
AES-4 Appropriate Examinations: Long Term Care Insurance Advice

Standards for Appropriate Examinations for those advising on investments which are long term care insurance contracts

ApEx1 UK Financial Services, Regulation and Ethics

ApEx2 Investment and Risk

ApEx3 Protection

ApEx4 Retirement Planning

ApEx7 Long Term Care Insurance

The Appropriate Examinations Standards (AES) series is published by the Financial Services Skills Council. The Standards set out the requirements for Appropriate Examinations required for the relevant regulated activities specified under the Financial Services Authority's Training and Competence Rules.

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Overview

AES4-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 7 as employees engaging in advising on long term care insurance contracts.

AES4-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

The Standard

AES4-3 Each Standard defines the learning outcomes and the levels of attainment that a candidate must achieve and the indicative content relevant to each learning outcome.

AES4-4 The Appropriate Examination requirement for those advising on long term care insurance contracts is:

4.1 Individuals must have passed an Appropriate Examination based on the **ApEx1 UK Financial Services, Regulation and Ethics** standard published here.

and

4.2 Individuals must have passed an Appropriate Examination based on the **ApEx2 Investment and Risk** standard published here.

and

4.3 Individuals must have passed an Appropriate Examination based on the **ApEx3 Protection** standard published here.

and

4.4 Individuals must have passed an Appropriate Examination based on the **ApEx4 Retirement Planning** standard published here.

and

4.5 Individuals must have passed an Appropriate Examination based on the **ApEx7 Long Term Care Insurance** standard published here.

AES4-5 ApEx1 to ApEx4 inclusive have been published separately in AES-1 (June 2004). Details of these standards may be found in AES-1 *Appropriate Examination Standards: Retail Investment Advice*, which can be downloaded from the Skills Council's website – www.fssc.org.uk

AES4-6 Candidates must achieve, at the level of attainment specified, all the required outcomes in each Standard in order to pass an Appropriate Examination.

AES4-7 **In addition**, candidates must achieve Learning Outcome H4 which tests the individual's ability to combine and apply knowledge and understanding specified in the standards to the practical demands of long term care insurance advice. (See the Summary of Learning Outcomes in Part 3, page 19).

Recognition of Appropriate Examinations that meet the Standards

AES4-8 The Skills Council will designate as Appropriate Examinations proposed examinations that

8.1 meet the relevant Appropriate Examination Standards

and

8.2 are brought forward by an awarding body which meets at least one of the following conditions:

8.2.1 it is accredited by the bodies regulating qualifications in England, Wales and Northern Ireland (Ofqual/DCELLS/Ofqual NI) and has been or is intended to be entered into the Qualifications and Credit Framework (QCF) or equivalent;

or

8.2.2 it submits the proposed Appropriate Examination for credit rating and placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority;

or

8.2.3 it is offered by a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA);

or

8.2.4 it is approved by a body equivalent to those identified in above and having authority in a jurisdiction other than the UK.

Listing

AES4-9 The Skills Council holds a List of Appropriate Examinations. Once awarding body proposals meet the requirements set out above, they will be entered into this List as Appropriate Examinations that may meet the Training and Competence requirements of the FSA.

AES4-10 The List is accessible free of charge to employers, practitioners, candidates and members of the public on the Skills Council's website www.fssc.org.uk/exams/index.html.

AES4-11 It is provided to guide employers in discharging their responsibilities under the FSA's Training and Competence Rule TC 2.1.1R: which states with effect from 1 November 2007:

1. A firm must not assess an employee as competent to carry on an activity in TC Appendix 1 until the employee has demonstrated the necessary competence to do

so and has (if required by TC Appendix 1) passed each module of an Appropriate Examination. This assessment need not take place before the employee starts to carry on the activity

2. A firm may assess an employee who is subject to, but has not satisfied, an Appropriate Examination requirement as competent to the extent that:
 - (a) that employee works in a branch in an EEA State other than the United Kingdom;
 - (b) the employee is engaging in MiFID business; and
 - (c) there is no Appropriate Examination or equivalent in that EEA State.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

Employers may use the List to identify Appropriate Examinations. The List provides contact details of the awarding bodies offering the examinations.

Internal Examinations

AES4-12 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

Questions and Answers

AES4-13 The Skills Council publishes separately a list of Frequently Asked Questions about Appropriate Examinations. These are available to download from the Skills Council's website – www.fssc.org.uk.

Part One:

About the Standards

The Standards

AES4-14 For certain regulated activities, firms must ensure that employees have passed an Appropriate Examination in order to meet the FSA's Training and Competence Rules.

AES4-15 This paper sets out Appropriate Examination Standards in the form of learning outcomes, attainment levels and indicative content to be achieved by those advising on long term care insurance contracts.

Basis

Source

AES4-16 Proposals for an examination curriculum were first published in the FSA's consultation paper *CP200 Regulation of long term care insurance*.

AES4-17 The Standards stated here are derived from:

- 17.1 feedback from the FSA's consultation on CP200;
- 17.2 the work of successive round table consultations and working parties, involving practitioners and awarding bodies.

Relevance

AES4-18 The knowledge and understanding shown here underpins achievement of the appropriate National Standards for Long Term Care Insurance Advice, which are the benchmarks for assessing the individual's ability to practice competently in this role.

Status

AES4-19 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for long term care insurance advisers to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES4-20 They do not apply to other areas of knowledge and understanding that a practitioner may need to offer advice on consumer requirements and financial products and services.

AES4-21 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES4-22 The Skills Council has already brought forward such Standards in the following publications, which may be downloaded from the Skills Council's website:

AES-1	Retail Investment Advice
AES-2	Mortgage Advice
AES-3	Lifetime Mortgage Activities
AES-4	Long Term Care Insurance Advice
AES-5	Overseeing Life Policy Administration
AES-6	Overseeing Investment Management Administration
AES-7	Overseeing Stakeholder Pension Administration
AES-8	Overseeing Collective Investment Schemes
AES-9	Overseeing Safeguarding Client Money
AES-10	Overseeing Stakeholder Pension Scheme Decision Trees
AES-11	Securities and Derivatives Advice
AES-12	Securities Advice
AES-13	Derivatives Advice
AES-14	Managing Investments
AES-15	Advising on Friendly Society tax-exempt policies
AES-16	Acting as a Broker Fund Adviser
AES-17	Advising on syndicate participation at Lloyd's
AES-18	Acting as a Pension transfer specialist

Scope of the Standards

AES4-23 The knowledge and understanding specified is set out under the following principal headings:

23.1 Learning Outcomes that require individuals to demonstrate knowledge and understanding;

23.2 Attainment Levels which define the level of knowledge and understanding individuals must demonstrate to show that they have achieved the learning outcome. An attainment level is set for each outcome, and determines which of the following the individual must demonstrate:

23.2.1 knowledge;

23.2.2 understanding;

23.2.3 an ability to apply knowledge and understanding;

23.2.4 an ability to analyse information;

23.2.5 an ability to assess or evaluate information.

23.3 Indicative content

23.3.1 These are statements of the general areas of knowledge and understanding that must be covered in an Appropriate Examination.

23.3.2 They are designed to guide awarding bodies when they design examinations in the subjects covered by each Standard.

Application

AES4-24 The Standards are set:

24.1 to enable firms to make training and testing arrangements for individuals to acquire and apply knowledge and understanding appropriate to provide long term care insurance advice

and

24.2 to guide awarding bodies so that they can bring forward proposals for Appropriate Examinations to the Financial Services Skills Council.

AES4-25 **An Appropriate Examination must meet the Standard.** It may comprise the whole of a qualification or part of it. It is for awarding bodies to decide the examination strategy they will use to meet the required Standard(s).

AES4-26 Whatever examination strategy is used, the Skills Council requires that the arrangements for testing achievement against the Standard(s) are clearly stated in both the examination design and the materials used to communicate awarding body requirements to candidates and employers.

Listing of Appropriate Examinations

AES4-27 The Skills Council maintains a List of Appropriate Examinations. This comprises

27.1 Qualifications and other tests that meet Appropriate Examination Standards; and

27.2 Qualifications and other tests that have been previously approved by the FSA.

AES4-28 For any examination to be entered into the List of Appropriate Examinations by the Financial Services Skills Council, it must

28.1 Meet the relevant Standard(s) set out here: that is, it must test achievement of

28.1.1 the learning outcomes at the specified levels of attainment, and

28.1.2 the indicative content.

and

28.3 Meet the requirements of a nationally recognised quality assurance body as defined below.

AES4-29 When awarding bodies bring forward proposals for examinations for entry into the Skills Council's List of Appropriate Examinations, the Skills Council will review each proposal against its Appropriate Examination Criteria [see Part Two].

