

Examiner's Report

SC Licensing Examinations
Module 19: Advisory Services (Rules & Regulations)
December 2012



Examination Structure

The Module 19 examination consists of **60 multiple choice questions** and the passing mark is **70%**. Candidates are given **90 minutes** to complete the examination where on average 1.5 minutes should be allocated to answer each question.

Each question is followed by 4 options (i.e. A, B, C and D) and candidates need to choose **1 option as the answer**. The marks allocated for each **correct answer is 1**. The examination set consists of **3 sections** and the maximum number of questions in each section is as follows:

Section 1

The maximum number of questions from this section is 18 (30%). This section deals with contract law, negligent misstatement, the regulation of the Malaysian capital market where intermediaries who carry on prescribed regulated activities are required to be licensed and the law on prohibited conduct and insider trading.

Section 2

The maximum number of questions from this section is 42 (70%). This section examines the regulations that govern the offering of securities such as the Equity Guidelines, Private Debt Securities Guidelines, Guidelines on the Offering of Structured Products, Guidelines on the Offering of Asset Backed Securities and Islamic Securities Guidelines (Sukuk Guidelines). This section also covers regulations that govern disclosure of information to investors, mainly the Prospectus Guidelines and the Guidelines On Due Diligence Conduct for Corporate Proposals which sets out the duties and standards expected of those involved in the due diligence process for corporate proposals; namely the advisers and issuers. This section also deals with guidelines that govern the conduct and eligibility requirements of the intermediaries involved in the offering and issuance of securities such as the Principal Adviser Guidelines as well as the Issuer Eligibility Guidelines - Structured Warrants and examines the provisions of the Malaysian Code On Take-Overs and Mergers 2010 and Asset Valuation Guidelines.

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Section 3

The maximum number of questions from this section is 30 (50%). Candidates are examined on the provisions of the listing requirements for the Main and ACE Market of Bursa Malaysia Securities Berhad.

Candidates are advised to refer to the Module 19 Study Outline on the SIDC website at www.sidc.com.my for a more detailed description of the topics covered in the three sections. Candidates must note that the examination seeks to examine and assess candidates on **all the areas** listed in the syllabus. It is, therefore, imperative that **all topics are studied in sufficient detail**. For this module, candidates are permitted to refer to their own Prescribed Reference Materials listed in the Module 19 Study Outline during the examination.

As for the levels of cognitive skills assessed, the Module 19 examination is classified as a Level 2 examination which means that the examination set has been developed to place **greater emphasis on the candidates' comprehension and application and analysis skills**. However, it also comprises several questions that assess the candidates' knowledge skills. In short, in terms of cognitive levels assessed, this examination set comprises **knowledge, comprehension up until application and analysis** type questions.

Therefore, to pass this examination, it is essential that candidates not only **demonstrate their knowledge but also their comprehension of the subject matter as well as their ability to apply and analyse** in a given context.

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General Performance

This Examiner's Report is based on one examination set for a specific duration. Generally, as can be seen from the table below, the candidates performed better in Section 1 (53%), followed by Section 2 (47%) and Section 3 (44%). However, candidates must improve their preparation efforts in all three sections as the range of the percentage of candidates who answered 70% or more of questions correctly are relatively low and they must pay particular attention to Sections 2 and 3.

Section	% candidates answered 70% or more of questions correctly
1	53%
2	47%
3	44%

In respect of their cognitive skills, surprisingly, candidates performed better in answering application and analysis questions (55%), followed by comprehension questions (49%) and then knowledge questions (30%).

This goes to show that in preparing for the examinations, it is important that candidates study all sections and topics set out in the syllabus. Unfamiliarity in any of the sections or topics will make it difficult for the candidates to answer even knowledge or comprehension questions which are at lower cognitive levels.

Cognitive Skill	% candidates answered 70% or more of questions correctly
Knowledge	30%
Comprehension	49%
Application & Analysis	55%

We will now proceed to the detailed report on the performance of the candidates according to the three sections of the Module 19 syllabus.

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Detailed Performance of Candidates According to Sections

For this Examiner's Report, strictly for the purpose of analysing the detailed performance of candidates in accordance with the three sections, we have divided the candidates into the following three groups based on their Module 19 examination scores:

- High Group - candidates who scored 70% and above (i.e. those who passed this module)
- Medium Group - candidates who scored 50% to 69%
- Low Group - candidates who scored below 50%

Section 1:

Knowledge questions

Candidates in the High Group did quite well for knowledge questions in this section as compared to candidates in the Low to Medium Groups who need to improve their knowledge on contractual issues and prohibited conduct.

Comprehension questions

Similar to their performance for knowledge questions, the High Group did quite well for comprehension questions. The Low to Medium Groups, especially the former group, performed poorly in answering comprehension questions in this section.

From the analysis, it was found that the candidates, in the Low to Medium Groups, need to improve their understanding on topics such as negligent misstatement, contractual issues and the Prospectus Guidelines.

Application and Analysis questions

The candidates in the High Group performed very well for application and analysis questions in Section 1 while those in the Medium Group did not perform well although their performance was better than the candidates in the Low Group. The candidates in the Low to Medium Groups need to improve their application on knowledge for all topics in this section, especially on the Prospectus Guidelines.

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Section 2:

Knowledge questions

Candidates in the High Group did better for knowledge questions in this section as compared to candidates in the Low to Medium Groups who performed poorly. However, all three groups need to improve their knowledge on guidelines governing the offering of private debt securities and related guidelines.

Comprehension questions

Overall, the candidates did not do well in answering comprehension questions in this section. The Low Group performed very badly in this section and they need to improve their performance on all topics, in particular topics on Equity Guidelines as well as Asset Valuation Guidelines.

Application and Analysis questions

Similar to their performance in answering comprehension questions, the candidates in all three groups did not do well in answering application and analysis questions in this section although the High Group performed better than the other two groups. Candidates need to improve their performance on all topics especially topics on Equity Guidelines, Asset Valuation Guidelines and Guidelines on the Offering of Asset Backed Securities.

Section 3

Knowledge questions

The High Group performed slightly better than the candidates in the Low to Medium Groups who need to further improve their knowledge on all topics particularly topics on structured warrants.

Comprehension questions

Overall, candidates in all three groups did not do well in answering comprehension questions in this section. The candidates need to improve their understanding on the listing requirements on advisers and sponsors and specific listing requirements for specific applications.

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Application and Analysis questions

Candidates in the High Group did quite well for application and analysis questions in this section and the candidates in the Medium Group did well too. Candidates in the Low Group need to further improve their application of knowledge on all topics especially those on continuing listing obligations.

Conclusion

As can be seen from the analysis of the candidates' results, especially if we were to compare the performance of those candidates in the High Group against those in the Low to Medium Group, it is imperative that all sections and topics in the syllabus must be covered and mastered to pass this examination. Candidates must avoid topic spotting or question spotting.

Candidates in the High Group did well in Sections 1 and 2 regardless of cognitive skills. However, they need to further improve their performance in Section 3 for the three types of cognitive skills tested.

Although candidates in the Low to Medium Group did slightly better for questions in Section 1, there is still room for improvement. They must increase their preparation for the topics in Sections 2 and 3 as they performed poorly in these sections regardless of cognitive skills. Among the topics that they must improve on regardless of cognitive level are the guidelines on the offering of debt securities and other guidelines related to the debt securities. They must pay attention to Section 2 as the maximum number of questions for this examination is up to 70%.

They should also approach studying for the Module 19 examination in a systematic fashion and allocate the relevant hours not only to gain knowledge of the syllabus but also have a deep understanding of the material.