ACT

LEADING TREASURY
PROFESSIONALS

BUILDING FUTURES

CERTIFICATE
in Treasury Fundamentals

SYLLABUS

CERTIFICATE
in Treasury Fundamentals

The Association of Corporate Treasurers (ACT) is the leading global professional body for treasurers. The ACT offers internationally recognised benchmark qualifications for individuals who operate within the treasury function and those with treasury responsibilities in their roles.

"It is suitable for anyone interested in learning more about treasury or those looking to become treasury professionals in the future."

The Certificate in Treasury Fundamentals is the first step to building your knowledge and expertise in treasury and corporate finance. It is designed to provide you with insights into how treasury fits within an organisation and help you become familiar with the key concepts and terminology used in treasury. It is suitable for anyone interested in learning more about treasury or those looking to become treasury professionals in the future. There are no formal entry requirements by way of previous experience or qualifications, but some prior knowledge of business or financial environments would be beneficial.

The Certificate in Treasury Fundamentals consists of three units:

- **Unit one:** **Introduction to the financial world**
- **Unit two:** **Principles of treasury operations**
- **Unit three:** **Overview of financial markets and corporate finance**

The course is supported by online study resources and is assessed by one online multiple choice examination which covers all three units. Each unit will take you approximately 50 hours of study time to complete, with 150 hours study required in total. We estimate you should be able to complete the course in three to six months alongside your full-time work.

You can study for these qualifications through the ACT or one of its approved tuition providers. Successful completion of the course and passing the examination leads to the award of the Certificate in Treasury Fundamentals.

Further information about all our qualifications can be found at **treasurers.org/qualifications**

Assessment

The examination for the Certificate in Treasury Fundamentals is via an online multiple choice assessment. There is only one examination which will assess you across all three of the units of study. The questions within the assessment will be equally spread across the three units.

You will be provided with information and instructions on the assessment at the time of booking it with the ACT. However, you will be able to take practice assessments as part of your learning programme to assist you in your preparations and to familiarise yourself with the types of assessment questions you can expect during the examination.

Glossary of key terms associated with treasury

To assist you with your learning, the ACT has provided a detailed glossary of key terms, definitions and acronyms to ensure that you are fully familiar with the technical concepts, terms and various aspects of treasury. In addition, glossaries with definitions of technical terms used in this syllabus are provided.

A-Z GLOSSARY OF QUALIFICATION TERMS

Award	For the purpose of this qualification, upon passing your examination, you will be awarded the Certificate in Treasury Fundamentals. The award is therefore the outcome of your studies and assessment and represents your achievement.
Unit	A unit represents a segment of learning within the Certificate in Treasury Fundamentals. Each individual unit has its own rationale and content. Each unit also has a number of learning outcomes and supporting indicative content.
Overarching learning outcomes	The overarching learning outcomes within a unit lay down the expectations of the learner and defines the level of knowledge and understanding required in order to be fully prepared to take the ACT examination.
Learning outcomes	These appear within each of the sections in the units and, like the overarching learning outcomes, they act as the basis to determine knowledge and understanding which shape your learning and assessment.
Indicative content	The indicative content is an indication of the knowledge required in order to fulfil the assessment requirements and achieve the learning outcome and it details the level of technical components of the programme.
Weightings	The weighting indicates the proportion of learning and effort required by students. All units in the Certificate in Treasury Fundamentals are equal. Therefore for the purpose of the Certificate in Treasury Fundamentals, your study time should be equally spread across the three units.

INTRODUCTION TO THE FINANCIAL WORLD

Unit one

- Introduction to unit one
- Overarching learning outcomes
- Glossary of key terms used in unit one
- Unit one content

INTRODUCTION TO UNIT ONE

This unit sets the context for a career within treasury and introduces key concepts which are invaluable throughout your professional career.

As the first unit of your course, 'The Financial World' describes the environment in which all businesses and treasury professionals work. This environment includes the financial markets, accounting regulation, tax and legislation.

This unit then turns to the key topics of ethics and corporate governance, explains the fundamental importance of acting ethically at all times and how both ethics and corporate governance play a key role in all of the activities undertaken by treasury.

Finally, the unit illustrates the importance of risk identification and analysis for all organisations and for treasury and introduces the tools with which risk is managed in practice.

