

# Financial services, regulation and ethics

## Purpose

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

- purpose and structure of the UK financial services industry;
- how the retail customer is served by the financial services 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 the 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 format
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.	2 standard format
11. Critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours.	3 standard format

\*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 2019 to 31 August 2020.
- Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 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/learning/qualifications/unit-financial-services-regulation-ethics-r01/](http://www.cii.co.uk/learning/qualifications/unit-financial-services-regulation-ethics-r01/)
  2. Select qualification update 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 the 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 of the PRA and FCA.
  - 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 advice 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 Financial Conduct Authority's Principles for Businesses and the obligations these place on firms.
  - 9.2 Examine the impact of corporate culture and leadership.
  - 9.3 Examine the responsibilities of Approved Persons and those under the Senior Managers and Certification Regime (SM&CR) 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 professional principles and values of ethical and sustainable advice.
  - 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 indicators of ethical behaviour and of limiting behaviour to compliance within the rules.
  - 11.2 Critically evaluate the outcomes that distinguish between ethical and compliant behaviours.

## 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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Financial services, regulation and ethics. London: CII. Study text R01.

### Books

A practitioner's guide to MiFID. 2nd ed. Jonathan Herbst. London: Sweet and Maxwell, 2015.

Business ethics and values: individual, corporate and international perspectives. 4th ed. Colin Fisher and Alan Lovell. FT Prentice Hall, 2012.

Competition law and policy in the EU and UK. 5th ed. Barry Rodger, Angus MacCulloch. Routledge-Cavendish, 2015.\*

Ethics and finance: an introduction. John Hendry. Cambridge: Cambridge University Press, 2013.

The business ethics twin-track: combining controls and culture to minimise reputational risk. Steve Giles. Chichester: Wiley, 2015.\*

Winning client trust : the retail distribution review and the UK financial services industry's battle for their clients' hearts and minds. Chris Davies. London: Ecademy Press, 2011.\*

### Ebooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Business ethics. Michael Boylan. 2nd ed. Chichester: Wiley, 2014.

Business ethics in the social context: law, profits, and the evolving moral practice of business. Lisa Newton. Cham [Switzerland]: Springer, 2014.

International finance regulation: the quest for financial stability. Georges Ugeux. Wiley, 2014.

Promoting information in the marketplace for financial services: financial market regulation and international standards. Paul Latimer, Philipp Maume. Cham [Switzerland]: Springer, 2014.

The role of law and regulation in sustaining financial markets. Niels Philipsen, Guangdong Xu. Hoboken: Routledge, 2014.

### Online resources

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

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at [www.cii.co.uk/30790](http://www.cii.co.uk/30790)

IIL financial services podcast lectures can be found on the CII website at [IIL Financial Services Lectures](http://www.cii.co.uk/knowledge/personal-finance) Additional articles and technical bulletins are available under the Personal Finance section of the CII knowledge website at [www.cii.co.uk/knowledge/personal-finance](http://www.cii.co.uk/knowledge/personal-finance).

### 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. Available online at [www.thepfs.org/financial-solutions-archive](http://www.thepfs.org/financial-solutions-archive) (CII/PFS members only).

### Reference materials

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2005.\*

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)

\* Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

### 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.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).