

# Financial services, regulation and ethics

## Purpose

At the end of this unit, candidates will have investigated the:

- Purpose and structure of the UK financial service industry;
- How the retail customer is served by the financial service industry;
- Regulatory framework, powers and responsibilities to protect the consumer;
- Legal concepts and considerations relevant to financial advice;
- Code of Ethics and its impact on the business behaviours of individuals.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the UK financial services industry in its European and global context.	6 standard format
2. Understand how the retail consumer is served by the financial services industry.	12 standard format
3. Understand legal concepts and considerations relevant to financial advice.	9 standard format
4. Understand the regulation of financial services.	6 standard format
5. Understand the financial regulators' responsibilities and approach to regulation.	29 standard
6. Apply the principles and rules as set out in the regulatory framework.	4 standard format/5 multiple response
7. Apply the regulatory advice framework in practice for the consumer.	5 standard format/8 multiple response
8. Understand the range of skills required when advising clients.	4 standard format
9. Understand the financial regulators' use of principles and outcomes based regulation to promote ethical and fair outcomes.	7 standard format
10. Apply the Code of Ethics and professional standards to business behaviours of individuals.	5 standard format
11. Critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours.	

\*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 questions: 87 standard format and 13 multiple response questions. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2014 to 31 August 2015.
- Candidates will be examined on the basis of English law and practice in the tax year 2014/2015 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/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Understand the UK financial services industry in its European and global context.**
  - 1.1 Describe the role, structure and context of the UK and international financial services markets.
  - 1.2 Explain the function and operation of financial services within the economy.
  - 1.3 Describe the role of government and the impact of the EU on UK regulation.
- 2. Understand how the retail consumer is served by the financial services industry.**
  - 2.1 Explain the obligations that the financial services industry has towards consumers.
  - 2.2 Explain consumers' main financial needs and how these may be prioritised and met.
- 3. Understand legal concepts and considerations relevant to financial advice.**
  - 3.1 Explain the concepts of legal persons, powers of attorney, law of contract and agency, and ownership of property.
  - 3.2 Explain relevant laws governing insolvency and bankruptcy.
  - 3.3 Explain relevant laws governing wills, intestacy and trusts.
- 4. Understand the regulation of financial services.**
  - 4.1 Examine the roles of the PRA, FCA, HM Treasury and the Bank of England in regulating the market.
  - 4.2 Examine the role of other regulatory bodies and sources of additional oversight.
  - 4.3 Examine the statutory framework of regulation, including the role of EU regulation and key directives.
- 5. Understand the financial regulators' responsibilities and approach to regulation.**
  - 5.1 Explain the financial regulators' statutory objectives and how they are structured to achieve these objectives.
  - 5.2 Explain the main principles and rules in the PRA and FCA handbooks.
  - 5.3 Explain the approach to risk based supervision, discipline and enforcement, and sanctions to deal with criminal activities.
- 6. Apply the principles and rules as set out in the regulatory framework.**
  - 6.1 Apply the FCA's and PRA's regulatory principles and rules.
  - 6.2 Apply current anti-money laundering, proceeds of crime, and data protection obligations.
  - 6.3 Apply the rules of relevant dispute resolution and compensation schemes.
- 7. Apply the regulatory framework in practice for the consumer.**
  - 7.1 Apply client relationships, regulated advice standards, and the adviser responsibilities in terms of these.
  - 7.2 Monitor and review client plans and circumstances.
- 8. Understand the range of skills required when advising clients.**
  - 8.1 Examine the range of skills required when advising clients.
- 9. Understand the financial regulators' use of principles and outcomes based regulation to promote ethical and fair outcomes.**
  - 9.1 Examine the Principles for Businesses and the discretionary obligations these place on firms.
  - 9.2 Examine the impact of corporate culture and leadership.
  - 9.3 Examine the responsibilities of approved persons and the need for integrity, competence and fair outcomes for clients.
- 10. Apply the Code of Ethics and professional standards to business behaviours of individuals.**
  - 10.1 Apply the Code of Ethics and the professional principles and values on which the code is based.
  - 10.2 Identify ethical dilemmas and apply the steps involved in managing ethical dilemmas.
- 11. Critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours.**
  - 11.1 Evaluate the positive indicators of ethical behaviour.
  - 11.2 Evaluate the negative indicators of limiting behaviour to compliance within the rules.
  - 11.3 Critically evaluate the outcomes that distinguish ethical and compliant behaviours.

## Syllabus construction

The syllabus consists of learning outcomes and assessment criteria only. A comprehensive listing of the indicative content is located at [www.fca.org.uk/your-fca/documents/financial-services-regulation-and-ethics](http://www.fca.org.uk/your-fca/documents/financial-services-regulation-and-ethics).

## 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 texts

Financial services, regulation and ethics. London: CII. Study text Ro1.

## 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)

Business ethics and values: individual, corporate and international perspectives. 4th ed. Colin Fisher and Alan Lovell. FT Prentice Hall, 2012. Second ed also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

Winning client trust. Chris Davies. London: Ecademy Press, 2011.

## Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulation of retail investment business. Kevin Morris.

The regulatory framework. Simon Collins.

The regulation of insurance intermediaries. Ian Youngman.

The regulation of mortgage intermediaries. Brad Baker.

The regulation of investment intermediaries. Kevin Morris.

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 <http://www.thepfs.org/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 via [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, updated.

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 guides

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

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com)

## Exam technique/study skills

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