AES4-30 The Skills Council will endeavour to inform the awarding body of the results of its review within ten working days¹ of receipt of the proposals and

Either

30.1 Confirm that the proposals meet the relevant Examination Standard(s)

Or

30.2 Request specific changes to be made so that the proposals meet the criteria.

¹ This timescale allows for discussions between the awarding body and the Skills Council if there is a need to clarify any aspects of the proposals. The Skills Council will make its best efforts to complete the review within ten days.

AES4-31 Once a proposal meets the criteria, the Skills Council will endorse its submission to an appropriate external quality assurance body. There are different external quality assurance bodies, depending upon where the awarding body is located and its educational status². The Skills Council's requirement is that:

31.1 Appropriate Examinations offered by an awarding body based in England, Wales or Northern Ireland must

31.1.1 meet the requirements of the relevant Appropriate Examination Standard(s)

and

31.1.2 be accredited by the relevant national qualifications regulators within the national qualifications frameworks (NQF) of England, Wales and Northern Ireland.

31.2 Appropriate Examinations offered by an awarding body based in Scotland must be credit-rated by the Scottish Qualifications Authority and placed in the Scottish Credit and Qualifications Framework (the equivalent in Scotland of the NQF).

31.3 UK higher education bodies³ (such as universities) offering Appropriate Examinations must have had a satisfactory institutional audit report from the Quality Assurance Agency for Higher Education (QAA).

31.4 Some examinations previously recognised by the FSA as 'approved examinations' are awarded by bodies outside the UK. Such bodies do not come into the scope of the UK quality assurance bodies identified above. In such cases, the Skills Council

31.4.1 will ask the awarding body to confirm that their examinations are consistent with the relevant Appropriate Examination Standard(s); and

31.4.2 requires that the examination offered by the overseas awarding body is approved by a national body equivalent to QCA or QAA where such bodies exist in the jurisdiction of the awarding body. This will apply both to current qualifications previously approved by the FSA and to any new qualifications awarded by extra-territorial bodies.

AES4-32 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

² For more details of these bodies and their role in assuring the quality of Appropriate Examinations, please contact the Skills Council.

³ Higher education bodies are not in scope to QCA.

AES4-33 When such an examination replaces a previously approved examination (for example, a new version of the Financial Planning Certificate, for advising on packaged products) the older version will:

31.1 continue to be listed, because it will apply to those who passed it before the new version became available.

31.2 be listed as *'appropriate, but no longer available for new candidates'*.

AES4-34 The Skills Council will co-operate with awarding bodies in informing the industry about transitional arrangements for candidates who have not completed a previously listed examination that is replaced by a new version.

Responsibility for maintaining competence

AES4-35 Employers are reminded that under the FSA's Training & Competence Rules and Guidance:

TC 2.1.12 A firm must review on a regular and frequent basis employees' competence and take appropriate action to ensure that they remain competent for their role.

TC 2.1.13 A firm should ensure that maintaining competence for an employee takes into account such matters as:

- (1) technical knowledge and its application;
- (2) skills and expertise; and
- (3) changes in the market and to products, legislation and regulation.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

AES4-36 The FSA requires that all LTCI advisers pass an appropriate examination within two years of the commencement of regulation (31 October 2004) [see *Training and Competence Sourcebook*. TC 1R 7. It is their employer's responsibility to ensure that those practising as LTCI advisers meet this requirement.

Grandfathering

AES4-37 Long-term care insurance advisers assessed as competent at 31 October 2004 may be 'grandfathered' at that date. However, this arrangement will last only for two years (i.e. until 31 October 2006) by which time an individual must have passed an appropriate examination in Long-Term Care Insurance. Otherwise the person must cease carrying out the activity until he or she has passed an appropriate examination.

G80

AES4-38 Some current advisers may have passed the Chartered Insurance Institute's G80 examination, the most recent version of which concentrates on knowledge and understanding of long term care insurance. There are differences between the Appropriate Exam Standard for Long-Term Care Insurance Advice and the scope of the G80 examination. **Those who hold G80 are required by the TC Rules to pass an appropriate examination as described above.** The Skills Council is currently consulting with the Chartered Insurance Institute about examination arrangements for holders of G80 and will be publishing details in the near future.

Internal Examinations

AES4-39 An employer may decide not to use external Appropriate Examinations in their arrangements for meeting the FSA's Training and Competence Rules. They may instead decide to use internal examinations. Under the FSA's Training and Competence Rules, the employing firm should be able to justify that the examination is appropriate for the activity being carried out by the employee.

Part Two:

Criteria for Appropriateness

FSSC Criteria for recognising Appropriate Examinations

Proposals for recognition as Appropriate Examinations must meet the following criteria:

AER1. The organisation making the proposals must be

- 1.1. an awarding body accredited with the Qualifications and Curriculum Authority: that is, it must have satisfied the requirements for Part A accreditation with QCA; or
- 1.2. prepared to accept a credit rating of the proposed Appropriate Examination and its placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority; or
- 1.3. a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA); or
- 1.4. an examining body located outside the UK and approved by a body equivalent to QCA, SQA or QAA and having authority in a jurisdiction other than the UK.

AER2. The proposals must meet the requirements of the relevant Appropriate Examination Standards: that is:

- 2.1. The proposed **learning outcomes** must:
 - 2.1.1. be the learning outcomes specified in the Appropriate Examination Standards, and
 - 2.1.2. test attainment at least at the cognitive level defined for each outcome in each of the Appropriate Examination Standards;
- 2.2. The proposals must clearly identify how each learning outcome is to be tested.
- 2.3. The proposed **syllabus content** should be consistent with the indicative content of the Appropriate Examination Standard(s).

2.4. The **assessment methods** used must:

- 2.4.1. be appropriate to testing attainment at the level specified in the relevant Appropriate Examination Standard(s);
- 2.4.2. generate valid and reliable evidence of the candidate's knowledge and understanding;
- 2.4.3. be capable of consistent application by competent examiners and moderators;
- 2.4.4. be applicable to all potential candidates and allow for suitable alternative procedures to be available for candidates with special assessment needs.

Part Three:

Long Term Care Insurance Advice

Standards for Appropriate Examinations

The Standards

The Standards contain the following information:

1. The learning outcomes that must be assessed in an Appropriate Examination
2. The indicative content of the syllabus for each outcome
3. The level of attainment necessary to pass an Appropriate Examination.

This information is presented in two sections:

1. A summary of the learning outcomes cross-referenced to the level of attainment required
2. Details of the indicative content for each learning outcome.

Outcomes and Level

Learning outcomes are classified by level. By level is meant **level of attainment**, defined in terms of the cognitive skills required to achieve each learning outcome. The following is based on Bloom's Taxonomy and shows successive levels of attainment, the abilities needed to reach this level and the types of verbs that might be used to frame examination questions and tasks.

K	KNOWLEDGE	ability to recall (e.g. facts, rules, definitions) <i>(Action verbs: List, State, Define, Outline)</i>
U	COMPREHENSION	ability to interpret, translate ideas, extrapolate <i>(Action verbs: Explain, Describe, Discuss, Interpret, Identify)</i>
A	APPLICATION	ability to apply general principles/rules in new situations <i>(Action verbs: Demonstrate, Apply, Operate, Illustrate, Employ)</i>
An	ANALYSIS	ability to break down information and make clear the nature of the component parts and their relationship to each other <i>Action verbs: Distinguish, Investigate, Analyse etc)</i>
S	SYNTHESIS	ability to assemble a number of components in order to generate a new statement or plan <i>(Action verbs; Design, Create, Organise, Plan etc)</i>
As	EVALUATION	ability to judge the value of methods or materials by comparison with external criteria <i>(Action verbs: Judge, Evaluate, Appraise, Assess etc)</i>

Numbering

Standards are assigned their own reference numbers: Approved Examination Standard 1 or ApEx1, etc.

