefits which are always to be deemed improper.

Rules regarding duty of confidentiality

The licence holder must be able to apply the duty of confidentiality (secrecy) rules which apply to employees and consultants of financial undertakings.

Checkpoint	Weight	Size	Cognitive level		
Protecting the clients' interests	1	Small			T
Conflicts of interest	2	Large	R	C	T
Rules regarding incentives	1	Small		C	
Analyses and investment recommendations	1	Small		C	
Rules regarding securities transactions by employees and closely associated parties	2	Small			T
Rules regarding bribery and corruption	2	Small		C	T
Rules regarding duty of confidentiality	2	Small			T

Laws relating to market abuse and notification obligations

Market abuse crimes and reporting obligations

A licence holder must understand the main features of the definitions of inside information and market manipulation and the prohibitions on market abuse as set forth in Articles 7-10, 12, 14 and 15 of the Market Abuse Regulation (EU no. 596/2014) and Chapters 2 and 3 of the Market Abuse on the Securities Market (Penalties) Act (2016:1307). The licence holder must also generally understand the rules applicable in conjunction with sounding out the market in accordance with Article 11 of the Market Abuse Regulation and the Commission's Delegated Regulation (EU 2016/960) and how they relate to the prohibition on disclosing inside information. The licence holder must understand the import of the applicable reporting obligation pursuant to Article 16 of the Market Abuse Regulation. The licence holder must know which violations are punished with administrative sanctions and which are addressed within criminal law, what the administrative sanctions are and how they are decided upon.

Notification obligation in respect of persons discharging managerial responsibilities and persons closely associated with them, the 30-day rule and insider list

The licence holder must understand the fundamental rules governing the notification obligation of persons discharging managerial responsibilities and persons closely associated with them pursuant to Article 19 of the Market Abuse Regulation. The licence holder must understand the obligations incumbent on the issuer to notify persons discharging managerial responsibilities at the issuer and to understand which persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation and which obligations are incumbent upon them and persons closely associated with them to report their transactions to the Swedish Financial Supervisory Authority and the issuer. The licence holder must also understand the rules in Article 19(12) of the Market Abuse Regulation regarding the 30-day rule, and derogations from the rule. The licence holder must understand the rules in Article 18 of the Market Abuse Regulation and the Commission's Implementing Regulation (EU) 2016/347 regarding the maintenance of an insider list (logbook) regarding persons with access to inside information.

Checkpoint	Weight	Size	Cognitive level	
Market abuse crimes and reporting obligations	2	Large	R	C
Notification obligation in respect of persons discharging managerial responsibilities and persons closely associated with them, the 30-day rule and insider list	2	Large		C

Money laundering and terrorist financing

Client due diligence, etc.

Sufficient knowledge about the customers is a prerequisite for undertakings' possibilities to render more difficult and prevent the operations from being exploited for money laundering or terrorist financing and to be able to report suspected activities and transactions.

The licence holder must be able to apply the measures that must be taken to obtain customer due diligence, i.e. information about the client which must be compiled (including identification, beneficial owner and the purpose and nature of the commercial relations).

The licence holder must understand

- which situations require that client due diligence measures be taken;
- situations in which simplified or enhanced client due diligence measures may/must be taken;
- the consequences of failing to achieve sufficient knowledge about the client;
- the obligation to review transactions and report suspected transactions to the Financial Intelligence Unit (*Sw. Finanspolisen*)
- the purpose of the money laundering rules.

Checkpoint	Weight	Size	Cognitive level	
Measures against money laundering and terrorist financing	2	Large	C	A

Investment advice, etc.

Fundamental rules regarding investment advisory services

The licence holder must understand the main features of the rules governing the provision of financial advice/investment advice. The licence holder must understand the rules as to when an advisory situation arises and the difference between the provision of advisory services and general advice, marketing and other provision of information. The licence holder must also understand the type of information regarding the client which the adviser must obtain; that provided advice must be suitable based on the obtained information; that in certain situations an adviser is obliged to discourage the client from taking a particular measure; and the requirements imposed as regards the provision of written statements of suitability to consumers.

Investment restrictions

The licence holder must understand the types of restrictions which might typically be in place as regards funds, insurance companies and suchlike, either pursuant to law or by virtue of investment rules. The licence holder must also understand the way in which such restrictions affect the provision of advice.

Client categories, appropriateness assessment and execution only

The licence holder must understand the rules in the Securities Market Act regarding client categories and the practical significance of the categorisation for the clients. The licence holder must understand the purport of an appropriateness assessment and when such an assessment is required. The licence holder must understand when financial instruments may be regarded as non-complex, and the practical importance of such a classification for a client.

Product monitoring

The licence holder must understand the rules regarding product monitoring set forth in the Securities Market Act (Chapter 8, sections 13-14) and in the Swedish Financial Supervisory Authority's regulations regarding securities business (FFFS 2017:2). The licence holder must thus be aware that both the producer and distributor of financial instruments must define a target group for the instrument, adapt the instrument to the target group, test the instrument in different scenarios and monitor whether the instrument has functioned as intended and to what extent it has been distributed to the target group.

