

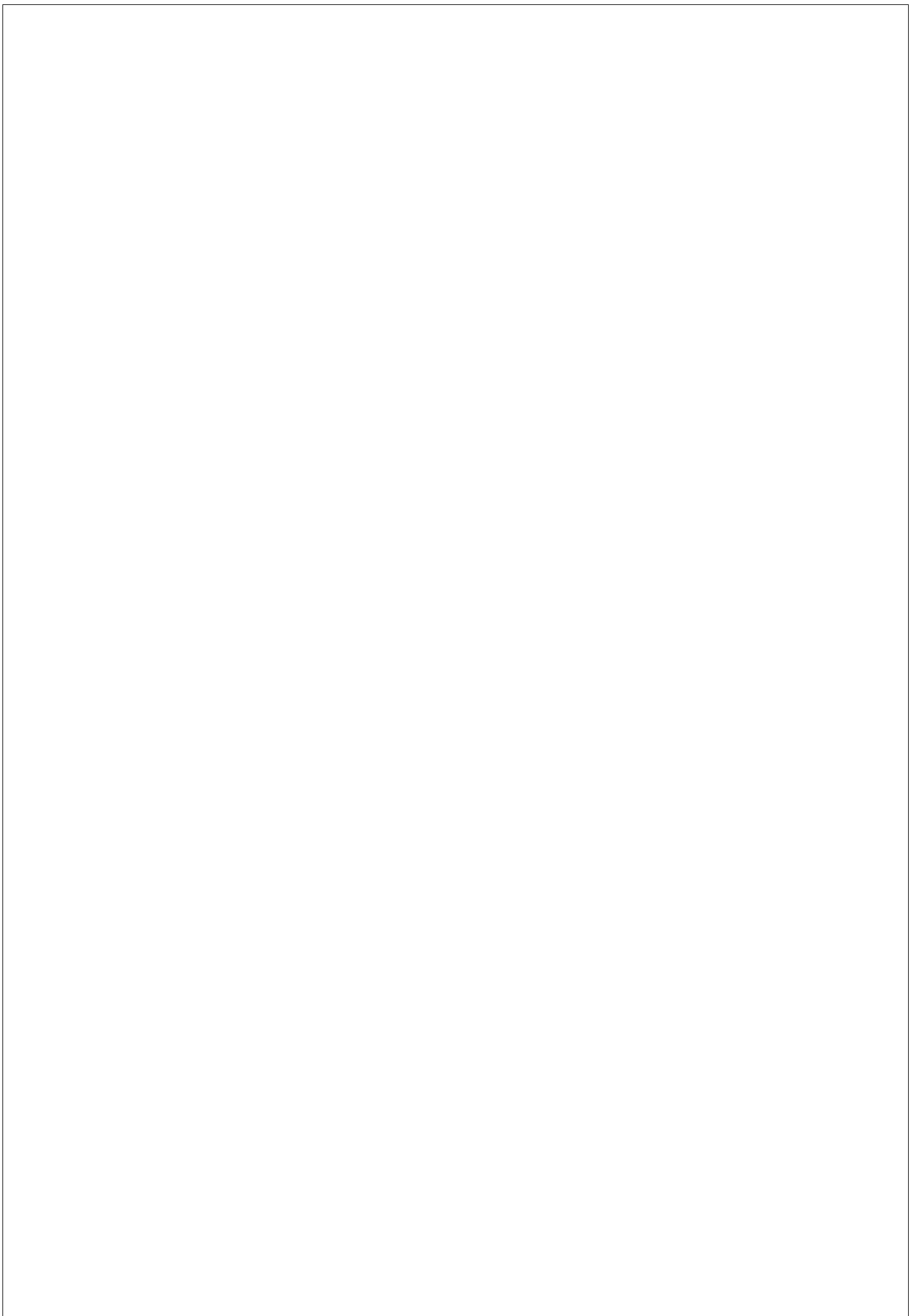


CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

UK Regulation and Professional Integrity

Effective from 12 March 2022

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Objective of the examination

The objective of the examination is to ensure that candidates can apply appropriate knowledge and understanding of UK Financial Markets, Regulation and Ethics to financial planning, advice and management for retail customers.

The examination will test candidates' understanding and practical application of the following elements:

- The UK Financial Services Sector and its relationship with UK Consumers
- Professional Ethics and Integrity
- UK Regulatory Infrastructure
- The FCA's and the PRA's Supervisory Objectives, Principles and Processes
- Authorisation of Firms and Individuals
- The Regulatory Framework relating to Financial Crime
- Complaints and Compensation
- The Regulatory Framework relating to the provision of Financial Services, Fair Treatment of Customers and protection of Client Assets

Syllabus Structure

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

Each learning objective may begin with one of the following prefixes: **understand, apply, apply knowledge of, and apply an understanding of**. These indicate the different levels of skill to be tested. Learning objectives prefixed:

- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **apply** require the candidate to demonstrate practical application of one or more issues, facts, rules or principles relating to a described event, situation or task
- **apply knowledge of/ an understanding of** require the candidate to demonstrate practical application of one or more items of knowledge or understanding

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 sector change.

