
AES-18 Appropriate Examinations: Pension Transfer Specialist

Standards for Appropriate Examinations for those acting as a pension transfer specialist

ApEx1 UK Financial Services, Regulation and Ethics

ApEx2 Investment and Risk

ApEx4 Retirement Planning

ApEx21 Pension Transfer Specialist

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

AES18-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 11.

AES18-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

The Standard

AES18-3 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.

AES18-4 The Appropriate Examination requirement for those acting as a pension transfer specialist 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 **ApEx4 Retirement Planning** standard published here.

and

- 4.4 Individuals must have passed an Appropriate Examination based on the **ApEx21 Pension Transfer** standard published here.

AES18-5 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

AES18-6 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

AES18-7 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.

AES18-8 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.

AES18-9 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

AES18-10 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

Questions and Answers

AES18-11 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

AES18-12 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.

AES18-13 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 Pension transfer specialist.

Basis

Source

AES18-14 The Standards stated here are derived from the work of successive round-table consultations and working parties, involving practitioners and awarding bodies.

Status

AES18-15 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for those advising on syndicate participation at Lloyd's, to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES18-16 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.

AES18-17 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES18-18 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 Lloyd's
AES-18	Acting as a Pension transfer specialist

Scope of the Standards

AES18-19 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

AES18-20 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 Pension transfer specialist

and

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

AES18-21 **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).

AES18-22 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

AES18-23 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.

AES18-24 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.

AES18-25 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].

AES18-26 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.

AES18-27 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.

AES18-28 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

AES18-29 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*'.

AES18-30 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

AES18-31 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

AES18-32 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 Pension Transfer Specialist

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) (Action verbs: <i>List, State, Define, Outline</i>)
U	COMPREHENSION	ability to interpret, translate ideas, extrapolate (Action verbs: <i>Explain, Describe, Discuss, Interpret, Identify</i>)
A	APPLICATION	ability to apply general principles/rules in new situations (Action verbs: <i>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 (Action verbs: <i>Distinguish, Investigate, Analyse etc</i>)
S	SYNTHESIS	ability to assemble a number of components in order to generate a new statement or plan (Action verbs: <i>Design, Create, Organise, Plan etc</i>)
As	EVALUATION	ability to judge the value of methods or materials by comparison with external criteria (Action verbs: <i>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

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

	U4 The main financial advice areas	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
	U5 The process of giving financial advice, including the importance of regular reviews of the consumer's circumstances	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
U Demonstrate an understanding of:	U6 The basic legal concepts relevant in financial advice	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