OVERARCHING LEARNING OUTCOMES

On completing unit one you will be able to:

1. Describe the environment in which a treasury professional works, including knowledge of relevant accounting, tax, regulation and legislation.
2. Explain the fundamental importance of governance, ethics, compliance and audit to the treasury function and how this contributes to the organisation as a whole.
3. Describe the key tools with which risk is identified, assessed, managed, mitigated and reported in practice.

All three sections carry equal weighting

A-Z

GLOSSARY OF KEY TERMS IN UNIT ONE

ACT	Association of Corporate Treasurers
Agency problem	The problems arising from separating management from ownership of the organisation
Black swan	A high impact adverse event whose occurrence was not anticipated
CSR	Corporate Social Responsibility
Derivatives	An instrument whose value and other characteristics are derived from those of another asset or instrument (e.g. a share option is derived from a share)
Disintermediation	Cutting out intermediaries from financial and/or business transactions
Dodd-Frank	The US Dodd-Frank Act, 2010
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortization – (an accounting measure)
EMIR	The European Market Infrastructure Regulation
Financial covenant	A commitment by a borrower to act within predefined financial limits
GAAP	Generally Accepted Accounting Principles
Gearing	The relative amount of debt compared with share capital
Hedging	A method to reduce risk of financial losses by investing in an offsetting financial product
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
Macro-economics	The study of economic aggregates, such as total demand in a market
Micro-economics	The study of economic behaviour of individuals or individual organisations
Retail bond	A bond designed to attract individual (retail) rather than corporate investors
Sarbanes-Oxley	The US Sarbanes-Oxley Act, 2002
Thin capitalisation	Not having enough share capital to satisfy the tax authorities
Transfer pricing rules	Tax rules examining the prices paid between companies in the same group

1 THE TREASURY ENVIRONMENT

The environment within which treasury professionals work

1.1. Introduction to economics and markets: the treasurer's world

Demonstrate awareness and understanding of the importance of financial markets and of the wider economic environment within which treasurers work.

Indicative content – which outlines the scope of learning expected:

- Introduction to macro-economics: demand, supply, and the market mechanism
- Introduction to micro-economics: marginal revenue, marginal cost and profit maximisation
- Introduction to financial markets: banks and other examples of financial intermediaries
- How to adapt financial management to the business environment in which the organisation operates
- The evolving business environment including Corporate Social Responsibility (CSR), sustainability and methods of disintermediation (e.g. retail bonds)

1.2. Introduction to accounting: how the financial world sees treasury

Outline the importance of accounting for the treasury function in order for treasury to support the objectives of the organisation as a whole.

Indicative content – which outlines the scope of learning expected:

- Communicating with external and internal stakeholders: the importance of financial reporting and management accounting
- The four primary financial statements: income statement, balance sheet, cash flow statement, statement of changes in equity
- The main accounting concepts and conventions and Generally Accepted Accounting Principles (GAAP)
- Key financial ratios
  - Performance ratios: Return on Capital Employed (ROCE), margin calculations and Return On Equity (ROE)
  - Liquidity ratios: debt and EBITDA, current and 'quick' ratios, gearing and interest cover
  - Shareholder measures: Earnings Per Share (EPS), dividend cover and price to earnings ratio
- Principles of working capital
- Financial covenants and the consequences for borrowers of breaching covenants
- The impact of treasury activity on key financial ratios and measures

1.3. Introduction to tax: safeguarding reputation and managing costs

Explain the importance of tax, tax compliance and tax planning for treasury in order to safeguard the reputation of the business and manage its costs.

Indicative content – which outlines the scope of learning expected:

- The purpose and basic structure of developed tax systems
- The interaction between tax and accounting
- Tax compliance, tax planning and adding value
- Tax compliance costs and reputational risk
- Tax anti-avoidance regulations
- Transfer pricing
- Thin capitalisation

1.4. Introduction to regulation and law

Demonstrate awareness and understanding of the importance of complying with the legislative and regulatory frameworks governing the work of treasurers in order to avoid financial penalties, reputational losses or loss of legal permissions to carry on business.