Note: The syllabus has included for guidance, references from the FSMA 2000, the Criminal Justice Act 1993 [CJA] and the FCA Handbook and PRA Rulebook to assist candidates in locating source material. An explanation of the FCA Handbook and PRA Rulebook Reference Codes and other abbreviations follows:

CASS	Client Assets
CJA	Criminal Justice Act 1993
COBS	Conduct of Business Sourcebook
COCON	Code of Conduct
COLL	Collective Investment Schemes
COMP	Compensation
COND	Threshold Conditions
DEPP	Decision Procedure and Penalties Manual

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DISP	Dispute resolution: Complaints
DTR	Disclosure Rules & Transparency Rules
EG	Enforcement Guide
UK MAR	UK Market Abuse Regulation
FCA	Financial Conduct Authority
FINMAR	Financial Stability and Market Confidence
FIT	Fit and Proper Test for Approved Persons
FRC	Financial Reporting Council
FSMA	Financial Services and Markets Act
FUND	Investment Funds
GEN	General provisions
IPRU (INV)	Interim Prudential sourcebook: Investment Businesses
JMLSG	Joint Money Laundering Steering Group
MAR	Market Conduct
PERG	Perimeter Guidance Manual
POCA	Proceeds of Crime Act
PR	Prospectus Rules
PRA	Prudential Regulation Authority
PRIN	Principles for Businesses
SUP	Supervision
SYSC	Senior Management Arrangements, Systems and Controls
T&C	Training and Competence
UCITS	Undertakings for Collective Investments in Transferable Securities
UNFCOG	The Unfair Contract Terms Regulatory Guide

Please note all Handbook references in the syllabus refer to the FCA Handbook unless otherwise stated.

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.

Examination specification		
80 multiple choice questions		
Element number	Element	Questions
1	The UK Financial Services	2
2	UK Financial Services and Consumer Relationships	4
3	UK contract and trust legislation	2
4	Integrity and Ethics in Professional Practice	8
5	The Regulatory Infrastructure of UK Financial Services	6
6	FCA's and PRA's Supervisory Objectives, Principles and Processes	7
7	FCA and PRA Authorisation of Firms and Individuals	12
8	The Regulatory Framework relating to Financial Crime	18
9	Complaints and Compensation	3
10	FCA Conduct of Business - Fair Treatment of Customers, the Provision of Advice and Services, and Client Asset Protection	18
Total		80

Assessment Structure

A 2-hour examination of 80 multiple choice questions.

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

Summary Syllabus

Element 1 The UK Financial Services Sector

- 1.1 *understand* the factors that influence the UK financial services sector

Element 2 UK Financial Services and Consumer Relationships

- 2.1 *understand* the main financial risks, needs and priorities of UK consumers
- 2.2 UK Consumers
- 2.3 Professional Conduct and Ethical Practice

Element 3 UK contract and trust legislation

- 3.1 *understand* specific legal concepts relevant to financial advice:
- 3.2 Main Types of Trust
- 3.3 Creation of Trusts

Element 4 Integrity and Ethics in Professional Practice

- 4.1 Professional Ethics
- 4.2 Codes of Ethics and Codes of Conduct
- 4.3 *understand* key principles of professional integrity:
- 4.4 *apply* behaviours that reflect professional integrity:
- 4.5 Professional Integrity and Ethics

Element 5 The Regulatory Infrastructure of UK Financial Services

- 5.1 *understand* the wider structure of UK financial regulation including the responsibilities of the main regulators and bodies and the relationship between them:
- 5.2 FCA and PRA Regulatory Principles, Statutory Objectives, Structure, Powers and Activities
- 5.3 *understand* the scope of authorisation and regulation of the FCA and the PRA:
- 5.4 Support for Regulatory Framework
- 5.5 International Regulations

Element 6 FCA's and PRA's Supervisory Objectives, Principles and Processes

- 6.1 Approach to Regulation
- 6.2 Sources of Information
- 6.3 *understand* the FCA's main disciplinary and enforcement powers, and how they are used:
- 6.4 Provisions and Guidance
- 6.5 Prudential Standards
- 6.6 Promotion of Fair and Ethical Outcomes

6.7 Remuneration Code

6.8 Corporate Governance and Business Risk Management

Element 7 FCA and PRA Authorisation of Firms and Individuals

7.1 *understand* the purpose and application of the FCA's and PRA's High-Level Standards:

7.2 *apply* the main concepts, principles and rules relating to Regulated and Prohibited Activities:

7.3 *apply* the main concepts, principles and rules relating to FCA and PRA Authorisation:

7.4 Record-Keeping and Notifications

7.5 *understand* the FCA's and PRA's main regulatory processes and provisions relating to the approval of Individuals:

7.6 *apply* the concepts, principles and rules relating to Training & Competence including appropriate professionalism:

7.7 Ethical Principles and Professional Conduct

7.8 Corporate Governance and Business Risk Management

Element 8 The Regulatory Framework relating to Financial Crime

8.1 The FCA's Approach to Financial Crime Prevention

8.2 *apply* the main concepts, legal requirements and regulations relating to the prevention of Market Abuse:

8.3 *apply* the main concepts, legal requirements and regulations relating to the prevention of Insider Dealing:

8.4 *apply* the main concepts, legal requirements and regulations relating to market manipulation:

8.5 *apply* the main concepts, legal requirements and regulations relating to disclosure and transparency rules:

8.6 *apply* the main concepts, legal requirements and regulations relating to the prevention of Money Laundering:

8.7 *apply* the main concepts, legal requirements and regulations relating to the prevention of terrorism financing:

8.8 *apply* the main concepts, legal requirements and guidance relating to the prevention of bribery and corruption

8.9 *understand* the main concepts, legal requirements and regulations relating to Data Protection:

