

# A Guide on Preparing for the SC Licensing Examinations

Copyright ©  
Securities Industry Development Corporation



[www.sidc.com.my](http://www.sidc.com.my)





This guide is aimed at assisting you to better prepare for the SC Licensing Examinations. We will be discussing:

1. the important features of the SC Licensing Examinations Study Outline
2. how to prepare for examinations using the Examination Study Guide (namely for examination module 6, 7, 9, 10, 11, 12, 14 and 16)
3. the general features of multiple choice questions (MCQs);
4. exam strategies and techniques that will be useful in your examination preparation
5. attempting MCQs during examination
6. other supplemental resources

## 1. THE IMPORTANT FEATURES OF THE SC LICENSING EXAMINATIONS STUDY OUTLINE (SO)

The SO for the respective examination modules has several important features that will help you better understand the examination module that you are sitting for.

The SO can be divided into 7 parts as follows:

- I. Introduction
- II. Examination Structure
- III. References
- IV. Learning Objectives
- V. Examination Syllabus
- VI. Details of Syllabus
- VII. Sample Questions and Answers

## I. INTRODUCTION

The introduction addresses the following:

- 🔒 Explanation on the individual(s) required to sit for the respective examination module. This would depend on the type of regulated activity the individual(s) intends to carry.

**Example:** *Module 9: Funds Management Regulation*

*Module 9 is one of the examinations to be passed by individuals who:*

- *Intend to apply for a Capital Markets Services Representative's Licence (CMSRL) to carry on the regulated activity of fund management; or*
- *Intend to hold the position of compliance officer in a firm which is a holder of a Capital Markets Services Licence (CMSL) for carrying on the business of fund management.*

You should refer to the Licensing Handbook for the detailed combination of examinations required for each regulated activity that you intend to undertake.

- 🔒 The level of the examination i.e. whether the examination module falls under Level 1 or Level 2. The different levels indicate the difficulty of the examination module.

Level 1 examinations require you to possess good knowledge and understanding of the syllabus stipulated in the SO. You are expected to be able to analyse and apply information at a **basic level only**.

**Example:** *A. Level 1 Examinations  
Module 16: Rules and Regulations of Futures and Options*

*Candidates are expected to possess good knowledge and understanding of the syllabus stipulated in the SO and the specified references. Candidates are also expected to be able to analyse and apply information at a basic level.*

*This means that for Module 16, candidates will be tested more on knowledge and comprehension questions. Thus, what is required of candidates under this examination module is more on the ability to recall memorised information and the ability to grasp and understand the meaning of the principles/concepts for each topic in the SO. Candidates are expected to be able to relate and apply information to a given situation only at the basic level.*

*Sample question:*

*'X' is a type of derivatives contract with the following features:*

- |  |
|--|
| <ul style="list-style-type: none"><li><i>• Gives the holder the right to buy or sell a specified asset at a specified price on or before a specific date</i></li></ul> |
| <ul style="list-style-type: none"><li><i>• Places a contingent liability on the seller where buyer exercises his rights</i></li></ul>                                  |

*'X' above refers to which of the following?*

- (A) Futures
- (B) Forwards
- (C) Options
- (D) Swaps

**Answer: C**

*This question is testing your ability to grasp the meaning of principles/concepts which you have read. It does not require you to apply information obtained from your reading to a given situation. You can expect more questions of this nature in Level 1 Examinations.*

Level 2 examinations require you to possess good knowledge and understanding of the syllabus stipulated in the SO. You are also expected to have **strong capabilities** in the application and analysis of information.

### **B. Level 2 Examinations**

#### *Module 10: Asset and Funds Management*

*Candidates are expected to possess good knowledge and understanding of the topics stipulated in the SO and the specified reference. Candidates are also expected to have relatively strong capability in the application and analysis of information.*

*This means that for Module 10, candidates are not only expected to have knowledge or understanding (comprehension) of the syllabus stipulated in the SO and the specified reference, they must also have strong ability to relate and apply the information they have obtained from their reading to a given situation.*

**Sample question:**

The administrator of a large investment fund wants to evaluate the performance of 3 portfolio managers. Assume that during the most recent 5 year period, the average annual total rate of return of the Bursa Securities Bills was 14% and the average normal rate of return on Treasury Bills was 8 %.

Portfolio	Average Annual Rate of Return	Standard Deviation	Beta
XX	0.17	0.20	1.1
YY	0.24	0.18	2.1
ZZ	0.16	0.14	1.5
Market	0.14	0.12	1.0

Based on the given information, calculate the Treynor portfolio performance for portfolio XX.