Indicative content – which outlines the scope of learning expected:

- The purpose and basic structure of developed regulatory and legal systems
- Criminal and civil law and corporate criminal offences
- Contract and company law
- Insolvency
- Major regulatory developments
  - Basel III and related regulations
  - The European Market Infrastructure Regulation (EMIR) and related regulations
  - The Dodd-Frank Act (Dodd-Frank) and related regulations

2 ETHICS AND GOVERNANCE

The fundamental importance of ethics, compliance and governance

2.1. Fundamentals of ethics: why ethics are essential for wealth creation

Outline the importance of ethics to the success of the treasury function.

Indicative content – which outlines the scope of learning expected:

- Market efficiency and the level of trust
- How ethics contribute to the firm as a whole: promoting personal, colleagues' and company ethics and best practice
- Codes of conduct including the ACT Ethical Code
- Reputational risk, protecting reputation and the benefits of an excellent reputation to treasurers, treasury and the organisation as a whole
- Identifying and dealing with unethical behaviours

2.2. Introduction to compliance

Explain the importance of compliance for the treasury function and the adverse consequences of compliance failures.

Indicative content – which outlines the scope of learning expected:

- Defining, executing and monitoring treasury activities
- Ensuring treasury policies, processes and procedures are integrated with broader company policies
- Ensuring the treasury function is effective and secure
- Selecting and implementing appropriate reporting structures

2.3. Introduction to the agency problem and auditing

Explain the importance of the agency problem and of auditing to the treasury function to deter and detect common types of incompetence, error and fraud.

Indicative content – which outlines the scope of learning expected:

- Why ownership and management are often separated
- The problems which arise when ownership and management are separated ('the agency problem')
- How auditing emerged in response to the agency problem
- The role of auditing in the deterrence and detection of incompetence, error and fraud
- The differing responsibilities of those who work in treasury and of their auditors
- The importance of auditors' reports and their limitations

2.4. Introduction to corporate governance

Explain the meaning and importance of corporate governance in relation to the day to day work of the treasurer.

Indicative content – which outlines the scope of learning expected:

- Famous failures of governance and their consequences, including WorldCom, Enron and Maxwell
- Principles of good governance
- The impact of the UK Corporate Governance Code and Stewardship Code on the treasury function
- The impact of Sarbanes-Oxley on the treasury function

3 INTRODUCTION TO RISK MANAGEMENT

The key tools with which risk is managed in practice

3.1. Introduction to risk

Outline the key principles underpinning risk, risk analysis and risk management for treasurers.

Indicative content – which outlines the scope of learning expected:

- Definitions of risk and uncertainty
- The links between risk, expected return and expected cost
- Definition of risk appetite
- Factors affecting a company's risk appetite

3.2. Introduction to identifying and assessing risk

Describe a simple risk identification and assessment framework for an entire organisation and for treasury in particular and identify the principle financial risks that may be managed by treasury

Indicative content – which outlines the scope of learning expected:

- The importance of risk identification and analysis
- Introduction to risk assessment frameworks including the Identification, Management and Reporting (IMR) risk framework
- Commercial, financial and operational risks
- Rewarded and unrewarded risks
- Interest rate, currency and commodity risks
- Pensions risk, documentation risk, tax risk and reputational risk
- Black swans

3.3. Introduction to managing risk

Demonstrate an awareness of the key tools with which risk is managed in treasury and the benefits of risk management.

Indicative content – which outlines the scope of learning expected:

- Risk management and other risk responses
- Risk mitigation
- Determining the optimum time horizon for risk management
- The principles and practice of hedging
- Derivative instruments
- Other hedging techniques

3.4. Introduction to reporting risk

Demonstrate awareness and understanding of the fundamentals of risk reporting in treasury, the benefits of successful risk reporting and the consequences of failure.

Indicative content – which outlines the scope of learning expected:

- Risk management disclosure regulations
- Introduction to International Financial Reporting Standard (IFRS) 9, International Accounting Standard (IAS) 39 and IAS 32
- Identifying and implementing appropriate risk reporting structures
- Adapting risk management policy in the light of reported outcomes
- Famous treasury disasters including Metallgesellschaft, Société Générale and Allied Lyons
- The consequences of failure to identify or understand risks

PRINCIPLES OF TREASURY OPERATIONS

Unit two

INTRODUCTION TO UNIT TWO

Treasury operations are the lynch pin of all treasury activity and it is essential that treasury is structured and runs in a way to meet the requirements of the organisation as a whole.

As such, this unit examines how treasury works within the organisation and the way in which treasury may be structured to fulfil that role.

