CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

Transfer Agency Administration and Oversight

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Objective of the Examination

The objective of the examination is to ensure that candidates have a detailed overview of Transfer Agency processes and related activities as well as the responsibilities of Transfer Agencies with respect to the Retail Distribution Review, ISA regulations, FCA sourcebooks and the Senior Managers and Certification Regime (SM&CR).

It is designed to be suitable for Transfer Agency professionals and colleagues in associated areas such as Operations, Compliance and Audit as well as Fund managers exercising responsibility for the oversight of outsourcing services and providers.

Assessment Structure

The unit will be assessed by a 2-hour examination of 100 multiple choice questions drawn from across the syllabus.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% additional questions as trial questions that are not separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

The examination will require candidates to consider the full range of solutions and products as well as the instruments on which the solutions are based.

The unit is tested at level 3 on the Regulated Qualifications Framework.

Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate**, or **be able to apply**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** requires the candidate to recall information such as facts, rules and principles

- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle

- **be able to calculate** requires the candidate to be able to use formulae to perform calculations

- **be able to apply** requires the candidate to use their knowledge in a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle.

Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (cisi.org/candidateupdate) on a regular basis for updates that could affect their examination as a result of industry changes.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element and / or case study should not change by more than two.

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TOTAL		**100 Questions**

Summary Syllabus

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1.2 Depositary/Trustee

1.3 Custody

1.4 Fund Accounting

1.5 Offshoring

1.6 Outsourcing

Element 2 The Regulatory Framework

2.1 International Standards and Regulations

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2.3 Investor communications

Element 3 Products

3.1 Collective investments

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3.3 Open Ended Investment Companies (OEICs)

3.4 Investment Trusts

3.5 Wrappers

Element 4 Managing the risk of financial crime

4.1 Financial crime

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4.4 Practical Implications for Transfer Agencies

Element 5 Managing TA Operations

5.1 Anti-Money Laundering (AML) & Know your Customer (KYC)

5.2 The UK CASS Regime

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5.5 Corporate actions

5.6 Order Management

5.7 Transfer of Title

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5.11 Income and Distributions

5.12 Reporting

Element 6 Distribution, Front and Ongoing Charges

6.1 Platforms

6.2 Agency commission and charging structures

Element 7 Customer and Investor Relations

7.1 Onboarding

7.2 Customer Service

7.3 Complaints

Element 8 Compliance and Oversight

8.1 Oversight – Three Lines of Defence

8.2 Compliance

Element 1 The Transfer Agency (TA) Framework

1.1 Transfer Agencies

On completion, the candidate should:

1.1.1 know transfer agency business models

1.1.2 know how transfer agencies are structured

1.1.3 know the high-level responsibilities of the transfer agent

1.1.4 know the roles and interactions that form the entire TA process

1.1.5 understand the interaction between the transfer agent and the other various players and their respective roles in the TA process

1.2 Depositary/Trustee

On completion, the candidate should:

1.2.1 know activities undertaken by depositaries

1.2.2 know activities undertaken by trustees

1.2.3 know how depositories and trustees interact with transfer agents

1.3 Custody

On completion, the candidate should:

1.3.1 know the requirements for the establishment, maintenance and contents of a register or sub-register

1.3.2 know:

- who can be registered as a holder of an investment
- the status of the register as proof of ownership
- the requirements for the collection of beneficial holder details

1.3.3 know the process for rectification of registration errors

1.3.4 know the registration treatment of third-party interests

1.3.5 understand the different types of custody model and how they are used:

- pooled
- segregated
- multiple nominees
- investor's own name

1.3.6 know the methods by which internal/external transfers take place

1.3.7 understand the chain of custody

1.3.8 know regulation and best practice in relation to processing new business, transfers and account closure:

- permitted transfer of assets – cash and non-cash
- different types of customer specific regulations in accordance with current relevant legislation
- Transition management
- new products
- rules for closing business
- roles of the custodian, investment manager and consultants
- residual income

1.4 Fund Accounting

On completion, the candidate should:

1.4.1 know how unit trust units and OEIC shares:

- are priced
- the publication and notification requirements
- the impact of pricing errors on client investments

