

# UK financial services, regulation and ethics

At the end of this unit, candidates should understand the:

- purpose and structure of the UK financial services industry;
- different financial asset classes and product types;
- process of giving advice and the main areas covered;
- ethics, regulatory processes, rules and legislation underpinning UK financial services;
- use of the financial regulators' powers and responsibilities to protect the market's integrity and the impact on individuals and firms of these regulators' powers.

| Summary of learning outcomes   | Number of questions in the examination* |
|--|---|
| 1. Understand the purpose and structure of the UK financial services industry.   | 5                                       |
| 2. Understand the main financial asset classes and their characteristics, covering past performance, risk and return.  | 6                                       |
| 3. Understand the main financial services product types and their functions.   | 5                                       |
| 4. Understand the purpose of the main areas of financial advice.   | 6                                       |
| 5. Understand the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances.                                       | 7                                       |
| 6. Understand the legal concepts relevant in financial advice.   | 7                                       |
| 7. Understand the UK taxation and social security systems and how they affect personal financial circumstances.  | 8                                       |
| 8. Understand the impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans.                                   | 4                                       |
| 9. Understand the main aims and activities of the financial services regulatory regime and its approach to ethical conduct by firms and individuals.                     | 6                                       |
| 10. Understand the financial regulators' approach to regulating firms and individuals.   | 6                                       |
| 11. Understand the effect of the FCA's rules on the control structures of firms and their relationship with the FCA.   | 7                                       |
| 12. Understand how the FCA's Conduct of Business rules apply to the process of advising clients.   | 15                                      |
| 13. Understand how the Anti-Money Laundering rules apply to dealings with private and intermediate clients.  | 6                                       |
| 14. Understand the rules for dealing with complaints and compensation.   | 3                                       |
| 15. Understand how the Access to Medical Reports Act 1988 and the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally. | 5                                       |
| 16. Understand the relevance of other non-tax laws and regulations to firms and to the process of advising clients.  | 4                                       |

\*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- **Method of assessment:** 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2013 until 31 August 2014.
- Candidates will be examined on the basis of English law and practice in the tax year 2013/2014 unless otherwise stated.
- It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  - 1) Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  - 2) Select the appropriate qualification
  - 3) Select your unit on the right hand side of the page

- 1. Understand the purpose and structure of the UK financial services industry.**
  - 1.1 Describe the function of the financial services industry in the economy.
  - 1.2 Describe the main institutions and organisations of the UK financial services industry.
  - 1.3 Describe the roles of the EU and UK government on the UK financial services industry.
- 2. Understand the main financial asset classes and their characteristics, covering past performance, risk and return.**
  - 2.1 Describe the main financial asset classes and their principal characteristics.
- 3. Understand the main financial services product types and their functions.**
  - 3.1 Describe the main financial services product types and their functions.
- 4. Understand the purpose of the main areas of financial advice.**
  - 4.1 Describe how the main areas of financial advice apply to customer needs.
- 5. Understand the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances.**
  - 5.1 Explain the process of giving financial advice.
  - 5.2 Explain the importance of regular reviews of the consumer's circumstances.
- 6. Understand the legal concepts relevant in financial advice.**
  - 6.1 Explain the main areas of legal identity for individuals and companies, including arrangements on death and incapacity.
  - 6.2 Describe the basic principles of the laws of agency, contract and ownership of property.
  - 6.3 Explain the relevant laws and processes of insolvency and bankruptcy.
- 7. Understand the UK taxation and social security systems and how they affect personal financial circumstances.**
  - 7.1 Explain the main features of and applications of Income Tax.
  - 7.2 Explain the main features of and applications of Capital Gains Tax.
  - 7.3 Explain the main features of and applications of Inheritance Tax.
- 7.4 Explain the main features of Stamp Duty Reserve Tax and Stamp Duty Land Tax.
- 7.5 Explain the main features of National Insurance Contributions.
- 7.6 Explain the main State benefits and tax credits.
- 8. Understand the impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans.**
  - 8.1 Define inflation and deflation.
  - 8.2 Explain the impact of interest rates on personal financial plans.
- 9. Understand the main aims and activities of the financial services regulatory regime and its approach to ethical conduct by firms and individuals.**
  - 9.1 Describe the PRA and FCA's statutory objectives and the main principles and regulations used to achieve these objectives.
- 10. Understand the financial regulators' approach to regulating firms and individuals.**
  - 10.1 Describe the financial regulators' approach to risk-based supervision, discipline and enforcement.
  - 10.2 Describe the FCA's approach to regulating firms and individuals.
- 11. Understand the effect of the FCA's rules on the control structures of firms and their relationship with the FCA.**
  - 11.1 Describe control structures and operational requirements of authorised firms and their relationship with the FCA.
- 12. Understand how the FCA's Conduct of Business rules apply to the process of advising clients.**
  - 12.1 Describe how the FCA's Conduct of Business rules apply to the process of advising clients.
- 13. Understand how the Anti-Money Laundering rules apply to dealings with private and intermediate clients.**
  - 13.1 Explain how current anti-money laundering, proceeds of crime and data protection obligations apply.
- 14. Understand the rules for dealing with complaints and compensation.**
  - 14.1 Explain the rules on redress, complaints handling and compensation, and how they apply.

- 15. Understand how the Access to Medical Reports Act 1988 and the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally.**
- 15.1 Explain the legislation on medical reports and data protection and its impact on firms and the provision of advice to clients.
- 16. Understand the relevance of other non-tax laws and regulations to firms and to the process of advising clients.**
- 16.1 Explain the relevance of ancillary legislation and regulations in the provision of financial advice.

## Reading list

The following list provides details of various publications which may assist with your studies.

**Note: The examination will test the syllabus alone.** The reading list is provided for guidance only and is not in itself the subject of the examination. The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

## CII study text

UK financial services regulation and ethics. London: CII. Study text CF1.

## Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## Books (and ebooks)

The process of financial planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

## Factfiles and other online resources

The regulation of retail investment business. Kevin Morris and Tony Wiltshire. Updated as necessary. Available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulatory framework. Simon Collins. Updated as necessary. Available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulation of insurance intermediaries. Ian Youngman (based on an earlier factfile by Tony Wiltshire). London: CII Knowledge Services. Updated as necessary. Available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulation of mortgage intermediaries. Brad Baker and Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulation of investment intermediaries. Kevin Morris and Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The EU single market. The European Commission. Updated as necessary. Available online at [http://ec.europa.eu/internal\\_market/finances/index\\_en.htm](http://ec.europa.eu/internal_market/finances/index_en.htm)

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII and Personal Finance Society members only).

## Journals and magazines

Financial solutions. London: CII. Six issues a year. Also available via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

## Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

Dictionary of banking and finance. P H Collin. A&C Black, 2005. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Harriman House, 2007. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The professional adviser's factfile. Taxbriefs. London: Taxbriefs. Looseleaf.

The Financial Conduct Handbook and Prudential Handbook, London: Financial Conduct Authority and Prudential Regulatory Authority respectively. Both available online at [www.fshandbook.info/FS/](http://www.fshandbook.info/FS/).

## Examination guide

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk).

If you have a current study text enrolment the specimen paper is included, as a mock test, via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details on how to access this resource are on the first page of the study text.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.