



European Financial Planning Association

EFPA EIA Syllabus

European Investment Assistant

EUROPEAN INVESTMENT ASSISTANT (EIA) – EFPA Level 1 – 5 days classroom equivalent – EQF Level 3

MODULE	TOPIC	DURATION (in days)
Module 1	ECONOMIC ENVIRONMENT	0,5
Module 2	FINANCIAL MARKETS	0,5
Module 3	INVESTMENT PRODUCTS	3,0
Module 4	REGULATION	1,0
	TOTAL	5,0

EUROPEAN INVESTMENT ASSISTANT (EIA): SYLLABUS

MODULE 1: ECONOMIC ENVIRONMENT (0,5 DAY)		K	A	AP
1.1 Foundations of economy	Basic economic concepts: definition of GDP, CPI, unemployment rate, balance of payment deficit or surplus			
1.2 Real economy and financial economy	<p>Definition of economic policy (fiscal policy and income policy) and monetary policy</p> <p>Main goals and instruments of economic policy and monetary policy (open market operations, standing facilities, minimum reserve requirement)</p> <p>Country's financial balance (public primary and non-primary deficit/surplus, Public Debt - GDP ratio)</p> <p>Sector's financial balance (householders, corporations, public administrations)</p>			

<p>1.3 Relationship between real economy and financial markets</p>	<p>The impact of country's financial position on the outstanding public debt and the need of new issues of government bonds</p> <p>The impact of economic and political dynamics on financial markets (understanding that the main political and economic decisions can cause rational or irrational reactions from financial markets)</p> <p>Relation between economic cycles and financial markets (how different financial assets respond in different economic cycles)</p>			
<p>MODULE 2: FINANCIAL MARKETS (0,5 DAY)</p>		K	A	AP
<p>2.1 Financial system</p>	<p>Components of financial system: financial assets, markets versus financial institutions (direct and indirect channel of intermediation)</p>			
<p>2.2 Financial markets structure</p>	<p>Structure of financial markets according to traded financial instruments (the money market, the bond mark, the equity market and the derivative markets)</p>			
<p>2.3 Trading mechanisms of securities on financial markets</p>	<p>Primary and secondary market</p> <p>Issuing mechanisms (competitive and marginal auction)</p> <p>Types of markets (brokered markets, dealer markets and auction markets)</p> <p>Types of orders</p> <p>National trading venues for each type of investment products</p>			
<p>MODULE 3 INVESTMENT PRODUCTS (3 DAYS)</p>		K	A	AP
<p>3.1 Foundation of investments</p>	<p>Time value of money: simple versus compound interest</p> <p>Present and future value of a capital</p>			

<p>3.2 Money markets instruments</p>	<p>Deposits:</p> <ul style="list-style-type: none"> - How they work (benefits and drawbacks) - Costs for the investor - Return for the investor - Legal warranty - Taxation <p>Repurchase agreement</p> <ul style="list-style-type: none"> - How they work - Costs for the investor - Return for the investor - Taxation <p>Treasury Bills</p> <ul style="list-style-type: none"> - How they are issued - Costs for the investor - Return for the investor - Taxation 			
<p>3.3 Bonds</p>	<p>Basic features of bonds:</p> <ul style="list-style-type: none"> - The different categories of bonds according to the issuer status (government and corporate bonds, asset backed securities) - The different financial profiles of bonds (zero coupon, fixed-rate bonds and floating-rate bonds) - Quoted price and accrued interest <p>Bond yield:</p> <ul style="list-style-type: none"> - Yield to maturity (definition and assumptions) - Yield to maturity (ex-ante evaluation) versus holding period return (ex-post evaluation) - Gross versus net yield to maturity (tax implications and impact of trading costs) <p>Bond risk:</p> <ul style="list-style-type: none"> - The relationship between yield to maturity and bond's price - Risk factors (interest rate, credit, liquidity, inflation, exchange rate) affecting bond yield to maturity/price <p>Credit risk: the basics of rating</p>			

