



Chartered
Insurance
Institute

CF1

Certificate in Financial Planning

Unit 1 – UK financial services, regulation and ethics

**Based on the 2023/2024 syllabus
examined from 1 September 2023 until 31 August 2024**

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Unit 1 – UK financial services, regulation and ethics

Based on the 2023/2024 syllabus examined from 1 September 2023 until 31 August 2024

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the CF1 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an CF1 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the CF1 reading list, which is located on the syllabus in this examination guide and on the CII website at www.cii.co.uk.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit www.cii.co.uk/learning/qualifications/unit-uk-financial-services-regulation-ethics-cf1/
- 2) Select 'exam guide update' on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The CF1 syllabus is published on the CII website at www.cii.co.uk. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2023/2024 syllabus on the right-hand side of the page.

Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for CF1 begin with *understand*.

Understand - To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Examination Information

The method of assessment for the CF1 examination is 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The CF1 syllabus provided in this examination guide will be examined from 1 September 2023 to 31 August 2024.

Candidates will be examined on the basis of English law and practice in the tax year 2023/2024 unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are **not** permitted, under any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

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 2023 to 31 August 2024.
- Candidates will be examined on the basis of English law and practice in the tax year 2023/2024 unless otherwise stated.
- It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.
- This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is an extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.
- 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
 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.

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.

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

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (ciigroup.org/login). 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.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).

Exam technique/study skills

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

1. Which organisation is responsible for setting UK base rates?
 - A. The Bank of England.
 - B. The Financial Conduct Authority.
 - C. The International Monetary Fund.
 - D. The Treasury Select Committee.

2. What is the **main** function of the Lloyd's insurance market in relation to life assurance?
 - A. To be a large-scale provider of life assurance products to independent financial advisers.
 - B. To be a large-scale provider of life assurance products to the general public.
 - C. To be a provider of specialist insurance.
 - D. To be a specialist provider of offshore investment.

3. Under financial services legislation, who is **ultimately** responsible for regulating the conduct of investment business?
 - A. The Chancellor of the Exchequer.
 - B. The Chief Secretary to the Treasury.
 - C. The Governor of the Bank of England.
 - D. The Secretary of State for Business and Trade.

4. If a bank wishes to provide financial advice from a selected range of product providers, it would establish a
 - A. designated guidance provider.
 - B. restricted multi-tied firm.
 - C. restricted single-tied firm.
 - D. restricted whole of market firm.

5. Banks and building societies perform an important economic function by
 - A. collecting tax from savings.
 - B. maintaining liquidity in the financial system.
 - C. raising public awareness of financial issues.
 - D. using short-term deposits to fund long-term loans.

6. What is the **main** reason for investing in equities?
 - A. To provide short-term security.
 - B. There is a guaranteed increase in income levels.
 - C. There is a potential for long-term growth.
 - D. There is no liability to tax on their disposal.

7. A taxpayer who has fully utilised their personal savings allowance would **always** receive a real rate of return on a deposit account when the
 - A. gross interest is less than inflation.
 - B. gross interest is greater than inflation.
 - C. net interest is less than inflation.
 - D. net interest is greater than inflation.

-
8. Within an investment portfolio, some capital would be kept on deposit to provide
- A. the capital to pay any Capital Gains Tax liability.
 - B. for long-term growth.
 - C. a hedge against inflation.
 - D. a readily accessible source of money.
9. What is a gilt?
- A. An equity-based investment guaranteed by the Government.
 - B. An investment in the Bank of England.
 - C. An investment in the form of a loan to the Government.
 - D. An investment in the form of a loan to a local authority.
10. The price at which the shares of a FTSE 100 listed company trade is set by the
- A. company.
 - B. London Stock Exchange.
 - C. market.
 - D. seller.
11. John, aged 66, is a basic-rate taxpayer earning £19,000 per annum, who wants to invest in a National Savings and Investments Income Bond to increase his income. If his personal savings allowance has been fully utilised, how will his monthly income be taxed, if at all?
- A. It will be tax free.
 - B. It will be taxable but paid gross.
 - C. It will be paid net of 10% tax.
 - D. It will be paid net of 20% tax.
12. Each payment under a standard repayment mortgage loan consists of
- A. amounts of capital and interest which are fixed throughout the mortgage term.
 - B. amounts of capital and interest which vary throughout the mortgage term.
 - C. capital only, with the interest due being paid separately at the end of the mortgage term.
 - D. interest only, with the capital repayment being paid separately at the end of the mortgage term.
13. Which asset class offers the highest level of liquidity?
- A. Cash deposits.
 - B. Equities.
 - C. Fixed Interest.
 - D. Property.
14. Paul, a higher-rate taxpayer, holds a non-qualifying life assurance policy for its full term. To what tax(es), if any, will the maturity proceeds be subject?
- A. Income Tax only.
 - B. Capital Gains Tax only.
 - C. Both Income and Capital Gains Tax.
 - D. Neither Income Tax nor Capital Gains Tax.

