

Chartered Banker

Leading financial professionalism

Financial Services, Regulation and Ethics

A. Aim of Subject:

To provide an extensive, detailed and critical knowledge of the financial services industry within the UK, how it operates with the economic and regulatory environments and the professional and ethical behaviours required to work in the industry.

B. Subject Specific Learning Outcomes:

Outcome 1

To demonstrate an extensive, detailed and critical knowledge and understanding of the UK financial services industry, in its European and global context.

Knowledge, Understanding and Skills

- Role and structure of the UK and international markets, key participants
- The impact of the EU on UK regulation
- The role of government – economic and industrial policy, regulation, taxation and social welfare
- The function and operation of financial services within the wider economy

Outcome 2

To demonstrate an extensive, detailed and critical knowledge and understanding of how the retail consumer is served by the financial services industry.

Knowledge, Understanding and Skills

- Obligations towards consumers and their perception of financial services
- Consumers' main financial needs and how they are prioritised:

1. Managing debt
2. Budgeting and borrowing, including house purchase
3. Protection
4. Saving and investing
5. Retirement
6. Estate planning and tax planning

- How these needs are met:

1. Mortgages and loans
2. Life and health insurance
3. Savings and investments
4. State benefits
5. The main types of pension provision

Outcome 3

To demonstrate an extensive, detailed and critical knowledge and understanding of legal concepts and considerations relevant to financial advice

Knowledge, Understanding and Skills

- Legal persons and powers of attorney
- Basic law of contract and agency
- Ownership of property
- Insolvency and bankruptcy
- Wills and intestacy
- Use of trusts:
 1. The main types of trusts and their uses
 2. How to create and administer trusts

Outcome 4

To demonstrate an extensive, detailed and critical knowledge and understanding of the regulation of financial services.

Knowledge, Understanding and Skills

- The role of the FSA, HM Treasury and Bank of England – market regulation
- The role of other regulating bodies such as the Competition Commission, the Office of Fair Trading, the Pensions Regulator, the Information Commissioner
- Financial Services and Market Act (FSMA) 2000, other relevant legislation
- The role of EU regulation and relevant Directives
- Additional oversight – senior management, trustees, auditors, external compliance support services

Outcome 5

To demonstrate an extensive, detailed and critical knowledge and understanding of the FSA's responsibilities and approach to regulation.

Knowledge, Understanding and Skills

Statutory objectives and how FSA is structured to achieve these:

1. Powers and activities
2. Financial stability and prudential regulation
3. Powers to deal with financial crime
4. Financial capability – National Strategy

The FSA handbook - the main principles and rules:

1. The High Level Standards
2. Prudential Standards

Business Standards:

1. Conduct of Business (COBS)
2. Rules for dealing with client assets
3. Market Conduct code
4. Training and Competence
5. Regulatory Processes:

Authorisation, supervision, approved persons, significant influence functions, controlled functions, appointed representatives

- Risk based supervision, discipline and enforcement, sanctions to deal with criminal activities

Outcome 6

To demonstrate an ability to apply the principles and rules as set out in the regulatory framework.

Knowledge, Understanding and Skills

- Regulated activities and authorisation requirements
 1. Approved person and controlled function responsibilities
 2. Record keeping, reporting and notification requirements
 3. Professionalism and the training and competence requirements
 4. Anti-money laundering and proceeds of crime obligations
 5. Data protection including data security
 6. Complaints procedures and responsibilities to customers
 7. The Financial Ombudsman Service (FOS)
 8. The Financial Services Compensation Scheme (FSCS)

Outcome 7

To demonstrate an ability to apply the regulatory advice framework in practice for the consumer.

Knowledge, Understanding and Skills

- Client relationships and adviser responsibilities:
 1. Types of clients
 2. Fiduciary relationship – duty of care, confidentiality, primacy of clients' interests
 3. Clarity of service provision and charges, status disclosure including terms of business and client agreements, execution only
 4. Limitations to own authority or expertise, referrals to and relationships with relevant specialists
 5. Clients' cancellation rights
 6. Regulated advice standards
 7. Monitoring and reviewing client's plans and circumstances and taking account of relevant changes

Outcome 8

To demonstrate an extensive, detailed and critical knowledge and understanding of the range of skills required when advising clients.

Knowledge, Understanding and Skills

- Communicating clearly, assessing and adapting to the differing capabilities of clients
- Gathering information, assessment and analysis of client's needs and circumstances, reaching conclusions and making appropriate recommendations

Outcome 9

To demonstrate an extensive, detailed and critical knowledge and understanding of the FSA's use of principles and outcomes based regulation to promote ethical and fair outcomes.

Knowledge, Understanding and Skills

- The Principles for Businesses and the discretionary obligations these place on firms
- Corporate culture and leadership
- The responsibilities that rest with approved persons and the need for integrity, competence and fair outcomes for clients, including dealing with conflicts of interest

Outcome 10

To demonstrate an ability to apply the Code of Ethics and professional standards to business behaviours of individuals.

Knowledge, Understanding and Skills

- The over-arching Code of Ethics
- The professional principles and values on which the Code is based
- Identifying ethical dilemmas
- The steps involved in managing ethical dilemmas

Outcome 11

To demonstrate an ability to critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours.

Knowledge, Understanding and Skills

- Typical behavioural indicators – positive and negative
- The outcomes which may result from behaving ethically – for the industry, the firm, individual advisers and consumers
- The outcomes which may result from limiting behaviour to compliance with the rules – for the industry, firm, individual advisers and consumers

The Chartered Institute of Bankers in Scotland, Drumsheugh House, 38b Drumsheugh Gardens, Edinburgh, EH3 7SW
Telephone: 0131 473 7777 Email: info@charteredbanker.com Web: www.charteredbanker.com
Charitable Body: The Chartered Institute of Bankers in Scotland (CIOBS) – Reg No.: SC013927