Regulation & Compliance

Examinable from November 2024
Reviewed November 2023

AIM

The aim of the examination is to test candidates' knowledge and understanding of the legal, regulatory and ethical framework of the UK financial services sector and their ability to apply such knowledge and understanding in a practical manner. Candidates will also be required to display an awareness of current topics of interest in the field and be able to debate the major principles of such topics.

The regulatory environment is subject to significant change and students should ensure that their knowledge is up to date. They should read the financial press and material published by the Regulators and other agencies whose actions affect the UK and European financial services sector.

KNOWLEDGE LEVEL EXPLANATIONS

In this syllabus knowledge levels give an indication of the depth to which each topic should receive emphasis, as follows:

***Overview knowledge*:**

An awareness of principles or rules, sufficient for the student to know when he or she should refer to an outside source and why. Students with such knowledge should be able to articulate issues which would require further study and to discuss briefly the likely result of that enquiry. **(O)**

***General knowledge**:*

Knowledge and understanding sufficient for intelligent comment and the solution of straightforward problems. **(G)**

***Detailed knowledge**:*

A thorough knowledge and substantial understanding, permitting detailed comment and the solution of complex problems **(D)**

EXAMINATION STRUCTURE

A three hour and fifteen minutes examination, in which the paper is divided into three sections:

SECTION A: Up to ten compulsory short answer questions. This section will carry 30% of the marks.

SECTION B: A choice of four practical, problem solving questions from which students are required to answer two**. ONE QUESTION WILL BE COMPULSORY**. This section will carry 40% of the marks and these will be awarded to reflect not only technical knowledge but the ability to apply that knowledge to the problem and to deal practically and effectively with the situation presented, ***INCLUDING AN ETHICAL AND PROFESSIONAL RESPONSE TO THE SITUATION, BASED UPON THE CISI CODE OF CONDUCT, WHERE APPROPRIATE.***

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SECTION C: A choice of four essay questions from which students are required to answer two. This section will carry 30% of the marks and these will be awarded to reflect both knowledge and understanding together with clarity of arguments presented. Candidates are required to keep their knowledge up-to-date with regards to changes in the regulatory environment.

SYLLABUS

PART 1 - REGULATORY FRAMEWORK

Objectives

To demonstrate a knowledge and understanding of the regulatory framework of the financial services sector, including the roles of the regulators in relation to the major London markets, both as currently organised and incorporating planned future changes.

Content	*Knowledge Level*
A. UK Statutory Structure	
Financial Services and Markets Act 2000	
Part I (the regulators)	D
Part II (regulated and prohibited activities)	D
PART III (AUTHORISATION AND EXEMPTION)	D
Part IV (permission to carry on regulated activities)	D
Part VIII (penalties for market abuse)	D
Part X, chapter 1 (rule making powers)	D
Part XIV (disciplinary measures)	D
Part XXV (injunctions and restitution)	D
Part XXVII (offences)	D
Carrying on Regulated Activities by way of business order	G
Regulated Activities Order	D
Regulated Activities Order (PRA)	D
Financial Promotions Order	D
Collective Investment Schemes: Section 235/8 & 240/241	G
Prescribed markets & qualifying Investments order (2001)	G

Bank of England Act 1988	O
Banking Act 2009	O
Financial Services Act 2010	O
Financial Services Act 2012	O
Financial Services (Banking Reform) Act 2013	O
Bank of England and Financial Services Act 2016	O
European Union (Withdrawal) Act 2018 & European Union (Withdrawal Agreement) Act 2020	O
Financial Services Act 2021	O
Financial Services and Markets Act 2023	O

B. EUROPEAN FINANCIAL SERVICES (as relevant to the UK Financial Services Industry)

Home and Host state regulation including passporting	G
European Financial Services structure, operation and legislation	G

C. INTERNATIONAL FINANCIAL SERVICES STRUCTURE, OPERATION AND LEGISLATION (as relevant to the UK Financial Services Industry)

Supranational Financial Services	O
US Financial Services	O
Key Asian Financial Services	O

PART 2 – FCA HANDBOOK AND PRA RULEBOOK OF RULES AND GUIDANCE

To demonstrate a knowledge and understanding of the FCA's Handbook and PRA's rules and guidance as applicable to investment business conducted in the UK.