<p>3.4 Equities</p>	<p>Equity securities characteristics:</p> <ul style="list-style-type: none"> - The main features of equities (residual claim, uncertain financial profile, voting rights) - Different categories of equity securities <p>Elements of equity valuation</p> <ul style="list-style-type: none"> - The concept of intrinsic/fair value versus market price - The fundamental ingredients of an equity valuation model: <ul style="list-style-type: none"> · understanding the company's business · understanding the company's operating characteristics · understanding the company's financial statements and financial characteristics - Market-based valuation by means of price multiple: <ul style="list-style-type: none"> · definition and interpretation of price to earnings ratio · definition and interpretation of price to book value · definition and interpretation of dividend yield <p>Return from equity investing:</p> <ul style="list-style-type: none"> - Determinants of expected returns (unknown selling price and dividends) - Determinants of realized Holding Period Return (known selling price and dividends) - Trading costs - Taxation of dividends, gain/losses <p>Equity risk</p> <ul style="list-style-type: none"> - Definition and characteristics of specific or idiosyncratic risk - Definition and characteristics of systematic risk or beta 			
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<p>3.5 Mutual Funds</p>	<p>Mutual Funds Overview</p> <ul style="list-style-type: none"> - Open-end mutual funds and Closed-end mutual funds - Total NAV (total fund's market value) and NAV on a per-share basis - Costs of investing in mutual funds (management fees, custody fees, purchase and redemption fees, audit and brokerage cost, TER definition and on-going expenses) and how they are charged - Main investment policies of open-end mutual funds (money market funds, equity funds, bond funds, balanced funds, flexible funds, total return funds, absolute return funds, exchange traded funds and fund of funds) - Relevant data in Key Investor Information Document - Benefits for investors of investing in mutual funds (legal entity, economies of scale, diversification, access to asset managers, highly regulated sector, liquidity) <p>Mutual Funds and their investment policy</p> <ul style="list-style-type: none"> - Mutual funds investment options and investment prohibitions/constraints (European and national regulation related to admitted and not admitted investments) <p>Analysis and Selection of Funds</p> <ul style="list-style-type: none"> - Measurement of performance from mutual fund investing: <ul style="list-style-type: none"> · cumulative return versus annualized return · impact of fees on returns from mutual fund investing · relative or active return or tracking error (benchmark related return analysis) · Performance fee: high water mark - Risk measurement for mutual fund investing <ul style="list-style-type: none"> · absolute risk (standard deviation of returns) · relative risk or active risk or tracking error volatility - Measurement of risk-adjusted performance from mutual fund investing <ul style="list-style-type: none"> · Sharpe ratio · Information ratio <p>Taxation of investments in mutual funds</p>			
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<p>3.6 Certificates and ETC</p>	<p>Definition of securitized derivatives</p> <p>Parties involved in certificates (seller, buyer, issuer of underlying asset)</p> <p>Main categories of certificates: certificates with total or conditioned principal protection and certificates without principal protection)</p>			
<p>37 Complex products</p>	<p>ESMA and national Authority definition of complex products</p>			
<p>MODULE 4 REGULATION (1 DAY)</p>		K	A	AP
<p>4.1 Investment Services Regulation</p>	<p>The list of investment services and ancillary services</p> <p>The regulation of investment services (rules of conduct according to Mifid 1 and 2)</p> <p>ESMA guidelines for the assessment of knowledge and competence</p>			
<p>4.2 Financial Markets Regulation</p>	<p>The primary legislation on the functioning of secondary markets</p> <p>The market abuse regulation</p> <p>The anti-money laundering regulation</p>			
<p>4.3 Reputational risk and ethics</p>	<p>Sources of reputational risk for investment firms (people misconduct,...)</p> <p>Consequences of reputational risk for investment firms</p>			

