

Financial Services

Skills Council

AES-16 Appropriate Examinations: Broker Fund Adviser

Standards for Appropriate Examinations for those acting as a Broker Fund Adviser

ApEx1 UK Financial Services, Regulation and Ethics

ApEx19 Investment Management

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

AES16-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 10 as employees acting as a broker fund adviser.

AES16-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

The Standard

AES16-3 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.

AES16-4 The Appropriate Examination requirement for those acting as a broker fund adviser is:

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

and

4.2 Individuals must have passed an Appropriate Examination based on the **ApEx19 Investment Management** standard published here.

AES16-5 Candidates must achieve, at the level of attainment specified, all the required outcomes in each Standard in order to pass an Appropriate Examination.

Recognition of Appropriate Examinations that meet the Standards

AES16-6 The Skills Council will designate as Appropriate Examinations proposed examinations that

6.1 meet the relevant Appropriate Examination Standards

and

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

6.2.1 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

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

or

- 6.2.3 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

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

Listing

AES16-7 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.

AES16-8 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.

AES16-9 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

AES16-10 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

Questions and Answers

AES16-11 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

AES16-12 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.

AES16-13 This paper sets out Appropriate Examination Standards in the form of learning outcomes, attainment levels and indicative content to be achieved by those acting as a broker fund adviser.

Basis

Source

AES16-14 The Standards stated here are derived from work with the industry.

Status

AES16-15 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for those acting as a broker fund adviser, to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES16-16 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.

AES16-17 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES16-18 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 Lloyds |
| AES-18 | Acting as a pensions transfer specialist |

Scope of the Standards

AES16-19 The knowledge and understanding specified is set out under the following principal headings:

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

19.2 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:

19.2.1 knowledge;

19.2.2 understanding;

19.2.3 an ability to apply knowledge and understanding;

19.2.4 an ability to analyse information;

19.2.5 an ability to assess or evaluate information.

19.3 Indicative content

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

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

Application

AES16-20 The Standards are set:

20.1 to enable firms to make training and testing arrangements for individuals to acquire and apply knowledge and understanding appropriate to act as a broker fund adviser

and

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

AES16-21 **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).

AES16-22 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

AES16-23 The Skills Council maintains a List of Appropriate Examinations. This comprises

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

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

AES16-24 For any examination to be entered into the List of Appropriate Examinations by the Financial Services Skills Council, it must

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

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

24.1.2 the indicative content.

and

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

AES16-25 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].

AES16-26 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

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

Or

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

AES16-27 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:

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

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

and

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

27.2 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).

27.3 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).

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.

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.

27.4 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

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

27.4.2 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.

AES16-28 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

AES16-29 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:

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

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

AES16-30 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

AES16-31 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

Internal Examinations

AES16-32 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:

Acting as a Broker Fund Adviser

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 Outcomes

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) |

| | | |
|--|--|--|
| | <p>U3 The main financial services product types and their functions</p> | <p>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> |
| | <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> |

| | | |
|------------------------------------|--|---|
| U Demonstrate an understanding of: | U6 The basic legal concepts relevant in financial advice | <p>U6.1 Legal persons – individuals, wills, intestacy, personal representatives (and administration of estates), trustees, companies, limited liabilities, partnerships</p> <p>U6.2 Contract, capacity to contract</p> <p>U6.3 Agency</p> <p>U6.4 Real estate, personal property and joint ownership</p> <p>U6.5 Powers of attorney and enduring powers of attorney</p> <p>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 |

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

SUMMARY OF LEARNING OUTCOMES

| APEX19 INVESTMENT MANAGEMENT | | Level |
|---|--|---------------|
| Candidates will be expected to: | | |
| U Demonstrate an understanding of: | | |
| U1 | Establishing and meeting client objectives | Comprehension |
| U2 | Behaviour, performance, risk profile and correlation of key investment types | Comprehension |
| U3 | The role of the investment manager | Comprehension |
| U4 | Advisory, discretionary and non-discretionary portfolio management | Comprehension |
| U5 | Investment fund objectives and approaches | Comprehension |
| U6 | Fundamentals of economics applicable to investment management | Comprehension |
| U7 | How investments returns are related to investment risk | Comprehension |
| U8 | Principles of Portfolio Theory | Comprehension |
| U9 | Performance measurement | Comprehension |
| U10 | Data and regression | Comprehension |
| U11 | Indices | Comprehension |
| U12 | Principles of financial mathematics | Comprehension |
| U13 | Principles of measurement | Comprehension |
| U14 | Financial Analysis | Comprehension |
| U15 | Ratio analysis | Comprehension |
| U16 | Information sources and disclosure obligations and bias thereof | Comprehension |
| A Demonstrate an ability to | | |
| A1 | Apply the principles of measurement | Application |
| An Demonstrate an ability to | | |
| An1 | Analyse and interpret financial information | Analysis |
| An2 | Analyse, interpret and compare financial ratios | Analysis |