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

Summary of Learning Outcome

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

SUMMARY OF LEARNING OUTCOMES

APEX1 UK FINANCIAL SERVICES, REGULATION AND ETHICS	
ApEx1A UK Financial Services	Level
Candidates will be expected to:	
U Demonstrate an understanding of:	
U1 the purpose and structure of the UK financial services industry	Comprehension
U2 the main financial asset classes and their characteristics, covering past performance, risk and return	Comprehension
U3 the main financial services product types and their functions	Comprehension
U4 the main financial advice areas	Comprehension
U5 the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances	Comprehension
U6 the basic legal concepts relevant to financial advice	Comprehension
U7 the UK taxation system	Comprehension
U8 the impact of inflation and interest rate volatility on the performance of investments	Comprehension
ApEx1B Regulation and Ethics	Level
Candidates will be expected to:	
K Demonstrate a knowledge of:	
K1 the main aims and activities of the Financial Services Authority (FSA), and its requirements for ethical conduct by firms and individuals	Knowledge
K2 how legislation (other than tax legislation) and regulations impact upon firms and the process of advising clients	Knowledge
K3 the role of oversight groups	Knowledge
U Demonstrate an understanding of:	
U9 the FSA's approach to regulating firms and individuals	Comprehension
U10 how the FSA's rules affect the control structures of firms and their relationship with the FSA	Comprehension
U11 how the FSA's Conduct of Business rules apply to the process of advising customers/clients	Comprehension
U12 how the anti-money laundering rules apply to dealings with private and intermediate customers	Comprehension
U13 the main features of the rules for dealing with complaints and compensation	Comprehension
U14 the Data Protection Act 1998	Comprehension

ApEx1 UK Financial Services, Regulation and Ethics

Attainment Level	Outcome	Indicative Content
1a Introduction to UK Financial Services		
U Demonstrate an understanding of:	U1 The purpose and structure of the UK financial services industry	U1.1. The function of the financial services industry in the economy – transferring funds between individuals, businesses and government. U1.2. The main institutions/organisations – markets, retail institutions, wholesale institutions U1.3. The role of the EU and of the UK government – regulation, taxation, economic and monetary policy, provision of welfare and benefits U1.4 The purpose and position of clearing and settlement organisations
	U2 The main financial asset classes and their characteristics, covering past performance, risk and return	U2.1. Cash deposits and money market instruments U2.2. Government securities, corporate bonds and Eurobonds – fixed interest and index linked U2.3. Equities U2.4. Derivatives U2.5. Commodities U2.6. Foreign exchange markets U2.7. Real estate – commercial and residential U2.7.1 Collective funds U2.7.2 REITs U2.7.3 Buy to let U2.8 Enterprise Investment Schemes (EIS)
	U3 The main financial services product types and their functions	U3.1. Direct investment – cash, government securities and corporate bonds, equities, property and commercial money market instruments U3.2. Collective investments – structure, tax and charges – OEICs/unit trusts, investment trusts and companies, life assurance contracts, offshore funds U3.3. Derivatives – their structure and purpose U3.4. Mortgages and other loans – personal and commercial U3.5. Structured products

	<p>U4 The main financial advice areas</p>	<p>U4.1 Budgeting U4.2 Protection U4.3 Borrowing U4.4 Investment and saving U4.5 Retirement planning U4.6 Estate planning U4.7 Tax planning U4.8 The importance of regular reviews in line with the consumer's circumstances and arrangements U4.9 Offshore considerations U4.10 Socially responsible and ethical investments</p>
	<p>U5 The process of giving financial advice, including the importance of regular reviews of the consumer's circumstances</p>	<p>U5.1 The nature of the client relationship, confidentiality, trust and consumer protection U5.2 The information required from consumers and methods of obtaining it U5.3 Factors determining how to match solutions with consumer needs and demands U5.4 How to assess affordability and suitability U5.5 The importance of communication skills in giving advice and how to adapt advice to customers with different capacities and needs, including the importance of not overestimating the level of knowledge held by the average consumer U5.6 The importance of monitoring and review of consumers' circumstances U5.7 The information consumers must be given under the current regulatory requirements U5.8 Consumer rights and remedies, including awareness of their limitations</p>
<p>U Demonstrate an understanding of:</p>	<p>U6 The basic legal concepts relevant in financial advice</p>	<p>U6.1 Legal persons – individuals, wills, intestacy, personal representatives (and administration of estates), trustees, companies, limited liabilities, partnerships U6.2 Contract, capacity to contract U6.3 Agency U6.4 Real estate, personal property and joint ownership U6.5 Powers of attorney and enduring powers of attorney U6.6 Insolvency and bankruptcy</p>

	U7 The UK taxation system	<p>U7.1 UK income tax system – liability to income tax, allowances, reliefs, rates, grossing up interest and dividends, employed and self-employed income, priorities for taxing different classes of income</p> <p>U7.2 Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains</p> <p>U7.3 Inheritance tax</p> <p>U7.4 Corporation tax</p> <p>U7.5 Concept of residency/domicile</p> <p>U7.6 Withholding tax</p> <p>U7.7 Stamp duty on securities, including real estate and real estate funds</p> <p>U7.8 National Insurance</p>
	U8 The impact of inflation and interest rate volatility on the performance of investments	<p>U8.1 Definition of inflation</p> <p>U8.2 The difference between fixed and variable interest rates and how they affect the affordability, suitability and performance of financial products in both the long and short term</p> <p>U8.3 Extreme market movements (booms and busts)</p>

1b Regulation and Ethics

Attainment Level	Outcome	Indicative Content
K Demonstrate a knowledge of:	K1 The main aims and activities of the Financial Services Authority (FSA) and its requirements for ethical conduct by firms and individuals	K1.1 The role, activities and statutory objectives of the FSA K1.2 Key features of the FSA's principles for businesses K1.3 Arrangements, systems and controls for senior managers K1.4 The fit and proper test for approved persons K1.5 The prevention of crime, including market abuse and insider dealing K1.6 The approach to, and requirements for, treating customers fairly, including service standards and an awareness of the respective duties of product providers and advisers
	K2 How legislation (other than tax legislation) and regulations impact upon firms and the process of advising clients	K2.1 The role of the Competition Commission K2.2 TPR's rules with respect to occupational pension schemes K2.3 Unfair Contract Terms K2.4 EU directives K2.5 The role of the Department for Work and Pensions (DWP)
	K3 The role of oversight groups	K3.1 The role of internal and external auditors, trustees and compliance
U Demonstrate an understanding of:	U9 The FSA's approach to regulating firms and individuals	U9.1 Authorisation of firms, regulated activities & regulated investments, firms' status (independent or other) U9.2 Capital adequacy U9.3 FSA supervision and the principles based approach U9.4 Discipline and enforcement including notification requirements
	U10 How the FSA's rules affect the control structures of firms and their relationship with the FSA	U10.1 Approved persons and controlled functions U10.2 Reporting and record keeping U10.3 The Training and Competence regime U10.4 Depolarisation

	U11 How the FSA's Conduct of Business Rules apply to the process of advising customers/clients	<ul style="list-style-type: none"> U11.1 Types of customer U11.2 Terms of business and client agreements U11.3 Status of advisers and status disclosure to customers U11.4 Advice and know your customer rules U11.5 Suitability of advice U11.6 Execution-only sales U11.7 Charges and commissions U11.8 Cooling off and cancellation U11.9 Product disclosure U11.10 Risk disclosure statements U11.11 Advertising and financial promotion rules
D Demonstrate an understanding of:	U12 How the Anti-Money Laundering rules apply to dealings with private and intermediate customers	<ul style="list-style-type: none"> U12.1 Proceeds of Crime Act 2002 and associated Money Laundering regulations U12.2 Definition of financial crime and proceeds of crime U12.3 Money laundering offences and the Terrorism Act 2000 U12.4 Client identification procedures U12.5 Record keeping requirements U12.6 Reporting procedures U12.7 Training requirements U12.8 The role of the Financial Action Task Force
	U13 The main features of the rules for dealing with complaints and compensation	<ul style="list-style-type: none"> U13.1 Firms' internal complaints procedures U13.2 The Financial Ombudsman Service (FOS) U13.3 The Financial Services Compensation Scheme (FSCS)
	U14 The Data Protection Act 1998	<ul style="list-style-type: none"> U14.1 Definitions in the Data Protection Act U14.2 The data protection principles U14.3 Enforcement of the Data Protection Act

ApEx2 Investment and Risk		
Candidates will be expected to:		
U	Demonstrate an understanding of:	
U1	the macro-economic factors that affect investment returns	Comprehension
U2	the basic principles of taxation applying to the investments of UK resident and domiciled individuals	Comprehension
U3	different asset classes and their key features and suitability for different consumer circumstances	Comprehension
U3.1	Cash deposits	Comprehension
U3.2	Government securities and corporate bonds	Comprehension
U3.3	Equities	Comprehension
U3.4	Property – residential and commercial	Comprehension
U4	Different product types and their key features and suitability for different consumer circumstances	Comprehension
U4.1	OEICs and unit trusts	Comprehension
U4.2	Investment trusts	Comprehension
U4.3	Individual savings accounts (ISAs) and personal equity plans (PEPs)	Comprehension
U4.4	UK and offshore life assurance company products	Comprehension
U4.5	Offshore funds	Comprehension
U5	the role of ethical investment and socially responsible investment in financial advice	Comprehension
U6	the importance of asset allocation in the investment process	Comprehension
U7	how other issues affect investment planning	Comprehension
U8	tax planning strategies and tax calculation rules and procedures	Comprehension
An	Demonstrate an ability to	
An1	analyse consumers' circumstances and suitable investment products, taking account of any existing arrangements	Analysis
A	Demonstrate an ability to	
A1	apply suitable investment product solutions to specific consumers' circumstances	Application
A2	apply how investment returns are related to investment risk and how that risk is measured	Application
A3	apply the risks faced by investors and how an investor's risk profile is determined	Application