Having looked at the day to day activities undertaken by treasury, the benefits of using technology in support of treasury processes are also considered.

Finally, the unit provides a more detailed insight into the key role of a treasury function in managing cash and short term liquidity efficiently and effectively to support the organisation.

OVERARCHING LEARNING OUTCOMES

On completing unit two you will be able to:

1. Explain the role of treasury in an organisation and the importance of internal and external relationships required to fulfil this role. **(20% weighting)**
2. Describe how a treasury function is structured and the processes and controls needed to enable its effective running. **(20% weighting)**
3. Explain the types of treasury technology that are available and how technology can be used effectively when carrying out treasury activities. **(20% weighting)**
4. Describe how the organisation's cash and short term liquidity are managed on a day to day basis. **(40% weighting)**

A-Z

GLOSSARY OF KEY TERMS IN UNIT TWO

Agency role	Treasury acts in an agency role where the day to day treasury decisions are made at local level but the deals required as a result of those decisions are carried out by treasury
Banded interest basis	A system of tiered interest rates where the interest rate is determined by the total value of funds and this single interest rate is applied to the whole balance
Bank float	The time during which a remittance in the banking system is available neither to the payer nor to the payee
Benchmarking	Comparison of performance data with other companies
Business continuity risk	The risk that the business cannot continue trading
Cash concentration	A method of physically moving cash balances into a single bank account for cash management purposes
Centralisation	Centralisation is where activities are concentrated in a central location
Dealing portal	A data interface that enables deals to be transacted over the internet
Exception reports	A report that only includes data on items that have not met a specified criteria
Hosted solution	Where software is held by the service provider on a remote server rather than installed at the company's site
Ledger date	The date on which a transaction is first shown on the bank statement
Notional pooling	A method of pooling cash for cash management purposes without physically moving funds
Segregation of duties	A control that requires more than one person in order to complete a process in order to help prevent fraud and error
Settlement	The transfer of funds to complete an agreed transaction
Stepped interest basis	A system of tiered interest rates where interest is calculated according to the value of funds that falls within each tier
TMS	Treasury Management System – technology used to manage many aspects of treasury activities
Tiered interest rates	Tiered interest rates are where a number of different interest rates are applied to a single bank balance according to the balance on the account. The interest rates may be applied on either a stepped or tiered basis

4 THE ROLE OF TREASURY

Its context in the organisation

4.1 Introduction to how treasury works within an organisation

Demonstrate an understanding of the key role that treasury plays in supporting the organisation.

Indicative content – which outlines the scope of learning expected:

- Core treasury functions of funding, cash management, liquidity and risk management
- Understand what the business does
- Contribution to business unit decisions

4.2 The importance of strong internal and external relationships

Describe the key internal and external relationships that treasury requires to fulfil its role and why they are important.

Indicative content – which outlines the scope of learning expected:

- Internal relationships
  - Head office functions
  - Operating units
- External relationships
  - Banks
    - Services provided by banks
    - Types of bank relationships: relationship or transactional
    - Managing bank relationships
  - Rating agencies
    - Importance of credit ratings: why they may change
    - Short and long-term credit ratings
    - Ratings outlook and credit watch

5 STRUCTURE AND OPERATION OF A TREASURY DEPARTMENT

The importance of being effective in order to support the business

5.1 The structure of the treasury department

Demonstrate an understanding of how a treasury department is structured to reflect the needs and culture of the organisation.

Indicative content – which outlines the scope of learning expected:

- Degree of centralisation
- Advisory, agency role and in-house bank
- Organisational structure
- Treasurer, front office, middle office and back office

5.2 Introduction to the importance of policies

Describe the typical contents of a treasury policy and how policy is set and approved.

Indicative content – which outlines the scope of learning expected:

- Why setting policies is important
- How a policy is structured: guidelines for content
- Derivation, approval, implementation and review processes

5.3 The daily activities of a treasury function

Outline the day-to-day activities and controls required of a treasury function in order to fulfil its role efficiently and effectively.

