



CAPITAL MARKET
DENMARK
FINANCE DENMARK

CMD License

July 2023



CMD License

The board of directors of Capital Market Denmark has decided to establish this CMD License.

High ethical standards are of utmost importance for the investment banking industry, to earn the trust of both clients and authorities. With this certification, the board of directors of Capital Market Denmark aims to give employees a good and thorough understanding of the importance of acting with a high ethical and moral standard.



The certification gives an overall introduction to different processes in an investment bank from onboarding of a client through to the trading process and the reporting obligation followed by a trade in a financial instrument. The certification complements, but in no way substitutes or changes members obligation to carry out mandatory training of employees following from legislation applicable at any given time.

The aim of the course is, inter alia, to:

- improve the competence and qualifications of employees,
- give employees a thorough understanding of investment banking activities at an overall level,
- explain conflicts of interest and how these should be managed, and
- generally provide insight into the legislation that regulates an investment bank.

On that basis, this course is also intended to serve as an introduction to a common code of conduct for the investment banking sector.

The authors and teachers are employees from members of Capital Market Denmark with theoretical and practical understanding of and experience with the subjects discussed.

The license is provided through Finanssektorens Uddannelsescenter.

The license is mandatory for employees of members working with Research, Trading, Sales, Corporate Finance and Compliance. Two-day physical courses are offered but it is also possible to take a self-study, instead of the physical course. Self-study is primarily for employees who were employed before October 1, 2020, and who has not taken the previous certification offered by Capital Market Denmark (former Børsmæglerforeningen/Danish Securities Dealers Association), or who have been covered by the exemption in the previous certification. Other employees can choose self-study by agreement with their employer. New employees are encouraged to participate in the physical course, among other things to get a greater benefit from the course and to network with colleagues from the industry. To obtain the license the employee must pass a multiple-choice test and after that yearly attend a mandatory course to maintain the license.

You may find more information about the license in the *CMD License Regulatory Framework* which can be found on www.kmda.dk



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License chapters

The content of the license consists of the following chapters:



Governance



Onboarding of new clients



Money laundering and terrorist financing



Investor protection



Investment recommendations



Financial markets and financial instruments



Execution venues



The trading process



Market abuse

For each chapter a number of learning objectives have been identified. These are listed on the following pages.

Governance

Governance learning objectives

- Understand the importance of a sound and effective governance framework
- Understand the role of risk management and a firm's risk appetite
- Understand the requirements of MiFID II in relation to the investment firms' implementation of governance arrangements, including inter alia
 - conflicts of interest management
 - client categorization
 - product approval processes
 - ensuring data integrity
 - efficient record keeping
 - safeguarding client assets
- Understand the overall requirements outside of MiFID II in relation to investment firms' implementation of governance arrangements
- Acquire knowledge of which organisational arrangements are necessary to promote good governance



Onboarding of new clients

Onboarding of new clients learning objectives

- Understand the objectives of onboarding and its role in the client journey
- Understand the basics of onboarding
- Understand the meaning of a risk-based approach and simple/enhanced due diligence
- Understand why the onboarding process is not always the same
- Engage better with the client and the organisation regarding the onboarding process



Money laundering and terrorist financing

Money laundering and terrorist financing learning objectives

- Understand the definition of money laundering and the three phases: Placement, Layering and Integration
- Understand the term "correspondent banking"
- Understand the meaning of a risk-based approach and simple/enhanced due diligence
- Understand money laundering and terrorist financing in the context of Markets and Corporate Finance functions
- Acquire knowledge regarding the Danish and international regulatory AML framework