- (A) 0.08
- (B) 0.10
- (C) 0.13
- (D) 0.15

**Answer: A**

The above question is testing you on your ability to use learned materials to a given situation and not just merely your ability to grasp the meaning of material or recalling memorised information. You can expect more question of this nature for Level 2 examinations.

-  The estimated study time. The hours of study time stipulated in the SO is the **MINIMUM** number of hours that you need to spend to prepare for your examination. Generally, longer hours of study time are required for Level 2 examination [Please see explanation on the level of examination above].

Thus, it is important for you to read the SO relevant to you to ascertain the minimum study time required of you. **You may need less or more study hours depending on your educational background and work experience.** We will re-visit this issue on estimated study time in more detail under item 4 below.

-  The list of the prescribed reference materials (PRMs) that you are allowed to bring into the examination centre with you. This is applicable for Rules and Regulations Modules only, namely Modules 6, 9, 11, 16, 17, 19, 19A and 19B.

This list is **IMPORTANT** for you to note, as your preparation for the examinations **MUST** include the preparation of the relevant PRMs as well. SIDC will **NOT** make available any PRMs at the examination centre for you to use during the examination.

It is also **IMPORTANT** for you to note that the PRMs that you bring into the examination centre are subjected to the following:

-  It must **NOT** contain any markings (e.g. highlights, written notes, underlines, attachments, drawings, folding etc). However, highlights, underlines and updates due to amendments to any provision(s) **ARE ALLOWED**. PRMs which do not meet the above requirements will **NOT** be allowed to be brought into the examination centre;
-  You are strictly **PROHIBITED** from marking the PRMs (e.g. highlighting, writing, underlining, drawings, folding etc) **DURING** the examination; and
-  The examination invigilators have the right to inspect all PRMs before, during and after the examinations.

SIDC reserve the right to **CONFISCATE** any PRMs which do not conform to SIDC's requirements and/or unauthorised PRMs for a particular module, and as mentioned above, SIDC will **NOT** make available any PRMs at the examination centre for you to use during the examination.

## II. EXAMINATION STRUCTURE

The SC Licensing Examinations for all modules is in the form of Multiple Choice Questions (MCQs). You are advised to refer to the Examination Structure to find out the number of questions, passing mark, examination duration, the references/texts that you need to read to sit for the examination and the PRMs that you are allowed to bring into the examination centre.

**Example:**

### Rules and Regulations Module

#### Module 6: Malaysian Stock Market & Securities Law

Types of Questions	Multiple-Choice
Number of Questions	60 questions
Passing Mark	60%
Time Allocated	90 minutes
Level of Examination	Level 1
References /Text	<ul style="list-style-type: none"><li><input type="checkbox"/> Examinations Study Guide for Module 6: Malaysian Stock Market &amp; Securities Law</li><li><input type="checkbox"/> Securities Commission Act 1993</li><li><input type="checkbox"/> Capital Markets and Services Act 2007</li><li><input type="checkbox"/> Rules of Bursa Malaysia Securities Berhad</li><li><input type="checkbox"/> Rules of Bursa Malaysia Securities Clearing Sdn Bhd</li><li><input type="checkbox"/> Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries</li></ul>
	<ul style="list-style-type: none"><li><input type="checkbox"/> Guidelines on Market Conduct and Business Practices for Stockbrokers and Licensed Representatives</li><li><input type="checkbox"/> Bursa Malaysia Securities Berhad Main Market Listing Requirements</li><li><input type="checkbox"/> Bursa Malaysia Securities Berhad ACE Market Listing Requirements</li><li><input type="checkbox"/> Licensing Handbook</li></ul>

### III. REFERENCES

Provides you the information on where you can obtain the relevant references i.e. the acts, guidelines, rules, study guides etc for the examination.

You **MUST** read the Examination Study Guide and where applicable, the relevant references **TOGETHER** when preparing for your examination. It is **NOT** sufficient to read just the Examination Study Guide or the references alone as examination questions will be asked from **BOTH** the Examinations Study Guides **AND** the relevant references within the scope of the SO.

### IV. LEARNING OBJECTIVES

The Learning Objectives express what you are expected to have learned upon successful completion of an examination study guide and the relevant references. This means, the SO for the respective examination module stipulates the areas which you should have knowledge, understanding and ability to apply information.