8.10 Whistleblowing

Element 9 Complaints and Compensation

- 9.1 Complaints and Dispute Resolution
- 9.2 Eligible Complainant
- 9.3 Procedures
- 9.4 Financial Services Compensation Scheme
- 9.5 Ethical Standards and Professional Integrity

Element 10 FCA Conduct of Business - Fair Treatment of Customers, the Provision of Advice and Services, and Client Asset Protection

- 10.1 FCA Conduct of Business Sourcebook
- 10.2 Electronic Media
- 10.3 Rules applying to all firms relating to inducements
- 10.4 Communicating with clients, including the requirements of the Financial Promotion Rules
- 10.5 Client Categorisation
- 10.6 Fair Treatment of Customers
- 10.7 Accepting Customers
- 10.8 Investment Advice and Product Disclosure
- 10.9 Product Governance
- 10.10 Client Assets Protection
- 10.11 Client Interaction

Element 1 The UK Financial Services Sector

On completion, the candidate will be able to:

1.1 *understand* the factors that influence the UK financial services sector

1.1.1 the role of the government in the economy:

- Policy
- Regulation
- Taxation & social welfare

1.1.2 the role of financial investment in the economy:

- Primary Markets
- Secondary Markets
- Balance of Payments
- Exchange Rates

1.1.3 the role and structure of the global financial services sector and its key participants:

- UK
- Europe
- North America
- Asia

1.1.4 the role of government and central banks in financial markets:

- Interest rate setting process
- Money market operations and quantitative easing
- Fiscal policy
- Other interventions

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- 1.1.5 the main stages of economic, financial and stock market cycles, including:
- National income
 - Global influences
 - Long-term growth trends
- 1.1.6 the impact of global trends:
- Globalisation of business, finance and markets
 - Advances in technology
 - Regulatory challenges

Element 2 UK Financial Services and Consumer Relationships

On completion, the candidate will be able to:

2.1 *understand* the main financial risks, needs and priorities of UK consumers

- 2.1.1 Balancing, budgeting and managing finances; debt acquisition and accumulation
- 2.1.2 Lifestyle changes and their impact on finances. Funding and safeguarding major investments, including:
- Housing
 - Incapacity
 - Unemployment and unplanned difficulty in earning income
 - Income provision during retirement and old age
 - Taxation
- 2.1.3 Provision for dependants before and after death

2.2 UK Consumers

2.2.1 *understand* how the main financial risks, needs and priorities of UK consumers are typically met:

- Financial planning and financial advice
- State benefits
- Credit finance and management
- Mortgages
- Insurance and financial protection
- Retirement and pension funding
- Estate and tax planning
- Savings and investment

2.3 Professional Conduct and Ethical Practice

2.3.1 *understand* how professional conduct and ethical practice can directly affect the experience and perception of consumers

Element 3 UK contract and trust legislation

On completion, the candidate will be able to:

3.1 *understand* specific legal concepts relevant to financial advice:

- 3.1.1 Contract, agency and capacity: legal persons – individuals, personal representatives, trustees, companies, limited liability partnerships
- 3.1.2 Powers of attorney and managing the grantor's affairs: wills, intestacy and administration of estates
- 3.1.3 Real property, personal property and joint ownership
- 3.1.4 Insolvency, receivership and bankruptcy

3.2 Main Types of Trust

3.2.1 *understand* in outline the main types of trust and their purpose

3.3 Creation of Trusts

- 3.3.1 *apply knowledge of* the creation and administration of trusts for life policies and investments

Element 4 Integrity and Ethics in Professional Practice

On completion, the candidate will be able to:

4.1 Professional Ethics

- 4.1.1 *understand* core ethical theories, principles and values
- 4.1.2 *understand* the differences between ethical values, qualities and behaviours in professional practice contrasted with unethical or unprofessional practice
- 4.1.3 *understand* the impact of the following when applying an ethical approach/acting with integrity within an organisational or team environment:
- Self-interest
 - The role of the agent
 - The role of the stakeholders
 - The role of the group or team
- 4.1.4 *understand* the evidence relating to the positive effects of ethical approaches on corporate profitability and sustainability when contrasted with the results of unethical or less ethical practices which lack integrity.
- 4.1.5 *apply* processes to:
- Create ethical awareness
 - Assess ethical dilemmas
 - Implement ethical decisions

4.2 Codes of Ethics and Codes of Conduct

- 4.2.1 *understand* the relationship between ethical principles, the development of regulatory standards and professional Codes of Conduct
- 4.2.2 *understand* how decisions and outcomes for the sector, firms, advisers and consumers may be limited by reliance on rule-based compliance, and how ethical behaviours and decision-making can enhance these outcomes
- 4.2.3 *apply* the Chartered Institute for Securities & Investment's Code of Ethics to professional practice

4.3 *understand* key principles of professional integrity:

- 4.3.1 Clear, Impartial, Straightforward and Informed
- 4.3.2 Relationship between personal, corporate and societal values
- 4.3.3 Commitment to professional ideals and principles extending beyond professional norms

4.4 *apply* behaviours that reflect professional integrity:

- 4.4.1 Commitment and capacity to work to accepted professional values
- 4.4.2 Ability to relate professional values to personally held values
- 4.4.3 Ability to give a coherent account of beliefs and actions
- 4.4.4 Strength of purpose and ability to act on the values

