



Higher National Unit specification: general information

Unit title: Financial Services Regulatory Framework

Unit code: H0BW 35

Superclass: AL

Publication date: May 2012

Source: Scottish Qualifications Authority

Version: 01

Unit purpose

This Unit is designed to ensure that candidates are able to recognise and explain the main regulatory requirements that financial services organisations are required to comply with in the United Kingdom. It provides candidates with the knowledge required to deal with many of the regulatory challenges they will face in the workplace. It also prepares candidates for study towards the examinations required by the regulatory authorities and is primarily intended for candidates who expect to take up advisory, sales support roles or trainee managerial positions. It may also be suited to those undertaking business related courses or who have a personal interest in this topic.

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

- 1 Explain the roles and responsibilities of organisations that contribute to the regulation of the UK Financial Services industry
- 2 Explain how the Financial Services Authority (FSA) delivers its obligations in the regulation of organisations and individuals engaged in the provision of financial advice
- 3 Apply the principles and rules of the UK financial services regulatory framework when providing financial advice to customers

Recommended prior knowledge and skills

Access to this Unit is at the discretion of the Centre. However, it is recommended that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of the Core Skill of *Communication* at SCQF level 5 or by possession of Standard Grade English or a suitable NC Unit, and Core Skill component of Using Number at SCQF level 5, or by possession of a relevant NC Unit.

General information (cont)

Credit points and level

1 Higher National Unit credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

**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.*

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes of this Unit specification.

There is no automatic certification of Core Skills or Core Skill components in this Unit.

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. The delivery and assessment of this Unit should be updated annually to reflect changing structures of the regulatory environment and any changes in regulation that impacts on the Unit content.

Assessment

It is recommended that this Unit be assessed by an instrument of assessment that would require candidates to answer restricted response questions based on the Knowledge and/or Skills items. The assessment should not normally take the average candidate more than two hours to complete.

The assessment exemplar for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement at SCQF Level 8. It is a valid, reliable and practicable instrument of assessment. Centres wishing to develop their own assessments should refer to the assessment exemplar to ensure a comparable standard. Assessment exemplars are available on SQA's secure website.

Higher National Unit specification: statement of standards

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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

Explain the roles and responsibilities of organisations that contribute to the regulation of the UK Financial Services industry.

Knowledge and/or Skills

- ◆ The UK Financial Services Market regulators
- ◆ The role of the Financial Services Authority (FSA)
- ◆ Risk monitoring
- ◆ Discipline and enforcement
- ◆ Oversight of compliance in financial services organisations

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on the Knowledge and/or Skills items being sampled.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the five Knowledge and/or Skills items is required each time the Outcome is assessed.

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Regulatory Framework

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the responsibilities of the UK Financial Services Market regulators
- ◆ Explain the role of the Financial Services Authority (FSA) in relation to two of the following
 - the scope of authorisation and regulation of the FSA
 - the statutory objectives of the FSA
 - the structure of the FSA
 - the supervisory objectives of the FSA
- ◆ Explain the types of risk monitored by the FSA
- ◆ Explain the disciplinary and enforcement powers that can be used by the FSA
- ◆ Explain the internal and external methods used by Financial Services organisations to support the application of the regulatory framework

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under closed-book supervised conditions.

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 2 and 3 as part of a single assessment event for this Unit. Candidates could be assessed by an instrument of assessment that would require them to answer restricted response questions based on the material covered in the Knowledge and/or Skills. The assessment should not normally take the average candidate more than two hours to complete. Candidates may not bring notes or other material to the assessment.

Outcome 2

Explain how the Financial Services Authority (FSA) delivers its obligations in the regulation of organisations and individuals engaged in the provision of financial advice.

Knowledge and/or Skills

- ◆ Authorisation of firms and approval of individuals
- ◆ Controlled functions and significant influence functions in organisations
- ◆ Statements of Principle and Code of Practice for Approved Persons
- ◆ FSA Business Standards - Conduct of Business Rules
- ◆ FSA Business Standards - Market Conduct Code

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Regulatory Framework

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on the Knowledge and/or Skills items being sampled.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **three** of the five Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the requirements for the authorisation of firms and the approval of individuals to give financial advice
- ◆ Explain what is meant by Controlled functions and outline the types of significant influence functions in an organisation
- ◆ Explain the purpose of Statements of Principles and Code of Practice for Approved Persons
- ◆ Explain the content of the Conduct of Business Rules that applies in relation to any two from:
 - types of customer
 - content of client agreements
 - client money rules,
 - status of advisers and status disclosure,
 - dealing
 - best execution and execution only
 - charges and commissions including rules relating to inducements and indirect benefits
 - cancellation
- ◆ Explain the provisions of the market code in relation to insider dealing and the manipulation of transactions

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under closed-book supervised conditions.