### V. EXAMINATION SYLLABUS

For each examination module, we have divided the syllabus into several sections/parts. Thus, the Examination Syllabus basically stipulates the following:

- i) the number of sections/parts a particular examination module is divided into;  
and
- ii) the maximum composition of questions from each section/part

Generally, the higher the maximum number/percentage of question for a particular section/part, more syllabus will be covered under that section/part. Thus you should concentrate your efforts more on that particular section/part.

### VI. DETAILS OF SYLLABUS

The Details of Syllabus lists down the topics that can be tested in the SC Licensing Examinations. It is important for you to note that you should concentrate on the topics mentioned in the SO.

For the Regulations Module, you should refer to the SO to ascertain which section/chapter/rule of the act/business rule/guidelines etc. you should concentrate on as you will be tested on certain topics and **NOT** the entire act/business rule/guidelines etc.

## VII. SAMPLE QUESTIONS AND ANSWERS

The Sample Questions and Answers lists down questions of various formats used in the examination module(s). It is important for you to note that these samples **DO NOT** in any way reflect the level of difficulty or the subject-matter distribution of the actual examination. The questions are merely intended to familiarise you with the styles of MCQs used in the examination.

**IMPORTANT!**

It is **IMPORTANT** for you to **READ** the cover page of the SO to ascertain the validity of the SO. This is because the SO for all examination modules will normally have a validity period of 6 months i.e. from January to June and from July to December.

Thus, if, for example, you intend to sit for your examination during the period of January to June, then, you should read the SO for January to June examinations. You are also advised that in between this period of 6 months, we may issue a new SO if there are major changes in the Examination Structure and Examination Syllabus of an examination module.

Therefore, you must refer to our website [www.sidc.com.my](http://www.sidc.com.my) on a regularly basis to ascertain whether there are any new SO's being issued by us.

## 2. HOW TO USE THE EXAMINATION STUDY GUIDE



Each topic in the Examination Study Guide contains the Topic Objectives, Activities (together with the suggested answers) and Summary or Checklist of the topic. You are advised to use the Topic Objectives for each topic as a guide as to how you should study using the Examination Study Guide.

It is important for you to know that the Examination Study Guide are only **correct/updated up to the printed date** and thus, you are required to update yourselves with the latest changes relevant to the examination module as all questions will be continuously updated to reflect these changes.

To ascertain whether you have the latest edition of the Examination Study Guides, please visit our website [www.sidc.com.my](http://www.sidc.com.my).



### 3. FEATURES OF MULTIPLE CHOICE QUESTIONS (MCQS)

It is important for you to know that there are 3 levels of cognitive skills that are being tested in each examination module, namely knowledge, comprehension and application and analysis.

#### Knowledge

This level represents the lowest level of learning outcomes in the cognitive domain. It requires studying, absorbing and recalling memorized information.

#### Comprehension

This level goes 1 step beyond the simple remembering of material, and represents the lowest level of understanding. It requires ability to grasp and understand the meaning of the principles or concepts for each subject.

#### Application and Analysis

This level requires higher level of understanding than those under Comprehension above. It requires ability to relate and apply the acquired information in market practices.

You will be tested on the above cognitive skills which will be reflected in the MCQs. MCQs of the SC Licensing Examinations consist of 2 parts:

- Part 1  
A stem, which asks the question, poses a problem, or presents an incomplete statement.
- Part 2  
4 options, with 1 correct answer and 3 incorrect distractors.

**Example:**

A Local Participant of Bursa Malaysia Derivatives Berhad is notable to:			
(A)	access the trading facilities	} Distractors	} Options
(B)	trade on the Bursa Derivatives on behalf of his clients	} Answer	
(C)	clear trades through a clearing participant	} Distractors	
(D)	trade on the Bursa Derivatives himself	} Distractors	

## Types of MCQs:

The SC Licensing Examinations can consist of up to 3 types of MCQs as follows:

Type 1

### Single Answer

The basic MCQ has a short stem and a single correct answer. A limited amount of information is presented in the stem, and a single set of response options is presented to you.

### *Example:*

A Local Participant of Bursa Malaysia Derivatives Berhad is notable to:

- (A) access the trading facilities
- (B) trade on the Bursa Derivatives on behalf of his clients } **Answer**
- (C) clear trades through a clearing participant
- (D) trade on the Bursa Derivatives himself

Type 2  
Extended

Extended MCQs has more information in the stem and more than one question can be set based on a single set of facts. A single, well-written paragraph, a financial statement, a table or a graph can provide material for several follow-up questions.

**Example:**

The administrator of a large investment fund wants to evaluate the performance of 3 portfolio managers. Assume that during the most recent 5 year period, the average annual total rate of return of the Bursa Securities was 14% and the average nominal rate of return on Treasury Bills was 8%.

