

ApEx 1

UK Financial Regulation & Ethics

Summary of Learning Outcomes

LEARNING OUTCOME H1

INTEGRATED LEARNING OUTCOME FOR THE APPROPRIATE EXAMINATIONS STANDARDS FOR RETAIL INVESTMENT ADVICE

It is a requirement that candidates are examined in their ability to COMBINE AND APPLY knowledge and understanding of the content of the four Standards to the circumstances of advising on investments which are packaged products. This will require an overarching assessment of the candidate's knowledge and understanding.

The Outcome is:

Candidates will be expected to:	Attainment Levels to be tested
H1 identify consumers' needs and demands and recommend suitable and affordable investment solutions, using their knowledge and understanding of <ul style="list-style-type: none">■ The UK finance industry, regulation and ethics■ Investment and Risk■ Protection■ Retirement Planning.	■ Analysis ■ Synthesis ■ Evaluation

There is no separate indicative content for this outcome, since the knowledge and understanding to be tested is that covered by Standards ApEx1 to ApEx 4 inclusive.

Awarding bodies are required to devise proposals for testing this outcome. The test or tests must provide evidence of candidates' capacity, when advising on investments which are packaged products, to demonstrate their ability to analyse, synthesise and evaluate information.

The scope of the test(s) should cover the areas of competence covered by the Performance Standards (otherwise known as national occupational standards) for Providing Retail Investment Advice:

1. Gather information needed to provide financial advice
2. Analyse information to provide financial advice
3. Advise on retail investment solutions
4. Review existing consumers' financial arrangements and requirements

It is for awarding bodies to determine whether this is best done through a single test (such as a case study) or a series of linked tests (such as vignettes which test different attainments). It is also for awarding bodies to determine the place of this test within their overall examination strategy. Whatever the arrangement, the test of this outcome must be clearly separated from tests for other outcomes in the examination regime.

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 and social security systems and how they affect personal financial circumstances	Comprehension
U8. the impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans	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 approach to ethical conduct by firms and individuals	Knowledge
K2 how non-tax law and regulations impact upon firms and the process of advising clients	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. how the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally	Comprehension

Indicative Content for each Learning Outcome

ApEx1 UK Financial Services, Regulation and Ethics

ApEX1A INTRODUCTION TO UK FINANCIAL SERVICES

Attainment Level	Outcome	Indicative Content
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 – risk management 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
	U2 The main financial asset classes and their characteristics, covering past performance, risk and return	U2.1. Cash deposits U2.2. Government securities and corporate bonds – fixed interest and index linked U2.3. Equities U2.4. Property – residential and commercial
	U3 The main financial services product types and their functions	U3.1. Direct investment – cash, government securities and corporate bonds, equities and property insurance 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
	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
	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 U5.6. The importance of monitoring and review of consumers' circumstances U5.7. The information consumers must be given under the current regulatory requirements

APEx1A INTRODUCTION TO UK FINANCIAL SERVICES (CONT'D.)		
Attainment Level	Outcome	Indicative Content
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 U6.3. Agency U6.4. Real property, personal property and joint ownership U6.5. Powers of attorney and enduring powers of attorney U6.6. Insolvency and bankruptcy
	U7 The UK taxation and social security systems and how they affect personal financial circumstances	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 U7.2. Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains U7.3. Stamp duty on securities U7.4. National insurance U7.5. Social Security benefits
	U8 The impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans	U8.1. Definition of inflation 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

APEX1B REGULATION & 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 approach to ethical conduct by firms and individuals	K1.1. The Financial Services and Markets Act 2000 K1.2. The FSA's main objectives, role and activities K1.3. The FSA's principles for businesses and approved persons – how they reflect the need for ethical behaviour by firms and approved persons, FSA guidance K1.4. Arrangements, systems and controls for senior managers K1.5. The fit and proper test for approved persons K1.6. The prevention of crime, including market abuse and insider dealing
	K2 How other non-tax laws and regulations are relevant to firms and to the process of advising clients	K2.1 The Office of Fair Trading and the Consumer Credit Act 1974 K2.2 OPRA's rules with respect to occupational pension schemes K2.3 Unfair Contract Terms K2.4 EU directives K2.5 CAT standards
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 risk 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. Advertising and financial promotion rules U10.3. Reporting and record keeping U10.4. Training and competence rules U10.5. Specific rules for independent financial advisers
	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. Proposals for simplified advice on the stakeholder suite of products U11.11. Regulatory rules for mortgage advice and lifetime mortgage activities U11.12. Regulatory rules for general insurance advice

ApEX1B REGULATION & ETHICS (CONT'D.)

Attainment Level	Outcome	Indicative Content
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 U12.2. Proceeds of crime - definition U12.3. Money laundering offences U12.4. Client identification procedures U12.5. Record keeping requirements U12.6. Reporting procedures U12.7. Training requirements U12.8. Enforcement
	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 How the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally	U14.1. Definitions in the Data Protection Act U14.2. The data protection principles U14.3. Enforcement of the Data Protection Act