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1 and 3 as part of a single assessment event for this Unit. Candidates could be assessed by an instrument of assessment that would require them to answer restricted response questions based on the material covered in the Knowledge and/or Skills. The assessment should not normally take the average candidate more than two hours to complete. Candidates may not bring notes or other material to the assessment.

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Regulatory Framework

Outcome 3

Apply the principles and rules of the UK financial services regulatory framework when providing financial advice to customers.

Knowledge and/or Skills

- ◆ Treat your customers fairly
- ◆ Establishing customer requirements
- ◆ Prevention of financial crime
- ◆ Documentation requirements
- ◆ Complaints procedures
- ◆ Compensation schemes
- ◆ Professionalism and Ethics

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on the Knowledge and/or Skills items being sampled.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **three** of the seven Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain fair consumer Outcomes as defined in FSA Treating Customers Fairly (TCF) principle
- ◆ Explain the information that has to be gathered during the fact finding process
- ◆ Explain the steps that should be followed when giving financial advice to minimise the risk of financial crime
- ◆ Explain the documentation that has to be given to customers when financial advice is being provided
- ◆ Describe how a financial services organisation is required to handle complaints relating to the provision of regulated financial advice and the roles and responsibilities of the Financial Services Ombudsman
- ◆ Calculate the compensation payable under the Financial Services Compensation Scheme in given circumstances
- ◆ Explain what an adviser has to do to demonstrate continued professionalism and the action they should take when presented with an ethical dilemma when providing financial advice

Higher National Unit specification: statement of standards (cont)

Unit title: Financial Services Regulatory Framework

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under closed-book supervised conditions.

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1 and 2 as part of a single assessment event for this Unit. Candidates could be assessed by an instrument of assessment that would require them to answer restricted response questions based on the material covered in the Knowledge and/or Skills. The assessment should not normally take the average candidate more than two hours to complete. Candidates may not bring notes or other material to the assessment.

Higher National Unit specification: support notes

Unit title: Financial Services Regulatory Framework

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

This Unit is primarily intended to prepare candidates for employment or further study in financial services.

The following guidance was prepared in November 2011 based on current regulations. Centres should ensure that candidates have used current information in their learning and that assessment content and assessment checklists reflect the current situation, which may, as a result, differ from the guidance below in terms of the services and/or regulations listed.

Note Where this Unit refers to the Financial Services Authority (FSA), this should, where applicable, include any organisation that takes over any of the regulatory aspects detailed in this Unit from the FSA.

Outcome 1 looks at the roles and responsibilities of organisations that contribute to the regulation of the UK Financial Services industry.

- ◆ Market regulators: The Bank of England, HM Treasury and The Financial Services Authority (FSA). The relationship between each and the impact of EU regulation on their activities
- ◆ The scope of authorisation and regulation of the Financial Services Authority — the regulation of UK Financial Markets and Exchanges including the recognition of Overseas Exchanges, Investment Exchanges and Clearing Houses, UK Listing of Financial Instruments and the authorisation of Firms, Individuals and Collective Investment Schemes, regulated and exempt investments and activities
- ◆ The statutory objectives that have to be delivered and principles of good regulation that has to be taken into account by the Financial Services Authority during the delivery of the objectives
- ◆ The supervisory objectives that have to be delivered by the Financial Services Authority and the methods used to achieve this — risk based regulation, types of risk, ARROW (Advanced Risk-Responsive Operating FrameWork), use of disciplinary and enforcement powers
- ◆ The role of senior and executive management; compliance and risk management, the finance function and internal and external auditors and legal advisors in supporting the application of the regulatory framework within an organisation
- ◆ The application of training and competence regimes in organisations and the recording of competence

Higher National Unit specification: support notes (cont)

Unit title: Financial Services Regulatory Framework

Outcome 2 looks at the main Financial Services Authority regulations that organisations and individuals have to comply with as they provide financial advice.

- ◆ Activities requiring authorisation, definitions of controlled functions and types of significant influence functions, authorisation and approval criteria, fit and proper person test
- ◆ Statements of Principle and Code of Practice for Approved Persons
- ◆ Business Standards — Conduct of Business Rules types of customer, content of client agreements, client money rules status of advisers and status disclosure, Best execution and execution only clients, rules relating to churning and switching, Charges and Commissions including rules relating to inducements and indirect benefits, Cancellation
- ◆ Business Standards Market Code — activities which breach the code and how these arise — insider dealing, market manipulation

Outcome 3 looks at the application of the regulatory framework by advisers as they provide financial advice to customers.