Investor protection

Investor protection learning objectives

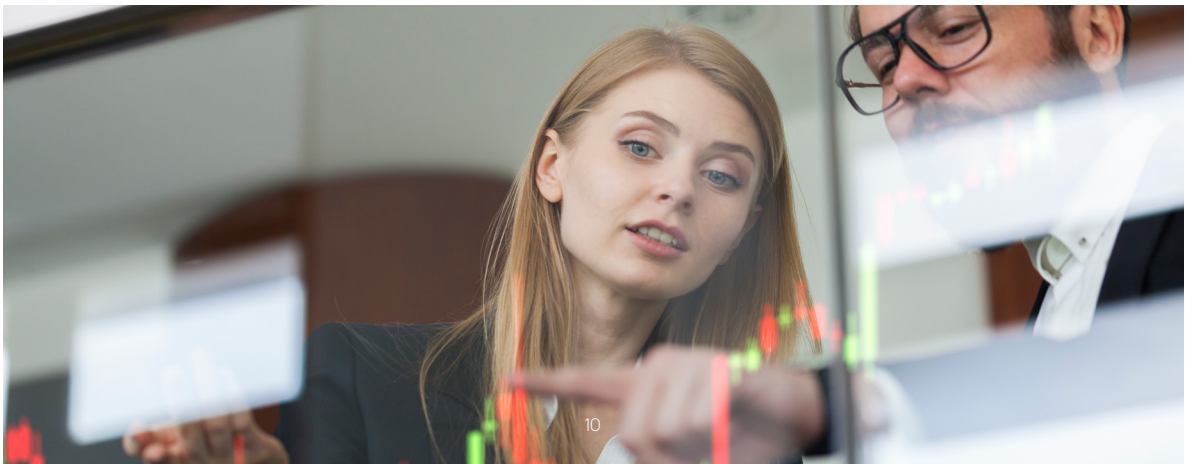
- Understand the rules that enhance investor protection under MiFID, including
 - Know the types of clients and the client categorization process
 - Understand the purpose and application of the suitability assessment
 - Know when the appropriateness test may be applied
 - Understand under what circumstances services can be provided "Execution Only"
 - Understand the difference between investment advice and investment recommendations
 - Understand the Best Execution obligation, the content of the firm's Execution Policy and the information included in execution reports
 - Know how and when cost information must be provided to the client
 - Understand the term "inducements" (including in relation to research) and under what circumstances inducements are permissible
 - Understand product governance and which duties are ascribed to the manufacturer, distributor and investment advisor
 - Know the content of settlement notes



Investment recommendations

Investment recommendations learning objectives

- Understand which set of rules covers investment recommendations and its objectives
- Understand the objectives of the transparency requirements covering investment recommendations
- Understand what constitutes an investment recommendation and the objectives of the rules relating to these recommendations
- Understand the difference between an investment recommendation, marketing communication and investment advice
- Identify communications that are not recommendations
- Know the organisational requirements in relation to investment research
- Understand the obligations in relation to objective presentation of recommendations
- Understand the obligation to disclose interests or conflicts of interest
- Understand the arrangements for dissemination of recommendations
- Know the type of financial instruments covered by the regulation



Financial markets and financial instruments

Financial markets and financial instruments learning objectives

- Understand the basic elements of financial markets and their structure
- Acquire knowledge of the main business areas in an investment bank
- Identify the characteristics of the most typical financial instruments and their use from an investment bank perspective



Execution venues

Execution venues learning objectives

- Understand the importance of identifying the execution venue
- Know the 5 execution venues, their characteristics and differences
- Understand the differences between TV, OTC and SI execution venues
- Give an insight into the pre- and post-trade transparency regime for investment firms executing trades outside a trading venue
- Understand the importance of execution venue information to satisfy obligations arising from MiFIR/MiFID and MAR



The trading process

The trading process learning objectives

- Understand that Know Your Customer/Counterpart (KYC) is mandatory before entering any trading activity
- Understand the differences between a client and a counterparty trading relationship
- Understand why it is important to identify which part in a trade is 'client' or 'executing client orders'
- Understand why What, Where, When and Who is important in the life cycle of the trading process
- Understand the post-trade transparency obligation
- Give an insight to the trading obligation for equities and interest rate derivatives
- Understand the 5 stages of the trading process: order, execution, notification, settlement, reporting [TRS]



Market abuse

Market abuse learning objectives

- Know the aims of the Market Abuse Regulation (MAR)
- Know which financial instruments and market places are subject to the regulation
- Understand the definition of inside information and the prohibition against insider dealing and the unlawful disclosure of inside information
- Understand what constitutes legitimate behaviour
- Know the procedures regarding market soundings
- Identify the different types of market manipulation and exemptions (buy-back programmes and stabilization)
- Identify illegal behaviour with regard to market manipulation
- Know the measures obligated persons are required to have in place to prevent, detect and report market abuse







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