

Technology in Investment Management

Edition 10 Addendum, published March 2021

These amendments cover exams to 10 May 2022.

1. **Page 31** – text has been amended to read:

1.4.12 Client Agreements

For both professional and retail clients (where firms provide services other than investment advice) MiFID II requires firms to provide a basic written agreement setting out the essential rights and obligations of the firm.

2. **Page 65** – text has been amended to read:

3.2 Recognised Clearing Houses (RCHs)

As at December 2020, the Bank recognises the following UK clearing houses:

3. **Page 77** – text has been amended to read:

4.3.1 MiFIR Post-Trade Transparency

The timelines for reporting are as follows:

- **RTS1** – shares, depositary receipts, exchange-traded funds, certificates, and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a Systematic Internaliser – as near to real-time as possible, but within one minute of execution.
- **RTS2** – bonds, structured finance products, emission allowances, and derivatives – as near to real-time as possible, but within five minutes of execution.

4. **Page 90** – text has been amended to read:

- **OTC derivatives such as swaps** – usually, the sell-side firm acts as principal. Traditionally, this has been a telephone market where the firm that received the order would phone other banks to establish the best rate. In recent years, a number of OTC web portals have been developed.

5. **Page 132** – last bullet has been amended to read:

1.10.2 Counterparty Agreements

If Firms A and B wish to trade bonds with each other, then their counterparty agreement can refer to **International Capital Market Association (ICMA)**'s GMRA 2011 template. (Under English law the GMRA 2011 can be used.)

6. **Page 150** – text has been amended to read:

2.1.1 The Essence of the Stock Lending/Borrowing Transaction

On the value date of the **end leg**, the securities are returned to the lender and the collateral is returned to the borrower. At the same time, the lender is paid a lending fee, and the borrower is paid interest on the collateral.

7. **Page 159** – text has been amended to read:

Definitions

Accrued interest is defined as the interest that has accumulated on a transaction since the last interest payment date or start date, up but not including the value date.

8. Page 195 – table has been amended to read:

General Ledger Account Category	Accounting Convention	Finance Sector Examples
Revenue	Credit	Net interest income, ie, interest received less interest paid Fees for client advice
Expenses	Debit	Salaries and other employee benefits Rent, property taxes, heat, light, power, etc All other expenses of running the business

9. Page 208 – the last sentence has been deleted to the following paragraph. The paragraph now reads as follows:

Head of Information Security

This individual reports to the CIO and is responsible for the overall direction of all security functions associated with applications, voice and data communications and computing services within the firm. The holder must be aware of the implications of the EU’s General Data Protection Regulation (GDPR) and previously the **Data Protection Act 1998 (DPA)** in the UK, or equivalent other countries.

10. Page 327– Question 22 has been amended to read:

What is the default frequency of production of periodic statements of account for retail clients of an investment firm if there is no trading activity?

The corresponding answer option on page 337 has been amended to read: Answer: C

11. Page 334 – answer has been amended to reflect the change on page 150

Multiple Choice Question 3. Answer: B, Chapter 6, Section 2.1

The business purpose of a stock loan is to enable one party to lend securities to another. The transaction has a start leg and an end leg. On the value date of the start leg, the lender delivers securities to the borrower in exchange for cash or other collateral. The purpose of the collateral is to provide the lender with security in case the borrower does not return the securities that were borrowed. On the value date of the end leg, the securities are returned to the lender and the collateral is returned to the borrower.

12. References to Thomson Reuters has been updated to read Refinitiv on the following pages:

Chapter 3 - Page 76

Chapter 3 - page 80

Chapter 4 - Page 85

Chapter 4 - page 90

Chapter 4 - page 95

Chapter 4 - page 99

Chapter 5 - page 117

Chapter 5 - page 118

Chapter 5 - page 120

Chapter 7 - page 189

Multiple choice questions - page 335