

Higher National Unit Specification

General information for centres

Unit title: Financial Services Market: The Personal Investor

Unit code: DX2N 34

Unit purpose: This Unit is designed to introduce candidates to the structure of the UK Financial Services Market and to give an understanding of the personal investment schemes available to investors. It has been designed to prepare candidates who wish to apply for positions of employment or are already in employment in the financial services sector, specifically in insurance companies, stockbroking and investment firms and providers of investment operation support. Candidates who complete this Unit and the Unit Financial Regulations and Market Trading Mechanisms (DX2P 34) will have covered the learning outcomes of the Securities and Investment Institute qualification: Introduction to Securities and Investment and will be eligible to apply for exemption from this qualification provided that the integrated Assessment conditions detailed in the Evidence Requirements have been met.

On completion of the Unit the candidate should be able to:

- 1 Describe the role and structure of Financial Services in the UK economy.
- 2 Evaluate the features of the key personal financial products available in the UK.
- 3 Evaluate the features of Investment Wrappers.
- 4 Describe the impact of taxation on personal investment.

Credit points and level: 1 HN Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7*).

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre, however, it is preferred that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of Core Skill Communication at Intermediate 2 level, or by possession of Standard Grade English, or a suitable NC module, and Core Skill Using Numbers at Intermediate 2 level by possession of a relevant Unit or Module.

Core Skills: There are opportunities to develop the Core Skills of Problem Solving and Numeracy in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

General information for centres (cont)

Context for delivery: If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

Assessment: In order to achieve the **Advanced Certificate** in Securities and Investment (G87K 17) this Unit must be assessed using the integrative assessments covering both Units contained in the Group Award — the multiple choice exam provided by the SQA and a report. Candidates who successfully complete the Group Award will be eligible to apply for exemption from the Securities and Investment Institute qualification: Introduction to Securities and Investment.

For candidates wishing to achieve the **Unit only** (not as part of the Group Award), the Unit should be assessed through an end of Unit assessment containing extended response questions covering a sample of the knowledge and skills detailed in the Unit.

Higher National Unit specification: statement of standards

Unit title: Financial Services Market: The Personal Investor

Unit code: DX2N 34

The sections of the Unit stating the Outcomes, knowledge and/or skills, and evidence requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Describe the role and structure of Financial Services in the UK economy

Knowledge and/or skills

- ◆ The UK economy
- ◆ Foreign Exchange
- ◆ The Bank of England
- ◆ The UK Financial Institutions
- ◆ The London Stock Exchange
- ◆ The financial markets in the UK
- ◆ Overseas stock exchanges and financial indices

Outcome 2

Evaluate the features of the key personal financial products available in the UK

Knowledge and/or skills

- ◆ Personal deposits
- ◆ Personal lending products
- ◆ Personal mortgage products
- ◆ Personal Investment terminology
- ◆ Life assurance
- ◆ Pension products
- ◆ National Savings and Investment products

Outcome 3

Evaluate the features of Investment Wrappers

Knowledge and/or skills

- ◆ Personal Equity Plans (PEPs)
- ◆ Individual Savings Accounts (ISAs)
- ◆ Child Trust funds

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Market: The Personal Investor

Outcome 4

Describe the impact of taxation on personal investment

Knowledge and/or skills

- ◆ Income Tax
- ◆ Capital Gains Tax (CGT)
- ◆ Inheritance Tax
- ◆ Stamp Duty
- ◆ Taxation calculations to support decision making

Evidence Requirements for the Unit

For Candidates undertaking the Advanced Certificate

In order to achieve the Group Award candidates must undertake one multiple choice paper (provided by SQA bi-annually) and a report.

The examination will consist of 50 questions (covering both Units) and must be carried out under controlled, closed book conditions within a maximum one-hour period. In order to achieve this assessment, candidates must obtain a minimum mark of 70%. Candidates who do not achieve on first attempt must undertake a completely new examination provided by SQA.

