

Subject ST6

CMP Upgrade 2016/17

CMP Upgrade

This CMP Upgrade lists all significant changes to the Core Reading and the ActEd material since last year so that you can manually amend your 2016 study material to make it suitable for study for the 2017 exams.

Whilst there have been minimal changes to the ST6 Syllabus and ST6 Course, the ST6 CMP has been significantly enhanced with the addition of many exam-style questions at the end of the chapters and in the Q&A Bank.

You can buy a full replacement set of up-to-date Course Notes at a significantly reduced price if you have previously bought the full price Course Notes in this subject. Please see our 2017 *Student Brochure* for more details.

This CMP Upgrade contains:

- all non-trivial changes to the Syllabus objectives and Core Reading
- changes to the ActEd Course Notes, Series X Assignments and Question and Answer Bank that will make them suitable for study for the 2017 exams.

1 Changes to the Syllabus objectives and Core Reading

1.1 Syllabus objectives

Objective (a)(v) has been added. It reads:

- (a) (v) *Describe the operation of central counterparty clearing houses (CCPs) and the related regulatory environment.*

Some of the wording in Objective (k) has been changed. This now reads:

- (k) *Demonstrate a knowledge and understanding of models of the term structure of interest rates.* (Unit 14)
- (i) *Describe the Hull & White model for the term-structure of interest rates and contrast this with the Vasicek and Cox-Ingersoll-Ross models.*
- (ii) *Show an understanding of the numerical techniques used to value an interest rate derivative using the risk-neutral approach to pricing.*
- (iii) *Be aware of valuation methods of an interest rate derivative using an appropriate forward measure and zero-coupon bond.*
- (iv) *Demonstrate an understanding of the role of the market price of risk and changes of numeraire in the dynamics of term structure models.*
- (v) *Describe how interest rate models can be developed in a multifactor setting.*
- (vi) *Demonstrate an understanding of the characteristics of the Heath, Jarrow and Morton (HJM) and LIBOR market models and show how the LIBOR market model can be used to price caps and swaptions.*
- (vii) *Demonstrate how Black's model can be used to calibrate the LIBOR market model, and discuss the problems with this approach.*

Some of the wording in Objective (m) has been changed. This now reads:

- (m) *Identify the market, credit (or counterparty) and liquidity risks that arise in the use of derivatives.* (Unit 16)
- (i) *Define market risk, credit (or counterparty) risk and liquidity risk.*
- (ii) *Outline the way in which these risks affect the use of derivatives and how these risks may be handled.*
- (iii) *Demonstrate an understanding of the use and limitations of credit ratings.*
- (iv) *Demonstrate an understanding of simple techniques for measuring and managing credit (or counterparty) risk on derivatives, including International Swaps and Derivatives Association (ISDA) agreements and collateral management.*
- (v) *Outline possible methods for establishing Value at Risk (on a portfolio).*

1.2 Core Reading

There have been no significant changes to the Core Reading.

2 *Changes to the ActEd Course Notes*

There have been no significant changes to any of the material in the 16 chapters. However, many exam-style questions have now been added at the end of the chapters. You can buy a full replacement set of up-to-date Course Notes at a significantly reduced price if you have previously bought the full price Course Notes in this subject.

3 *Changes to the Q&A Bank*

There have been no significant changes to the Q&A bank. However, many exam-style questions have now been added. You can buy a full replacement CMP at a significantly reduced price if you have previously bought the full price CMP in this subject.

4 *Changes to the X Assignments*

There have been no changes to the X Assignments.

5 ***Other tuition services***

In addition to this CMP Upgrade you might find the following services helpful with your study.

5.1 ***Study material***

We offer the following study material in Subject ST6:

- ASET (ActEd Solutions with Exam Technique) and Mini-ASET
- Mock Exam
- Additional Mock Pack.

For further details on ActEd's study materials, please refer to the 2017 *Student Brochure*, which is available from the ActEd website at www.ActEd.co.uk.

5.2 ***Tutorials***

We offer the following tutorials in Subject ST6:

- a set of Regular Tutorials (lasting three full days)
- a Block Tutorial (lasting three full days).

For further details on ActEd's tutorials, please refer to our latest *Tuition Bulletin*, which is available from the ActEd website at www.ActEd.co.uk.

5.3 ***Marking***

You can have your attempts at any of our assignments or mock exams marked by ActEd. When marking your scripts, we aim to provide specific advice to improve your chances of success in the exam and to return your scripts as quickly as possible.

For further details on ActEd's marking services, please refer to the 2017 *Student Brochure*, which is available from the ActEd website at www.ActEd.co.uk.

6 *Feedback on the study material*

ActEd is always pleased to get feedback from students about any aspect of our study programmes. Please let us know if you have any specific comments (*eg* about certain sections of the notes or particular questions) or general suggestions about how we can improve the study material. We will incorporate as many of your suggestions as we can when we update the course material each year.

If you have any comments on this course please send them by email to **ST6@bpp.com** or by fax to **01235 550085**.