4.5 Professional Integrity and Ethics

- 4.5.1 *understand* the meaning of professional integrity and ethics within financial services and how this is typically demonstrated in the:
 - Operation of financial markets and institutions
 - Personal conduct of individuals
 - Duties of fiduciaries and agents in financial relationships

Element 5 The Regulatory Infrastructure of UK Financial Services

On completion, the candidate will be able to:

5.1 *understand* the wider structure of UK financial regulation including the responsibilities of the main regulators and bodies and the relationship between them:

5.1.1 Financial Services Regulators: The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA)

5.1.2 Other regulators and relevant bodies:

- Her Majesty's Revenue & Customs (HMRC)
- The Financial Ombudsman Scheme (FOS)
- The Financial Services Compensation Scheme (FSCS)
- The Financial Policy Committee (FPC)
- The Upper Tribunal (Tax and Chancery)
- The Bank of England (BoE)
- Her Majesty's Treasury (HMT)
- The Competition and Markets Authority (CMA)
- The Information Commissioner's Office (ICO)
- The Pensions Regulator (TPR)

5.2 FCA and PRA Regulatory Principles, Statutory Objectives, Structure, Powers and Activities

5.2.1 *understand* the strategic and operational objectives, structure, powers and activities of the FCA

5.2.2 *understand* the strategic and operational objectives, structure, powers and activities of the PRA

5.2.3 *understand* the FCA's Principles for Businesses and the PRA's Fundamental Rules

5.2.4 *understand* the FCA's competition responsibilities

5.3 *understand* the scope of authorisation and regulation of the FCA and the PRA:

5.3.1 Regulation of UK Financial Markets, Exchanges and Trading Venues

Recognition of Overseas Exchanges, Investment Exchanges and Clearing Houses

UK Listing of Financial Instruments

Authorisation of Firms, and Collective Investment Schemes

5.3.2 Principles, rules, guidance and rule-making powers

Supervision, investigations and enforcement

5.3.3 National Strategy for Financial Capability and Consumer Support

5.4 **Support for Regulatory Framework**

5.4.1 *understand* the key internal and external mechanisms within firms that support the regulatory framework:

5.5 **International Regulations**

5.5.1 *understand* how international directives and regulations impact on the UK Financial Services sector

Element 6 **FCA's and PRA's Supervisory Objectives, Principles and Processes**

On completion, the candidate will be able to:

6.1 **Approach to Regulation**

6.1.1 *understand* the merits and limitations of the FCA's conduct risk, principles-based approaches to regulation and outcomes

6.1.2 *understand* the PRA's approach to regulation

6.2 **Sources of Information**

6.2.1 *understand* the sources of information on the FCA's and the PRA's supervisory approach, including the annual report, annual business plan, Dear CEO letters, thematic reviews, policy

statements, supervisory statements, published speeches and FCA webpages

6.3 *understand* the FCA's main disciplinary and enforcement powers, and how they are used:

- 6.3.1 Decision Procedure and Penalties Manual (DEPP)
- 6.3.2 Perimeter Guidance Manual: Authorisation & Regulated Activities (PERG 2)
- 6.3.3 Unauthorised investment business; enforceability of agreements, penalties and defences
- 6.3.4 Powers to require information and carry out investigations [FSMA 2000 s.165 and s.166 (as amended)]
- 6.3.5 Powers of intervention (products and financial promotions)

6.4 Provisions and Guidance

- 6.4.1 *understand* the types of provisions used by the FCA/PRA in its Handbook and the status of the approved industry guidance

6.5 Prudential Standards

- 6.5.1 *understand* the purpose and application of Prudential Standards

6.6 Promotion of Fair and Ethical Outcomes

- 6.6.1 *understand* how the FCA's use of outcomes-based regulation, including high-level principles (PRIN), corporate governance, Senior Managers & Certification Regime (SM&CR) and Treating Customers Fairly requirements, is intended to promote fair and ethical outcomes and why this may not always be achieved
- 6.6.2 *understand* the appropriate approach to both insistent and vulnerable clients

6.7 Remuneration Code

- 6.7.1 *know* the principles of remuneration restrictions

6.8 Corporate Governance and Business Risk Management

- 6.8.1 *understand* how the FCA's and PRA's approaches to supervision support corporate governance and business risk management

Element 7 FCA and PRA Authorisation of Firms and Individuals

On completion, the candidate will be able to:

Authorisation of Firms

7.1 *understand* the purpose and application of the FCA's and PRA's High-Level Standards:

- 7.1.1 Principles for Businesses (PRIN)
- 7.1.2 Systems and Controls (SYSC)
- 7.1.3 Threshold Conditions (COND)
- 7.1.4 Senior Managers & Certification Regime (SM&CR) and the Fit and Proper Test (FIT)

7.2 *apply* the main concepts, principles and rules relating to Regulated and Prohibited Activities:

- 7.2.1 Regulated and prohibited activities (Part II/III of FSMA 2000, Regulated Activities Order 2001)
- 7.2.2 Investments specified in Part III of the Regulated Activities Order

7.3 *apply* the main concepts, principles and rules relating to FCA and PRA Authorisation:

- 7.3.1 Related guidance in the Perimeter Guidance Manual (PERG)
- 7.3.2 Authorised Persons, Exempt Persons (PERG 2) and exclusions [FSMA Exemption Order 2001, SI 2001/1201]
- 7.3.3 Purpose, provisions, offences and scope of Permission Notices (SUP)
- 7.3.4 The requirement to act honestly, fairly and professionally [COBS 2.1]
- 7.3.5 Authorisation: conditions and procedures for firms (COND), and process and criteria for obtaining approval of Controllers including