Portfolio	Average Annual Rate of Return	Standard Deviation	Beta
XX	0.17	0.20	1.1
YY	0.24	0.18	2.1
ZZ	0.16	0.14	1.5
Market	0.14	0.12	1.0

Question 1

Based on the given information, calculate the Treynor measure for portfolio XX.

- (A) 0.08 } **Answer**
- (B) 0.10
- (C) 0.13
- (D) 0.15

Question 2

Based on Sharpe measure, which of the portfolio(s) outperformed the market portfolio?

- (A) Portfolio XX
- (B) Portfolio YY
- (C) Portfolio ZZ
- (D) Portfolios YY and ZZ } **Answer**

### Type 3

#### Multiple Answer - Roman Type

In this format, you are presented with several statements, each preceded by a code, usually a Roman numeral. This differs from the Single Answer and Extended MCQs discussed above, in that the response options may require you to know or derive several pieces of related information. Your task is to select the option that represents the correct combination of statements.

#### *Example:*

Which of the following are elements of good corporate governance?

- (i) Promotion of shareholders' rights
  - (ii) Investor education
  - (iii) Promotion of shareholders' responsibilities
  - (iv) Controlled access to the management of the company
- 
- (A) (i) and (iii) only
  - (B) (ii) and (iv) only
  - (C) (i), (ii) and (iii) only } **Answer**
  - (D) (ii), (iii) and (iv) only

It is important for you to understand what is required of you from the question. You are advised to read the questions carefully, more than once if necessary. Is the question asking for:

- A single correct answer?  
e.g. Which of the following statements is TRUE?
- Two or more correct answers?  
e.g. Which of the following statements are TRUE?

MCQ examinations can be difficult as they force you to be familiar with a much broader range of material compared to essay examinations. As such, you should read all the options before answering a question. Do not assume that just because the first or second choice appears correct, it is not necessary to read the remaining options.

#### 4. PREPARING FOR THE EXAMINATION AND REVISION STRATEGIES

For many reasons, examination candidates commonly consider MCQs easier than essay exams. Perhaps the most obvious reason for this is because the correct answer is *guaranteed* to be among the possible responses.

However, MCQs can be confusing if you are not prepared. If you have ever seen 'Who Wants to be a Millionaire', you will know that multiple choices does not help when you do not know the answer. Thus, you **MUST** be prepared to sit for the examination, you **MUST** study!

To prepare for the examination, you may consider the following steps:



##### **Avoid last minute preparation**

MCQ exams tend to focus on details, and detailed information cannot generally be retained effectively through short-term memory. You should therefore, avoid last minute studying.

To avoid studying last minute, you need to plan your study time. You should make a schedule to better manage your time. To create such schedule, you need to first answer the following questions:

- What is your schedule like 1 month before the exam and during the week of the exam? This is very relevant especially for those with a full time job.
- Taking into account your work commitment, will you have all month to prepare for your exam?
- Do you have other examination modules due within the same week?
- How many topics do you have to read for your examination module?

The answers to the above questions will help you ascertain the duration of time you need to prepare for the exam. You may refer to the study time stipulated in the SO of the examination module you will be sitting for, as a guide to the minimum hours of study time required of you.

Generally, longer hours of study time are required for Level 2 examination as compared to Level 1 examination. For example, for Module 19, you need to spend a minimum study time of 200 hours which can roughly be translated into 8.3 days. Bearing in mind that you will not be able to study 24 hours straight for 8 days, you might need to spread your studying hours into several weeks. For those who are working, you must also take into account your work commitment and you must be prepared to sacrifice your weekends to study for your examination.

We would like to highlight that the minimum hours of study time stipulated in the SO is just a suggestion and that ultimately, YOU are responsible to ascertain the study hours that you need to prepare for the examination.

### **Engage in face to face discussion**

If the company you work for provides training for any particular examination module that you intend to sit for, then you should take time to attend the training so as to be able to better understand the examination module that you will be sitting for.

If you have friends who are also sitting for the same examination module, then you should conduct group discussions as this can help you better understand any difficult topics in the examination module.

### **Plan your revision**

You are advised to refer to the Examination Syllabus stipulated in the SO of the examination module to ascertain the topics and areas you need to focus on. As mentioned earlier, the Examination Study Guide are correct/updated up to the printed date, therefore you are advised to update yourselves with the relevant changes of the topics affected before attempting examination.