15. Geoff and Amanda have two children aged 9 and 16. What is the **maximum** amount the overall family can save each month in tax exempt policies offered by friendly societies?
- A. £25
 - B. £50
 - C. £75
 - D. £100
16. The **principal** reason for a retail client to use options within an investment portfolio would be to
- A. pay the adviser charge.
 - B. protect against market volatility.
 - C. purchase the cheapest share class for a specific fund.
 - D. reduce the portfolio's annual management charge.
17. Why is it important to stress to a first-time buyer that his mortgage loan will be secured against his **main** residence?
- A. Gains on the property are only exempt from Capital Gains Tax if the mortgage is secured against the property.
 - B. The purchase is only exempt from Stamp Duty Land Tax when the loan is secured against the property.
 - C. If he fails to maintain the mortgage loan repayments, he could lose his home.
 - D. If he fails to maintain the mortgage loan repayments, he will be unable to declare himself bankrupt.
18. A young, self-employed person is concerned about loss of earnings in the event of being unable to work due to long-term illness. Which type of policy would address this need?
- A. A critical illness policy.
 - B. A family income benefit policy.
 - C. An income protection insurance policy.
 - D. A personal accident and sickness policy.
19. How are purchased life annuities **usually** taxed?
- A. The capital content is tax free, but the interest element is taxed.
 - B. The interest element is tax free, but the capital content is taxed.
 - C. Both the capital content and the interest element are tax free.
 - D. Both the capital content and the interest element are taxed.
20. Which type of policy is **usually most appropriate** to fund a future Inheritance Tax liability on an estate?
- A. An endowment policy.
 - B. A family income benefit policy.
 - C. An increasing term assurance policy.
 - D. A whole of life policy.

21. Alan, aged 30, is self-employed and married with two young children. He has **no** existing financial planning arrangements. What should **usually** be identified as being his first financial priority?
- A. Life assurance.
 - B. Medium to long-term savings.
 - C. Provision for school fees.
 - D. Retirement provision.
22. Jim wants to get a certain rate of interest on his savings plus the full return of his capital at the end of two years. A suitable product would be a
- A. blue chip equity.
 - B. commercial property.
 - C. conventional gilt.
 - D. fixed term deposit account.
23. From a regulatory perspective, when a restricted whole of market adviser acts for a retail client, when is the adviser required to review the information held on that customer?
- A. Every 6 months only.
 - B. Every 12 months only.
 - C. Each time the customer makes contact with the adviser.
 - D. Each time the customer seeks advice.
24. In order to formulate a recommendation for a client, a financial adviser **must** always
- A. ensure that the client has complied with the current Money Laundering Regulations.
 - B. ensure that the client knows her cancellation rights.
 - C. identify and analyse the client's needs.
 - D. send a suitability report to the client.
25. It is important to assess a prospective client's disposable income in order to determine
- A. the affordability of any recommended products.
 - B. her attitude to risk.
 - C. her Income Tax rate.
 - D. the level of potential State benefits.
26. Where their use **CANNOT** be avoided, technical terms used in a financial adviser's suitability report to a client should be
- A. cross-referenced to an appropriate website.
 - B. cross-referenced to the key features document.
 - C. explained within the report.
 - D. removed.