7.4 Record-Keeping and Notifications

- 7.4.1 *apply* the principles and rules relating to record-keeping and notification for regulatory purposes [SYSC 9.1 (FCA/FRA), PRIN 2.1.1 (11) (FCA/PRA), SUP (FCA/PRA), DISP 1.9]

Approval of individuals

7.5 *understand* the FCA's and PRA's main regulatory processes and provisions relating to the approval of Individuals:

- 7.5.1 Senior Managers & Certification Regime (SM&CR)
- 7.5.2 The Directory, the public register for key individuals working in financial services

Training and Competence

7.6 *apply* the concepts, principles and rules relating to Training & Competence including appropriate professionalism:

- 7.6.1 Systems and controls responsibilities in relation to the competence of employees [SYSC 5.1.1 (FCA/PRA)]
- 7.6.2 The activities and functions to which the T&C regime applies
- 7.6.3 Measures to demonstrate competence – including those prior to assessment, at assessment, FCA or PRA approval and ongoing through Continuing Professional Development and a need for a Statement of Professional Standing where appropriate

7.7 Ethical Principles and Professional Conduct

- 7.7.1 *understand* how the FCA's and PRA's approach to the authorisation of firms and individuals subject to the Senior Managers Regime (SMR) uphold ethical principles and high standards of professional conduct

7.8 Corporate Governance and Business Risk Management

- 7.8.1 *understand* how the FCA's and PRA's approach to the authorisation of firms and individuals subject to the Senior Managers Regime (SMR) support good corporate governance

Element 8 The Regulatory Framework relating to Financial Crime

On completion, the candidate will be able to:

8.1 The FCA's Approach to Financial Crime Prevention

8.1.1 *understand* how the FCA's approach to financial crime prevention upholds ethical principles and high standards of professional practice as reflected in the Financial Crime Guide

8.1.2 *understand* how the FCA's approach to financial crime prevention supports good corporate governance and risk management

Market Abuse

8.2 *apply* the main concepts, legal requirements and regulations relating to the prevention of Market Abuse:

8.2.1 The scope and application of the UK Market Abuse Regulation [The Market Abuse (Amendment) (EU Exit) Regulations 2019]

8.2.2 The distinction between offences under market abuse, insider dealing [CJA] and under FSA 2012 s.89-95 misleading statements and impressions

8.2.3 The enforcement regime for market abuse [UK MAR 1.1.3 & DEPP6] and a firm's duty to report suspicious transactions and orders "STOR" [SUP 15.10.2]

8.2.4 Ethical considerations and consequences of Market Abuse in relation to all market participants, clients and the integrity of the financial system

8.2.5 The statutory exceptions (safe harbours) to Market abuse [MAR 1.10.1-4 & UK MAR Articles 3-6]

8.2.6 The requirements and obligations of market soundings [UK MAR Article 11] and investment recommendations [UK MAR Article 20]

8.2.7 The requirements and interpretation for the prevention and detection of market abuse [UK MAR Article 16]

Insider Dealing

8.3 *apply* the main concepts, legal requirements and regulations relating to the prevention of Insider Dealing:

8.3.1 Definition of inside information [UK MAR Article 7 & 17], insider dealing [UK MAR Article 8], unlawful disclosure of inside

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information [UK MAR Article 10] and insider lists [UK MAR Article 18]

- 8.3.2 Offences described in UK legislation and the instruments covered by the Criminal Justice Act 1993 [CJA s. 52 + Schedule 2]
- 8.3.3 General defences relating to insider dealing [CJA s.53]
- 8.3.4 Special defences: market makers acting in good faith, market information and price stabilisation [CJA s. 53 and Schedule 1 paras 1-5], legitimate behaviour [UK MAR Article 9]
- 8.3.5 The FCA's powers to prosecute insider dealing [FSMA s.402 EG 12.7-10]

Market Manipulation

8.4 *apply the main concepts, legal requirements and regulations relating to market manipulation:*

- 8.4.1 Definition and interpretation of market manipulation [UK MAR Article 12 & 15], accepted market practices [UK MAR Article 13]

Disclosure and Transparency Rules

8.5 *apply the main concepts, legal requirements and regulations relating to disclosure and transparency rules [DTR 2.1.3, 2.6.1] as they relate to:*

- 8.5.1 Disclosure and control of inside information by issuers
- 8.5.2 Transactions by persons discharging managerial responsibilities and their connected persons
- 8.5.3 share dealing by directors and other persons discharging managerial responsibilities, including closed periods; chairman's approval; no short-term dealing

Money Laundering

8.6 *apply the main concepts, legal requirements and regulations relating to the prevention of Money Laundering:*

- 8.6.1 The terms 'money laundering', 'criminal conduct' and 'criminal property' the application of money laundering to all crimes [Proceeds of Crime Act 2002 s.340] and the power of the

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Secretary of State to determine what is 'relevant criminal conduct'

8.6.2 The three stages of money laundering

8.6.3 The key provisions, objectives and interaction between the following legislation and guidance relating to money laundering:

- Proceeds of Crime Act [POCA] 2002, as amended by the Serious Organised Crime and Police Act [SOCPA] 2005: main offences, tipping off, reporting suspicious transactions, and defences
- Criminal Finances Act 2017, including the corporate offence of the failure to prevent the facilitation of tax evasion
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) as amended
- Obligations on firms for adequate training of individuals on money laundering [MLR 2017 Section 24]