**DO** spend extra time on difficult topics. **DO NOT** glance over topics you think you already know. **DO NOT** simply rely on the knowledge you have gained in your professional capacity alone as this may not always be technically correct.

### **Understand and digest the materials**

As mentioned earlier, there are 3 levels of cognitive skills being tested in each examination module, therefore it is important for you to know that examination questions may not necessarily be lifted and structured word-by-word from the Examination Study Guide or the relevant references. Thus, you **MUST NOT** just read and memorise the Examination Study Guide and the references. You should be able to recall, grasp, understand and apply the acquired information to the examination questions.

### **Check for updates**

Given the rapid development of the Malaysian capital market and the consequential changes in the regulations, you are advised to update yourselves with the relevant changes before attempting the examinations.

In the event of any amendments to financial reporting standards, contract specifications, acts, guidelines, rules and regulations, you will be tested on the previous financial reporting standards, contract specifications, acts, guidelines, rules and regulations for a period **not exceeding 1 month** from the effective date of the amendments.



You may check the following websites for updates/amendments on the financial reporting standards, contract specifications, acts, guidelines, rules and regulations:

- [www.sc.com.my](http://www.sc.com.my)
- [www.bursamalaysia.com](http://www.bursamalaysia.com)

## 5. ATTEMPTING MCQS DURING THE EXAMINATION

When sitting for your examination, you may want to keep the following in mind:

- ❗ Read the question carefully and think of an answer **before** you see the options. Read the options to see if your answer is there. If so, it is probably right. Read the other options quickly to be certain.
- ❗ If your answer is **not** one of the options, then read all the options carefully and start to eliminate the distractors.
- ❗ If you are not sure of the answer to a question, leave it and return to it later. **DO NOT** waste time over questions which you find difficult. Complete the answers for questions you know well.

Upon returning to the question and you are still not sure about the answer, you should then eliminate what it can't be. Try to remember if any of the answers left are related to that subject.

- ❗ For your ease of reference, in our CBE System, we have a 'Bookmark' function that allows you to 'mark' questions which you have not answered and need to return to later. This would save you the hassle of having to search for question(s) you left unanswered.
- ❗ When you narrow your choices to two, try each answer with the question to see if they both make sense.
- ❗ Even though your first answer is often the correct choice, you should not be afraid to change your original answer if, upon reflection, it seems wrong to you. You can also use the 'Bookmark' function to 'mark' questions that you have already answered but may need revisiting.
- ❗ Keep an eye on the clock to give yourself time to re-visit the question(s) you left unanswered or feel needs further reflection. Apart from the clock in the examination centre, you can keep an eye on the upper left hand side of the computer screen to keep track of the remaining time you have to complete the examination.
- ❗ Take time to check your answers before ending your examination.

## 6. SUPPLEMENTAL RESOURCES

### a. *Computer-Based Examination (CBE) Mock-up*

We provide a Computer-Based Examination (CBE) Mock-up to assist you to familiarise yourself with the format of SIDC CBE System. This mock-up consists of questions which have been tested previously in the SC Licensing Examinations.

As the purpose of the Mock-up is to familiarise you with the SIDC CBE System and not testing you on your knowledge of the examination module, the questions may not reflect the latest securities laws, securities products or Business and Listing Rules.

We encourage you to attempt the CBE Mock-up prior to your actual examination.

Please visit our website [www.sidc.com.my](http://www.sidc.com.my) for the CBE Mock-up.

***b. SC Licensing Preparatory Course***

You may also want to attend the SC Licensing Preparatory Course which is designed especially for candidates who are preparing for the SC Licensing Examinations. The preparatory course will be led by experienced speakers and the topics covered are in accordance with the respective modules of the SC Licensing Examinations. Course participants will be given the opportunity to attempt past year examination questions during the preparatory course. For more information on the SC Licensing Preparatory Course, please visit our website [www.sidc.com.my](http://www.sidc.com.my).

***c. Performance Analysis***

For candidates who have sat for the examination(s) but failed, you can request for your performance analysis at a fee of **RM75** per module. The performance analysis will indicate your performance (in terms of percentage) in each section as per the table under the Examination Syllabus of the SO.

Therefore, from the performance analysis, you can assess the sections which you have not performed well in the examination you sat for and thus should concentrate more on that section when doing your revision to re-sit the examination. For more information on the Performance Analysis, please read the SC Licensing Examination Terms & Conditions.

We hope that you now have a clearer picture of the SC Licensing Examinations and that this guide has been useful in assisting you to better prepare for the SC Licensing Examinations. GOOD LUCK!