SEC BODY OF KNOWLEDGE (SEC BOOK)
PHASE 1 EXAMINATION DETAILS

MODULES	NUMBER OF QUESTIONS
TECHNICAL FOUNDATION	
MODULE 1: **FUNDAMENTALS OF SECURITIES (FS)**	20
MODULE 2: **ECONOMIC PRINCIPLES AND MARKET THEORIES (EPMT)**	20
MODULE 3: **RISK MANAGEMENT (RM)**	20
REGULATION	
MODULE 4: **FUNDAMENTALS OF SECURITIES REGULATION (FSR)**	20
MODULE 5: **CORPORATE GOVERNANCE (CG)**	20
MODULE 6: **ANTI-MONEY LAUNDERING (AML)**	20
TOTAL	**120**

PASSING SCORE	65% (78 correct answers)
DURATION	Four (4) hours

PHASE 1 EXAMINATION COVERAGE

MODULE 1: FUNDAMENTALS OF SECURITIES (FS)	
Part I: An Introduction to Investments and Securities	• What are Securities? • Types of Securities • Some Basic Comparisons between/among Securities Holders as regards entitlements • Risks Associated with Securities
Part II: Securities Markets	• What is Market? • The Primary Market • Secondary Market • The Transition from Primary to Secondary Markets • Secondary Markets and the Role of Market Makers • The Participants in the Securities Market
Part III: The Mechanics of Transacting in Equities Securities	• Important Concepts in Transacting Securities • The Short Sale • Foreign Securities • Regulations
Part IV: Stocks and Stockholders	• Corporations • Organizing Corporations • Evidence of Ownership of Shares of Stock • Classification of Shares • Rights of Stockholders

M1

PHASE 1 EXAMINATION COVERAGE

MODULE 2: ECONOMIC PRINCIPLES AND MARKET THEORIES (EPMT)	
Part I: Fundamentals of Economics	• Economics • Microeconomics and Macroeconomics • Law of Demand and Law of Supply • Elasticity
Part II: Macroeconomics	• Key Concepts and Key Players in a Macroeconomy • National Income Accounting • Measuring Growth and Development • Price Levels • Monetary Policy and Central Banking • Fiscal Policy • Monetary and Fiscal Policies
Part III: Financial Economics	• Introduction • Functions of Each Type of Market in the Financial System • Financial Markets • Interest Rates and Time-Value of Money • Financial Market Regulation

M2

PHASE 1 EXAMINATION COVERAGE

MODULE 3: RISK MANAGEMENT (RM)	
Part I: Definition of Risk	• Risk as Effect • Risk as Uncertainty • Risk as Impact on Objectives
Part II: Typology of Risks	• Financial Risks • Non-Financial Risks
Part III: Definition and Objectives of Risk Management	• Coordinated • Activities • Direct and Control
Part IV: Risk Management Process	• Risk Identification • Risk Analysis • Risk Evaluation • Risk Mitigation/Treatment • Risk Monitoring and Review
Part V: Hedging - Risk Management in Action	• What is hedging? • Why hedge? • What is the exposure? • What is the hedging strategy? • How to hedge?

M3

PHASE 1 EXAMINATION COVERAGE

MODULE 4: FUNDAMENTALS OF SECURITIES REGULATION (FSR)	
Part I: Introduction to the Capital Market	• Concept, Nature, and Functions of Capital Markets • Basis and Rationale for Regulation
Part II: The SEC as Regulator	• Brief History of the SEC • Powers, Functions, and Jurisdiction of the SEC • Capital Market Participants Over whom/which the SEC has Regulatory Oversight • Objectives of Regulation • Methods of Regulation • Regulatory Developments
Part III: Regulation of Securities	• What are Securities? • How are Securities Created? • Registration of Securities Required • Exempt Securities • Exempt Transactions • Procedure for Registration • Rejection and Revocation of Registration of Securities • Suspension of Registration • Amendments on the Registration Statement and Prospectus (Rule 14 SRC)

M4

PHASE 1 EXAMINATION COVERAGE

MODULE 4: FUNDAMENTALS OF SECURITIES REGULATION (FSR)	
Part IV: Regulation of Securities Market Professionals	• Rationale for Regulation • Regulation of Securities Market Professionals
Part V: Registration of Exchanges and SROs	• Registration of Exchanges • SEC's Power to Suspend Trading • Self-Regulatory Organizations (SROs) • The Philippine Dealing System (PDS) Holdings Group • The Market Governance Board of Philippine Dealing System (PDS) • The Philippine Stock Exchange, Inc.(PSE) • The Capital Markets Integrity Corporation (CMIC) of the Philippine Stock Exchange • The IOSCO Rules on Regulations of the Securities Market • Key Take-Aways
Part V: Offenses and Penalties	• Commonly Violated Provisions of the SRC and Its 2015 IRR • Liabilities and Penalties • Remedies

M4

PHASE 1 EXAMINATION COVERAGE

MODULE 5: CORPORATE GOVERNANCE (CG)	
Part I: Introduction	• Corporations and their Basic Principles • Definition of Corporate Governance • Importance of Corporate Governance • Four Core Principles of Corporate Governance • Compliance Regimes • Corporate Governance Framework/Standards • Legal Bases to Issue Corporate Governance Rules
Part II: Areas of Corporate Governance	• Board's Governance Responsibilities • Disclosure and Transparency • Internal Control and Risk Management Framework • Cultivating a Synergic Relation with Shareholders/Members • Duties to Stakeholders