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27. The usual method employed by a financial adviser to elicit details of a customer's circumstances, in order to enable appropriate advice to be given, involves the completion of a
- A. customer agreement.
 - B. fact-find.
 - C. proposal form.
 - D. terms of business letter.
28. A retail client would like to be able to repay their mortgage in full in the event they suffer a heart attack. Which type of policy would **best** address this need?
- A. An accident and sickness policy.
 - B. A critical illness policy.
 - C. An income protection insurance policy.
 - D. A whole of life policy.
29. Which organisation's aim is to provide free and impartial money guidance to consumers?
- A. Financial Conduct Authority.
 - B. Financial Ombudsman Service.
 - C. MoneyHelper.
 - D. UK Finance.
30. When transacting financial business, a single-tied restricted adviser within an authorised firm acts on behalf of
- A. himself.
 - B. his firm.
 - C. the customer.
 - D. the product provider.
31. What happens to an individual's assets when he is declared bankrupt?
- A. They are immediately liquidated to repay his creditors.
 - B. They are transferred directly to his creditors.
 - C. They are transferred into a trust which is used to repay as much debt as possible.
 - D. They are transferred into a bank account jointly administered by the individual and an appointed trustee.
32. The **main** purpose of an individual setting up a lasting power of attorney is to
- A. appoint another individual to administer his affairs in the event of him losing mental capacity.
 - B. appoint another individual to administer his affairs whilst he is overseas.
 - C. avoid Inheritance Tax.
 - D. limit the appointment of an individual to administer his affairs for a maximum of seven years.

33. Fred transfers his share portfolio into a trust for the benefit of his son, Matthew. Fred and his brother, Tom, are joint trustees. After the transfer, who are the legal owners of the share portfolio?
- A. Matthew only.
 - B. Fred and Matthew only.
 - C. Fred and Tom only.
 - D. Tom and Matthew only.
34. Which event automatically invalidates a will?
- A. The birth of a child.
 - B. The death of a spouse.
 - C. Marriage.
 - D. Separation.
35. When completing a life assurance application form on behalf of a client, why is it **primarily** important to ensure that all information is entered accurately?
- A. It enables the adviser to identify future sales opportunities.
 - B. It ensures that the application can be processed quickly.
 - C. It forms the basis of the contract.
 - D. It prevents any future complaints from being upheld.
36. When recommending a personal pension to a retail client, an employed independent financial adviser acts as the agent of
- A. the adviser's firm only.
 - B. the client only.
 - C. the product provider only.
 - D. both the firm and the product provider.
37. An individual accumulates their entitlement to the basic State Pension through
- A. Income Tax payments only.
 - B. National Insurance contributions only.
 - C. Income Tax payments and National Insurance contributions.
 - D. Income Tax payments and Tax Credit payments.
38. What is the **highest** band rate of Stamp Duty Land Tax levied on a property purchased for £510,000?
- A. 3%
 - B. 4%
 - C. 5%
 - D. 10%

39. On her death, Ginny's estate will significantly exceed the nil rate threshold and the sole beneficiary is a registered charity. What rate of Inheritance Tax, if any, is levied on this excess?
- A. Nil.
 - B. 10%
 - C. 20%
 - D. 40%
40. Losses for Capital Gains Tax purposes can be carried forward for how many years?
- A. 1 year.
 - B. 3 years.
 - C. 7 years.
 - D. Indefinitely.
41. An employee with earnings of £15,000 per annum **CANNOT** work due to sickness and is **NOT** due to receive any income from his employer whilst incapacitated. Which State benefit would the employee initially receive?
- A. Employment and Support Allowance.
 - B. Personal Independence Payment.
 - C. Social Fund payment.
 - D. Statutory Sick Pay.
42. In the tax year 2023/2024, a non-taxpayer transfers the **maximum** amount of marriage allowance to their spouse who is a basic-rate taxpayer. By how much will the recipient's Income Tax liability be reduced?
- A. £125
 - B. £126
 - C. £250
 - D. £252
43. Geoff has recently purchased his brother's whole of life policy. Why might this transaction later be subject to Capital Gains Tax?
- A. All life policies are liable for chargeable gains on any disposal of rights.
 - B. The asset has been disposed to a family member who is deemed a connected person.
 - C. The beneficial ownership of the policy has changed for money or money's worth.
 - D. Whole of life policies are non-qualifying and as such are liable to Capital Gains Tax on disposal.
44. An employee on a salary of £16,000 per annum pays which class of National Insurance contribution?
- A. Class 1.
 - B. Class 2.
 - C. Class 3.
 - D. Class 4.