Indicative content – which outlines the scope of learning expected:

- Key activities
  - Treasurer: compliance with policy, oversight, review, risk and funding, internal and external relationships
  - Front office: deal transaction
  - Middle office: valuation, modelling and analysis
  - Back office: confirmation, settlement and accounting
- How a deal is processed: trading, deal input, internal checks, authorisation, confirmation issuing and matching, settlement and accounting
- Controls
  - Segregation of duties
  - Other operational controls
  - System controls and business continuity management
  - Reporting, audit and review

6 THE USE OF TECHNOLOGY WITHIN TREASURY

The role that technology plays

6.1 Introduction to the IT systems available to treasury

Outline the internal and external technology systems that are typically used to support treasury operations.

Indicative content – which outlines the scope of learning expected:

- Internal systems and interfaces
  - Spreadsheet solutions
  - Treasury Management Systems (TMS)
    - Enterprise Resource Planning (ERP)
    - Vendor software
    - Hosted solutions
    - In-house build
    - Mobile technology
- External systems
  - Market Information Systems (MIS)
  - Electronic bank account information
  - Electronic Funds Transfer (EFT)
  - Dealing portals
  - Confirmation matching system

6.2 How technology may be used within treasury

Explain how technology can be used in treasury to improve the efficiency, effectiveness and security of the treasury function.

Indicative content – which outlines the scope of learning expected:

- Processing treasury transactions
  - Dealing
  - Approval
  - Confirmation matching
  - Settlement
  - Accounting
- Enhanced controls
  - Access controls
  - Segregation of duties
  - Monitoring activity against treasury policy limits
  - Compliance and audit trail
- Using technology to help manage risk

7 CASH MANAGEMENT

An introduction to a key element of treasury operations

7.1 The daily cash management cycle

Demonstrate an understanding of how cash is managed on a day-to-day basis to ensure the safety and availability of cash resources as required for use in the organisation.

Indicative content – which outlines the scope of learning expected:

- Forecast short term cash needs a 3-5 day time horizon
- Ensure cash is in the right place at the right time in the right currency
  - Types of bank accounts: current, overdraft and deposit
  - Currency
  - Location
  - How to move funds between different accounts
- How to raise short term funds
- Security of physical cash
  - Handling, storing, transporting cash and associated controls
  - Bank opening hours

7.2 Introduction to how bank accounts may be structured

Describe how best to structure bank accounts to enable treasury to manage cash efficiently and effectively.

Indicative content – which outlines the scope of learning expected:

- Efficient account structures
  - Local or global solutions
  - Notional pooling and cash concentration
- Foreign currency bank accounts
  - When and where to open a foreign currency account

7.3 An introduction to interest calculations

Calculate interest due on a bank account in order to forecast future interest cash flows and check bank interest charges.

Indicative content – which outlines the scope of learning expected:

- How interest rates are quoted and calculated
  - Annual basis
  - Day count conventions: converting an interest rate into a different year basis
- Calculation of interest due
  - Simple and compound interest
  - Day count adjustment
- Tiered interest rates
  - Stepped and banded
- Value dating
  - Ledger date, value date and bank float

7.4 An introduction to cash flow forecasting

Compile a simple cash forecast to assess the short term cash needs of the business and facilitate planning to meet those needs in the most efficient manner.

Indicative content – which outlines the scope of learning expected:

- Receipts and payments forecast
  - Receipts and payments data
  - Translate foreign currency items at given exchange rates
- Closing balances
- Sensitivity of balances to changes in input data

OVERVIEW OF FINANCIAL MARKETS AND CORPORATE FINANCE

Unit three

- Introduction to unit three
- Overarching learning outcomes
- Glossary of key terms used in unit three
- Unit three content

INTRODUCTION TO UNIT THREE

A key skill required by those working within treasury is the ability to identify and put in place solutions to financial problems.

In order to be able to do this effectively, this unit describes the principal financial markets that treasurers may need to access and a number of the key products available that are particularly useful to the treasurer.

Finally, the unit introduces the concept of corporate finance and explains why the various sources of finance available to an organisation may be used to structure its finances in an optimal manner. The use of project appraisal for investment decisions (present values) are also introduced.

OVERARCHING LEARNING OUTCOMES

On completing unit three you will be able to:

1. Explain the main financial markets, market participants and products used by treasury when looking at ways of raising funds for the organisation (including the equity and debt markets).

2. Outline the key considerations when undertaking money market, foreign currency and interest rate transactions.

3. Define corporate finance (the relationship between risk and return and the principles of present value when selecting investments) and demonstrate awareness of how funding decisions are made.

