

Financial services, regulation and ethics

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;
- Financial Services Authority's (FSA) 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 FSA's 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 FSA's 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 2011 to 31 August 2012.
- Candidates will be examined on the basis of English law and practice in the tax year 2011/2012 unless otherwise stated.
- It should be assumed that all individuals are domiciled, resident and ordinarily resident in the UK unless otherwise stated.
- Candidates should refer to the CII update website www.cii.co.uk/updates for the latest information on changes to law and practice and when they will be examined.

- 1. Understand the UK financial services industry in its European and global context.**
 - 1.1. Describe the role, structure and context of the UK financial services market and international markets.
 - 1.2. Explain the function and operation of financial services within the economy.
 - 1.3. Describe the role and impact 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, power 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 role of the FSA, 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 FSA's responsibilities and approach to regulation.**
 - 5.1. Explain the FSA's statutory objectives and how it is structured to achieve these objectives.
 - 5.2. Explain the main principles and rules in the FSA handbook.
 - 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 FSA'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 requirements when advising clients.**
 - 8.1. Examine the range of skills required when advising clients.
- 9. Understand the FSA's 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

Please note that the syllabus consists of learning outcomes and assessment criteria. For a comprehensive listing of content, please refer to the indicative content located at www.cii.co.uk/financialservices/qualifications.

Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

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.knowledge.cii.co.uk/library/services.

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

The regulatory framework. Simon Collins. London: CII Knowledge Services. Updated as necessary. Available online via www.knowledge.cii.co.uk (CII/Personal Finance Society members only).

The regulation of insurance intermediaries. Ian Youngman. London: CII Knowledge Services. Updated as necessary. Available online via www.knowledge.cii.co.uk (CII/Personal Finance Society members only).

The regulation of retail investment business. Kevin Morris. London: CII Knowledge Services. Updated as necessary. Available online at via www.knowledge.cii.co.uk (CII/Personal Finance Society members only).

The regulation of investment intermediaries. Kevin Morris. London: CII Knowledge Services. Updated annually. Available online via www.knowledge.cii.co.uk (CII/Personal Finance Society members only).

The regulation of mortgage intermediaries (prudential requirements). Brad Baker. London: CII Knowledge Services. Updated annually. Available online via www.knowledge.cii.co.uk (CII/Personal Finance Society members only).

Reference materials

The Handbook. London: Financial Services Authority. Available online at <http://fsahandbook.info>

Periodicals

Financial Adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Financial Solutions. London: Personal Finance Society. Six issues a year. Also available online via www.knowledge.cii.co.uk. (CII/Personal Finance Society members only).

Financial Times. London: Financial Times. Daily. Also available online at www.ft.com.

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) via www.knowledge.cii.co.uk.

Money Management. London: Financial Times Business. Monthly.

Money Marketing. London: Centaur Communications. Weekly. Also available online at www.moneymarketing.co.uk.

Examination guides

You are strongly advised to study the most recent exam guide before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Exam technique/study skills

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