APEx2 INVESTMENT AND RISK

Attainment Level	Outcome	Indicative Content
<p>U Demonstrate an understanding of:</p>	<p>U1. The macro-economic factors that affect investment returns</p>	<p>U1.1 Main long term UK socio-economic trends – ageing population, rising living standards, growth of the service sector and other changing patterns of the UK economy, productivity of capital and labour, wealth and income distribution</p> <p>U1.2 The global context – international markets, globalisation of trade and finance, European economic and monetary union</p> <p>U1.3 The role of government and central banks – fiscal and monetary policy</p> <p>U1.4 Money, inflation, deflation, disinflation, interest rates, the link between money supply and inflation, measuring money supply</p> <p>U1.5 Balance of payments – capital and current account, exchange rates, the importance of the balance of payments</p> <p>U1.6 Economic and financial cycles – national income, global influences, the main stages of economic and stock market cycles, longer term growth trends</p> <p>U1.7 The role of financial investment in the economy – primary markets: how investment markets introduce new funds to business and the government; secondary markets: how markets enable investors to adjust their investments to suit their needs</p> <p>U1.8 Key economic indicators – gross domestic product (GDP), retail prices index (RPI) and the consumer prices index (CPI), public sector net cash requirement, volume of fixed investment, volume of consumer spending, balance of payments, money supply, foreign exchange rates, minimum lending rate, gilt yields, stock market indices</p>
	<p>U2 The basic principles of taxation applying to the investments of UK resident and domiciled Individuals</p>	<p>U2.1 Income tax – liability to income tax, allowances, reliefs, rates, grossing up interest and dividends, employed and self-employed income, priorities for taxing different classes of income</p> <p>U2.2 Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains</p> <p>U2.3 Stamp duty (including Stamp Duty Reserve Tax) on securities</p>

APEx2 INVESTMENT AND RISK

U Demonstrate an understanding of:

U3 Different asset classes and their key features

U3.1 Cash deposits

- U3.1.1 Characteristics and past performance – liquidity, rates of interest, real returns, institutions, statutory protection, risk factors, foreign currency deposits
- U3.1.2 Main types of deposit account – instant access, notice and fixed rate
- U3.1.3 Taxation of deposit interest – savings income, tax deducted at source, offshore accounts
- U3.1.4 ISAs and TOISAs
- U3.1.5 National Savings and Investment deposit products

U3.2 Government securities, corporate bonds

- U3.2.1 Main characteristics of fixed interest investments – nominal value and market price, coupon, redemption date
- U3.2.2 Investment returns – running yields, yields to redemption, capital returns, volatility and risk, yield curves
- U3.2.3 Gilts – government guarantee, short, medium and long dated gilts, past performance, gilt strips, risk
- U3.2.4 Index-linked gilts – returns on income and capital, risk
- U3.2.5 Corporate bonds – borrowers' risk ratings and effects on yields, past performance
- U3.2.6 Other types of bonds – permanent interest bearing shares, zero coupon bonds, deep discounted bonds, local authority bonds, convertible loan stock.
- U3.2.7 National Savings and Investments – fixed interest investments
- U3.2.8 Dealing costs of purchases and sales
- U3.2.9 Taxation of government securities and corporate bonds – interest and capital gains/losses

U3.3 Equities

- U3.3.1 Main types of shares – ordinary and preference
- U3.3.2 Characteristics of equity-based investment – individual company performance and main factors that affect company profits and share values, size of company and market liquidity, sectors and markets
- U3.3.3 Measuring performance – price earnings ratio (PE), dividend yield, dividend cover, borrowing, net assets
- U3.3.4 Market behaviour – what makes markets fluctuate, fundamental analysis and market psychology
- U3.3.5 Past performance – growth, dividends and volatility
- U3.3.6 Stock market indices – main UK and overseas indices
- U3.3.7 Dealing costs, stamp duty reserve tax
- U3.3.8 Taxation of dividends
- U3.3.9 Derivatives – futures and options, CFDs, covered warrants and other main types; main features and uses

		<p>U3.3.10 Employee share schemes and incentives</p> <p>U3.3.11 AIM shares, unlisted securities and enterprise investment schemes – tax characteristics, past performance in terms of risk and returns</p> <p><i>U3.4 Property – residential and commercial</i></p> <p>U3.4.1 Characteristics of commercial and residential property investment – returns from rent and capital growth, demand, risks, quality of tenants, occupancy levels, liquidity, depreciation and maintenance costs</p> <p>U3.4.2 Past performance – differences between commercial and residential property (buy to let), key determinants of past investment returns, volatility, income and capital returns</p> <p>U3.4.3 Borrowing – its effect on risk and returns</p> <p>U3.4.4 Transaction costs – commissions, fees and stamp duty land tax</p> <p>U3.4.5 Taxation issues – taxation of rental income, interest relief, capital gains tax</p> <p>U3.4.6 Indirect property investment vehicles – unit trusts/OEICs, property shares, life assurance property bonds, offshore funds, Real Estate Investment Trusts (REITs)</p> <p>U3.4.7 Means of valuing property (yield and historical average return)</p> <p>U3.5 Alternative investments</p> <p>U3.6 Absolute return funds</p>
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APEx2 INVESTMENT AND RISK

U Demonstrate an understanding of:

U4 Different product types and their key features

U4.1 OEICs and unit trusts

- U4.1.1 Structure of OEICs (investment companies with variable capital – ICVCs) and unit trusts – the common characteristics of funds and the main differences, relative merits of direct investment and investment in funds
- U4.1.2 Range of funds – different UK fund classifications, hedge funds, limited issue funds, tracker funds
- U4.1.3 Charges and pricing – initial and annual charging structures, single and bid/offer pricing, dilution levies
- U4.1.4 Total expense ratio and hidden charges (from dealing costs, level of turnover of funds)
- U4.1.5 Dealing in funds
- U4.1.6 Taxation basics - UK and offshore, taxation within the funds, taxation of UK individual and trustee investors
- U4.1.7 Offshore funds – tax structure of both the fund and the UK investor, recognition by the FSA
- U4.1.8 Structured investment funds – equity index-based and equity-based growth and income funds

U4.2 Investment trusts

- U4.2.1 Basic structure and characteristics – closed ended structure, differences between closed and other funds, range of investment trusts
- U4.2.2 Main different classes of shares – ordinary shares, income shares, zero dividend shares, capital shares
- U4.2.3 Dealing, pricing, premiums and discounts
- U4.2.4 Gearing – advantages and drawbacks in terms of risk and flexibility
- U4.2.5 Past performance of investment trusts – risk and returns
- U4.2.6 Taxation – dividends and capital gains of investment trusts and for the investors who own them
- U4.2.7 Venture capital trusts – structure, tax characteristics, past performance in terms of risk and returns

U4.3 Individual savings accounts (ISAs) and personal equity plans (PEPs)

- U4.3.1 Structure – components: stocks and shares, cash, life assurance maxi-ISAs, mini-ISAs and TESSA-only ISAs (TOISAs) annual investment limits
- U4.3.2 Charging – initial and annual charges for direct investments and collectives, CAT Standards

		<p>U4.3.3 Tax treatment – interest, dividends, mixed bond funds, capital gains, time limit for tax regime</p> <p>U4.3.4 Eligibility – age, residence</p> <p>U4.3.5 Transfers – restrictions</p> <p>U4.3.6 Key aspects of PEPs</p> <p>U4.3.7 Effect of the death of the investor</p> <p><i>U4.4 UK and offshore life assurance company products</i></p> <p>U4.4.1 Structure and characteristics of life assurance bonds – linked funds, with profit bonds, guaranteed income and growth bonds</p> <p>U4.4.2 Qualifying policies – maximum investment plans and other endowments</p> <p>U4.4.3 Traded endowments</p> <p>U4.4.4 Charges – initial and annual</p> <p>U4.4.5 Taxation – UK and offshore, within the fund and for the investor</p> <p>U4.4.6 The choice between life assurance bonds and OEICs/unit trusts</p> <p>U4.4.7 Purchased life annuities</p> <p>U4.5 The role of Platforms, wraps and fund supermarkets.</p>
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APEx2 INVESTMENT AND RISK		
U Demonstrate an understanding of:	U5 The role of ethical investment and socially responsible investment in financial advice	<p>U5.1 Socially responsible investment – portfolios with social, ethical, environmental and financial goals, including ethical investment</p> <p>U5.2 Ethical investment – portfolios based on ethical, social or environmental values where companies have been specifically excluded or selected as a result of their activities or behaviour, eliminating investments that meet negative criteria, while including those that meet positive criteria</p> <p>U5.3 Possible implications for investment performance</p>
	U6 The importance of asset allocation in the investment process	<p>U6.1 The importance of asset allocation – achieving objectives, reducing risk, need for review</p> <p>U6.2 Analysing the underlying composition of funds – managed funds, with profits funds, fund of funds and other collective investments</p> <p>U6.3 Sample asset allocations – different types of investors</p>
	U7 How other issues affect investment planning	<p>U7.1 Comparing charges, their impact and relevance, reduction in yield (including hidden charges)</p> <p>U7.2 Active as against passive investment management</p> <p>U7.3 Paying off the mortgage as against other investments, what should be the relationship between investing and borrowing?</p> <p>U7.4 Alternative investments (e.g. gold, art, antiques) – past performance, advantages and drawbacks</p>
	U8 Tax planning strategies	<p>U8.1 Basic investment tax planning – use of personal allowances, spouses' personal allowances, children's tax position, pension contributions, use of ISAs, use of capital gains tax exemptions, tax deferral, use of life assurance bonds</p> <p>U8.2 Factors to account for in making personal tax calculations: basic income tax and capital gains tax computations – personal allowances, non-savings income, savings income, dividends, life assurance bond profits, chargeable gains</p> <p>U8.3 Criteria for selecting a tax planning strategy</p> <p>U8.4 Rules and procedures relating to personal tax calculations.</p> <p>U8.5 How to make correct tax calculations</p> <p>U8.6 Legal requirements applying to confidentiality and disclosure of personal tax information</p>

