

# Core Rules and Regulations and Investment Suitability

## Paper 23

Thailand Securities Institute

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Paper 23: Core Rules and Regulations and Investment Suitability

Examination type: Multiple choice (4 choices)

Number of questions: 30

Duration: 45 Minutes

Passing criteria: 70%

Topics	No. of Questions
<u>Section 2 Core Rules and Regulations and Investment Suitability</u>	
2.1 Rules Governing Conducting Securities Business and Operations of Officers	8
2.2 Regulations Relating to Unfair Actions in Securities Trading and Protection against Money Laundering	4
2.3 Rules and Regulations on Issuing and Offering Securities	6
2.4 Investment Suitability	12
	<u>30</u>

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## Core Rules and Regulations and Investment Suitability

### Section 2

#### Core Rules and Regulations and Investment Suitability

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#### 1. Rules Governing Conducting Securities Business and Operations of Officers

##### Learning Objective Statement:

1. To understand why the Securities and Exchange Commission regulates and supervises securities companies
2. To understand the importance of protecting against conflicts of interest and be able to identify procedures to prevent such conflicts between securities companies, their staff, and clients
3. To understand and identify differences between watch lists and restricted lists
4. To understand the principles involved in taking care of client assets
5. To understand the role and importance of the compliance unit in a securities company
6. To understand the practices and regulations governing operations of officers of a securities firm and know the differences between the role of the front and back offices
7. To understand the regulations governing the taking of client complaints
8. To understand the rules and duties of securities officers and be able to apply them in contacting, persuading , and advising customers
9. To understand the purpose of customer database preparation and be able to implement such preparation
10. To understand the purpose of investor manuals and be able to identify their components
11. To describe the code of ethics that officers must follow in carrying out their duties
12. To identify the characteristics that would prohibit a person from becoming a securities officer, forbidden procedures for such an officer, and penalties for having such characteristics or carrying out such procedures
13. To understand purposes and benefits of arbitration
14. To provide clear examples of disputes that can go to arbitration
15. To understand arbitration procedures and arrival of verdicts

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## 2. Regulations Relating to Unfair Actions in Securities Trading and Protection against Money Laundering

### Learning Objective Statement:

1. To understand the definition of unfair actions according to the Securities and Exchange Act and be able to apply measures to prevent any unfair actions
2. To understand and be able to distinguish the differences between spreading false news, illegally using internal information, and concealing acts in trading securities with intent to defraud
3. To understand criteria and procedures in transaction reporting for financial institutions as well as identify the basic illegal acts covered by the Anti-Money Laundering Act
4. To understand the objectives behind regulations seeking information on the parties involved in and purposes of large transactions through financial institutions, and apply these regulations

## 3. Rules and Regulations on Issuing and Offering Securities

### Learning Objective Statement:

1. To understand and explain the rules and procedures on offering securities
2. To understand and explain the rules, conditions and procedures for distributing securities
3. To understand and apply the rules and procedures for securities bidding
4. To understand the rules and criteria for setting up mutual funds and describe characteristics of each type of mutual fund
5. To understand the procedures of offering security units
6. To understand the purposes of determining investment ratios
7. To understand the key components that must be stated in project descriptions
8. To understand the purpose of preparing prospectus and be able to define key components therein
9. To understand the objectives of NAV calculation and the NAV calculation formula for disclosure to investors

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#### 4. Investment Suitability

##### Learning Objective Statement:

1. Understand the definition, the importance, and the process of creating suitable investment advice.
2. Be able to classify and to differentiate between qualitative and quantitative data, as well as be able to understand the importance of each type of data in relation to an investment plan.
3. Understand and classify clients' investment objectives according to the clients' required rates of return.
4. Understand clients' ability and willingness to accept risk; be able to analyze the components and differentiate the factors that influence clients' ability and willingness to accept risk.
5. Be able to differentiate and to analyze the limitations and restrictions of clients.
6. Be able to analyze and to differentiate between clients according to their risk tolerances by using the suitability test created by the Securities and Exchange Commission.
7. Understand the definition and the importance of asset allocation; recognize factors that relate to asset allocation.
8. Understand each asset class and be able to classify assets with similar characteristics into the appropriate asset classes.
9. Understand the concepts of constructing, managing, and measuring the performance of portfolios; be able to adjustment portfolios according to changes in clients' personal financial status and the investment climate.

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