All three sections carry equal weighting

GLOSSARY OF KEY TERMS IN UNIT THREE

Bilateral debt	Bank debt raised by a company from just one bank; there are two parties to the agreement, hence bilateral
Capital structure	The proportions of debt and equity that form the capital of the company
Corporate finance	The study and application of methods to efficiently fund an organisation
Cross rate	The rate at which a minor currency can be exchanged for another minor currency
Dealing mandate	The authority for a bank to accept instructions to deal from the company
Debt	Finance raised from borrowing
Debt capital markets	A public market for the issuing and trading of debt securities, as distinct from bank debt
Debt securities	Any debt issued by a government or corporate that may be traded
Direct exchange rate	The rate at which one major currency may be exchanged for another major currency
Domestic bonds	A debt security issued by an issuer based within the domestic jurisdiction and in the domestic currency
Equity	A financial instrument representing partial ownership of the firm and its earnings
Financial market	A place (often virtual) for buying and selling financial assets
Forward transaction	Any financial transaction arranged now for delivery in the future
Government bonds	Debt securities issued by a sovereign government
Hedge funds	An investing institution that exposes itself to higher than normal risks
Hybrids	Any form of financial instrument that has some characteristics of equity and some of debt
International bonds	A debt security issued by an issuer outside their home jurisdiction. An example would be a US dollar bond issued by a UK-based company
Investment grade bonds	Debt securities that do achieve a credit rating sufficient to be regarded as suitable for investment
ISDA	International Swaps and Derivatives Association
Junk bonds	Debt securities that do not achieve a credit rating sufficient to be investment grade
Long term	Generally transactions of greater than one year

GLOSSARY CONTINUED...

Money market	The market in wholesale deposits and loans, mainly composed of banks
Option	A financial option represents "the right but not the obligation" to deliver
Ordinary shares	The most common equity instrument, an ordinary share represents part ownership of the firm and its earnings. In the US these are termed 'common stock'
Preference shares	A form of equity which has preferential rights over ordinary shares or common stock
Private company	Companies that do not offer their shares for sale to the public
Public company	Companies who offer their shares or other securities for sale to the public or to a section of the public
Short term	Generally transactions of up to one year
Spot transaction	Any financial transaction for immediate execution and delivery
Swap	A financial transaction that is coupled with another equal and opposite transaction
Syndicated debt	Bank debt raised by a company from several banks at the same time; the banks form a syndicate from which the company borrows
Tenor	The time remaining on a financial instrument until repayment is due
Yield	The rate of return on the current market value of a financial security

8 INTRODUCTION TO FINANCIAL MARKETS AS A SOURCE OF FINANCE

The different financial markets that treasurers deal with and the principal products available to treasurers when raising debt

8.1 Introduction to financial markets

Outline the factors driving financial markets and the way that prices are set.

Indicative content – which outlines the scope of learning expected:

- Historical development: why we have financial markets
- The rational investor: uncertainty is fundamental to expected returns
- Expectations theory: price reflects expectations

8.2 An introduction to equity capital markets

Demonstrate awareness of the main features of products and participants of equity capital markets.

Indicative content – which outlines the scope of learning expected:

- Definition and benefits of equity capital markets
- Features of principal instruments
  - Ordinary shares
  - Preference shares
  - Hybrids
- Characteristics of the principal participants
  - Private individual shareholders
  - Pension funds
  - Insurance companies
  - Hedge funds
- Unique features
  - Market specifics: UK, US, Hong Kong, Singapore and Tokyo

8.3 An introduction to debt capital markets

Demonstrate awareness of the main features of products and participants of debt capital markets.

Indicative content – which outlines the scope of learning expected:

- Definition and benefits of the debt capital markets
- Features of principal instruments
  - Government bonds
  - Investment grade bonds
  - High yield bonds
- Characteristics of principal participants
  - Pension funds
  - Hedge funds
  - Central banks
- Unique features
  - Coupon, frequency, maturity and redemption amount
  - Regulatory issues
  - Typical documentation
  - Market specifics: UK, US, Hong Kong, Singapore and Tokyo
  - Domestic and international bonds

8.4 An introduction to bank debt

Demonstrate awareness of the main features of products and participants of bank debt markets.