APEx2 INVESTMENT AND RISK

<p>An Demonstrate an ability to:</p>	<p>An1 Analyse consumers' circumstances and suitable investments, taking account of any existing arrangements</p>	<p>An1.1 Factors shaping consumers' circumstances An1.2 How to identify and analyse risk aversion and exposure An1.3 How to assess affordability and suitability An1.4 Methods of identifying and reviewing suitable investments An1.5 How to assess the impact of new solutions on existing arrangements</p>
<p>A Demonstrate an ability to:</p>	<p>A1 Apply suitable investment product solutions to specific consumers' circumstances</p>	<p>A1.1 The range of solutions available to suit different types of circumstance A1.2 The criteria for matching solutions to consumer needs and demands A1.3 Factors influencing the way in which recommendations are presented A1.4 How to check consumers' understanding of recommendations A1.5 Consumer rights and the regulatory requirements that apply to the provision of investment advice</p>
<p>A Demonstrate an ability to:</p>	<p>A2 How investment returns are related to investment risk and how that risk is measured</p>	<p>A2.1 Inflation and investment returns – the difference between nominal and real returns A2.2 The effects of compound interest A2.3 The time value of money A2.4 Varying investment returns from the main different asset classes – 'risk-free' rates of return & the risk premium A2.5 Measuring risk – volatility, the significance of standard deviation as a measure of volatility, the importance and limitations of past performance data A2.6 Measuring total return and the significance of beta and alpha Investment portfolio planning and reducing risk through diversification – systemic and non-systemic risk, diversification across shares, sectors, markets and asset classes</p>

APEx2 INVESTMENT AND RISK

	A3 The risks faced by investors and how an investor's risk profile is determined	A3.1 The importance of affordability and suitability in making financial planning decisions A3.2 Main types of risk for investors – equity capital risk, currency risk, interest rate risk, institutional risk, regulatory risk, income risk, inflation risk, shortfall risk A3.3 Objective factors: timescale, age, commitments, wealth, life cycle A3.4 Subjective factors: attitudes and experiences A3.5 Methods of assessment
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SUMMARY OF LEARNING OUTCOMES

ApEx3 Protection		
Candidates will be expected to:		
U1	The purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning	Comprehension
U2	The main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning	Comprehension
U3	The use of trusts in life assurance	Comprehension
U4	The main types of income protection insurance policies, their functions, how they are arranged and the tax rules.	Comprehension
U5	The main types of critical illness insurance policies, their functions, how they are arranged and the tax rules	Comprehension
U6	The main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance	Comprehension
U7	The main features and functions of personal accident insurance	Comprehension
U8	The main features and functions of long-term care insurance and the context in which it is used.	Comprehension
U9	The main types of medical insurance and their uses.	Comprehension
U10	The main need for business insurance protection and how they can be met	Comprehension
An	Demonstrate an ability to	
An1	analyse consumers' circumstances and suitable protection products, taking account of any existing arrangements	Analysis
A	Demonstrate an ability to	
A1	apply suitable protection product solutions to specific consumers' circumstances	Application

APEx3 PROTECTION

Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of:	U1 the purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning	U1.1 Main types of cover – life assurance, income protection insurance, critical illness insurance, mortgage payment protection insurance, accident sickness and unemployment insurance, personal accident insurance, long term care insurance, medical expenses. U1.2 The main areas of need for protection – family and personal protection, mortgage, long term care, inheritance tax planning and the business protection. U1.3 Divorce and relationship breakdown – impact on policies and changing needs U1.4 The role of employment and pension-based protection benefits – dependence on employment based cover, advantages and drawbacks U1.5 Regulatory issues – investment policies, non investment long term care policies, other insurance policies, ICOB U1.6 State benefits – their relevance to the provision of protection policies, main features of: income support, jobseekers' allowance, child benefit, bereavement payment, bereavement allowance, widowed parent's allowance, carer's allowance, statutory sick pay, incapacity benefit, pension credit, disability living allowance, attendance allowance, working tax credit, child tax credit, state dependant's pensions U1.7 Assessing priorities in life and health protection – individual and family priorities U1.8 The importance determining existing protection arrangements and their consequences for protection planning.
	U2 The main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning	U1.1 The basic principles of life assurance, proposers, lives assured, single and joint life policies U1.2 Main types of policy, permanent policies, term assurances, pension-based policies, group policies, effects on policy design and premium structures of mortality risk, investment and expenses, comparison of term, renewable and permanent policies and their uses U1.3 Mechanics of life assurance policies – proposal, utmost good faith disclosure, underwriting, cancellation rights policy document, renewals assignment U1.4 Policy proceeds – surrender, claim and maturity payments U1.5 Taxation of life assurance policies – basic rules of the taxation of life assurance company funds, the basic criteria for qualifying policies and their consequences, the taxation of proceeds of non-qualifying policies, pension policies, non-pension group life policies. U1.6 Special aspects – second hand policies, assignments, commissions U1.7 Assessing and quantifying different kinds of family life assurance protection needs and choosing appropriate policies and policy features to meet needs – requirements for cover, who should be covered, type of cover, flexibility and additional features, term and permanent policies, amount of cover, inflation-proofing, policy term, capital needs, liabilities, pension fund replacement, short- and longer-term income replacement needs, impact of state benefits, choice of policies and affordability. U1.8 Principles of will, probate and intestacy U1.9 Outline of inheritance tax – scope, chargeable transfers, potential exempt transfers, transfers on death, nil

		<p>rate band, exemptions and reliefs, gifts with reservation, valuation.</p> <p>U1.10 Basic inheritance tax computations for individuals</p> <p>U1.11 Basic inheritance tax planning</p> <p>U1.12 Role of life assurance in estate planning – funding for inheritance tax through regular premium life assurance, regular gifting using life assurance policies, insuring lifetime gifts and when to use level or decreasing term assurance, back to back whole life and annuity purchase.</p>
U Demonstrate an understanding of:	U2 The use of trusts in life assurance	<p>U3.1 The nature of trusts</p> <p>U3.2 How trusts are set up and the main roles – settler(s), trustees and beneficiaries</p> <p>U3.3 Choosing trustees</p> <p>U3.4 Main types of trust – absolute, life interest, flexible, revertor to settlor, discretionary, accumulation and maintenance, Married Women's Property Act trusts</p> <p>U3.5 Why trusts are used – their advantages and drawbacks, when they should and should not be used</p> <p>U3.6 Life assurance policies under trust – assignments, effects of bankruptcy, claims, dealings with beneficiaries</p> <p>U3.7 Tax issues of policies under trust – income tax, inheritance tax</p>
U Demonstrate an understanding of:	U4 the main types of income protection insurance policies, their functions, how they are arranged and the tax rules.	<p>U4.1 The need for income protection insurance – who should be allowed, amount of cover, term</p> <p>U4.2 Main product features – individual and group policies, guaranteed premium rates, unit linked and reviewable policies, deferred periods, term, escalation of cover and benefits, limitation on benefits, effects on policy design and premium structures of morbidity, investment and expenses</p> <p>U4.3 Proposals and underwriting – premium rate structures by age, occupation, non-working insured people, effects on rates of deferred periods, escalation and policy term, difference between underwriting for incapacity rather than death</p> <p>U4.4 Claims and conditions – definitions of incapacity, exclusions and conditions, travel and changes of occupation, monitoring claims</p> <p>U4.5 Taxation – individual and group policies</p> <p>U4.6 State benefits for illness and incapacity and their impact on the need for cover.</p> <p>U4.7 Waiver of premium – existing policies, providing the cover through income protection policies</p> <p>U4.8 Group policies and employer policies</p>
U Demonstrate an understanding of:	U5 The main types of critical illness insurance policies, their functions, how they are arranged and the tax rules.	<p>U5.1 Insurance cover provided – differences in coverage, changes in definitions, additional benefits, taxation of benefits</p> <p>U5.2 Policy structure – stand alone, combined whole life or term, first claim, bolt on, single and joint life policies</p> <p>U5.3 Group policies</p> <p>U5.4 Effects on policy design and premium structures of morbidity, medical developments, investment and expenses</p> <p>U5.5 Underwriting issues</p> <p>U5.6 Need for cover – who needs cover, type of cover, flexibility and additional features, term and permanent</p>