- ◆ Application of the six consumer Outcomes defined as fair Outcomes in the Financial Services Authority Treating Customers Fairly principle (TCF) (Fair customer treatment central to the organisations culture, products designed and targeted to the needs of identified customer groups, customers provided with clear information, customer advice is suitable, standards of product performance and service, absence of unreasonable post sale barriers)
- ◆ Content of a fact find, sources of information to inform a fact find and techniques to apply when obtaining information from the customer in support of the fact find
- ◆ Documentation content of suitability report, key features documents
- ◆ Financial Crime — data protection and data security requirements, actions required by the financial adviser to prevent money laundering and detect activities which may involve the financial proceeds of crime
- ◆ Complaints handling processes — the stages of complaints handling and timescales that apply
- ◆ Role and responsibility of the Financial Services Ombudsman and the steps an investor must take if they wish to refer a complaint to the Ombudsman
- ◆ Levels of Compensation payable under the Financial Services Compensation Scheme
- ◆ Professionalism of the Adviser — requirements of advisers to hold a suitable level of qualification, complete ongoing Continuing Professional Development and the need for a Statement of Professional Standing
- ◆ Ethical dilemmas — Financial Services Codes of Ethics, typical ethical dilemmas faced by financial advisers and the role of the Ethics Officer in a regulated organisation in providing support to financial advisers.

Higher National Unit specification: support notes (cont)

Unit title: Financial Services Regulatory Framework

Guidance on the delivery of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with technical or professional knowledge and skills for the financial sector.

The Unit is primarily intended to contribute to the preparation of candidates for regulatory examinations that are required by those who will provide financial advice to personal customers. The Unit is not a substitute for and does not provide exemption from the regulatory examinations. The Unit contributes to the provision of the required introductory regulatory knowledge and skills needed by employees working in the financial services industry as advisers or support staff. The Unit also prepares the candidate to commence study for professional qualifications such as the Chartered Institute of Insurance and Chartered Institute of Bankers in Scotland examinations and for further study at undergraduate level.

Guidance on the assessment of this Unit

This Unit could be assessed by a single instrument of assessment conducted under closed-book supervised conditions. The assessment could be designed around a number of restricted response questions designed to test the knowledge and skills of the candidate about the regulations applicable when giving financial advice in a UK Financial Services organisation.

Online and Distance Learning

This Unit could be delivered by open/distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

Opportunities for developing Core Skills

In this Unit candidates will have opportunities in Outcomes 1, 2 and 3 to develop skills in the Written Communication (Reading) at SCQF level 5. Candidates will be expected to read and understand complex written information — the general skill of this component. They are expected to make use of regulatory concepts and will have to read relevant material relating to these. This information may be obtained from textbooks, regulatory handbooks, financial services industry publications and websites. Candidates will have to assimilate the technical information and make the connections between the legal concepts and their practical application.

Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements

History of changes to Unit

Version	Description of change	Date

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Additional copies of this Unit specification can be purchased from the Scottish Qualifications Authority. Please contact the Business Development and Customer Support team, telephone 0303 333 0330.

General information for candidates

Unit title: Financial Services Regulatory Framework

This Unit is designed to introduce you to the framework within which Financial Services are regulated within the United Kingdom.

On completion of the Unit you should be able to:

- 1 Explain the roles and responsibilities of organisations that contribute to the regulation of the UK Financial Services industry
- 2 Explain how the Financial Services Authority delivers its obligations in the regulation of organisations and individuals engaged in the provision of financial advice
- 3 Apply the principles and rules of the UK financial services regulatory framework when providing financial advice to customers

In Outcome 1 you will learn which organisations are involved in ensuring that the UK Financial Services industry is effectively regulated and what the roles and responsibilities of each organisation are regarding regulation.

In Outcome 2 you will learn how the Financial Services Authority (FSA) ensures that they meet their obligations to ensure the UK financial services sector is effectively regulated. You will learn how the FSA determines who is permitted to provide financial services in the UK and what regulations are in place to ensure these organisations and individuals operate in a way that is in the best interests of the consumer.

In Outcome 3 you will learn what the financial adviser has to do when advising clients to ensure that they comply with the regulatory framework.

This Unit may be assessed by one assessment covering all three Outcomes. This assessment could consist of a number of questions that covers all of the three Outcomes within the Unit. Assessment will be carried out under closed-book supervised conditions, ie you will not be permitted to bring any books or personal notes into the assessment. It is recommended that the assessment be completed within a two hours working period.

You will need to successfully complete questions from all three Outcomes in order to pass the Unit.

There are opportunities to develop components within the Core Skill of *Communication* at SCQF level 5 in this Unit.