8.6.4 The standards expected by the Joint Money Laundering Steering Group Guidance notes particularly in relation to:

- Risk-based approach
- Requirements for directors and senior managers to be responsible for money laundering controls
- Need for risk assessment
- Need for enhanced due diligence in relation to politically exposed persons [JMLSG 5.5.1 – 5.5.29] (MLR 2017)
- Need for high-level policy statement
- Detailed procedures implementing the firm's risk-based approach [JMLSG 1.20, 1.27, 1.40 – 1.43, 4.17 – 4.18]

8.6.5 The Money Laundering aspects of Know Your Customer (Joint Money Laundering Steering Groups' Guidance for the Financial Sector [Para 5.1.1 - 5.1.14])

8.6.6 Senior Management Arrangements, Systems and Controls Sourcebook [SYSC] role of the Money Laundering Reporting Officer, Nominated Officer and the Compliance Function [SYSC 4.1.1/2, 6.1, 6.3 and the systems and controls that firms are expected to implement]

8.6.7 The importance of ongoing monitoring of business relationships and

being able to recognise a suspicious transaction

- 8.6.8 *understand* the duty to report suspicious activities [Section 330, Part 7 of POCA]

Financing of Terrorism

8.7 *apply* the main concepts, legal requirements and regulations relating to the prevention of terrorism financing:

- 8.7.1 Activities regarded as 'terrorism' in the UK [Terrorism Act 2000 Part 1], the obligations on regulated firms under the Counter-Terrorism Act 2008 [money laundering of terrorist funds] [part 5 section 62 and section 7 part 1-7], the Anti-Terrorism Crime & Security Act 2001 Schedule 2 Part 3 [Disclosure of Information] and sanction lists.
- 8.7.2 Preventative measures in respect of terrorist financing, the essential differences between laundering the proceeds of crime and the financing of terrorist acts [JMLSG Guidance 2020 para 1.28], and the interaction between the rules of the FCA (The Financial Crime Guide), the PRA and the Terrorism Act 2000 and the JMLSG Guidance regarding terrorism [JMLSG Guidance 2020]

Bribery Act 2010

8.8 *apply* the main concepts, legal requirements and guidance relating to the prevention of bribery and corruption

- 8.8.1 The offences of bribery contrary to the Bribery Act 2010
- 8.8.2 The role of 'adequate procedures' in affording a defence to the offence of a commercial organisation failing to prevent bribery
- 8.8.3 Guidance on adequate procedures issued by the Ministry of Justice (sections 7 & 9 Bribery Act 2010)

Data Protection

8.9 *understand* the main concepts, legal requirements and regulations relating to Data Protection:

- 8.9.1 The six principles of the Data Protection Act 2018
- 8.9.2 The role, responsibilities and accountability of data controllers and data processors
- 8.9.3 The rights of individuals in respect of the collection and use of their

personal data

8.9.4 The breach notification and reporting requirements

8.10 Whistleblowing

8.10.1 *understand* the legal and regulatory basis for whistleblowing, including the whistleblower's champion [SYSC 18]

Element 9 Complaints and Compensation

On completion, the candidate will be able to:

9.1 Complaints and Dispute Resolution

9.1.1 *understand* the role of the Financial Ombudsman Service (FOS) [DISP INTRO 1 Introduction], and the awards and directions that can be made by the Ombudsman [DISP 3.7.2/4, 3.7.11]

9.1.2 *understand* the framework under which the FCA can be alerted to Super Complaints and Mass Detriment References [FCA FG13/1 and FG13/2]

9.2 Eligible Complainant

9.2.1 *know* the factors that impact on whether the FOS can deal with complaints [DISP 2.3 – 8]

9.2.2 *apply* the criteria for a complainant to be eligible [DISP 2.7]

9.2.3 *understand* the activities to which Compulsory Jurisdiction applies [DISP 2.3]

9.3 Procedures

9.3.1 *apply* the procedures that a firm must implement and follow to handle customer complaints [DISP 1.1.3, 1.2.1/3, 1.3.4, 1.3.6, 1.3.7, 1.4.1, 1.6.1/2/5, 1.9.1, 1.10.1]

9.4 Financial Services Compensation Scheme

9.4.1 *know* the role of the FSCS [COMP 2.2.2, 3.2.1]

9.4.2 *know* who can claim and what is a protected claim [FCA COMP 4.2.1/2 and 5.2.1]

9.4.3 *apply* the rules of the Financial Services Compensation Scheme in respect of each category of protected claim [COMP 10.2.1/3 (FCA/PRA)]

9.5 Ethical Standards and Professional Integrity

- 9.5.1 *apply* appropriate ethical standards and professional integrity when handling customer complaints

Element 10 FCA Conduct of Business - Fair Treatment of Customers, the Provision of Advice and Services, and Client Asset Protection

On completion, the candidate will be able to:

10.1 FCA Conduct of Business Sourcebook

- 10.1.1 *understand* the main FCA principles, rules and requirements relating to conduct of business:

- Firms subject to the FCA Conduct of Business Sourcebook [COBS 1.1.1-1.1.3, 1 Annex 1, Part 3 section 3 (FCA/PRA)]
- Activities which are subject to the FCA Conduct of Business Sourcebook including Eligible Counterparty Business and transactions between regulated market participants [COBS 1.1.1-1.1.3, Annex 1, Part 1(1) (FCA/PRA) & (4)]
- Impact of location on firms/activities of the application of the FCA Conduct of Business Sourcebook: permanent place of business in the UK [COBS 1.1.1-1.1.3 & Annex 1, Part 2 (FCA/PRA) & Part 3 (1–3) (FCA 1-3/PRA 1-2 only)]

10.2 Electronic Media

- 10.2.1 *apply* the provisions of the FCA Conduct of Business Sourcebook regarding electronic media [Glossary definitions of 'Durable Medium' and 'Website Conditions'] and the recording of voice conversations and electronic communications across all media [SYSC 10A]

10.3 Rules applying to all firms relating to inducements

- 10.3.1 *understand* the rules on inducements relating to MiFID business [COBS 2.3A.5/6/8/9/10]; the provision of independent advice, restricted advice and portfolio management services to retail clients [COBS 2.3A.15]; the provision of independent advice and portfolio management services to retail clients outside the UK or to Professional clients [COBS 2.3A.16], acceptable minor non-monetary benefits [COBS 2.3A.19] and to Non-MiFID business

[COBS 2.3.1/2]

- 10.3.2 *understand* the regulations in respect of the inducements requirements in respect of research, and the prohibition of firms from providing research for free [COBS 2.3B.1]; receiving third party research without it constituting an inducement [COBS 2.3B.3]; the application and process for research payment accounts [COBS 2.3B.4/5/7/8/11/12] and disclosure requirements to clients [COBS 2.3B.20/21]

10.4 Communicating with clients, including the requirements of the Financial Promotion Rules

- 10.4.1 *understand* the purpose and application of the financial promotion rules and the relationship with Principles 6 and 7 [COBS 4.1]
- 10.4.2 *apply* the financial promotion rules and firms' responsibilities for appointed representatives [COBS 3.2.1(4), 4.1]
- 10.4.3 *apply* the types of communication addressed by COBS 4 including the methods of communication
- 10.4.4 *understand* the main exemptions to the financial promotion rules and the existence of the Financial Promotions Order [COBS 4.8]
- 10.4.5 *apply* the rules on approving and communicating financial promotions and compliance with the financial promotion rules [COBS 4.10 + SYSC 4]
- 10.4.6 *apply* the rules relating to the compilation of direct offer and non-real time financial promotions including the relationship with FCA Principles, and the requirements in relation to past, simulated past and future performance [COBS 4.1; 4.6; 4.7.1-4]
- 10.4.7 *understand* the ethical implications of issuing misleading financial promotions

Client Categorisation

10.5 *understand* the main FCA principles, rules and requirements relating to:

- 10.5.1 Client categorisation (eligible counterparties/professional/retail) [COBS 3.1-3.6]
- 10.5.2 Notification to clients of their categorisation [COBS 3.3.1A/B]
- 10.5.3 Requirements for clients electing to be professional clients and

eligible counterparties, together with those wishing higher level of protection [COBS 3.5.3, 3.53B/C/E, 3.5.6; 3.6.4, 3.6.4A/B, 3.6.7, 3.7]

10.5.4 *understand* the reliance on other requirements [COBS 2.4.3/4/6/7]

10.6 Fair Treatment of Customers

10.6.1 *understand* the main FCA principles and requirements relating to the fair treatment of customers:

- FCA's Principles for Businesses [PRIN 1.1.1 & 2.1.1]
- FCA's Six Consumer Outcomes (Corporate Culture; Marketing; Clear Information; Suitability of Advice; Fair Product Expectations; Absence of Post-sale Barriers)
- FCA's fair treatment of vulnerable customers
- Interaction with SYSC and the requirements for senior management to review Management Information [SYSC 4.1.1]
- Importance of the fiduciary relationship and the responsibilities of professional advisers towards clients
- Requirements for Fair Agreements and FCA's ability to enforce Unfair Contract Terms legislation [UNFCOG 1.1, 1.3 & 1.4]
- FCA requirement for a Conflicts Management Policy [SYSC 10.1.10/11/12]; importance of the FCA conduct risk requirements

10.6.2 *understand* the FCA Conduct of Business Rules relating to fair treatment of customers;

- Communication to clients and the additional requirements relating to retail clients in respect of MiFID business [COBS 4.5A.3] and Non-MiFID business [COBS 4.1, 4.5]
- Provision of dealing confirmations & periodic statements to customers in respect of MiFID business [COBS 16A.2.1, 16A.3.1, 16A.4.1] and Non-MiFID business [COBS 16.1-16.3]
- Ability to ensure and demonstrate the fair treatment of customer dealing, taking into account PA Dealing Policy
- Client Order Management Policy
- Concepts of Best & Timely Execution, Churning & Switching for MiFID business [COBS 9A.2.18, 11.2A, 11.3, 11.4] and Non-MiFID

business [COBS 9.3, 11.2, 11.2B, 11.3, 11.4]

10.6.3 *understand* the application and purpose of the principles and rules on Conflict of Interest; the rules on identifying conflicts and types of conflicts; the rules on recording and managing conflicts; and the rule on disclosure of conflicts [PRIN 2.1.1 - Principle 8, SYSC 10.1.1 - 10.1.9]

10.6.4 *know* the rules on managing conflict in connection with investment research and research recommendations [COBS 12.1.2, 12.2.1/3/5/10, 12.3.1- 4] and the rules on Chinese walls [SYSC 10.2]