		<p>policies</p> <p>U5.7 Assessing the amount of cover needed, inflation-proofing, policy term, capital needs, short and longer-term income, replacement needs</p> <p>U5.8 Split benefit trusts for death benefits</p> <p>U5.9 Comparing critical illness cover and income protection – advantages and drawbacks</p>
	U6 The main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance.	<p>U6.1 Cover provided by MPPI and ASU – long term illness, incapacity, unemployment, differences between MPPI and ASU</p> <p>U6.2 Need for MPPI and ASU</p> <p>U6.3 Main limitations on the insurance provided</p> <p>U6.4 Comparing MPPI with ASU, income protection and critical illness insurance – advantages and drawbacks</p> <p>U6.5 State support for mortgage costs – qualifying rules, main limits on benefits</p>
	U7 The main features and functions of personal accident insurance	<p>U7.1 Types of cover – death, specified injury</p> <p>U7.2 Limitations – cover, annual policy</p> <p>U7.3 Personal accident insurance for children – availability, group schemes</p> <p>U7.4 Assessing individual needs – comparing with MPPI, ASU, income protection and critical illness insurance</p>
	U8 The main features and functions of long-term care insurance and the context in which it is used	<p>U8.1 Long term care insurance main features – pre-funded protection, pre-funded protection and investment, immediate care policies, regular premium and single premium policies, costs and benefits</p> <p>U8.2 Meeting the need for income to pay for long term care – period and costs of care</p> <p>U8.3 State (including NHS) – and local authority help for LTC – conditions and amounts</p> <p>U8.4 Other long term care planning – accumulating of funds, use of home, ownership of home, equity release, accelerated death benefits and viatical settlements</p> <p>U8.5 Enduring power of attorney – need, basic procedure, consequences.</p>
U Demonstrate an understanding of:	U9 The main types of medical insurance and their uses	<p>U9.1 Cover provided – difference between acute and chronic conditions, overseas aspects, main different levels of benefits, policy excesses.</p> <p>U9.2 Benefits of having medical insurance</p> <p>U9.3 Underwriting issues – pre-existing conditions</p> <p>U9.4 Individual and group plans</p> <p>U9.5 Features and limitations of other medical insurance plans – health cash plans, dental plans</p>
	U10 The main needs for business insurance protection and how they can be met	<p>U8.1 Key person insurance – needs, appropriate life and health policies, basic tax position</p> <p>U8.2 Shareholder insurance - needs, appropriate life and health policies, basic tax position</p> <p>U8.3 Partnership insurance - needs, appropriate life and health policies, basic tax position</p>

An	Demonstrate an ability to:	An1 Analyse consumers' circumstances and suitable protection products, taking account of any existing arrangements	<p>An1.1 Factors shaping consumers' circumstances and protection needs</p> <p>An1.2 How to identify and analyse risk aversion and exposure</p> <p>An1.3 How to assess affordability and suitability</p> <p>An1.4 Methods of identifying and reviewing suitable product solutions</p> <p>An1.5 The interrelationship of protection products and its consequences for identifying suitable and affordable solutions</p> <p>An1.6 How to assess the impact of new solutions on existing arrangements</p>
A	Demonstrate an ability to:	A1 Apply suitable investment solutions to specific consumers' circumstances	<p>A1.1 The range of solutions available to suit different types of circumstance</p> <p>A1.2 The criteria for matching solutions to consumer needs and demands</p> <p>A1.3 Factors influencing the way in which recommendations are presented</p> <p>A1.4 How to check consumers' understanding of recommendations</p> <p>A1.5 Consumer rights and the regulatory requirements apply to the provision of investment advice</p> <p>A1.6 The consequences of inadequate protection and how to explain these objectively to consumers</p>

ApEx4 Retirement Planning		Level
Candidates will be expected to:		
U	Demonstrate an understanding of:	
U1	The main aims and strategies for retirement planning.	Comprehension
U2	The main rules governing the tax treatment of pensions.	Comprehension
U3	The main state pension benefits to which individuals may be entitled in retirement and the impact they may have on retirement planning.	Comprehension
U4	The basic principles underlying defined benefit pension schemes.	Comprehension
U5	The basic principles underlying defined contribution pension schemes and how benefits are built up.	Comprehension
U6	How pension funds can be invested to provide capital and income in retirement.	Comprehension
U7	The main criteria that can be used in choosing pension contracts and providers.	Comprehension
U8	The main options for drawing retirement benefits for individuals with defined contribution schemes.	Comprehension
U9	The suitability of registered pension schemes and other types of investments which can be used to provide retirement benefits.	Comprehension
U10	Pressures on pension provision, trends and planned future changes to legislation, tax regulations and practice applying to retirement planning arrangements.	Comprehension
U11	(in summary form) the main rules governing pensions and divorce or dissolution of civil partnership.	Comprehension
An	Demonstrate an ability to	
An1	Analyse consumers' circumstances and products suitable to meet retirement needs, taking account of any existing arrangements.	Analysis
A	Demonstrate an ability to	
A1	Apply suitable retirement product solutions to specific consumers' circumstances.	Application

