# MODULE SPECIFICATIONS

**Pasaran Kewangan Malaysia Certificate (PKMC)**
**Module III - The Foreign Exchange Market**

**Level of Study:** Level 2
**Effective date:** 1 May 2024
**Version:** 1.1
*Revision of module specifications format*

## A. Module Aim

This module enables readers to gain knowledge in:

- the local and global developments as well as, market practices of the foreign exchange market.
- the role of the central bank in foreign exchange markets.
- the foreign exchange risks associated with the market.
- the mechanics of foreign exchange transactions and their applications.
- foreign exchange computations for spot, forward and swap transactions.
- basic premises underlying technical analyses in foreign exchange markets.

## B. Learning Outcomes (LO)

Upon completion of this module, candidates will be able to:

| | |
|---|---|
| LO1 | Explain the foreign exchange markets. |
| LO2 | Explain the role of the central banks in currency markets. |
| LO3 | Discuss foreign exchange risks associated with the foreign exchange market. |
| LO4 | Demonstrate knowledge of foreign exchange mechanics and their applications. |
| LO5 | Demonstrate knowledge of foreign exchange mathematics and their applications. |
| LO6 | Demonstrate knowledge of the mechanics and applications of the forward and swap market. |
| LO7 | Demonstrate knowledge of technical and fundamental analysis. |

## C. Mode of Delivery

This module is offered as Module on Demand. Candidates can apply and enrol anytime and attempt the exam anytime within the module time limit.

## D. Learning Method

Self-study — online materials available.

## E. Qualification Time Limits

Candidates are given two (2) years to complete the programmes starting from the day they become a member of FMAM.

For an extension of qualification time limit, please refer to the AICB Membership and Qualification Regulations (Membership and Qualifications Regulations).

## F. Deferments and Online Exam Rescheduling

Module deferment applies to this module. Module Deferment means candidates defer the whole module which includes the workshop (if applicable), assignment, and examination to the next available intake.

Candidates may apply to defer their online examination and re-book the examination based on extenuating circumstances grounds as stipulated in the regulations. Effective 13th July 2024, candidates may reschedule the online examination booking up to a maximum of three (3) times per module registration.

Please refer to AICB Membership and Qualification Regulations (Membership and Qualifications Regulations) for more information on module/workshop deferment.

## G. Assessment

| Examination (Pearson-Vue Online) | MCQ | Written | Assignment (Moodle) |
|---|---|---|---|
| **Duration** | 2.5 hours | | |
| **Format** | 80 MCQs | | |

## H. Grade Band

The grading below is applicable for this module:

| Grade Band | Marks (%) |
|---|---|
| Pass | 75 and above |
| Fail 1 | 65 - 74 |
| Fail 2 | 50 - 64 |
| Fail 3 | 30 - 49 |
| Fail 4 | 29 and below |

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## I. Module Outline

| # | Learning topics | Learning outcomes (LO) | Assessment criteria |
|---|---|---|---|
| 1 | **Introduction to the Foreign Exchange ('FX') Market**<br>1.1 What is Foreign Exchange and Its Importance?<br>1.2 Historical Overview<br>1.3 The Foreign Exchange Market<br>1.4 Types of Dealers and Foreign Exchange Positions<br>1.5 Main Types of Foreign Exchange Contracts and Value Dates<br>1.6 Recent Developments in the Foreign Exchange Market<br>1.7 Global Market Practices for Foreign Exchange<br>1.8 Overview of the Malaysian Foreign Exchange Market | LO1 - To explain the foreign exchange markets | 1. To explain foreign exchange and the need for foreign exchange.<br>2. To outline the historical development of foreign exchange markets.<br>3. To identify the features, participants and factors which affect foreign exchange rates, types of dealers and foreign exchange positions, as well as to demonstrate knowledge of common dealing terminology, trading mistakes and various types of foreign exchange regimes.<br>4. To discuss recent developments in the foreign exchange market.<br>5. To demonstrate knowledge of global market practices for foreign exchange.<br>6. To describe the major developments of the Malaysian foreign exchange market. |
| 2 | **Role of Central Banks in Currency Market**<br>2.1 Role of Central Banks in Currency Markets<br>2.2 Foreign Exchange Intervention by Central Banks<br>2.3 Types of Foreign Exchange Intervention<br>2.4 Spot versus Forward Foreign Exchange Intervention<br>2.5 Compliance and Enforcement of the Foreign Exchange Notices | LO2 - To explain the role of the central banks in currency markets | 1. To describe the primary and secondary functions of the central banks in currency markets.<br>2. To discuss the reasons for foreign exchange intervention by the central banks and to differentiate between spot and forward FX interventions by central banks.<br>3. To explain the types of foreign exchange interventions by central banks. |

