

Examiner's Report

SC Licensing Examinations
Module 6: Stock Market & Securities Law
August 2012



Examination Structure

The Module 6 examination consists of **60 multiple choice questions** and the passing mark is **60%**. 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 questions from **3 sections** and the maximum number of questions from each section is as follows:

- Section 1 - 12 (20%)
- Section 2 - 42 (70%)
- Section 3 - 24 (40%)

Section 1 is introductory in nature with topics on the overview of the Malaysian capital market, principles of capital market regulation as well as the regulatory structure of the Malaysian capital market. This section also includes the general legal structures for conducting business in Malaysia with emphasis on public-listed companies and requirements in relation to the administration and management of a Participating Organisation.

Section 2 deals with the regulation for capital raising on the primary market and thereafter regulation of the secondary market with focus on regulations related to trading, clearing, delivery and settlement. This section also examines the relationship between a Participating Organisation and client, contract law, negligent misstatement and the guidelines governing market conduct and anti-money laundering.

Section 3 deals with topics on the regulation of the Malaysian capital market through the licensing framework, where intermediaries who carry on prescribed regulated activities are required to be licensed, as well as the regulation of securities offences and take-overs in Malaysia.

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Candidates are advised to refer to the Module 6 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 6 Study Outline during the examination.

As for the levels of cognitive skills assessed, the Module 6 examination is classified as a Level 1 examination which means that the examination set has been developed to place **greater emphasis on the candidates' knowledge and comprehension skills**. However, it also comprises several questions that assess the candidates' application and analysis skills. In short, in terms of cognitive levels assessed, this examination set comprises **knowledge, comprehension up til 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.

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 3 (70%) followed by Section 2 (50%) and then Section 1 (35%). While candidates generally showed better performance in Section 3, they must increase their examination preparation efforts to improve their performance in the remaining sections, especially Section 1.

Section	% candidates answered 60% or more of questions correctly
1	35%
2	50%
3	70%

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In respect of their cognitive skills, expectedly, candidates performed better in answering knowledge questions (64%) as compared to comprehension questions (48%) or application and analysis questions (58%). Also, we found it interesting that candidates performed better in answering application and analysis questions as compared to comprehension questions. This may be attributed to the fact that candidates were able to apply their knowledge to solve direct problems but may lack understanding of a concept.

This goes to show that in preparing for the examinations, it is important that candidates take time to understand the concepts and content of the examinations' syllabus (e.g. the rules and regulations governing securities in Malaysia) and should not rely on rote learning or topic or question spotting. Candidates should also not be lulled into a false sense of security just because they are allowed to bring in Prescribed Reference Materials for this examination.

Cognitive Skills	% candidates answered 60% or more of questions correctly
Knowledge	64%
Comprehension	48%
Application & Analysis	58%

We will now proceed to the detailed report on the performance of the candidates according to the three sections of the Module 6 syllabus.

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 6 examination score:

- High Group - candidates who scored 60% and above (i.e. those who passed this module)
- Medium Group - candidates who scored 40% to 59%
- Low Group - candidates who scored below 40%

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Section 1:

Knowledge questions

As expected, overall, candidates did well for knowledge questions in this section as compared to comprehension or application and analysis questions. However, there is still room for improvement, including for those in the High Group, on subtopics dealing with the Islamic capital market such as the basic concepts on Shariah-compliant securities and the regulatory authorities that govern the Islamic capital market in Malaysia. Candidates in the Low to Medium Group also need to improve their knowledge on basic capital market concepts and definitions, the roles and responsibilities of intermediaries as well as general concepts on company law.

Comprehension questions

The candidates' overall performance for comprehension questions was slightly poorer compared to application questions. Candidates in the High Group did well but those in the Low to Medium Group need to improve their understanding on most of the topics in this section.

From the analysis, it was found that the candidates, especially those in the Low to Medium Group, need to improve their understanding on the different approaches to regulations in the Malaysian capital market, powers of the regulatory bodies governing the Malaysian capital market and the regulatory requirements that Participating Organisations are subject to.

Application and Analysis questions

As mentioned earlier, overall, the candidates performed slightly better for application and analysis questions as compared to comprehension questions in Section 1. However, candidates in all three groups still need to improve their application of knowledge on topics dealing with company law and the regulatory bodies governing the Malaysian capital market.

Candidates in the Low Group, especially, need to improve on the application of their knowledge on the regulatory requirements that Participating Organisations are subject to.

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Section 2:

Knowledge questions

Similar to the overall performance for knowledge questions in Section 1, candidates performed well in answering this type of questions in Section 2 compared to the other question types. Candidates in the High Group did very well in all subtopics while those in the Medium Group also did relatively well. However, candidates in the Low Group performed poorly in nearly all the subtopics in this section.

Section 2 represents a fundamental area in the Module 6 syllabus and from the analysis, candidates in the Low to Medium Group should focus more to improve their knowledge on subtopics covering areas such as client account opening, general contract law and the Securities Commission's guidelines related to anti-money laundering (AML).

In addition, candidates from the Low Group also need to improve their knowledge on subtopics relating to prospectuses, trading rules relevant to Participating Organisations, clearing, delivery and settlement and margin trading as well as topics covering the duties and obligations of a Participating Organisation to its client.

Comprehension questions

Similar to the trend in Section 1, candidates performed poorer for comprehension questions as compared to application and analysis questions in Section 2.

On the whole, candidates need to improve their understanding of the elements of contract law, clients' accounts and duties and obligations of a Participating Organisation to its client. Apart from the subtopics mentioned above, candidates in the Low to Medium Group also need to improve their understanding on subtopics related to negligent misstatement, contract law and the powers of regulatory bodies. Candidates in the Low Group also need to improve their understanding of debt securities.

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Application and Analysis questions

Overall, candidates performed better for application and analysis questions as compared to comprehension questions in Section 2. However, candidates in the Low to Medium Group need to improve their application of knowledge on subtopics related to the duties and obligations of a Participating Organisation to its client.

Candidates in the Low Group need to further improve their application of knowledge on topics such as clearing, delivery and settlement as well as those rules specific to trading.

Section 3

Knowledge questions

Candidates did well in answering knowledge questions in this section, especially those in the High Group. On the other hand, candidates in the Low to Medium Group need to further improve their knowledge on securities offences subtopics such as short selling and the duties of licensed persons.

Comprehension questions

Candidates in the High Group performed well in answering comprehension questions while those in the Low to Medium Group need to improve their understanding of actions that constitute securities offences such as insider trading and also subtopics related to the liabilities of licensed persons.

Application and Analysis questions

For Section 3 application and analysis questions, the overall performance of the candidates was very good as candidates in both the Medium to High Group did very well. Candidates in the Low category need to further improve their application of knowledge on subtopics related to securities offences such as false trading and market rigging.

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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. We reiterate again that candidates must avoid topic spotting or question spotting.

Candidates must also avoid being complacent just because Prescribed Reference Materials are allowed into the examinations. They should read and gain a good understanding all of the relevant materials that are within the syllabus to be able to answer comprehension questions in the examination.

Candidates in the Low to Medium Group must increase their preparation for the examinations as the analysis has shown their poor performance in all three sections, especially in Section 2 in all three cognitive skills. Among the subtopics that they must improve on regardless of cognitive level are topics related to company law, regulatory requirements that Participating Organisations are subject to, client account opening, general contract law, clearing delivery and settlement, duties and obligations of a Participating Organisation, trading rules and securities offences.

They should approach studying for the Module 6 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.