	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	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	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	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	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
U Demonstrate an understanding of:	U1. The macro-economic factors that affect investment returns	<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>
	U2 The basic principles of taxation applying to the investments of UK resident and domiciled Individuals	<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	<p><i>U3.1 Cash deposits</i></p> <p>U3.1.1 Characteristics and past performance – liquidity, rates of interest, real returns, institutions, statutory protection, risk factors, foreign currency deposits</p> <p>U3.1.2 Main types of deposit account – instant access, notice and fixed rate</p> <p>U3.1.3 Taxation of deposit interest – savings income, tax deducted at source, offshore accounts</p> <p>U3.1.4 ISAs and TOISAs</p> <p>U3.1.5 National Savings and Investment deposit products</p> <p><i>U3.2 Government securities, corporate bonds</i></p> <p>U3.2.1 Main characteristics of fixed interest investments – nominal value and market price, coupon, redemption date</p> <p>U3.2.2 Investment returns – running yields, yields to redemption, capital returns, volatility and risk, yield curves</p> <p>U3.2.3 Gilts – government guarantee, short, medium and long dated gilts, past performance, gilt strips, risk</p> <p>U3.2.4 Index-linked gilts – returns on income and capital, risk</p> <p>U3.2.5 Corporate bonds – borrowers' risk ratings and effects on yields, past performance</p> <p>U3.2.6 Other types of bonds – permanent interest bearing shares, zero coupon bonds, deep discounted bonds, local authority bonds, convertible loan stock.</p> <p>U3.2.7 National Savings and Investments – fixed interest investments</p> <p>U3.2.8 Dealing costs of purchases and sales</p> <p>U3.2.9 Taxation of government securities and corporate bonds – interest and capital gains/losses</p> <p><i>U3.3 Equities</i></p> <p>U3.3.1 Main types of shares – ordinary and preference</p> <p>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</p> <p>U3.3.3 Measuring performance – price earnings ratio (PE), dividend yield, dividend cover, borrowing, net assets</p> <p>U3.3.4 Market behaviour – what makes markets fluctuate, fundamental analysis and market psychology</p> <p>U3.3.5 Past performance – growth, dividends and volatility</p> <p>U3.3.6 Stock market indices – main UK and overseas indices</p> <p>U3.3.7 Dealing costs, stamp duty reserve tax</p> <p>U3.3.8 Taxation of dividends</p> <p>U3.3.9 Derivatives – futures and options, CFDs, covered warrants and other main types; main features and uses</p> <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	<p><i>U4.1 OEICs and unit trusts</i></p> <p>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</p> <p>U4.1.2 Range of funds – different UK fund classifications, hedge funds, limited issue funds, tracker funds</p> <p>U4.1.3 Charges and pricing – initial and annual charging structures, single and bid/offer pricing, dilution levies</p> <p>U4.1.4 Total expense ratio and hidden charges (from dealing costs, level of turnover of funds)</p> <p>U4.1.5 Dealing in funds</p> <p>U4.1.6 Taxation basics - UK and offshore, taxation within the funds, taxation of UK individual and trustee investors</p> <p>U4.1.7 Offshore funds – tax structure of both the fund and the UK investor, recognition by the FSA</p> <p>U4.1.8 Structured investment funds – equity index-based and equity-based growth and income funds</p> <p><i>U4.2 Investment trusts</i></p> <p>U4.2.1 Basic structure and characteristics – closed ended structure, differences between closed and other funds, range of investment trusts</p> <p>U4.2.2 Main different classes of shares – ordinary shares, income shares, zero dividend shares, capital shares</p> <p>U4.2.3 Dealing, pricing, premiums and discounts</p> <p>U4.2.4 Gearing – advantages and drawbacks in terms of risk and flexibility</p> <p>U4.2.5 Past performance of investment trusts – risk and returns</p> <p>U4.2.6 Taxation – dividends and capital gains of investment trusts and for the investors who own them</p> <p>U4.2.7 Venture capital trusts – structure, tax characteristics, past performance in terms of risk and returns</p> <p><i>U4.3 Individual savings accounts (ISAs) and personal equity plans (PEPs)</i></p> <p>U4.3.1 Structure – components: stocks and shares, cash, life assurance maxi-ISAs, mini-ISAs and TESSA-only ISAs (TOISAs) annual investment limits</p> <p>U4.3.2 Charging – initial and annual charges for direct investments and collectives, CAT standards</p> <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		
An Demonstrate an ability to:	An1 Analyse consumers' circumstances and suitable investments, taking account of any existing arrangements	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
A Demonstrate an ability to:	A1 Apply suitable investment product solutions to specific consumers' circumstances	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
A Demonstrate an ability to:	A2 How investment returns are related to investment risk and how that risk is measured	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

APEx2 INVESTMENT AND RISK

	A3 The risks faced by investors and how an investor's risk profile is determined	<p>A3.1 The importance of affordability and suitability in making financial planning decisions</p> <p>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</p> <p>A3.3 Objective factors: timescale, age, commitments, wealth, life cycle</p> <p>A3.4 Subjective factors: attitudes and experiences</p> <p>A3.5 Methods of assessment</p>
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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>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of:	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>
	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
U Demonstrate an understanding of:	U4 The basic principles underlying defined benefit pensions schemes.	<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
U Demonstrate an understanding of:	U5 The basic principles underlying defined contribution pension schemes and how benefits are built up.	<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>
U Demonstrate understanding of	U6 How pension funds can be invested to provide capital and income in retirement.	<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.	U7.1 The choice between the main kinds of defined contribution schemes and their relative merits. U7.2 Choosing pension providers – costs, administration, financial strength. U7.3 Fund choice, past performance, risk, life styling. U7.4 Self-investment options.
	U8 The main options for drawing retirement benefits for individuals with defined contribution schemes.	U8.1 Normal minimum pension age, effect of ill-health. U8.2 Maximum tax free pension commencement lump sum. 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. U8.4 Basics of phased retirement and unsecured income with risk aspects, death benefits, income tax and IHT implications. U8.5 Basics of Alternatively Secured Pension (ASP) with risk aspects, death benefits, income tax and IHT implications. U8.6 Other sources of income in retirement.
	U9 The suitability of registered pension schemes and other types of investments which can be used to provide retirement benefits.	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. U9.2 ISAs. U9.3 Direct investment in cash, bonds and equities, importance of diversification, danger of over-reliance on employer-linked investments (eg share schemes). U9.4 OIECS/unit trusts and other collective investments. U9.5 Life assurance contracts. U9.6 Property – residential and commercial – and use of equity release products to release funds. U9.7 Selling a business or share in a business. U9.8 Unregistered pension schemes.