Knowledge level

A. ***High level standards***

PRIN Principles for Businesses	D
SYSC Senior Management Arrangements, Systems and Controls	
SYSC 1 Application & purpose	O
SYSC 2 Senior management arrangements	D

SYSC 3 Systems and controls	D
SYSC 4 General organisational requirements	G
SYSC 5 Employees, agents and other relevant persons	G
SYSC 6 Compliance, internal audit and financial crime	G
SYSC 7 Risk control	G
SYSC 8 Outsourcing	G
SYSC 9 Record keeping	G
SYSC 10 Conflicts of interest	G
SYSC 12 Group risk systems and controls requirements	O
SYSC 18 Whistleblowing	G
SYSC 19 Remuneration Codes and Performance Management	O
SYSC 20 Reverse stress testing	O
SYSC 21 Risk control: additional guidance	O
SYSC 22 Regulatory References	O
SYSC 23 Introduction and classification	D
SYSC 24 Allocation of prescribed responsibilities	D
SYSC 25 Management responsibilities maps and handover procedures and material	D
SYSC 26 Overall and local responsibility	D
SYSC 27 Certification regime	D

COND	Threshold Conditions	D
FIT	The Fit and Proper Test for Approved Persons	D
GEN	General provisions	O
COCON	Code of Conduct	D
PROD	Product Intervention and Product Governance sourcebook	D

B. ***Business standards***

COBS Conduct of Business Sourcebook

In particular

COBS 1	Application	O
COBS 2	Conduct of business obligations	O
COBS 3	Client categorisation	D
COBS 4	Communicating with clients, including financial promotions	D
COBS 5	Distance communications	O
COBS 6	Information about the firm, its services and remuneration	D
COBS 8	Client agreements (Non-MiFID provisions)	D
COBS 8A	client agreements (MiFID provisions)	D
COBS 9	Suitability (including basic advice) (Non-MiFID provisions)	D
COBS 9A	Suitability (including basic advice (MiFID provisions)	D
COBS 10	Appropriateness (for non-advised services) (Non-MiFID provisions)	D
COBS 10A	Appropriateness (for non-advised services) (MiFID provisions)	D
COBS 11	Dealing and managing	D
COBS 11A	Underwriting and Placing	O
COBS 12	Investment research	D

COBS 16 Reporting information to clients (Non-MiFID provisions)	D
COBS 16A Reporting information to clients (MiFID provisions)	D
COBS 18 Specialist Regimes	O
COBS 22 Restrictions on the distribution of certain complex investment products	D

CASS	Client Assets Sourcebook	G

Market Conduct	G
Market Conduct 5 Multilateral trading facilities (MTFs)	G
Market Conduct 5A Organised trading facilities (OTFs)	G
Market Conduct 5AA Multilateral systems	G
Market Conduct 6 Systematic internalisers	G
Market Conduct 7A Algorithmic Trading	G

FINMAR	Short Selling	G
TC	Training and competence	G

C. *Regulatory processes*

SUP Supervision

In particular:

SUP 6 Applications to vary and cancel Part 4A permissions and to impose, vary or cancel requirements	O
SUP 8 Waiver and modification of rules	O
SUP 10A FCA Approved Persons	D
SUP 10B PRA Approved Persons	D
SUP 10C FCA senior managers regime for approved persons in SMCR firms	D
SUP 15 Notifications to the FCA	G
SUP 17A Transaction reporting and supply of reference data	G

DEPP	Decision Procedure and Penalties Manual.	O

D. *Redress*

Dispute resolution & complaints, in particular:

DISP

DISP 1 & 2 Complaint handling procedures for firms & eligible complainants	D

COMP

Compensation	G

E. ***Regulatory Guides***

The Perimeter Guidance Manual		
PERG 2	Authorisation and regulated activities	D
PERG 8	Financial promotions and related activities	G

PART 3 - OTHER REGULATORY PROVISIONS

Objective

To demonstrate knowledge and understanding of a selection of regulatory provisions relevant to UK firms and individuals.