Within the examination, candidates will be required to:

- ◆ correctly identify and use personal investment terminology
- ◆ correctly identify the features of personal investment products
- ◆ identify relevant personal investment products in a given scenario
- ◆ perform calculations to support investment decision making
- ◆ correctly identify the features of financial services regulation
- ◆ correctly identify the features of the key UK personal investment trading markets
- ◆ correctly identify and use financial investment and regulatory terminology
- ◆ correctly identify the features of corporate investment products and market trading mechanisms
- ◆ identify investor protection applicable in a given scenario

The report should be a minimum of 2,000 words, carried out under open book conditions and chosen from **one** of the topics listed below. In order to achieve the assessment, candidates should provide an accurate description and explanation of each of the knowledge and/or skills items covered in the associated Unit outcome and an understanding of related issues and implications for the UK market. Reference should be made to the relevant regulatory regime that applies.

Candidates who do not meet the required standard must complete a report for a completely new topic area.

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Market: The Personal Investor

Report topics:

- ◆ the role and structure of Financial Services in the UK economy
- ◆ the key personal financial products available in the UK
- ◆ Equities and gilts and their methods of trading
- ◆ Pooled Investment funds and how they are traded

For Candidates undertaking the Unit only

In order to achieve this Unit, candidates must complete an end of Unit assessment consisting of a minimum of eight extended response questions covering a sample of knowledge and skills outlined below. The assessment must be carried out under controlled, closed book conditions within an approximate two hour period. In order to achieve this assessment, candidates must obtain a minimum mark of 70%.

Outcome 1

A sample of two of the knowledge and skills should be covered for this Outcome.

Candidate responses may be judged to be satisfactory where they have:

- ◆ explained the determinants of economic activity and the main influences on inflation and interest rates
- ◆ described structures and mechanisms of the foreign exchange market
- ◆ described the roles and responsibilities of the Bank of England
- ◆ outlined the functions of the UK Financial Institutions
- ◆ outlined the functions of the London Stock Exchange
- ◆ outlined the role of the other UK financial markets
- ◆ identified the key overseas stock markets and their market indices

Outcome 2

A sample of three the knowledge and skills should be covered for this Outcome.

Candidate responses may be judged to be satisfactory where they have:

- ◆ described the features and tax status of personal deposits and explain how interest on personal deposits is treated
- ◆ compared and contrasted the features of one of the following: bank loans, overdrafts, credit cards including explaining whether the lending is typically secured or unsecured
- ◆ compared and contrasted the features of personal mortgage products including the types of interest and repayment schemes
- ◆ outlined the features of life assurance products
- ◆ explained the basic characteristics of pension schemes
- ◆ described the features and explain the tax status of National Savings and Investment products

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Market: The Personal Investor

Outcome 3

A sample of two the knowledge and skills should be covered for this Outcome.

Candidate responses may be judged to be satisfactory where they have:

- ◆ explained the features and tax position of Personal Equity Plans
- ◆ explained the features and tax position of Individual Savings Accounts (ISAs)
- ◆ described the characteristics of Child Trust funds

Outcome 4

Candidate responses may be judged to be satisfactory where they have:

- ◆ calculated the impact of one of the following taxes in a given investment scenario; Income Tax, Capital Gains Tax, Inheritance Tax, Stamp Duty

Assessment guidelines

For candidates undertaking the Advanced Certificate

Planning for the examination should take account of the exam period set by SQA.

It is recommended that the report is undertaken at the end of this Unit and the Unit Financial Regulations and Market Trading Mechanisms (DX2P 34).

For candidates undertaking the Unit only

It is recommended that assessment for this Unit is carried out as an end of Unit assessment. This could be in the form of separate questions or questions relating to a case study. Each question should address a separate knowledge and skill item.

Administrative Information

Unit code: DX2N 34

Unit title: Financial Services Market: The Personal Investor

Superclass category: AL

Original date of publication: July 2006

Version: 01

History of Changes:

Version	Description of change	Date

Source: SQA

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Higher National Unit specification: support notes

Unit title: Financial Services Market: The Personal Investor

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

The Unit is one of two Units which make up the Advanced Certificate in Securities and Investment (G87K 17).