Indicative content – which outlines the scope of learning expected:

- Definition and benefits of bank debt markets
- Features of principal instruments
  - Long term debt
  - Short term debt
- Unique features
  - Negotiation of documentation
    - The corporate avoiding unnecessary restrictions
    - The bank wanting some protection from loss
  - Bilateral and syndicated debt

8.5 Comparing different financial markets

Compare and contrast the key features, products and participants of the different financial markets.

Indicative content – which outlines the scope of learning expected:

- Features of principal instruments
- Key products
- Main participants

9 FINANCIAL TRANSACTIONS

Principles of key treasury transactions and considerations when transacting deals

9.1 The key elements of financial transactions

Identify the key structural elements of financial transactions in order to be able to select the appropriate structure for an organisation.

Indicative content – which outlines the scope of learning expected:

- Timing
  - Start date: spot and forward
  - End date: tenor
- Certainty of requirement
  - Outright (fixing)
  - Option
- How to deal and access to markets
  - Phone and fax
  - Internet
  - Other (bonds)
- Pricing
  - The importance of comparative quotes
- Preparation and documentation
  - International Swaps and Derivatives Association (ISDA) agreements
  - Bank dealing mandates

9.2 An introduction to investments

Explain the principles of short term investment.

Indicative content – which outlines the scope of learning expected:

- Security
- Liquidity
  - Sale prior to maturity
  - Hold to maturity: benefit
- Yield: the importance of understanding the quotation basis and how to compare yield and discount
- Alternate investments
  - Money market
  - Bonds

9.3 An introduction to foreign exchange transactions

Outline the main features of products available in foreign currency markets.

Indicative content – which outlines the scope of learning expected:

- Definition of foreign currency markets
- Key features of the way markets operate
  - Global market
  - Scale of the market
  - Two way quotes: what is the buying and selling price?
  - Principal instruments: direct exchange rates
  - Cross rates
- Unique features
  - Start dates: spot and forward
  - Use of short term foreign exchange swap

9.4 An introduction to interest rate transactions

Demonstrate awareness of the main features of products available in interest rate markets.

Indicative content – which outlines the scope of learning expected:

- Definition of interest rate markets
- Principal instruments
  - Short term: Forward Rate Agreements (FRA)
  - Long term: cross currency interest rate swaps
- Unique features:
  - Link to debt markets
  - Market specifics: global and by currency

10 CORPORATE FINANCE THEORY

Principles of risk and return

10.1 An introduction to risk and return principles

Distinguish between high and low risk businesses in order to understand the inherent risks in your organisation and why this may influence funding decisions.

Indicative content – which outlines the scope of learning expected:

- Factors that make a business high or low risk:
  - Industry sector: oil refinery, airline, water utility and food processor
  - Growth
  - High fixed costs
- Impact on funding decisions
  - Potential for mixing high business risk with high financial risk (i.e. high debt)
  - Problems with being too safe: low business risk and low financial risk (i.e. low debt)
  - Practical constraints on gearing: public and private companies

10.2 An introduction to corporate finance theory

Outline the basic concepts of corporate finance theory and how they can be applied within the organisation.

Indicative content – which outlines the scope of learning expected:

- Define corporate finance
- Raising finance efficiently
  - Advantages of debt: why some companies gear up
  - Advantages of equity: why some companies avoid debt
  - Identifying a company's gearing ratio: debt and equity in the balance sheet
  - Calculating the cost of capital
- Investing effectively: simple project appraisal
  - Principles for comparing cash today with future cash: time value of money
- Ensuring that financing enhances value for shareholders and investors: the debt and equity split
  - The risk / return dynamic
  - The impact of interest being tax-sheltered
  - Modigliani and Miller (simple form)
- The impact of capital structure on the value of the organisation

ACT

Competency Framework

GLOBAL TREASURY STANDARDS

ACT COMPETENCY FRAMEWORK

The result of consultation with senior treasurers, banks and learning and development teams, the framework defines the competencies treasurers need to operate successfully in global business today. The skills a treasurer needs over their career varies according to seniority. The competencies have been benchmarked and mapped to four job levels; tactical, operational, managerial and strategic.

The content of this syllabus introduces the skills required to operate at a tactical level.

Strategic Level
Managerial Level
Operational Level
Tactical Level

treasurers.org/competencyframework

FOLLOW US

@ACTupdate

facebook.com/actupdate

treasurers.org/linkedin

youtube.com/treasurersorg

Content correct at date of publication – January 2015