

# 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
	<b>TOTAL</b>	<b>5,0</b>

## EUROPEAN INVESTMENT ASSISTANT (EIA): SYLLABUS

MODULE 1: ECONOMIC ENVIRONMENT (0,5 DAY)		K	A	AP
<b>1.1 Foundations of economy</b>	Basic economic concepts: definition of GDP, CPI, unemployment rate, balance of payment deficit or surplus			
<b>1.2 Real economy and financial economy</b>	<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><b>1.3 Relationship between real economy and financial markets</b></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><b>MODULE 2: FINANCIAL MARKETS (0,5 DAY)</b></p>		K	A	AP
<p><b>2.1 Financial system</b></p>	<p>Components of financial system: financial assets, markets versus financial institutions (direct and indirect channel of intermediation)</p>			
<p><b>2.2 Financial markets structure</b></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><b>2.3 Trading mechanisms of securities on financial markets</b></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><b>MODULE 3 INVESTMENT PRODUCTS (3 DAYS)</b></p>		K	A	AP
<p><b>3.1 Foundation of investments</b></p>	<p>Time value of money: simple versus compound interest</p> <p>Present and future value of a capital</p>			

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

<p><b>3.4 Equities</b></p>	<p>Equity securities characteristics:</p> <ul style="list-style-type: none"> <li>- The main features of equities (residual claim, uncertain financial profile, voting rights)</li> <li>- Different categories of equity securities</li> </ul> <p>Elements of equity valuation</p> <ul style="list-style-type: none"> <li>- The concept of intrinsic/fair value versus market price</li> <li>- The fundamental ingredients of an equity valuation model:             <ul style="list-style-type: none"> <li>· understanding the company's business</li> <li>· understanding the company's operating characteristics</li> <li>· understanding the company's financial statements and financial characteristics</li> </ul> </li> <li>- Market-based valuation by means of price multiple:             <ul style="list-style-type: none"> <li>· definition and interpretation of price to earnings ratio</li> <li>· definition and interpretation of price to book value</li> <li>· definition and interpretation of dividend yield</li> </ul> </li> </ul> <p>Return from equity investing:</p> <ul style="list-style-type: none"> <li>- Determinants of expected returns (unknown selling price and dividends)</li> <li>- Determinants of realized Holding Period Return (known selling price and dividends)</li> <li>- Trading costs</li> <li>- Taxation of dividends, gain/losses</li> </ul> <p>Equity risk</p> <ul style="list-style-type: none"> <li>- Definition and characteristics of specific or idiosyncratic risk</li> <li>- Definition and characteristics of systematic risk or beta</li> </ul>			
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<p><b>3.5 Mutual Funds</b></p>	<p>Mutual Funds Overview</p> <ul style="list-style-type: none"> <li>- Open-end mutual funds and Closed-end mutual funds</li> <li>- Total NAV (total fund's market value) and NAV on a per-share basis</li> <li>- 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</li> <li>- 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)</li> <li>- Relevant data in Key Investor Information Document</li> <li>- Benefits for investors of investing in mutual funds (legal entity, economies of scale, diversification, access to asset managers, highly regulated sector, liquidity)</li> </ul> <p>Mutual Funds and their investment policy</p> <ul style="list-style-type: none"> <li>- Mutual funds investment options and investment prohibitions/constraints (European and national regulation related to admitted and not admitted investments)</li> </ul> <p>Analysis and Selection of Funds</p> <ul style="list-style-type: none"> <li>- Measurement of performance from mutual fund investing:             <ul style="list-style-type: none"> <li>· cumulative return versus annualized return</li> <li>· impact of fees on returns from mutual fund investing</li> <li>· relative or active return or tracking error (benchmark related return analysis)</li> <li>· Performance fee: high water mark</li> </ul> </li> <li>- Risk measurement for mutual fund investing             <ul style="list-style-type: none"> <li>· absolute risk (standard deviation of returns)</li> <li>· relative risk or active risk or tracking error volatility</li> </ul> </li> <li>- Measurement of risk-adjusted performance from mutual fund investing             <ul style="list-style-type: none"> <li>· Sharpe ratio</li> <li>· Information ratio</li> </ul> </li> </ul> <p>Taxation of investments in mutual funds</p>			
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<p><b>3.6 Certificates and ETC</b></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><b>37 Complex products</b></p>	<p>ESMA and national Authority definition of complex products</p>			
<p><b>MODULE 4 REGULATION (1 DAY)</b></p>		K	A	AP
<p><b>4.1 Investment Services Regulation</b></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><b>4.2 Financial Markets Regulation</b></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><b>4.3 Reputational risk and ethics</b></p>	<p>Sources of reputational risk for investment firms (people misconduct,...)</p> <p>Consequences of reputational risk for investment firms</p>			