45. The Government's inflation target is based upon which measure of inflation?
- A. Average Weekly Earnings Index.
 - B. Consumer Prices Index.
 - C. Producer Price Index.
 - D. Retail Prices Index.
46. In the UK, the underlying rate of inflation is measured over a period of time by changes in the
- A. average earnings of a working individual.
 - B. average increase or decrease in mortgage interest rates.
 - C. average spending power of a household after taxes.
 - D. cost of a basket of goods and services used by an average household.
47. What monetary condition would increase the price of conventional gilts?
- A. When interest rates are expected to fall.
 - B. When interest rates are expected to rise.
 - C. When interest rates are low and are expected to remain so.
 - D. When interest rates are high and are expected to remain so.
48. In order to obtain a real rate of growth, the value of an investment **must** grow
- A. at a rate above the Bank of England base rate.
 - B. at a rate of at least 5% above inflation only.
 - C. at any rate above inflation.
 - D. in line with the Average Weekly Earnings Index.
49. When the Financial Conduct Authority believes that a firm is guilty of market abuse, what is the **maximum** amount, if any, it can fine the firm?
- A. £10,000,000
 - B. £50,000,000
 - C. £100,000,000
 - D. An unlimited amount.
50. What power(s) does the Financial Conduct Authority have against an individual whom it discovers has committed a criminal act?
- A. To apply regulatory sanctions only.
 - B. To apply regulatory sanctions and take civil action only.
 - C. To apply regulatory sanctions and take criminal action only.
 - D. To apply regulatory sanctions and take civil or criminal action.
51. The regulation and supervision of life companies is the responsibility of
- A. The Association of British Insurers.
 - B. The Financial Conduct Authority.
 - C. The Prudential Regulation Authority.
 - D. The Treasury Select Committee.

52. The Statements of Principles require that an authorised firm **must**
- A. conduct its business with due skill, care and diligence.
 - B. ensure all its employees undertake a certified function.
 - C. provide its regulatory returns within 10 business days of the relevant deadline.
 - D. resolve all complaints within 8 weeks.
53. The strategic objective of the Financial Conduct Authority is to
- A. ensure all consumers are protected.
 - B. ensure that markets work well.
 - C. prevent financial crime.
 - D. reduce product charges.
54. Who is **ultimately** responsible for the acts or omissions of an authorised firm's appointed representative?
- A. The appointed representative.
 - B. The appointed representative's sales manager.
 - C. The authorised firm.
 - D. The firm's compliance officer.
55. How much notice, if any, does the Financial Conduct Authority need to give an authorised firm before it can carry out a visit?
- A. None.
 - B. Three working days.
 - C. One week.
 - D. One month.
56. A firm **must NOT** permit an employee to oversee a regulated activity unless that employee has
- A. at least five years' experience.
 - B. been assessed as competent.
 - C. individual professional indemnity insurance.
 - D. worked for the firm for at least two years.
57. The Financial Conduct Authority would **most likely** issue a prohibition order against an individual if that person has repeatedly
- A. accepted referrals from an introducer.
 - B. failed to maintain training records.
 - C. failed to recommend stakeholder suite products.
 - D. given clients improper advice.
58. The **usual** measure for assessing a with-profits fund's financial strength is the
- A. fund's size.
 - B. fund's terminal bonus rate.
 - C. provider's annual premium income.
 - D. provider's free asset ratio.

