

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 2018 to 31 August 2019.
- Candidates will be examined on the basis of English law and practice in the tax year 2018/2019 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
 2. Select the appropriate qualification
 3. Select your unit 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 in the PRA and FCA handbooks.
 - 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 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 ethical and compliant behaviours.

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.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email 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.

A practitioner's guide to the UK financial services rulebooks. 6th. ed. Ruth Fox, Ben Kingsley (eds.). London: Sweet and Maxwell, 2013.

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.

Financial services law. 3rd ed. Michael Blair, et al. Oxford: Oxford University Press, 2014.

Modern financial regulation. Jonathan Kirk, James Ross. London: Jordan Publishing, 2013.

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

The law and regulation of finance. Alastair Hudson. 2nd. ed. London: Sweet & Maxwell, 2013.

Winning client trust. Chris Davies. London: Ecademy Press, 2011.

Ebooks

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

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

Business ethics in the 21st Century. Norman E. Bowie. Dordrecht: Springer, 2013.

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

Consumer credit: law and practice. 2nd ed. Alexander G.L. Hill-Smith. Oxon: Informa Law, 2015.

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.

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 (CII/PFS members only).

- The regulation of retail investment business. Kevin Morris.
- The regulatory framework. Simon Collins.
- The regulation of mortgage intermediaries. Brad Baker.
- The regulation of investment intermediaries. Kevin Morris.

The EU single market. The European Commission. Updated as necessary. Available online at http://ec.europa.eu/internal_market

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at www.cii.co.uk/30790

Additional articles and technical bulletins are available under the Personal Finance section of the website at www.cii.co.uk/knowledge/personal-finance.

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. Available online at 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.

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.

Prudential Regulation Authority (PRA) Rulebook Online. Available at www.prarulebook.co.uk

* Also available as an ebook through Discovery via 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). 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 (CII/PFS members only).