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of	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>

ApEx21 Pension Transfers	Level
Candidates will be expected to	
Demonstrate a knowledge of:	Knowledge
K1 Regulatory definition of a pension transfer and opt outs	Knowledge
Demonstrate an understanding of:	Comprehension
U1 Financial Services Authority and Pensions Regulator rules	Comprehension
U2 Main parties involved in a pension transfer	Comprehension
U3 Role of the pension transfer specialist	Comprehension
U4 Establishing and meeting client objectives	Comprehension
U5 Rights and options of leavers	Comprehension
U6 Critical yield	Comprehension
U7 Apply rules regarding pension transfers and divorce	Comprehension
U8 Schemes with solvency issues	Comprehension
U9 Transfers abroad (To and from overseas schemes)	Comprehension
U10 Fundamentals of workings of block transfers and winding up	Comprehension
Demonstrate the ability to apply knowledge:	Application
A1 Apply suitable pension transfer solutions to specific client circumstances	Application
Demonstrate the ability to analyse:	Analysis
An1 Implications of the source of a transfer	Analysis
An2 Implications of moving between different scheme types	Analysis
An3 Implications of cash incentives to leave a final salary scheme	Analysis
An4 Transitional issues	Analysis
An5 Income options and their impact on the transfer recommendation	Analysis
An6 How pension returns and options are related to a combination of investment risk and capital risk	Analysis
An7 Advantages and disadvantages of a transfer	Analysis
An8 Financial circumstances and retirement options	Analysis

ApEx21 Pension Transfers		
Attainment Level	Outcome	Indicative Content
K Demonstrate knowledge of	K1 Regulatory definition of a pension transfer and opt outs	K1.1 Financial Services Authority's definition
U Demonstrate understanding of	U1 Financial Services Authority and The Pensions Regulator Rules	U1.1 FSA rules specific to pension transfers and opt outs 1.1.1 RU64 Rule 1.1.2 Record keeping 1.1.3 Reporting 1.1.4 Insistent customers 1.1.5 Suitability 1.1.6 TVAS U1.2 The Pensions Regulator rules 1.2.1 How scheme is run 1.2.2 Responsibility of trustees 1.2.3 Guidance for cash incentives 1.2.4 Annual Fund Statement
U Demonstrate understanding of	U2 Main parties involved in a pension transfer	U2.1 Roles and responsibilities of those involved in the pension transfer process U2.2 Motivation for transfer, including pension unlocking, and reasons for advice given
U Demonstrate understanding of	U3 The role of the pension transfer specialist	U3.1 Key stages of the pension transfer process 3.1.1 Client objectives and restraints, regulatory restrictions 3.1.2 Retirement strategy to meet client objectives 3.1.3 Implementation of retirement strategy 3.1.4 Responsibility for post-transfer review and control

