

# UK financial services, regulation and ethics

## Objective

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	7
3. Understand the main financial services product types and their functions	6
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	6
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	3
9. Understand the main aims and activities of the financial services regime and its approach to ethical and inclusive 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 data protection rules affect 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 2021 to 31 August 2022.
- Candidates will be examined on the basis of English law and practice in the tax year 2021/2022 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 from the list provided
  4. Select qualification update 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**

- 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, including the role of guidance and the importance of positive customer outcomes.
- 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.

## **8. Understand the impact of inflation, interest rate volatility and other relevant**

## **socio-economic factors on personal financial plans**

- 8.1 Define inflation, disinflation, deflation.
- 8.2 Explain the impact of interest rates on personal financial plans.

## **9. Understand the main aims and activities of the financial services regime and its approach to ethical and inclusive conduct by firms and individuals**

- 9.1 Describe the Prudential Regulation Authority (PRA) and Financial Conduct Authority's (FCA's) main statutory objectives and the main principles and regulations used to achieve these objectives.
- 9.2 Describe the regulatory requirements for ethical conduct by firms and individuals.

## **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 and proceeds of crime 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 data protection rules affect 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 further reading which may assist you 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### CII study texts

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

### Journals and magazines

Financial adviser. London: FT Business. Weekly. Available online at [www.ftadviser.com](http://www.ftadviser.com).

Personal finance professional (previously Financial solutions). London: CII. Six issues a year.

### Reference materials

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2013.\*

Financial Conduct Authority (FCA) Handbook. Available at [www.handbook.fca.org.uk/handbook](http://www.handbook.fca.org.uk/handbook).

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

Prudential Regulation Authority (PRA) Rulebook Online. Available at [www.prarulebook.co.uk](http://www.prarulebook.co.uk)

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text. It is recommended that you only study from the most recent version of the examination guide.

## Exam technique/study skills

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