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding Of:	U1 The main aims and strategies for retirement planning.	<p>U1.1 Determining needs at retirement and after retirement – planning when and how to retire, need for capital for asset purchases, repayment of liabilities, retirement income and capital in the initial retirement years, longer term income needs, surviving spouse/partner income needs, potential need to fund long term care, estate planning aims.</p> <p>U1.2 Quantifying future retirement needs in advance – methods of assessing and budgeting, based on current and expected expenditure, potential long term care fees, estimating future rates of inflation and real investment returns, estimating clients' other income and capital resources.</p> <p>U1.3 Accumulating funds for retirement – investment strategies and asset allocation, long, medium and short timescales.</p> <p>U1.4 Accumulating funds for retirement – tax strategies, tax relief, tax shelter, advantages and disadvantages of maximising tax free cash, minimising future tax in retirement.</p> <p>U1.5 Overview of the main types of plans – state pension benefits, defined benefit and defined contribution occupational pension schemes, cash balance schemes, personal pensions/stakeholder pensions.</p> <p>U1.6 Identifying the existing pension provision from state and private sources – DWP projections, defined benefit scheme benefit statements and statutory money purchase illustrations.</p>
	U2 The main rules governing the tax treatment of pensions.	<p>U2.1 Employee taxation, basic income tax and national insurance computations – simple fringe benefits, reliefs and allowances.</p> <p>U2.2 Employer taxation – corporation tax, national insurance contributions, income tax for unincorporated employers, effect of making pension contributions, 'wholly and exclusively' test (in outline), spreading of relief.</p> <p>U2.3 Special considerations for shareholding directors – the choice between salary and dividends.</p> <p>U2.4 Main aspects of the tax treatment of registered pension schemes, annual allowance, lifetime allowance, eligibility of individuals for tax relief, annual limit for relief, minimum pension age, benefit types and limitations</p> <p>U2.5 The tax position of pension funds – the treatment of different classes of asset.</p> <p>U2.6 Taxation of pension benefits – state benefits, occupational and personal pension schemes.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
	U3 The main state pension benefits to which individuals may be entitled in retirement and the impact they may have on retirement planning.	<p>U3.1 Basic state pension – payment age, entitlement, pension amount and increases, effect of deferment, taxation, national insurance contribution record, basic state pension widow(er)'s and civil partner's death and bereavement benefits, Department for Work and Pensions pension forecast service.</p> <p>U3.2 Graduated pensions, state earnings related pension scheme (SERPS) and the state second pension (S2P) – calculation of benefits, including widow(er)'s and civil partner's benefits under SERPS, contracting out of S2P generally.</p> <p>U3.3 Pension credit – structure, impact of claimants' income and capital position, effects on pension planning.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
<p>U Demonstrate an understanding Of:</p>	<p>U4 The basic principles underlying defined benefit pensions schemes.</p>	<p>U4.1 Pensions and life assurance benefits – accrual rates, eligibility, inflation protection, contracting out, commutation issues, life assurance, dependants' income benefits.</p> <p>U4.2 Main roles of employers and pension scheme trustees, requirement for member-nominated trustees, importance of scheme rules determining and limiting benefit options.</p> <p>U4.3 Basic position on early retirement, reduction in benefits, early retirement through ill health.</p> <p>U4.4 Early leavers and transfer values – reduction in benefits on leaving, where transfers can be made and how they can be calculated (in outline only), right to transfer value, refunds of contributions.</p> <p>U4.5 Funding and investment issues of defined benefit schemes – employers' commitment and risk, funding levels, protection of pension rights, employee contributions, annual limit for relief, topping up with additional voluntary contributions (AVCs) and free standing additional voluntary contributions (FSAVCs) and concurrent personal pensions.</p> <p>U4.6 Private sector schemes – scheme specific funding requirements, accounting for employers' pension funds and liabilities under accounting standard FRS17 and IAS 19, employees' financial security and risk to defined benefit pension benefits.</p> <p>U4.7 Death in service– tax efficiency and limitations of cover, cost.</p> <p>U4.8 Contracting out of S2P – basic position, effect on national insurance contributions.</p> <p>U4.9 Closure and winding up of schemes – main implications.</p> <p>U4.10 The Pension Protection Fund and Financial Assistance Scheme.</p> <p>U4.11 Advice issues – pension opt-outs, transfers and early leavers, added years AVCs as against money purchase AVCs, AVCs and concurrent personal pensions.</p> <p>U4.12 Public sector schemes – benefit structures, security, transfer club.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
<p>U Demonstrate an understanding Of:</p>	<p>U5 The basic principles underlying defined contribution pension schemes and how benefits are built up.</p>	<p>U5.1 Basic structure of defined contribution occupational and personal pension schemes – contributions, funds, benefits, transferability.</p> <p>U5.2 Main roles of employers and pension scheme trustees, importance of scheme rules determining and limiting benefit options.</p> <p>U5.3 Nature and operation of group personal pension schemes – contributions by employer and employee, control of investment and benefits.</p> <p>U5.4 Income tax computations and employee contributions to occupational and personal pension schemes – methods of giving relief, computation of relief, timing of relief, effects on payments on account.</p> <p>U5.5 Tax relief on employers’ pension contributions – to personal pensions and defined contribution occupational pension schemes.</p> <p>U5.6 Employee contributions, AVCs and FSAVCs.</p> <p>U5.7 Use of concurrent personal pension plan, effect on allowances, benefit types, timing of benefits.</p> <p>U5.8 Contracting out of S2P/SERPS via scheme or personal pensions – basic position, effect on national insurance contributions Protected Rights.</p> <p>U5.9 Death benefits before crystallisation of retirement benefits – lump sum benefits, dependants’ income benefits, lifetime allowance test, term assurance.</p> <p>U5.10 Protecting against consequences of ill health - availability and effect of waiver of premium feature, income protection arrangements, the use of critical illness insurance, contributions whilst incapacitated.</p> <p>U5.11 Stakeholder pensions – definition, the requirements for employer designation.</p> <p>U5.12 Contributions for others, including contributions by parents for children.</p> <p>U5.13 Advice issues – estimating how much needs to be invested to accumulate adequate funds for retirement, affordability, assessing a client’s investment risk profile.</p>
<p>U Demonstrate understanding of</p>	<p>U6 How pension funds can be invested to provide capital and income in retirement.</p>	<p>U6.1 Asset classes – risks, returns and past performance (cross reference to ApEx 2 & 19 Investment and Risk & Managing Investments).</p> <p>U6.2 Asset allocation – timescale, relation to other assets, client attitudes, life styling.</p> <p>U6.3 Self investment under registered pension schemes (occupational and personal) – the main rules, tax implications, characteristics and opportunities.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of	U7 The main criteria that can be used in choosing pension contracts and providers.	<p>U7.1 The choice between the main kinds of defined contribution schemes and their relative merits.</p> <p>U7.2 Choosing pension providers – costs, administration, financial strength.</p> <p>U7.3 Fund choice, past performance, risk, life styling.</p> <p>U7.4 Self-investment options.</p>
	U8 The main options for drawing retirement benefits for individuals with defined contribution schemes.	<p>U8.1 Normal minimum pension age, effect of ill-health.</p> <p>U8.2 Maximum tax free pension commencement lump sum.</p> <p>U8.3 Annuities – main types of annuity: level or escalating, inflation linked, with profit and unit linked, criteria for selecting annuity type, impaired life and enhanced, single life and joint life, death benefits after retirement: capital protection and guarantees.</p> <p>U8.4 Basics of phased retirement and unsecured income with risk aspects, death benefits, income tax and IHT implications.</p> <p>U8.5 Basics of Alternatively Secured Pension (ASP) with risk aspects, death benefits, income tax and IHT implications.</p> <p>U8.6 Other sources of income in retirement.</p>
U Demonstrate understanding of	U9 The suitability of registered pension schemes and other types of investments which can be used to provide retirement benefits.	<p>U9.1 The tax characteristics of registered pension schemes compared with other types of investment – tax treatment, accessibility, contribution limits and allowances, risk, availability, charges.</p> <p>U9.2 ISAs.</p> <p>U9.3 Direct investment in cash, bonds and equities, importance of diversification, danger of over-reliance on employer-linked investments (eg share schemes).</p> <p>U9.4 OIECS/unit trusts and other collective investments.</p> <p>U9.5 Life assurance contracts.</p> <p>U9.6 Property – residential and commercial – and use of equity release products to release funds.</p> <p>U9.7 Selling a business or share in a business.</p> <p>U9.8 Unregistered pension schemes.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
	U10 Pressures on pension provision, trends and planned future changes to legislation, tax regulations and practice applying to retirement planning arrangements.	U10.1 Reasons for trend away from defined benefit schemes. U10.2 Effect of longevity on pension provision, including State Scheme. U10.3 Planned reforms to State Pensions, including increase in State Pension Age and changes to S2P structure. U10.4 Planned reinstatement of link between State basic pension and earnings Inflation. U10.5 Abolition of contracting out on defined contribution basis. U10.6 Personal Accounts.
	U11 (in summary form) the main rules governing pensions and divorce or dissolution of civil Partnership.	U11.1 Offsetting. U11.2 Earmarking. U11.3 Sharing. U11.4 Implications for pension planning – effect on allowances and the need to build up additional benefits.

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
An Demonstrate an ability to	An1 Analyse consumers' circumstances and products suitable to meet retirement needs, taking account of any existing arrangements.	<p>An1.1 Factors shaping consumers' circumstances, retirement aspirations and prospects.</p> <p>An1.2 How to identify and analyse risk aversion and exposure.</p> <p>An1.3 How to assess affordability and suitability.</p> <p>An1.4 Methods of identifying and reviewing suitable product solutions.</p> <p>An1.5 The types of pension products, associated risks and suitability criteria.</p>
A Demonstrate an ability to	A1 Apply suitable retirement product solutions to specific consumers' circumstances	<p>A1.1 The range of solutions available to suit different types of circumstance.</p> <p>A1.2 The criteria for matching solutions to consumer needs and demands.</p> <p>A1.3 Factors influencing the way in which recommendations are presented.</p> <p>A1.4 How to check consumer's understanding of recommendations.</p> <p>A1.5 Consumer rights and the regulatory requirements applying to the provision of retirement planning advice.</p> <p>A1.6 The consequences of inadequate provision and how to explain these objectively to consumers.</p>

ApEx7 Long-Term Care Insurance Advice		Level
ApEx7 Long-Term Care Insurance Advice		
Candidates will be expected to:		
K	Demonstrate a knowledge of:	
K1	The background to long-term care provision in the UK and the current 'definition' of long-term care insurance as defined in the FSA Handbook glossary	Knowledge
K2	The different types of long term care that are available	Knowledge
U	Demonstrate an understanding of:	
U1	How current legislation affects the provision of advice on long-term care insurance	Comprehension
U2	The responsibilities of a health authority in the provision of continuing care and any funding implications for the client	Comprehension
U3	The responsibilities of a local authority in enabling access to long-term care and procedures for care assessments: both domiciliary and residential	Comprehension
U4	The procedures and by which local authorities make financial and needs assessments for those requiring long-term care and the role of social services	Comprehension
U5	What additional sources of assistance may be available to contribute to the provision of long-term care and the limitations there may be on their use	Comprehension
U6	The relationship complexities between the adviser, the client and third parties in the advice process for long-term care and their implications	Comprehension
U7	The taxation issues related to long term care planning	Comprehension
U8	The factors that need to be taken into account in respect of long-term care when considering related legal matters	Comprehension
U9	Eligibility to claim under long-term care insurance contract	Comprehension
U10	The different costs associated with long-term care provision and factors that create variations in them	Comprehension
As	Demonstrate the ability to assess:	
As1	The interaction between eligibility for means-tested and non-means tested benefits in the provision of advice on long-term care insurance	Evaluation
As2	The suitability of arrangements available to fund a client's long-term care needs and if the level of risk they present to the client is appropriate and acceptable	Evaluation
As3	Demonstrate the ability to assess situations that might indicate to an adviser that a client's long-term care provision needs to be reviewed and the likely consequences of that review	Evaluation