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|---|---|---|---|
| 3 | **Risks in Foreign Exchange**<br>3.1 Foreign Exchange Risks<br>3.2 Foreign Exchange Exposure Risks<br>3.3 Foreign Exchange Counterparty Risks<br>3.4 Hedging and Trading Strategies | LO3 - To discuss foreign exchange risks associated with the foreign exchange market | 1. To demonstrate knowledge of foreign exchange exposure risks and counterparty risks associated with the foreign exchange market.<br>2. To demonstrate knowledge of foreign exchange hedging and trading strategies including non-deliverable forwards and carry trades. |
| 4 | **Foreign Exchange Mechanics and Applications**<br>4.1 Details of a Typical Spot Forex Exchange Transaction<br>4.2 Interpretation of FX Quotations and Points<br>4.3 Types of Foreign Exchange Quotations<br>4.4 Value Dates<br>4.5 Types of Foreign Exchange Contracts<br>4.6 What is a Foreign Currency Account? | LO4 - To demonstrate knowledge of foreign exchange mechanics and their applications | 1. To discuss the details of spot foreign exchange transactions.<br>2. To interpret foreign exchange quotations, points and calculate profit and loss.<br>3. To differentiate the different types of foreign exchange quotations and cross rates.<br>4. To recognize different value dates for foreign exchange transactions.<br>5. To distinguish the different types of foreign exchange contracts.<br>6. To describe a foreign currency account. |
| 5 | **Foreign Exchange Mathematics and Applications**<br>5.1 Calculation of Various Types of Cross Rates<br>5.2 Types of FX Cross Rate Quotations<br>5.3 Computation of Counter Rates for Customers<br>5.4 Calculation for Various Value Dates<br>5.5 Calculation for Forward Delivery<br>5.6 Calculation for Profit and Loss<br>5.7 Dealing Strategies | LO5 - To demonstrate knowledge of foreign exchange mathematics and their applications | 1. To calculate the different types of cross rates.<br>2. To explain the computation of counter rate for customers.<br>3. To calculate various value dates.<br>4. To calculate foreign exchange fixed and optional delivery.<br>5. To calculate profit and loss in foreign exchange dealings.<br>6. To demonstrate knowledge of the concept of position keeping, 'stop |

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|---|---|---|---|
| | 5.8 'Stop-loss' and 'Take-profit' Strategies and Calculations<br>5.9 Keeping Track of Open FX Positions | | loss', 'take profit' strategies and revaluation |
| 6 | **The Forward and Swap Market**<br>6.1 Introduction to Foreign Exchange Forward and Swap Markets<br>6.2 FX Forward Market<br>6.3 Introduction to Foreign Exchange Swaps<br>6.4 Factors Affecting Swap Points<br>6.5 Cost of the Swap Operations<br>6.6 Specimen of Spot FX and Forward Rates Quotations<br>6.7 Calculation of Foreign Exchange Swap Funding Cost<br>6.8 Determining the Cost and Pricing of 'Early-Take-Up', Extensions and Cancellation of Foreign Exchange Contracts<br>6.9 Determining the Cost of Early-Take-Up of Contracts<br>6.10 Extensions of Forward Contracts<br>6.11 Cancellation and 'Close-Out' of Foreign Exchange Contracts | LO6 - To demonstrate knowledge of the mechanics and applications of the forward and swap market. | 1. To demonstrate knowledge of the mechanics of the forward foreign exchange market including definitions, features and uses of foreign exchange swaps.<br>2. To explain the mechanics and interpretation of foreign exchange swap points.<br>3. To determine factors affecting foreign exchange swap points, arbitrage opportunity and other new factors driving foreign exchange swap points.<br>4. To calculate foreign exchange swap points.<br>5. To calculate foreign exchange swap funding cost.<br>6. To demonstrate knowledge of forward swap points and pricing of 'early-take-up', extensions and cancellation of foreign exchange contracts. |
| 7 | **Technical and Fundamental Analysis**<br>7.1 What is Technical and Fundamental Analysis?<br>7.2 Technical Analysis as Trading Tools Versus Fundamental Analysis<br>7.3 Basic Premises of Technical Analysis<br>7.4 Charting Techniques/Tools | LO7 - To demonstrate knowledge of technical and fundamental analysis | 1. To differentiate between technical analysis and fundamental analysis.<br>2. To demonstrate knowledge of technical analysis as trading tools versus fundamental analysis.<br>3. To determine the basic premises of technical analysis. |

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|---|---|---|---|
| | 7.5 Trend Analysis and Interpretation of Chart Formation and Pattern | | 4. To recognize different types of charting techniques and tools, and their uses.<br>5. To explain trend analysis and interpretation of chart formation and patterns. |

**Note: This document contains information that is deemed accurate and valid as of the date of publication.**