10.7 Accepting Customers

10.7.1 *understand* the main FCA principles, rules and requirements relating to client take-on processes, agreements and disclosures:

- Timing, Order and Medium in which client disclosures may be made, including requirements on electronic media
- Disclosure of service provision, costs and associated charges and terms of business
- Client agreements for MiFID business [COBS 8A.1.4 – 8A.1.7] and Non-MiFID business [COBS 8.1.1 – 8.1.3]
- Interpreting the different information requirements and responsibilities between managing investments and execution-only services for MiFID business [COBS 6.1ZA.2.1/4/10] and Non-MiFID business [COBS 6.1.6]
- Requirements of disclosure information – compensation scheme, complaints eligibility, status information, permanent place of business, voice recording

10.7.2 *understand* the requirements for an adviser to a retail client to be remunerated only by adviser charges in relation to any personal recommendation or related service

10.8 Investment Advice and Product Disclosure

10.8.1 *understand* the main FCA principles, rules and requirements relating to the provision of investment advice and product disclosure:

- Assessment of client suitability requirements for MiFID business [COBS 9A.2.1/4/5/6/7/8/9/10/11/12/13/15] and Non-MiFID business [COBS 9.1.1 – 9.1.4, 9.2.1-6, 9.3.1]
- The timing of suitability reports for MiFID business [COBS

UK Regulation and Professional Integrity

9A.3.2] and Non-MiFID business [COBS 9.4.1-3]

- Obligations for assessing appropriateness & circumstances not necessary for MiFID business [COBS 10A.2.1/3/4, 10A.4.1] and Non-MiFID business [COBS 10.2, 10.4-10.6]
- Cancellation & withdrawal rights [COBS 15.1.1; 15.2.1; 15.2.3; 15.2.5; 15.3.1; 15.3.2]

10.8.2 *understand* the requirements for a firm making a personal recommendation to be independent or restricted

10.9 Product Governance

10.9.1 *understand* product governance requirements for investments [PROD 3.1.1/2]

10.9.2 *understand* target market assessment for manufacturers [PROD 3.2.8/10/11] and distributors of investment products [PROD 3.3.9/10/11/12]

10.9.3 *understand* stress testing and scenario analysis [PROD 3.2.12/13/14/15]

10.9.4 *understand* information sharing and disclosure [PROD 3.2.16]

10.9.5 *understand* proportionality [PROD 3.2.19/22/24/25]

10.10 Client Assets Protection

10.10.1 *understand* the principles of client money segregation, holding assets in trust and the requirements for senior management systems, controls and oversight over client money and custody assets [CASS 7.10.41 , 7.12.1-3 , 7.13.1-2 , 6.1.22-23 , 6.2.1-2 , 7.17.1-2 , 1A.3.1/1-A/1A/1B/2A]

10.10.2 *understand* the processes for the establishment of client bank and custody accounts: importance of due diligence and statutory trust status of client bank accounts; the mitigation of counterparty and settlement risks and risks arising from overseas investment activity

10.10.3 *understand* the CASS client money and custody rules and the client money reconciliation including the timing, identification, resolution and reporting of discrepancies [CASS 6.2.1-3; 6.6.11/13/16/17/19/22/24/27/28/34/37/44/54; 7.12.1-2; 7.13.2/3/5/12 & 7.15.5/20/22/29/31/32/33]

10.10.4 *apply* the rules relating to the application and exemption from the

requirements of the CASS rules [CASS 1.2.3-4; 6.1.1-6; 6.2.10/13/14/15; 7.10.1-10 & 7.10.12]

- 10.10.5 *understand* the requirement for the CASS auditor to understand the business model of the firm [FRC 11, 55], when a limited assurance Client Assets Report is required [FRC 16, 17] and the need for a firm to have its own risk assessment [FRC 77] - FRC – Client Asset Assurance Standard (Revised November 2019)
- 10.10.6 *understand* the two types of arrangement under which a firm is given rights of use and when the CASS 3 rules apply [CASS 3.1.5, 3.1.7]
- 10.10.7 *understand* the purpose of the requirement to have a CASS Resolution Pack [CASS 10.1.2], the required retrieval period [CASS 10.1.7] and the requirement to keep information up to date [CASS 10.1.11]
- 10.10.8 *understand* the definition of a mandate [CASS 8.2.1], the forms they can take [CASS 8.2.2], the importance of the ability to give instructions to another person [CASS 8.2.4] and the requirement to maintain a list of mandates [CASS 8.3.2A – 8.3.2D]

10.11 Client Interaction

- 10.11.1 *understand* the skills necessary to listen and communicate professionally, and to adapt to individual needs and capabilities within a diverse customer base
- 10.11.2 *understand* the skills necessary to: elicit, confirm and record client information relevant to the investment advisory process; assess and analyse clients' needs and circumstances; reach a shared conclusion and make appropriate recommendations
- 10.11.3 *apply* relevant principles, rules and sound judgement in working within the scope of authorisation, professional competence and job description
- 10.11.4 *apply* relevant principles, rules and sound judgment when monitoring and reviewing clients' plans and circumstances, taking into account relevant changes
- 10.11.5 *apply* an understanding of the potential outcomes of unethical sales practices, improper investment activity, abuse of bankruptcy and other unethical practice in terms of multiple and systemic risks, reputational risk and damage to public confidence
- 10.11.6 *understand* how conduct risk should be taken into account when interacting with clients