ApEx21 Pension Transfers		
U Demonstrate understanding of	U4 Establishing and meeting client objectives	U4.1 Current relevant pension arrangements U4.2 Other relevant assets and financial and personal information U4.3 Client pension objectives and expectations of outcome, including income requirements U4.4 Attitude to risk U4.5 How and when benefits will be taken U4.6 Client liquidity requirements
U Demonstrate understanding of	U5 Rights and options of leavers	U5.1 Transfer value U5.2 Ill health benefits U5.3 Early retirement benefits and impact on critical yield U5.4 Deferred benefits
An Demonstrate an ability to analyse	An1 Implications of the source of a transfer	An1.1 Money purchase schemes An1.2 Final salary schemes An1.3 Public Sector schemes An1.4 Insolvency risk
An Demonstrate an ability to analyse	An2 Implications of moving between different scheme types	An2.1 Personal pensions An2.2 Range of strategies <ul style="list-style-type: none"> 2.2.1 USP 2.2.2 ASP 2.2.3 Annuities – including guaranteed rates, recycling rules and transfers for immediate vesting An2.3 Alternative retirement vehicles An2.4 Final salary schemes An2.5 Career average schemes An2.6 Public Sector Transfer Club An2.7 Trusts – impact on trust if transfer carried out An2.8 Death in service and disability benefits – pre and post transfer An2.9 Impact of dependents' benefits on a personal pension scheme

ApEx21 Pension Transfers		
An Demonstrate an ability to analyse	An3 Implications of cash incentives to leave a final salary scheme	An3.1 Implications of cash incentives to leave a final salary scheme An3.2 Impact on TVAS reporting and way in which pension transfer is reported An3.3 Motivation of employers to offer such incentives
An Demonstrate an ability to analyse	An4 Transitional issues	An4.1 Primary protection An4.2 Enhanced protection An4.3 Protected transfers An4.4 Tax free cash
U Demonstrate understanding of	U6 Critical yield	U5.1 Basic principles of TVAS U5.2 Asset allocation and how critical yield might be achieved U5.3 What benefits affect the critical yield
An Demonstrate an ability to analyse	An5 Income options and their impact on the transfer recommendation	An5.1 Product/solution styles An5.2 Difference between retirement options An5.3 Maximum benefits – tax free cash etc An5.4 Risk and return An5.5 Analysis of output for types A & B critical yield in drawdown cases An5.6 Mortality drag An5.7 Flexibility An5.8 Comparison of features and benefits An5.9 Effect of transfer on income drawdown An5.10 Added years' purchase

ApEx21 Pension Transfers		
An Demonstrate an ability to analyse	An6 How pension returns and options are related to a combination of investment risk and capital risk	An6.1 Inflation and investment returns – nominal and real An6.2 The effects of inflation An6.3 The time value of money An6.4 The impact of varied retirement returns An6.5 Risks associated with each retirement option An6.6 The appropriateness of indexation An6.7 The appropriateness of including dependants' benefits An6.8 The appropriateness of incorporating capital protection on death An6.9 The appropriateness of including guarantee periods
An Demonstrate an ability to analyse	An7 Advantages and disadvantages of a transfer	An7.1 Analyse the advantages and disadvantages of a transfer in a range of given circumstances
An Demonstrate an ability to analyse	An8 Financial circumstances and retirement options	An8.1 Analyse and interpret a range of financial circumstance and retirement options in order to prepare recommendations to meet client objectives
A Demonstrate an ability to	A1 Apply suitable pension transfer solutions to specific client circumstances	A1.1 Apply suitable pension transfer solutions in a range of given circumstances, demonstrating the principles of best practice and reinforcing the Know Your Customer process
U Demonstrate understanding of	U7 Apply rules regarding pension transfers and divorce	U7.1 Shadow benefits in the event of divorce U7.2 Implications of pension sharing and impact on the transfer U7.3 Issues surrounding pension sharing versus attachment orders U7.4 The difference between legal systems in England and Scotland
U Demonstrate understanding of	U8 Schemes with solvency issues	U8.1 The role and impact of the Pension Protection Fund U8.2 The role and impact of the Financial Ombudsman Service U8.3 Order of priorities for drawing benefits from a scheme with solvency issues
U Demonstrate understanding of	U9 Transfers abroad (To and from overseas schemes)	U9.1 Qualifying rules U9.2 Tax implications U9.3 FSA requirements for overseas customers
U Demonstrate understanding of	U10 Fundamentals of workings of block transfers and winding up	U10.1 Protection of tax free cash U10.2 Reporting requirements U10.3 Notification periods U10.4 Potential conflicts of interest in advising individuals and trustees