59. What is the **maximum** proportion of investment business, if any, that a restricted single-tied advice firm may transact without requiring authorisation?
- A. Nil.
 - B. 5%
 - C. 10%
 - D. 25%
60. In what circumstances, if any, can an officer from the Financial Conduct Authority be denied access to a client's file?
- A. Access can never be denied.
 - B. If the client has invested outside the UK.
 - C. If the compliance officer has not been given prior notification.
 - D. If the file is currently off-site for storage purposes.
61. For how long **must** an authorised firm keep records of every pension opt-out it arranges?
- A. Until the policyholder's normal retirement age.
 - B. One year only.
 - C. Six years only.
 - D. Indefinitely.
62. In relation to a transaction for a life policy, what is the **minimum** period for which regulated firms are required to maintain records of a retail client's personal and financial circumstances?
- A. Three years.
 - B. Five years.
 - C. Six years.
 - D. Indefinitely.
63. Under the Certification Regime, within an authorised firm the responsibility for certifying an individual lies with the
- A. firm only.
 - B. individual only.
 - C. individual and firm jointly.
 - D. firm and Financial Conduct Authority jointly.
64. The Financial Conduct Authority stipulates that an authorised firm **must** monitor and record the type of skills and technical training undertaken by its advisers, in order to ensure that all advisers
- A. are trained to the same level of authorisation.
 - B. complete the same number of hours training per year.
 - C. do not undertake training outside their current level of authorisation.
 - D. maintain competence appropriate to the activities they undertake.

65. When **must** an authorised firm report information to the Financial Conduct Authority which indicates that a senior manager's fitness and propriety to carry out her role has been adversely affected?
- A. Immediately.
 - B. No later than 5 days after discovery.
 - C. No later than 10 days after discovery.
 - D. No later than 14 days after discovery.
66. Under the Training and Competence rules, what is the **minimum** period for which an authorised firm **must** retain records where it does **NOT** advise on pension transfers?
- A. One year.
 - B. Two years.
 - C. Three years.
 - D. Four years.
67. A restricted single-tied adviser makes an unsolicited telephone call to a prospective client and states the nature of the call. What else **must** the adviser offer in the early stages of the call?
- A. An opportunity for the prospective client to terminate the call.
 - B. Personalised information about the product she wishes to discuss.
 - C. A reference to the terms of business.
 - D. The source of the prospective client's name and telephone number.
68. At what point **must** an adviser provide a retail client with information on the scope and range of services on which he will advise?
- A. In good time before the provision of services.
 - B. When issuing the suitability report.
 - C. Before the end of the cancellation period.
 - D. Only when the customer asks.
69. In which document will a retail client find a written explanation of advice and the possible benefits and disadvantages of entering into a transaction?
- A. A cancellation notice.
 - B. A client agreement.
 - C. A key features document.
 - D. A suitability report.
70. Under the Conduct of Business Rules, how often **must** the status of a customer be confirmed?
- A. Every six months only.
 - B. Every year only.
 - C. Every two years only.
 - D. Every time the client seeks advice.

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71. Which type of customer is afforded the **greatest** protection under the Conduct of Business Rules?
- A. An eligible counterparty.
 - B. An elective professional client.
 - C. A professional client.
 - D. A retail client.
72. When advising customers, a restricted single-tied adviser **must**
- A. only provide advice on products from a panel of providers.
 - B. only provide advice on the products of the provider she represents.
 - C. provide advice on all products, but can only sell the products of the company she represents.
 - D. provide advice on and sell all products from the marketplace.
73. If a stakeholder saving product is sold via the basic advice process, what impact will this have on the sales process?
- A. The customer will receive the lowest charging product.
 - B. It will have a built-in suitability guarantee.
 - C. It will remove the chance of mis-selling.
 - D. It will streamline the process.
74. In what circumstances, if any, may a financial adviser encourage a client **NOT** to provide information that may help the firm to assess the suitability of its advice?
- A. In no circumstances.
 - B. Only if the advice relates to a stakeholder saving product.
 - C. Only if the advice relates to an execution-only sale.
 - D. Only if the adviser considers the information not to be relevant.
75. Under the client money rules, how often **must** the firm carry out a reconciliation of its client money accounts?
- A. Daily.
 - B. Weekly.
 - C. Fortnightly.
 - D. Only when new money is received from a client.
76. Under the Insurance: Conduct of Business sourcebook (ICOBS), the **minimum** cancellation period following the sale of a general insurance product is
- A. 7 days.
 - B. 10 days.
 - C. 14 days.
 - D. 30 days.
77. Responsibility for issuing the cancellation notice for a life policy lies with
- A. the financial adviser.
 - B. the financial adviser's compliance officer.
 - C. the Financial Conduct Authority.
 - D. the product provider.