| ApEx19 Investment Management | | |
|---------------------------------|--|--|
| Attainment Level | Outcome | Indicative Content |
| U Demonstrate understanding of: | U1 Establishing and meeting client objectives | U1.1 Assessing the client's current investment portfolio U1.2 Establishing and clarifying the client's objectives and income requirements U1.3 Identifying and confirming the client's understanding of risk U1.4 Investment restrictions U1.5 Investment time horizons U1.6 Client liquidity requirements U1.7 Conflicts |
| U Demonstrate understanding of: | U2 Behaviour, performance, risk profile and correlation of key investment types | U2.1 Fixed-interest securities U2.2 Equities U2.3 Bonds U2.4 Derivatives U2.5 Foreign Exchange U2.6 Real Estate U2.7 Currencies including cash U2.8 Hedge funds U2.9 Pooled investments U2.10 Alternative Investment Vehicles U2.11 Absolute/Total return funds |
| U Demonstrate understanding of: | U3 The role of the investment manager | U3.1 Key stages of the investment management process <ul style="list-style-type: none"> U3.1.1 Identification of client objectives and constraints, and regulatory restrictions U3.1.2 Investment strategy to meet client objectives U3.1.3 Implementation of investment strategy U3.1.4 Review and control – purpose and requirements of annual and periodic reviews U3.1.5 Client reporting |
| U Demonstrate understanding of: | U4 Discretionary and non-discretionary portfolio management | U4.1 Key operating features of each type U4.2 Differences between discretionary and non discretionary portfolio management, including contractual and regulatory differences. U4.3 Reporting requirements U4.4 Understanding of mandate and limits of authority U4.5 Fiduciary responsibilities according to (portfolio management style) whether discretionary or non-discretionary. |

ApEx19 Investment Management

| Attainment Level | Outcome | Indicative Content |
|---------------------------------|---|---|
| U Demonstrate understanding of: | U5 Investment fund objectives and approaches | U5.1 Objectives of funds: life assurance funds; hedge funds etc U5.2 Objectives of retail investment funds, both open and closed structures U5.3 Analysing the underlying composition of funds U5.4 Passive and aggressive management styles U5.5 Index trackers vs stock pickers U5.6 ETFs |
| U Demonstrate understanding of: | U6 Fundamentals of economics applicable to investment management | U6.1 Supply and demand U6.2 Costs – production, average, marginal, total U6.3 Economies and diseconomies of scale U6.4 Perfect competition, monopoly and oligopoly U6.5 Commonly used methods of assessing companies and property investments U6.6 Inequality of information |
| | U7 How investments returns are related to investment risk | U7.1 Inflation and investment returns – nominal and real U7.2 The effects of compound interest U7.3 The time value of money U7.4 Varying investment returns from the main asset classes U7.5 Risks associated with investing in foreign markets, especially emerging markets U7.6 Correlation between asset classes |
| U Demonstrate understanding of: | U8 Principles of Portfolio Theory | U8.1 Portfolio styles U8.2 Behaviour of asset classes U8.3 Use of derivatives within the portfolio management process U8.4 Risk and return U8.5 Diversification U8.6 Capital asset pricing model U8.7 Modern portfolio theory U8.8 Diversified multi-asset portfolios U8.9 Use of wraps/platforms in portfolio management |

ApEx19 Investment Management

| Attainment Level | Outcome | Indicative Content |
|---------------------------------|--|--|
| U Demonstrate understanding of: | U9 Performance measurement | U9.1 Total return and its components U9.2 Money weighted and time weighted returns U9.3 Benchmarking and relative performance U9.4 Risk adjusted returns U9.5 Attribution analysis U9.6 Actual vs relative performance |
| U Demonstrate understanding of: | U10 Data and regression | U10.1 Sources of data – primary and secondary; sampling; continuous and discrete; categorical data; frequency and relative frequency distribution; presentation methods U10.2 Summary data and linear regression – averages; arithmetic and geometric mean, mode and median; methods of dispersion: standard deviation U10.3 Correlation and bivariate linear regression |
| U Demonstrate understanding of: | U11 Indices | U11.1 Indices and their application in financial markets |
| U Demonstrate understanding of: | U12 Principles of financial mathematics | U12.1 Simple and compound interest U12.2 Present and future value calculations U12.3 Internal rate of return and net present value |
| U Demonstrate understanding of: | U13 Principles of measurement | U13.1 Yields – flat and redemption yields; semi and annual yields; fixed interest yields; property yields; yield curves U13.2 Measuring investment return from different asset classes U13.3 Discounting cash flow U13.4 Notion of time value U13.5 Measuring risk and return |

ApEx19 Investment Management

| Attainment Level | Outcome | Indicative Content |
|--|--|--|
| A Demonstrate the ability to apply: | A1 Application of the principles of measurement | A1.1 Apply the principles of measurement in order to assess risk and return A1.2 Distinction between use of historic data to make assumptions – predictive data to make assessment |
| U Demonstrate understanding of: | U13 Financial Analysis | U13.1 Statutory accounting requirements and how they impact on the information reported U13.2 Balance sheet U13.3 Profit and Loss account U13.4 Cash flow statement U13.5 Principles of consolidation U13.6 Accounting ratios U13.7 Benchmarks U13.8 Valuations |
| An Demonstrate the ability to analyse: | An1 Interpretation of financial information | An1.1 Analyse and interpret a range of financial information and draw reasoned conclusions |
| U Demonstrate understanding of: | U14 Ratio analysis | U14.1 Earnings per share U14.2 Dividends per share U14.3 Price/Earnings ratio U14.4 Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) U14.5 Return On Capital Employed (ROCE) U14.6 Quick ratio |
| An Demonstrate the ability to analyse: | An2 Interpretation and comparison of financial ratios | An2.1 Analyse, interpret and compare financial ratios and draw reasoned conclusions |
| U Demonstrate understanding of: | U15 Information sources and disclosure obligations and bias thereof | U15.1 Periodic reporting by issuers U15.2 Ad hoc announcements U15.3 News services, RNS, PIPs and SIPs U15.4 Investment research and sales notes U15.5 Financial journalism U15.6 Transparency obligations to shareholders |