

# Collective investment scheme administration

## Purpose

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

- main features of collective investment schemes;
- regulatory framework applicable to collective investment schemes;
- roles and responsibilities associated with collective investment schemes;
- registration process, dealing and settlement, contract notes/dematerialisation, transfers and reconciliation.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the function of collective investment schemes (CIS) and the construction and establishment of their funds.	4
2. Understand the investment and borrowing options of collective investment schemes.	3
3. Know the regulatory framework applicable to collective investment schemes and the key requirements relating to promotion and product disclosure.	5
4. Understand the roles and responsibilities of the auditor, authorised fund manager, depositary, trustee and custodian.	7
5. Know registration, dealing and settlement, contract notes/dematerialisation and transfers and the key types and features of reconciliation.	11
6. Know the roles, responsibilities and regulatory requirements relating to custody of assets.	3
7. Know the main types of corporate action.	1
8. Know the requirements for reports, accounts, performance measurements and meetings.	3
9. Understand valuation and pricing.	5
10. Understand the tax considerations in the fund and of investors.	3
11. Understand how income is distributed.	3
12. Understand fund promotion and distribution, including remuneration/costs.	1
13. Understand investor rights and protections.	1

\*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:** 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2018 until 31 August 2019.
- Candidates will be examined on the basis of English law and practice in the tax year 2018/2019 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 function of collective investment schemes (CIS) and the construction and establishment of their funds.**
  - 1.1 Describe why collective investment schemes (CIS) were introduced and the main types that exist.
  - 1.2 Describe the requirements for establishing a fund and its structure.
- 2. Understand the investment and borrowing options of collective investment schemes.**
  - 2.1 Know the general principles surrounding prudent spread of risk and investment limits.
  - 2.2 Know the definitions of different types of securities and the specific investment limits that apply for Undertakings for Collective Investment in Transferable Securities (UCITS) funds, non-UCITS funds and other types of scheme.
  - 2.3 Know the rules concerning borrowing, stock lending and underwriting.
- 3. Know the regulatory framework applicable to collective investment schemes and the key requirements relating to promotion and product disclosure.**
  - 3.1 Identify the regulatory framework for collective investment schemes.
  - 3.2 Identify what information must be supplied to collective investment scheme investors.
  - 3.3 Know when client agreements are required and the main content.
- 4. Understand the roles and responsibilities of the auditor, authorised fund manager, depository, trustee and custodian.**
  - 4.1 Describe the appointment and role of auditors and the key features of the audit process.
  - 4.2 Describe the operation of the manager's box and cancellation issues.
  - 4.3 Describe the appointment and role of the authorised fund manager and powers of delegation.
  - 4.4 Describe the appointment and responsibilities of the Trustee, Depository or Custodian.
- 5. Know registration, dealing and settlement, contract notes/dematerialisation and transfers and the key types and features of reconciliation.**
  - 5.1 Know how title to fund investments is held and how dealing and settlement takes place.
  - 5.2 Know how investor dealing takes place.
  - 5.3 Know the requirements for share registers and transfer of title.
  - 5.4 Know the types and features of cash and unit/share reconciliation.
- 6. Know the roles, responsibilities and regulatory requirements relating to custody of assets.**
  - 6.1 Describe the appointment and role of a custodian and their role in relation to dealing and settlement.
  - 6.2 Describe the rules on operation of client money accounts, provision of custody services and responsibility for client assets and reporting.
  - 6.3 Know the rules on providing custody.
- 7. Know the main types of corporate action.**
  - 7.1 Describe the main types of corporate action and their impact on shareholdings.
- 8. Know the requirements for reports, accounts, performance measurements and meetings.**
  - 8.1 Describe the required content of long and short reports and what investors should look for.
- 9. Understand valuation and pricing.**
  - 9.1 Identify how and when valuations are made.
  - 9.2 Calculate prices using methods permitted by regulation.
- 10. Understand the tax considerations in the fund and of investors.**
  - 10.1 Know the basis on which collective investment schemes are taxed and how Stamp Duty Reserve Tax is calculated and accounted for.
  - 10.2 Describe the tax treatment for investors in collective investment schemes funds.
- 11. Understand how income is distributed.**
  - 11.1 Calculate the income available for distribution.
  - 11.2 Describe payment methods, the provision of tax vouchers and the concept of equalisation and how it is calculated.

- 12. **Understand fund promotion and distribution, including remuneration/costs.**
- 12.1 Describe how funds are distributed.
- 13. **Understand investor rights and protections.**
- 13.1 Describe cancellation rights available to investors and the impact of shortfalls or the requirements for stakeholder products and the meetings of unit/shareholders.

## Reading list

The following list provides details of additional resources 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 will help you keep up-to-date with developments and will 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 [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Collective investment scheme administration. London: CII. Study text FA4.

### Books

"Pooled investments". Chapter - FT guide to investing. Glen Arnold. 3rd ed. Harlow, Essex: Pearson Education, 2014.

### Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

Recent developments in investment product design. Nick Edwards.

Additional articles and technical bulletins are available under the Personal Finance section of the 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).

Financial times. London: Financial Times. Daily. Available online at [www.ft.com](http://www.ft.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).

Money management. London: FT Business. Monthly. Available online [www.ftadviser.com/brand/money-management](http://www.ftadviser.com/brand/money-management).

## Reference materials

Collective investment schemes. Timothy C Cornick. Sweet and Maxwell. Updated by installments.

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

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

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

\* 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).