The Unit is designed to enhance the knowledge and understanding of candidates and to enable them to make use of this knowledge and understanding to identify the types of personal investment products that might be appropriate either for themselves or for customers. The Unit should raise awareness among candidates of the workings of the Financial Services sector as well as current trends within the development of personal financial services products.

The following notes give some additional information on each Outcome. Throughout, the Unit should relate to legislation and practice that is current at the time the Unit is delivered.

Outcome 1

Guidance on the content of this Unit

Outcome 1 examines the background to the Financial Services industry.

Candidates should be familiar with the relevant terminology and should make use of this.

It is expected that Centres will cover the following topics:

- ◆ determinants of economic activity (state controlled economies; Market economy; mixed economies; open economies; Economic and Monetary Union, Visible and invisible goods and services)
- ◆ the role played by the financial service sector in the wider UK economy
- ◆ how goods are paid for and credit created
- ◆ inflation (its impact and measures -RPI RPIX and Harmonised Index of Consumer Prices (HICP))
- ◆ determinants of interest rates
- ◆ economic data (GDP, GNP, balance of payments, government borrowing (PSNCR) level of unemployment)
- ◆ the benefits of international trade and capital flows re goods and services
- ◆ the basic structures of the foreign exchange market
- ◆ the features of spot and forward exchange rates
- ◆ functions of the Bank of England and its monetary policy committee
- ◆ functions of major types of financial institutions (retail banks and building societies; investment banks; pension funds; insurance companies, fund managers, stockbrokers, custodians, credit card companies)
- ◆ the functions of the London Stock Exchange (primary and secondary market)

Higher National Unit specification: support notes (cont)

Unit title: Financial Services Market: The Personal Investor

- ◆ the role of other financial markets (Euronext.liffe, International Petroleum Exchange (IPE), London Metal Exchange (LME), Lloyds of London)
- ◆ the major overseas Stock Exchanges (Euronext exchanges, Deutsche Borse, Tokyo, New York, NASDAQ)

Outcome 2

Outcome 2 examines the key personal financial products available in the UK.

Candidates should become familiar with the relevant terminology and should make use of this.

It is expected that Centres will cover the following topics:

- ◆ the features and characteristics of fixed term and instant access deposit accounts
- ◆ the distinction between gross and net interest payments, calculations of net interest due given the gross rate, sums deposited, period and tax rate
- ◆ the differences between bank loans, overdrafts and credit cards borrowing, secured and unsecured borrowing
- ◆ the difference between the quoted interest rate on borrowing and the effective annual rate of borrowing; calculations of the effective annual rate of borrowing given the quoted interest rate and the frequency of payment
- ◆ the characteristics of the property market
- ◆ the definition of a mortgage; the features and the nature of the risks of repayment and interest only mortgages (pension-linked, ISA, unit linked and flexible)
- ◆ the terms fixed rate, capped rate, discounted rate, variable rate and redemption penalties
- ◆ the definition of a life policy, the distinction between term assurance and whole of life policies, non profit, with profit and unit linked policies
- ◆ the basic characteristics of State Pension Schemes, Occupational Pension Schemes, Personal Pensions and Stakeholder Pensions
- ◆ the features and tax status of Premium Bonds, National Savings Bank Accounts, Fixed Interest Savings Certificates and Fixed Rate Savings Bonds

Outcome 3

Outcome 3 examines the features of key investment wrappers available in the UK.

Candidates should become familiar with the relevant terminology and should make use of this.

It is expected that Centres will cover the following topics:

- ◆ the background, current status and key features of Personal Equity Plans (PEPs) features
- ◆ Individual Savings Accounts (ISAs): Types available, investment limits, the tax position of ISAs
- ◆ the main characteristics of Child Trust Funds

Higher National Unit specification: support notes (cont)

Unit title: Financial Services Market: The Personal Investor

Outcome 4

Outcome 4 examines taxation in relation to personal investments

Candidates should become familiar with the relevant terminology and should make use of this.