78. An execution-only sale is one where the client requests
- A. advice on a specific investment area, and instructs the adviser to select the best product in that area.
 - B. the adviser to make a purchase or sale of a specific product, but advice is neither requested nor received.
 - C. that the adviser uses his skill and judgement to obtain the best price for the sale.
 - D. a specific product and asks the adviser to select the best provider of that product.
79. Under the Conduct of Business Rules, when **must** a financial adviser supply a new client with a client agreement?
- A. In good time before the provision of services.
 - B. At the end of the initial meeting.
 - C. At any time prior to the expiry of the cooling-off period.
 - D. Upon completion of a transaction.
80. Under the product disclosure rules, how **must** an independent financial adviser disclose commission for a pure protection policy?
- A. Direct the client to the product provider's cancellation notice.
 - B. In cash terms via a durable medium.
 - C. In percentage terms compared to the market average figure for investment bonds.
 - D. Orally in both cash and percentage terms.
81. When assessing suitability as part of a recommendation for a retail client, a financial adviser **must** obtain relevant information about the
- A. client's categorisation.
 - B. client's financial situation.
 - C. provider's complaints history.
 - D. product's past performance.
82. A financial adviser has recommended an investment product to an existing client. The client has **NOT** proceeded with the recommendation. For what **minimum** period, if at all, **must** the record of this recommendation be retained?
- A. It does not need to be retained.
 - B. Three years.
 - C. For the duration of the client relationship.
 - D. For a period equal to the term of the investment bond.
83. The process of establishing a customer's identity under money laundering regulations is known as
- A. customer due diligence.
 - B. fact-finding.
 - C. record keeping.
 - D. suitability.

84. Under money laundering regulations, a suspicious activity report would **ultimately** be made to
- A. any senior manager within an authorised firm.
 - B. the compliance officer within an authorised firm.
 - C. the Financial Conduct Authority.
 - D. the National Crime Agency.
85. When client identification is being carried out by an authorised firm for an online investment of £20,000, what information **must** be verified?
- A. The client's name only.
 - B. The client's date of birth only.
 - C. The client's date of birth and address only.
 - D. The client's name and date of birth or address.
86. The final stage in the money laundering process is known as
- A. implementation.
 - B. integration.
 - C. layering.
 - D. placement.
87. A financial adviser in a large authorised firm has a client who declines to verify his identity. What course of action **must** the adviser initially take?
- A. Agree to undertake the transaction on an execution-only basis.
 - B. Inform the client that this must be reported to the adviser's compliance officer.
 - C. Refuse to have any dealings with the client.
 - D. Report the matter to his company's Money Laundering Reporting Officer.
88. Following the end of the relationship with a customer, records relating to the verification of a customer's address **must** be kept for a **minimum** of
- A. three years.
 - B. five years.
 - C. six years.
 - D. seven years.
89. Which organisation has responsibility for assisting in the resolution of individual complaints between consumers and financial firms?
- A. The Financial Ombudsman Service.
 - B. The Financial Conduct Authority.
 - C. The Financial Services Compensation Scheme.
 - D. The Money and Pensions Service.
90. How are the costs of the Financial Services Compensation Scheme funded?
- A. By a levy on authorised firms.
 - B. By contingency insurance arrangements.
 - C. By direct funding from HM Treasury.
 - D. By levying a fixed charge on every policy issued.

91. In an authorised firm, complaints **must** be investigated by
- A. an external compliance firm.
 - B. the Financial Ombudsman Service.
 - C. an individual holding a senior management function.
 - D. a member of staff with relevant competence.
92. In addition to the names and addresses of all data controllers who have registered, what other information is included in the Register of Data Controllers?
- A. Broad details of the data they process in terms of type, purpose and the people to whom they want to give information.
 - B. Broad details of the data they process on individuals' credit rating and other personal details.
 - C. Specific details of the data they process in terms of names, National Insurance numbers and dates of birth.
 - D. Specific details of data they process on individuals' tax liabilities and bank deposit accounts held.
93. The requirement to comply with data protection legislation applies to
- A. all those who process personal data, unless that data is exempt.
 - B. companies that only process personal data for calculating and paying wages.
 - C. only HM Revenue & Customs and other Government agencies.
 - D. only those who process personal data on computer.
94. Under data protection legislation, an individual who has suffered damage as a result of a data breach may be awarded compensation by the
- A. courts.
 - B. Department for Digital, Culture, Media & Sport.
 - C. Financial Ombudsman Service.
 - D. Information Commissioner.
95. A main purpose of the Access to Medical Reports Act 1988 is to
- A. allow an employer access to the medical records of new employees joining a group life cover scheme.
 - B. establish a right for individuals to view medical reports submitted for insurance arrangements.
 - C. set a uniform tariff for medical practitioners to charge for the provision of medical reports.
 - D. set maximum time periods for insurance companies when requesting medical records from applicants.
96. Under data protection legislation, what is the **maximum** charge, if any, that can be levied for an initial subject access request?
- A. No charge can be made.
 - B. £1
 - C. £10
 - D. £40