ApEx7 Long-Term Care Insurance Advice		
Attainment Level	Outcome	Indicative Content
K Demonstrate knowledge of	K1 The background to long-term care provision in the UK and the current 'definition' of long term care insurance as defined in the FSA Handbook glossary.	K1.1 Definition of long-term care insurance K1.2 Differences between pre-funded insurance and immediate needs annuities K1.3 Background to current provision in UK through the informal, public, private and voluntary sectors K1.4 How care is delivered and the cost implications to the client
K Demonstrate knowledge of	K2 The different types of long-term care that are available	K2.1 The types of care and level of dependency associated with: 2.1.1 Domiciliary 2.1.2 Sheltered accommodation; 2.1.3 Residential care 2.1.4 Nursing care 2.1.5 EMI care 2.1.6 Hospital K2.2 The role of: 2.2.1 Intermediate care 2.2.2 Respite care
U Demonstrate understanding of	U1 How current legislation affects the provision of advice on long-term care insurance	U1.1 Understand the ongoing impact of legislation and case law relevant to long-term care as applies in England, N. Ireland, Wales and Scotland.
U Demonstrate understanding of	U2 The responsibilities of a health authority in making provisions for continuing care and any funding implications for the client	U2.1 Legal responsibility of the Health Authority U2.2 Department of Health guidelines U2.3 Eligibility criteria for continuing care: 2.3.1 Health care, 2.3.2 Social care U2.4 Funding levels, including National variations: 2.4.1 Eligibility for Registered nurse care contribution (RNCC): 2.4.1a High/ Medium/ Low 2.4.1b Payment procedures U2.5 Discharge from hospital procedures and delayed discharge U2.6 Regional Strategic Health Authority / Primary Care Trusts

<p>U Demonstrate understanding of</p>	<p>U3 The responsibilities of a local authority in enabling access to long-term care and procedures for care assessments, both domiciliary and residential</p>	<p>U3.1 Assessments U3.2 Delivery of care: 3.2.1 Domiciliary. LA Circulars 3.2.2 Residential U3.3 Understand the relevant legislation with particular reference to: 3.3.1 National Assistance Act 1948 (s21 and s22) 3.3.2 NHS and Community Care Act 1990 (s47) 3.3.3 Health and Social Care Act 2001 (s47, s49[1] and s49[2]) 3.3.4 Care Standards Act 2000 (Part 1 – s3, s6 and s7) 3.3.5 Mental Health Act 1983 (s117) U3.4 Fair access to care services (LA Circular 13 2004)</p>
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ApEx7 Long-Term Care Insurance Advice

Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of	U4 The procedures and by which local authorities make financial and needs assessments for those requiring long-term care and the role of social services	U4.1 Residential care U4.2 Charging Residential Accommodation Guidance; CRAG: LA Circulars 4.2.1 National Assistance [assessment of resources] Regulations 1992 4.2.2 Local authority capital limits – lower and upper limits 4.2.3 National variations 4.2.4 Assessment of jointly owned assets 4.2.5 Deprivation of assets – lifetime giving 4.2.6 Capital U4.3 Capital disregard U4.4 Notional capital U4.5 Beneficial ownership of capital 4.5.1 Income disregard 4.5.2 Use of trusts 4.5.3 Treatment of the family home including third party ownership 4.5.4 Liability of relatives U4.6 Domiciliary care and guidance for financial assessment, including relevant cross border regulation and tax equivalents U4.7 Charging procedures U4.8 Interaction with means testing
U Demonstrate understanding of	U5 What additional sources of assistance may be available to contribute to the provision of long-term care and what limitations there may be on their use.	U5.1 Other sources of assistance including informal care U5.2 Consideration of existing policies and their application in the funding for long-term care needs U5.3 Health cash plans U5.4 Private medical insurance (PMI) U5.5 Limits of assistance

<p>U Demonstrate understanding of</p>	<p>U6 The relationship complexities between the adviser, the client and third parties in the advice process for long-term care and their implications</p>	<p>U6.1 Identifying from whom to take and receive instruction; U6.2 Legal capacity of the client 6.2.1 Definition of capacity under the Mental Capacity Act 2005: 6.2.1a 5 key principles (section 1) 6.2.1b Best Interests (section 4) 6.2.1c Lasting Powers of Attorney – financial and health/welfare; formalities; effect upon Enduring Power of Attorney 6.2.1d Office of Public Guardian 6.2.1e Court Appointed Deputies 6.2.1f Independent Mental Capacity Advocate (IMCA) 6.2.1g Single Orders of the Court 6.2.2 The application to decision making and giving instructions U6.3 Substituted decision making: 6.3.1 Power of Attorney 6.3.2 Enduring Power of Attorney (EPA)</p>
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ApEx7 Long-Term Care Insurance Advice

Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of	U6 The relationship complexities between the adviser, the client and third parties in the advice process for long-term care and their implications (continued)	6.3.3 Court of Protection, 6.3.4 Role of Public Guardianship Office: 6.3.4a Receivership 6.3.4b National variations U6.4 Confidentiality U6.5 Extent of family involvement U6.6 Potential conflicts of family interests U6.6 Access to medical records U6.7 Awareness of the indicators of financial abuse
U Demonstrate understanding of	U7 The taxation issues related to long-term care planning.	U7.1 Tax position on premiums U7.2 Treatment of benefits (paid from pre-funded plans) U7.3 Impact of payment of benefits on client's tax position U7.4 Payments to client to pay carer U7.5. Payments direct to care provider U7.6 Tax position of immediate needs annuities U7.7 IHT mitigation and lifetime gifting -Court of Protection PN9 7.7.1 Lump sum contracts 7.7.2 The application of trusts in planning U7.8 Impact of likely future changes in client's tax position
U Demonstrate understanding of	U8 The factors that need to be taken into account in respect of long-term care when considering related legal matters.	U8.1 Estate planning U8.2 Wills/intestacy U8.3 Deeds of variation U8.4 Statutory wills U8.5 Treatment of the family home U8.6 Dealing with mental incapacity, attorneys and third party decision makers
U Demonstrate understanding of	U9 Eligibility to claim under a long-term care insurance policy	U9.1 ADL definitions: 9.1.1 ABI core definitions 9.1.2 Provider enhancements U9.2 Cognitive impairment; U9.3 Assessment of ADL failure U9.4 Assistive devices U9.5 Making the claim
U Demonstrate understanding of	U10 The different costs associated with long-term care provision and factors that create variations in them	U10.1 Care in own home including informal care 10.1.1 Provision of Care services: 10.1.1a Social services 10.1.1b Private sector personal and nursing care 10.1.2 Home modification; Access and Systems Capacity Grants 10.1.2a Role of Home Improvement Agencies 10.1.2b assistive devices

ApEx7 Long-Term Care Insurance Advice

Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of	U10 The different costs associated with long-term care provision and factors that create variations in them (continued)	U10.2 Residential care: 10.2.1 Local authority funding levels, including national variations: 10.2.1a Standard Rate 10.2.1b Topping-up U10.3 Private sector – market rate U10.4 Voluntary sector U10.5 Impact on costs: 10.5.1 Levels of care, 10.5.2 Availability, 10.5.3 Care home contracts, Care Standards Act 2000 [Establishment & Agencies] [Mics Provisions] Reg 2006 U10.6 Long term affordability
As Demonstrate the ability to assess	As1 The interaction between means-tested and non-means tested benefits in the provision of advice on long-term care insurance	As1.1 Means tested benefits As1.2 Pension Credit- application and interaction with DWP benefits As1.3 Income Support: As1.4 Carer’s Allowance As1.5 Non-means tested benefits As1.6 Attendance Allowance As1.7 Disability Living Allowance As1.8 Retirement Pension As1.9 Access and application processes
As Demonstrate the ability to assess	As2 The suitability of arrangements available to fund and maintain a client’s long-term care needs and if the level of risk they present to the client is appropriate and acceptable	As2.1 Stand alone pre-funded long-term care insurance with life cover: 2.1.1 Single premium 2.1.2 Regular premium As2.2 The nature and the role of convertible products; As2.3 Underwriting considerations: 2.3.1 Innocent non-disclosure 2.3.2 Morbidity 2.3.3 Use of cognitive test (example Mini Mental State Examination) As2.4 Use of home equity release options including both lifetime mortgages and home reversion plans As2.5 Use of existing long-term care bonds As2.6 Investment planning for needs of older clients As2.7 Immediate needs annuities As2.8 Deferred care plans and how they work when interacting with the client’s eligibility for benefits

ApEx7 Long-Term Care Insurance Advice

Attainment Level	Outcome	Indicative Content
As Demonstrate the ability to assess	As3 Demonstrate the ability to assess situations that might indicate to an adviser that a client's long-term care provision needs to be reviewed and the likely consequences of that review.	As3.1 Changes in marital status including Civil Partnerships As3.2 Death of partner As3.3 Change in need, including partial claim (ADL criteria) As3.4 Client's mental capacity As3.5 Changes in legislative framework As3.6 Moving abroad As3.7 Changes in taxation, investment conditions and inflation