M5

PHASE 1 EXAMINATION COVERAGE

MODULE 6: ANTI-MONEY LAUNDERING (AML)	
Part I: An Introduction to Money Laundering	• Definition of Money Laundering • Why Do Criminals Launder Money? • Three Stages of Money Laundering • Global AML Standards • National Risk Assessment and Mutual Evaluation
Part II: Philippine Legislation and Regulation	• The AMLA, as amended • The Role of AMLC and Its Secretariat • The Role of SEC • SEC Covered Persons
Part III: Money Laundering and Terrorist Financing Prevention Program	• Overview • Contents of the MTPP • Basic Concepts in Combatting Money Laundering
Part IV: Duties of Covered Persons	• Customer Identification and Customer Due Diligence • Record Keeping • Reporting of Covered and Suspicious Transactions • Periodic Training

M6

PHASE 1 EXAMINATION COVERAGE

MODULE 6: ANTI-MONEY LAUNDERING (AML)	
Part V: Predicate Crimes/Unlawful Activities	• Who Commits Money Laundering • Unlawful Activities under AMLA, as amended • Penal Provisions under AMLA, as amended • Administrative Sanctions • Predicate Crimes/Unlawful Activities and Sanctions under SRC • Administrative Sanctions under 2018 AML/CFT Guidelines
Part VI: Terrorist Financing	• Definition of Terrorism • Terrorist Organization • Terrorist Financing • Proliferation Financing • Targeted Financial Sanctions
Part VII: The Compliance Office	• Duties and Responsibilities of the Compliance Officer • Internal Control • Internal Audit

M6

PHASE 2 EXAMINATION DETAILS

QUESTIONS	TIME LIMIT	PASSING SCORE
50 multiple choice	Two (2) hours	75% (38 correct answers)

EXAMINATION COVERAGE

MODULE 7A: CERTIFIED INVESTMENT SOLICITORS

- Republic Act (RA) 2629, Investment Company Act (ICA) Rules, SEC Memorandum Circulars (MCs)
- Types of Investment Companies/Mutual Funds (MFs) as to Investment Objectives
- Registration of Investment Companies (ICs)/Securities
- Sales/Redemptions
- Market Participants/Licensing Requirements
- Computation of Net Asset Value (NAV)
- Other Regulatory Requirements/Limits

MODULE 7B: EQUITY SECURITIES SALESMEN

- Laws, Rules and Regulation I (Regulation of Securities Market Professionals)
- Laws, Rules and Regulation III (Securities Borrowing and Lending (SBL) and OTC Rules)
- Dealing with the Investing Public I (Rules on Business Conduct and Ethical Standard Practices)
- Dealing with the Investing Public II (Fraud and Manipulation)
- Manipulative Devices and Schemes; Fraudulent and other Prohibited Practices
- Rules on Securities Borrowing and Lending (SBL)
- Books and Records Rules
- Sales Practices and Rules (Prompt Execution Rule, Suitability Rule, Best Execution)
- Risk Based Capital Adequacy (RBCA) Rules
- Philippine Stock Exchange (PSE) Trading Rules
- Capital Markets Integrity Corporation (CMIC) Rules
- Securities Clearing Corporation of the Philippines (SCCP) Rules
- Philippine Depository & Trust Corporation (PDTC) Rules

MODULE 7C: FIXED INCOME MARKET SALESMEN

- Laws, Rules and Regulation I (Regulation of Securities Market Professionals)
- Laws, Rules and Regulation III (Securities Borrowing and Lending (SBL) and OTC Rules)
- Dealing with the Investing Public I (Rules on Business Conduct and Ethical Standard Practices)
- Dealing with the Investing Public II (Fraud and Manipulation)
- Selected OTC Rules
- Bangko Sentral ng Pilipinas (BSP) Circular 392
- BSP Circular 528
- Bureau of Internal Revenue (BIR) Revenue Regulations
- Philippine Dealing & Exchange Corporation (PDEx) Rules
- Qualified Buyer Rule
- Sales Practices and Rules (Prompt Execution Rule, Suitability Rule, Best Execution)

MODULE 7D: COMPLIANCE OFFICERS/ASSOCIATED PERSONS (CO/AP) FOR BROKER DEALERS IN THE EQUITIES MARKET

- Role of Compliance Officers/Associated Persons (CO/AP)
- Principles and Computing RBCA
- WSP
- Customer Complaint Rules
- Books and Records
- PSE Trading Rules
- CMIC Rules
- Anti-Money Laundering Council (AMLC) Reportorial Requirements
- Margin Trading
- Manipulative Devices and Schemes; Fraudulent and other Prohibited Practices

After Passing the Phase 2 Specialized Examination:

The passer must be connected with a capital market institution that holds a secondary license to sell securities (e.g., Mutual Fund, Equity Securities, Fixed Income).

The institution will be responsible for filing the passer's registration with the SEC Company Registration and Monitoring Department – Licensing Unit (CRMD-LU).

The registration of the applicant must be filed within three years (3) after passing the examination, through the SEC Electronic Registry of Application for Market Participants (eRAMP) by the institution.

To do this, the institution is required to create an eRAMP account, then complete and submit eRAMP Forms 1, 2, and 3.

For further inquiries regarding registration of capital market professionals, please contact the **Licensing Unit at lu_application02@sec.gov.ph.**