97. The **maximum** annual management charge for a stakeholder savings ISA product during the initial 10 years is
- A. 0.75%
 - B. 1%
 - C. 1.5%
 - D. 1.75%
98. The impact on customers of the potential merger of two large financial services companies would be investigated by the
- A. Consumers' Association.
 - B. Competition and Markets Authority.
 - C. Department for Business and Trade.
 - D. Prudential Regulation Authority.
99. An authorised firm needs to obtain a consumer credit licence to advise on mortgages. To which body would the application be made?
- A. UK Finance.
 - B. The Financial Conduct Authority.
 - C. HM Revenue & Customs.
 - D. The Information Commissioner's Office.
100. Which organisation is charged with the responsibility for maintaining a register of prohibited trustees?
- A. The Money and Pensions Service.
 - B. The Pensions Ombudsman.
 - C. The Pensions Regulator.
 - D. The Pensions Service.

INCOME TAX

RATES OF TAX

2023/2024

Starting rate of 0% on savings income up to*	£5,000
Personal Savings Allowance	
Basic rate	£1,000
Higher rate	£500
Additional rate	Nil
Basic rate of 20%	£0 to £37,700
Higher rate of 40%	£37,701 to £125,140
Additional rate of 45%	£125,141 and over

*For other income less than £17,570 only. The starting rate for savings is a maximum of £5,000.

Dividend Allowance	£1,000
Dividend tax rates	
Basic rate	8.75%
Higher rate	33.75%
Additional rate	39.35%
Trusts	
Standard rate band	£1,000
Rate applicable to trusts	
- Dividends	39.35%
- other income	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000
Personal Allowance (basic) §	£12,570
Marriage Allowance	£1,260
Rent-a-room scheme - tax-free income allowance	£7,500

§ Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	per week
Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Class 1	Employee	Employer
NICs rate	12%/10% *	13.8%
No NICs on the first (per week)**	£242	£175***
NICs rate charged up to (per week)	£967	No limit
NICs rate on earnings over UEL	2%	n/a

* From 6 April 2023 to 5 January 2024 12% rate applies, from 6 January 2024 to 5 April 2024 10% rate applies

** This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.

*** Secondary threshold.

Class 2 (self-employed)

Flat rate per week	£3.45
Small profits threshold per year	£6,725
Lower profits limit per year	£12,570

Class 3 (voluntary)

Flat rate per week £17.45.

Class 4 (self-employed)

9% on profits between £12,570 and £50,270.

2% on profits above £50,270.

CAPITAL GAINS TAX

TAX RATES 2023/2024

Individuals:

Up to basic rate limit	10%
Above basic rate limit	20%
Surcharge for residential property and carried interest	8%

Trustees and Personal Representatives

Residential property	28%
Other chargeable assets	20%

Business Asset Disposal Relief*

Lifetime limit	10%
	£1,000,000

*For trading businesses and companies (minimum 5% employee or director shareholding) held for at least two years.

ANNUAL EXEMPTIONS

Individuals, estates etc	£6,000
Trusts generally	£3,000
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000

PENSIONS

2023/2024

Annual Allowance*	£60,000
Money Purchase Annual Allowance	£10,000

* Tapered by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.

INHERITANCE TAX

RATES OF TAX ON TRANSFERS

2023/2024

Transfers made on death	
- Up to £325,000	Nil
- Excess over £325,000	40%
- Reduced rate (where appropriate charitable contributions are made)	36%
Chargeable lifetime transfers to trusts	20%

MAIN EXEMPTIONS

Transfers to	
- UK-domiciled spouse/civil partner	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000
- main residence nil-rate band*	£175,000
- UK-registered charities	No limit

* Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.