Conditions for advice regarding sustainability, e.g. laws and rules, taxonomy

The licence holder must understand the best-known sustainability and finance abbreviations, such as SDG, ESG, and PRI.

The licence holder must also be familiar with the purpose of the Paris Accords and the pace of implementation.

The licence holder must be familiar with the EU's green taxonomy and its purpose, scope, and limits, i.e. which types of companies and industries are covered at present and in the future. The licence holder must understand what it means for a company to have a certain alignment with the taxonomy. The licence holder must also understand criteria for alignment.

Checkpoint	Weight	Size	Cognitive level	
Fundamental rules regarding investment advisory services	2	Large	C	
Investment restrictions	1	Small	C	
Client categories, appropriateness assessment and execution only	1	Large	R	C
Product monitoring	2	Large	R	
Conditions for advice regarding sustainability, e.g. laws and rules, taxonomy	2	Large	R	C

Tax issues

Income from capital and tax calculation rules

The licence holder must be able to apply the rules in conjunction with calculation of tax on income from capital in respect of private individuals or companies that are taxed in Sweden. In addition, the licence holder must understand how tax on income from employment is affected by a capital deficit and be familiar with the corporate tax rate.

Taxation of capital assets in business operations

Securities owned by legal entities and which are not trading stock assets constitute capital assets. Taxation upon divestment of capital assets in business operations is essentially in accordance with the rules regarding capital for the various types of securities; however, there are certain provisions that apply solely to business operations and for legal entities. The licence holder must understand and be able to explain the tax consequences for a limited company which makes capital investments and how the so-called "aktiefällan" (whereby losses on capital investments may only be set off against gains on capital investments) works.

Taxation of derivative instruments in business operations

Companies often use different types of instruments to hedge against different types of risks. The risks that companies primarily guard against are risks of changes in interest rates and exchange rate changes, as well as risks of changes in the price of raw materials, shares and suchlike. The licence holder must be familiar with the rules pertaining to the taxation of such instruments.

Checkpoint	Weight	Size	Cognitive level		
Income from capital and tax calculation rules	2	Large	R	C	A
Taxation of capital assets in business operations	2	Small	C		
Taxation of derivative instruments in business operations	2	Small	R		

Company law and Corporate Actions

The share and its legal ramifications

The licence holder must understand what a share is and its legal ramifications in a company with dematerialised shares, i.e. that the party entered in the share register is entitled to participate at general meetings, to receive dividends decided upon, and to participate in bonus issues and rights issues. In addition, the licence holder must be familiar with the company law principle of equal treatment of shareholders and the nature of the company's obligation to provide information to the shareholders prior to general meetings. The licence holder must also be familiar with the status of the shareholder in the event of a company's liquidation or bankruptcy.

The company's decision-making bodies /owner governance

The licence holder must be familiar with the company's decision-making bodies – general meeting, or directors, managing director – and their respective roles in the governance of the company.

Protection for the company's share capital

The licence holder must be familiar with the importance of the company's share capital for the company's creditors and for the company's ability to survive financial difficulties. The licence holder must also understand the connection between the company's share capital, assets and equity and understand when the share capital is threatened and the possible consequences thereof.

New issues and splits/reverse splits

The licence holder must understand the process concerning new issues, and splits/reverse splits of shares and how these events may influence the share price.

Dividends

The licence holder must understand the process concerning a share dividend and how and when a decision regarding a dividend can be expected to influence the share price.

Public tender offers

The licence holder must be familiar with the main aspects of a bid process and how the different deadlines and conditions associated with such a situation can affect the client's choices during the bid process. The licence holder must also be familiar with the special rules governing mandatory bids.

Minority shareholder squeeze outs

The licence holder must be familiar with the rules regarding minority shareholder squeeze outs: the procedure, how the price is determined, the way in which disputes are handled, and the consequence of advance vesting of title.

Share buybacks

The licence holder must be familiar with the following requirements regarding a limited company's possibilities to buy or sell its own shares: which companies may buy and sell their own shares in the market;

what information must be provided regarding the transactions and how they are to take place as well as how many shares may be bought back.

Checkpoint	Weight	Size	Cognitive level	
The share and its legal ramifications	1	Large	R	C
The company's decision-making bodies/owner governance	1	Small	R	
Protection for the company's share capital	1	Small		C
New issues and splits/reverse splits	2	Small		C
Dividends	2	Small		C
Takeover bids	1	Small	R	
Minority shareholder squeeze outs	2	Small	R	
Share buybacks	1	Small	R	

General Data Protection Regulation

The General Data Protection Regulation (GDPR)

The licence holder must be familiar with the General Data Protection Regulation and its purpose and be familiar with the lawful grounds for processing of personal data, what is meant by sensitive personal data, and the rights of the data subject.

Checkpoint	Weight	Size	Cognitive level	
The General Date Protection Regulation, GDPR	2	Small	R	