It is expected that Centres will cover the following topics:

- ◆ the circumstances when income tax is charged on investments; the rates and bands for personal income tax and the personal allowances for income tax
- ◆ the circumstances when capital gains tax is charged on investments; the rates and bands for capital gains tax and the personal allowances for capital gains tax; the main exemptions in respect of capital gains tax
- ◆ the circumstances when inheritance tax is charged on investments; the rates and bands for inheritance tax and the personal allowances for inheritance tax; the main exemptions in respect of inheritance tax
- ◆ circumstances when stamp duty is payable on investments and property

Guidance on the delivery and assessment of this Unit

The Unit can be delivered as part of a development programme for new or potential new entrants to the financial services sector

Delivery of this Unit will involve ensuring that candidates do acquire the relevant underpinning knowledge. In this respect the Unit is ideally suited to distance learning. However, candidates must be able to apply the knowledge that they have acquired to identify appropriate personal investment options. For this reason, they should be given short scenarios and case studies of typical personal investor requests. This type of activity could be encouraged through self-assessment tasks incorporated into a Distance Learning Programme.

The instrument of assessment provided by SQA to comply with the requirements of the Securities and Investment Institute will be structured as follows:

The multiple-choice examination will consist of 50 questions:

The Financial Services Market The Personal Investor (DX2N 34)

Outcome 1	8 questions
Outcome 2	6 questions
Outcome 3	2 questions
Outcome 4	2 questions

Financial Regulations and Market Trading Mechanisms (DX2P 34)

Outcome 1	8 questions
Outcome 2 and 3	13 questions
Outcome 4	2 questions
Outcome 5	9 questions

Higher National Unit specification: support notes (cont)

Unit title: Financial Services Market: The Personal Investor

Candidates will be required to show that their knowledge is current and reflects the legislation at the time of assessment.

Opportunities for developing Core Skills

(This section should be used to provide information on the opportunities to develop Core Skills in this Unit. It should expand on the summary information given on page 1).

Open learning

This Unit is particularly suitable for Open Learning as candidates should be able to acquire the relevant knowledge by working through the distance learning material which will be available for this Unit. Appropriate arrangements would need to be made for assessment and quality assurance.

Candidates with disabilities and/or additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Alternative Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs*, which is available on SQA's website: **www.sqa.org.uk**.

General information for candidates

Unit title: Financial Services Market: The Personal Investor

This Unit is a mandatory Unit in the Advanced Certificate in Securities and Investment (G87K 17) accredited by SQA. It has been designed to prepare candidates who wish to apply for positions of employment or are already in employment in the financial services sector, specifically in insurance companies, stock broking and investment firms and providers of investment operation support.

The Unit enables you to learn about the make up of the UK Financial Services Market and to give you an understanding of the personal investment schemes available to investors. You will be given support material to help you work on this Unit. It will include case studies of relevant situations and you will also be able to review investment situations for yourself. This will give you practice in identifying appropriate personal financial products in given situations which you will need for the assessment.

For candidates undertaking the Unit only, the Unit is assessed through a series of extended response questions lasting 2 hours carried out through closed book controlled conditions.

For candidates undertaking the Advanced Certificate in Securities and Investment (D87K 17), this Unit is jointly assessed with the Unit Financial Regulations and Market Trading Mechanisms (Unit Code XX) by means of a multiple choice examination and a report. The examination will test your knowledge of current and possible future aspects of the personal financial services market in the UK. The examination will be closed book, lasting one hour, and you will be expected to achieve a mark of 70% or more. The report will require you to research a number of aspects of the products and regulation of the financial services market.

On achievement of the Advanced Certificate in Securities and Investment (D87K 17) you will be eligible to apply for exemption from the Securities and Investment Institute qualification: Introduction to Securities and Investment.