Lifetime transfers	
- Annual exemption per donor	£3,000
- Annual small gifts exemption per donor	£250

Wedding/civil partnership gifts by	
- Parent	£5,000
- Grandparent/bride or groom	£2,500
- other person	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

CORPORATION TAX

2023/2024

Small profit rate - for taxable profits below £50,000	19%
Marginal rate - for taxable profits between £50,001 - £250,000	26.5%
Main rate - for taxable profits above £250,000	25%

VALUE ADDED TAX

2023/2024

Standard rate	20%
Annual registration threshold	£85,000
Deregistration threshold	£83,000

STAMP DUTY LAND TAX

Residential

Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules still apply as below.

- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances.*
- *First-time buyers benefit from SDLT relief on purchases up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.*

MAIN SOCIAL SECURITY BENEFITS

2023/2024

Child Benefit	First child	£24.00
	Subsequent children	£15.90
	Guardian's allowance	£20.40
Basic State Pension	Category A & B full rate	£156.20
	Category B (lower) full rate	£93.60
New State Pension	Full rate	£203.85
Pension Credit	Standard minimum guarantee - single	£201.05
	Standard minimum guarantee - couple	£306.85
Bereavement Support Payment	Higher rate - lump sum	£3,500
	Higher rate - monthly payment	£350
	Standard rate – lump sum	£2,500
	Standard rate – monthly payment	£100

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Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 7			Learning Outcome 12		
1	A	1.3	37	B	7.6	68	A	12.1
2	C	1.2	38	C	7.4	69	D	12.1
3	A	1.3	39	A	7.3	70	D	12.1
4	B	1.2	40	D	7.2	71	D	12.1
5	D	1.1	41	D	7.6	72	B	12.1
5 Questions			42	D	7.1	73	D	12.1
			43	C	7.2	74	A	12.1
Learning Outcome 2			44	A	7.5	75	A	12.1
6	C	2.1	8 Questions			76	C	12.1
7	D	2.1				77	D	12.1
8	D	2.1	Learning Outcome 8			78	B	12.1
9	C	2.1	45	B	8.1	79	A	12.1
10	C	2.1	46	D	8.1	80	B	12.1
11	B	2.1	47	A	8.2	81	B	12.1
6 Questions			48	C	8.2	82	A	12.1
			4 Questions			15 Questions		
Learning Outcome 3						Learning Outcome 13		
12	B	3.1	Learning Outcome 9			83	A	13.1
13	A	3.1	49	D	9.2	84	D	13.1
14	A	3.1	50	D	9.2	85	D	13.1
15	D	3.1	51	C	9.1	86	B	13.1
16	B	3.1	52	A	9.2	87	D	13.1
5 Questions			53	B	9.1	88	B	13.1
			54	C	9.2	6 Questions		
Learning Outcome 4			6 Questions			Learning Outcome 14		
17	C	4.1				89	A	14.1
18	C	4.1	Learning Outcome 10			90	A	14.1
19	A	4.1	55	A	10.1	91	D	14.1
20	D	4.1	56	B	10.1	3 Questions		
21	A	4.1	57	D	10.1			
22	D	4.1	58	D	10.1			
6 Questions			59	A	10.2	Learning Outcome 15		
			60	A	10.1	92	A	15.1
Learning Outcome 5			6 Questions			93	A	15.1
23	D	5.2				94	A	15.1
24	C	5.1	Learning Outcome 11			95	B	15.1
25	A	5.1	61	D	11.1	96	A	15.1
26	C	5.1	62	B	11.1	5 Questions		
27	B	5.1	63	A	11.1			
28	B	5.1	64	D	11.1	Learning Outcome 16		
29	C	5.1	65	A	11.1	97	C	16.1
7 Questions			66	C	11.1	98	B	16.1
			67	A	11.1	99	B	16.1
Learning Outcome 6			7 Questions			100	C	16.1
30	B	6.2				4 Questions		
31	C	6.3						
32	A	6.2						
33	C	6.1						
34	C	6.1						
35	C	6.2						
36	B	6.2						
7 Questions								