1.4.2 know how shares and units are bought and sold

1.4.3 know the control processes that may apply in relation to investment pricing:

- listed assets

- private assets

1.4.4 know how collectives are settled

1.4.5 understand the use of reconciliations and resulting accounting and reporting processes

1.4.6 know the basis on which collective investment schemes are taxed

1.5 Offshoring

On completion, the candidate should:

1.5.1 know how firms manage the oversight of offshore activities

- key risk indicators (KRIs)
- key performance indicators (KPIs)

1.6 Outsourcing

On completion, the candidate should:

1.6.1 know the benefits and risks associated with outsourcing

Element 2 The Regulatory Framework

2.1 International Standards and Regulations

On completion, the candidate should:

2.1.1 know the responsibilities of transfer agencies in complying with European standards and regulations

2.1.2 know the responsibilities of transfer agencies in complying with General Data Protection Regulation (GDPR)

2.1.3 know the responsibilities of transfer agencies in complying with the Foreign Account Tax Compliance Act (FATCA)

2.1.4 know the responsibilities of transfer agencies in complying with Automatic Exchange of Information agreements (AEOI)

2.2 UK Regulation

On completion, the candidate should:

2.2.1 know the responsibilities of Transfer Agencies with respect to:

- Market abuse
- Senior Managers and Certification Regime (SM&CR)
- Consumer Duty

2.3 Investor communications

On completion, the candidate should:

2.3.1 know the FCA requirements in relation to:

- reports and accounts
- unit/shareholders meetings
- proxy voting requirements
- disclosure requirements

2.3.2 know the requirements of the Statement of Recommended Practice (SORP) in relation to the content of the half yearly reports and accounts:

- the statement of total return
- the statement of changes in unit/shareholders' net assets
- the balance sheet
- the portfolio statement
- notes to the accounts
- distribution tables
- comparative table

Element 3 Products

3.1 Collective investments

On completion, the candidate should:

3.1.1 know the difference between open-ended and closed-ended collective funds

3.1.2 know:

- how collective investment schemes are launched
- the alternative constitutional structures of authorised Collective Investment Schemes
- the types of funds and how they are classified (UCITS/NURS)
- tax considerations
- investing, lending and borrowing powers

3.1.3 know the comparative features, advantages and disadvantages in contrast to other forms of investment (direct and indirect)

3.1.4 know the permissible share and unit classes issued by schemes

3.1.5 know the purpose and principal features of collective investments:

- scope
- eligible investments
- investment and borrowing limits
- liquidity management
- risk management requirements
- diversification

3.1.6 know the difference between hard and soft closure

3.2 Unit Trusts

On completion, the candidate should:

3.2.1 know the definition and legal structure of a unit trust

3.2.2 know the role of the:

- manager
- trustee

3.3 Open Ended Investment Companies (OEICs)

On completion, the candidate should:

3.3.1 know the definition and legal structure of an OEIC/ICVC/SICAV

3.3.2 know the role of the:

- authorised corporate director
- depositary

3.4 Investment Trusts

On completion, the candidate should:

3.4.1 know the characteristics of an investment trust:

- share classes
- gearing
- real estate investment trusts (REITs)
- pricing
- trading
- investor rights and protections

3.5 Wrappers

On completion, the candidate should:

3.5.1 know the range of wrappers typically available and the advantages they provide

3.5.2 know regulatory limitations and restrictions associated with wrappers

3.5.3 know the ISA rules surrounding:

- subscriptions
- uninvested funds
- transfers
- eligibility
- open market prices
- withdrawals/flexibility
- stock lending
- using an ISA as security for a loan
- additional permitted subscriptions (APS)
- deceased partners inheritances
- child maintenance deduction orders
- income and tax claims
- correcting errors and compensating investors
- HMRC direct recovery of debts
- JISAs

3.5.4 know considerations for transfer agencies in relation to pensions

Element 4 Managing the risk of financial crime

4.1 Financial crime

On completion, the candidate should:

4.1.1 know the stages of the money laundering process:

- placement
- layering
- integration

4.2 Financial crime controls

On completion, the candidate should:

4.2.1 know examples of trigger events

4.2.2 understand the controls a firm should have in place to minimise its risk to fraud, money laundering and terrorist financing including a training programme

4.2.3 know the criteria for an effective suspicious transaction reporting system

4.2.4 know the responsibilities of directors and senior management in relation to anti-money laundering (AML), combating financial crime (CFC) and anti-corruption (AC) initiatives

4.2.5 know the role of the Money Laundering Reporting Officer (or equivalent) in relation to financial crime

4.2.6 understand the implications of using a risk-based approach to identify money laundering

4.2.7 know the rationale behind:

- sanctions screening
- screening individuals

4.3 Cyber Risk Management

On completion, the candidate should:

4.3.1 know the concept of good online practice

4.3.2 know the additional measures financial services firms can take to manage the risk of cybercrime originated or enabled by an employee:

- training
- improving the management of privileges for joiners, movers and leavers
- classifying and segmenting data
- embedding ethical practice in relation to data security
- implementing whistleblowing procedures

4.4 Practical Implications for Transfer Agencies

4.4.1 know the FCA definition of conduct risk and how it is addressed within transfer agencies

4.4.2 understand how service level agreements (SLAs) play an important role in transfer agency business with respect to managing regulatory and other risks

Element 5 Managing TA Operations

5.1 Anti-Money Laundering (AML) & Know your Customer (KYC)

On completion, the candidate should:

5.1.1 know the TA forum's guidance with respect to risk rating investors

5.1.2 know the obligations of transfer agencies in relation to money-laundering directives

5.1.3 know operational best practice and regulatory requirements for:

- investor bank validation checks
- AML due diligence assessment
- ongoing and enhanced monitoring
- third party payees

5.1.4 know operational best practice and regulatory requirements for:

- electronic identification standards for opening online accounts

- electronic verification techniques

5.1.5 know operational best practice and regulatory requirements for bank verification checks

5.1.6 know required due diligence and AML checks for:

- corporate clients
- trusts
- charities
- third party payers

5.1.7 know regulatory requirements relating to:

- sanctions
- politically exposed persons (PEPs)

5.2 The UK CASS Regime

On completion, the candidate should:

5.2.1 know the principles and activities covered within CASS 6, CASS 7, CASS 8 and CASS 9 and their impact upon transfer agencies

5.2.2 know the relevance of the following CASS features:

- CASS mandate definitions and purpose
- cash models
- DVP exemption

5.2.3 know the relevance of the following CASS features:

- prudent segregation and record keeping
- client money reconciliation methods
- client money statements, frequency and content
- intraday cleared funds

5.2.4 know the relevance of the following CASS features:

- CASS oversight and SMF 18/22
- the role of the auditor

- Financial Reporting Council (FRC) audit standards
- preparing for audits
- CASS resolution pack
- policy documentation

5.3 Registration

On completion, the candidate should:

5.3.1 know regulation and best practice in relation to powers of attorney

5.3.2 know the management of deceased investors, including small estates

5.3.3 know the registration process with respect to trusts

5.3.4 understand the entitlement to inspection

5.4 Settlement

On completion, the candidate should:

5.4.1 know the regulatory requirements for settlement

5.4.2 understand the different methods of settling investor transactions

5.4.3 know the causes and implications of late and failed trades

5.4.4 know the use and management of cheques plus other methods of payment and the pros and cons of each

5.4.5 understand the application of FinTech to settlement and payment processes

5.4.6 know the correct treatment of dormant assets

5.4.7 understand the components of the post-settlement phase:

- reconciliation
- inventory management
- margin/collateral monitoring

5.4.8 know key controls associated with the post-settlement phase

5.5 Corporate actions

On completion, the candidate should:

5.5.1 know:

- types of corporate actions and events
- the process required to execute corporate actions
- the role of the various parties involved
- client communications & proxy voting
- the risks and regulatory requirements associated with corporate actions

5.6 Order Management

On completion, the candidate should:

5.6.1 know the methods for direct and intermediary dealing

5.6.2 understand the operational risks associated with:

- direct dealing
- intermediary dealing

5.6.3 know different methods of dealing communication and associated benefits and risks:

- straight through processing (STP)
- telephone dealing
- fax

5.6.4 know the application of switches and in-specie transfers

5.6.5 understand the consequences of dealing errors and their impact upon profit/loss

5.6.6 understand the difference between right and best price

5.6.7 understand the difference between single and dual price dealing

5.7 Transfer of Title

On completion, the candidate should:

5.7.1 understand the processes and information requirements relating to transfers by the holder, in favour of the AFM, and by the operation of law

5.7.2 know the requirements for transfers:

- by the holder
- to the AFM
- to third parties
- by operation of law
- by electronic transfer
- via TISA exchange (TeX)

5.8 Sub-Registers for Savings Plans, ISAs, and Pensions

On completion, the candidate should:

5.8.1 know the requirements governing the sub-registers for savings plans, ISAs, and pension plans

5.8.2 know the rights of holders on sub-registers

5.8.3 know who has responsibility for sub-registers

5.9 Box Management

On completion, the candidate should:

5.9.1 understand the concept of box management

5.9.2 know the differences between sub register dealing and business as usual (BAU) investor dealing

5.10 Cash Management

On completion, the candidate should:

5.10.1 know intraday cash management

5.10.2 know the differences between creation and liquidations vs. subscriptions and redemptions

5.10.3 know what is meant by the term 'cash matching'

5.10.4 understand the significance of electronic receipts vs. cheque receipts with respect to various account types including distribution accounts

5.10.5 understand the procedures for treasury reporting and liquidity management

5.11 Income and Distributions

On completion, the candidate should:

5.11.1 know the sources of income

5.11.2 understand the different treatment of income for income and accumulation shares/units

5.11.3 understand the reinvestment and distribution process including equalisation, rebate processing and bank account structure

5.11.4 be able to apply the timetable for distribution of income

5.11.5 be able to calculate the available income

5.11.6 know the requirements for calculation of the effective yield

5.11.7 know the difference between dividend, interest and property income distributions and the relevant criteria

5.11.8 know the customary payment processes and their associated requirements for the following:

- tax vouchers
- BACS/faster payments
- distribution warrants

5.11.9 know the treatment of unclaimed distributions

5.12 Reporting

On completion, the candidate should:

5.12.1 understand specific transfer agency reporting requirements:

- statistical
- AML
- regulatory
- shareholders and unitholders
- HMRC

5.12.2 understand the requirements for incident and breach reporting

Element 6 Distribution, Front and Ongoing Charges

6.1 Platforms

On completion, the candidate should:

6.1.1 know the range of investment types that can be offered by platforms

6.2 Agency commission and charging structures

On completion, the candidate should:

6.2.1 know commonly used charging structures

6.2.2 know regulation and best practice in relation to the standardisation of commission

6.2.3 know regulation and best practice in relation to annual management charge rebates

Element 7 Customer and Investor Relations

7.1 Onboarding

On completion, the candidate should:

7.1.1 know the required content of customer agreements

7.1.2 know general considerations for setting up a new account

7.1.3 know the taxable status of different entities

7.2 Customer Service

On completion, the candidate should:

7.2.1 know relevant regulation and best practice in relation to information and advice giving

7.2.2 know methods for identifying vulnerable customers

7.2.3 know legal considerations relating to vulnerable customers

7.3 Complaints

On completion, the candidate should:

7.3.1 know the principal requirements for a complaints handling procedure

7.3.2 know the regulatory procedures for handling customer complaints

7.3.3 understand summary resolution communication (SRC)

Element 8 Compliance and Oversight

8.1 Oversight – Three Lines of Defence

On completion, the candidate should:

8.1.1 understand the principles of the three lines of defence model

8.1.2 understand the root causes of operational risk events in simple, practical examples:

- incorrect data
- delayed processing and documentary omissions
- regulatory non-compliance
- project mismanagement
- fraud and theft
- unforeseen litigation
- information technology failures

8.2 Compliance

On completion, the candidate should:

8.2.1 understand the responsibilities and accountabilities of management and staff for compliance with regulations

8.2.2 understand how to monitor an individual's compliance with regulations and internal policies and procedures

8.2.3 know the purpose of a compliance monitoring programme:

- risk-based
- reporting
- planned