A. Takeover Code

General principles	D
Role and function of the Takeover Panel	O

B. FCA Listing rules O

C. Market Abuse D

Insider Lists	D
Stabilisation	D
Insider dealing	D
Legitimate behavior	D
Market Soundings	D
Market Manipulation	D
Investment recommendations	D
Accepted market practices	D

D. Insider Dealing

Part V and Schedule 1 of the Criminal Justice Act 1993 and regulations made thereunder	D
The offences	D
The defences	D
– "Dealing"	D
– "Inside information"	D
– "insiders"	D
– "made public"	D
– "professional intermediary"	D
Penalties, prosecution and territorial scope	D
Misleading Statements and impressions (Part 7, s.89-95 of Financial Services Act 2012)	D

E. Money Laundering

The regulatory framework in respect of money laundering	
The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)	O
Offences under the Terrorism Act (2000) Sec 21A	D
Proceeds of Crime Act (2002) Sections 327-334	D
Serious Organized Crime & Police Act 2005	O
Joint Money Laundering Steering Group Guidance for the UK Financial Sector (chapters1-4)	O
Firms systems & controls (including relevant provisions of SYSC)	D
Implementation of international money laundering standards	O

F. UK Bribery Act 2010 D

G. Whistleblowing D

H. Benchmarks O

I. Data Protection Act 2018 & the Information Commissioners' Office (General Data Protection Regulation) G

J. ESG

The Climate Financial Risk Forum (CFRF)	G

K. Cryptoassets O

PART 4 –THE REGULATION OF MARKETS AND EXCHANGES

Objectives
To demonstrate a knowledge and understanding of the main dealing and reporting rules of the major securities and financial derivative exchanges and some of the major characteristics of and differences between a variety of regulated markets, including other developments in the area of payment and market infrastructure.

Regulation of:	
Recognised Investment Exchanges (RIE)	O
Designated Investment Exchanges (DIE)	O
Recognised Overseas Investment Exchanges (ROIE)	O
Multilateral Trading Facilities (MTFs)	O
Organised Trading Facilities (OTFs)	O
Systematic Internalisers (SIs)	O

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PART 5 –CURRENT REGULATORY DEVELOPMENTS

Candidates are required to keep up to date with UK and international regulatory developments.

READING LIST

Strategies for Compliance. Tools, Techniques and Challenges in Financial Services by Alan Brener
Published December 21, 2020 by Routledge
ISBN – 9780367337575

Conduct and Accountability in Financial Services: A Practical Guide by Stacey English and Susannah Hammond
Published by Bloomsbury Professional
ISBN – 10: 1526505207
ISBN – 13: 978-1526505200

Essential Strategies for Financial Services Compliance by Annie Mills
Published by Wiley
ISBN 978-0-470-51904-2

Most parts of the Regulation and Compliance syllabus cover ground where there has been major change in the recent past. As a result, there is comparatively little in the way of up–to–date secondary literature to which reference can usefully be made. Students must therefore be prepared to have recourse, where appropriate, to the primary materials to which the syllabus refers.

Candidates are encouraged to make reference to the Financial Services and Markets Act and the FCA handbook and PRA handbooks.
www.fca.org.uk &
www.bankofengland.co.uk/pra

Candidates are advised to familiarise themselves with the FCA, PRA and relevant European websites (European Commission, ESMA, EBA and EIOPA), including:

Dear CEO letters
Market watch/market abuse
Regulatory decisions
Executive speeches and press releases
Consultation papers, discussion papers, feedback statements, policy statements and supervisory statements.

Candidates are also encouraged to read:
CISI Review Magazine