

## National Unit Specification: general information

<b>UNIT</b>	Financial Services: Regulatory Framework — An Introduction (Higher)
<b>CODE</b>	DV7C 12
<b>COURSE</b>	National Progression Award Financial Services (Higher)

### SUMMARY

This Unit is a mandatory Unit of the National Progression Award Financial Services. It is intended for either candidates who are currently working in the financial services sector or candidates who have a desire to enter employment in the financial services sector.

This Unit is designed to develop knowledge and understanding of the specific aspects of the regulatory framework that impact on staff and customers within the financial services sector. The aim of the Unit is to provide candidates with an overview of the relevant regulation in respect of Money Laundering, Data Protection and Code(s) of practice, to ensure that they can apply this knowledge in their job role via the policies and procedures relevant, where appropriate, to their own organisation.

### OUTCOMES

- 1 Demonstrate knowledge and understanding of current Financial Services regulation in respect of Money Laundering.
- 2 Demonstrate knowledge and understanding of the organisational procedures required to ensure that third party data requirements of the current Data Protection legislation are complied with.
- 3 Demonstrate knowledge and understanding of the Code(s) of practice relevant to the organisation.

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### Administrative Information

<b>Superclass:</b>	AL
<b>Publication date:</b>	March 2006
<b>Source:</b>	Scottish Qualifications Authority
<b>Version:</b>	01

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## **National Unit Specification: general information (cont)**

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### **RECOMMENDED ENTRY**

Entry is at the discretion of the centre. However, candidates would normally be expected to have attained one of the following, or equivalent:

- ◆ relevant knowledge and experience of working in the Financial Services sector; or
- ◆ qualifications at SCQF level 5 (Intermediate 2 or Standard Grade Credit level)

### **CREDIT VALUE**

1 credit at Higher (6 SCQF credit points at SCQF level 6\*)

*\*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**

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

## **National Unit Specification: statement of standards**

### **UNIT      Financial Services: Regulatory Framework — An Introduction (Higher)**

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit Specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

#### **OUTCOME 1**

Demonstrate knowledge and understanding of current Financial Services regulation in respect of Money Laundering.

##### **Performance Criteria**

- (a) Identify the main features of the regulation in respect of Money Laundering.
- (b) Explain why Money Laundering regulation was introduced into the UK Financial Services environment.
- (c) Accurately complete organisational documentation related to Money Laundering.

#### **OUTCOME 2**

Demonstrate knowledge and understanding of organisational procedures required to ensure that the third party data requirements of the current Data Protection Act legislation are complied with.

##### **Performance Criteria**

- (a) Explain what is meant by third party data in a financial services environment.
- (b) Explain clearly and concisely the procedures which must be followed in a situation where the provision of information would breach current Data Protection legislation.
- (c) Produce an appropriate response declining to provide information to an individual who has requested information about a third party.

#### **OUTCOME 3**

Demonstrate knowledge and understanding of the Code(s) of practice relevant to the organisation.

##### **Performance Criteria**

- (a) Describe key aspects of the relevant Code(s) of practice
- (b) List accurately the products the Code(s) applies to and those products which are exempt.
- (c) Explain the key responsibilities of a particular organisation in relation to the relevant Code(s) of practice.
- (d) Describe the key procedures of a particular organisation in relation to the Code(s) of practice.

## National Unit Specification: statement of standards (cont)

### UNIT Financial Services: Regulatory Framework — An Introduction (Higher)

#### EVIDENCE REQUIREMENTS FOR THIS UNIT

Evidence may be written, diagrammatic or orally recorded as long as the method chosen provides the appropriate evidence, as required by the Outcomes, Performance Criteria and Evidence Requirements.

There will be two components of the evidence for this Unit.

A **folio** will be compiled and organised by the candidate, with evidence gathered throughout the Unit, using relevant organisational documentation which is most appropriate based on the individual's job role as long as the method chosen is deemed, by the assessor, to be appropriate to the Evidence Requirements in question.

The folio should contain:

- ◆ Two examples of correctly completed organisational documentation related to obtaining money laundering documentation. One example should be from a prospective customer and one example should be from an existing customer.
- ◆ Copies of the relevant completed organisational documentation required to support a report to the Money Laundering Compliance Officer.
- ◆ A note of the organisational procedures which must be followed in a situation where the provision of information would breach the current Data Protection Act legislation.
- ◆ An appropriate response declining to provide information to an individual who has requested information about a third party.

These completed documents can be in response to real life or simulated situations.

The folio should be supported by a signed assessor checklist confirming that all evidence presented is complete and to the required standard.

A **Test** will be conducted in supervised conditions which will last not normally more than one hour. The test will be open-book and the Candidate will have access to copies of the relevant regulatory documentation. The test will provide evidence that the candidate has knowledge of:

- ◆ why Money Laundering Regulation was introduced into the UK Financial Services environment giving at least three reasons
- ◆ what is meant by third party data in a Financial Services environment
- ◆ which products are covered by the relevant code(s) and which products are exempt
- ◆ the information which must be provided to customers relating to the relevant Code(s) of practice (eg the Banking Code)
- ◆ the timescales which organisations following the code must adhere to in a minimum of three different interactions with customers
- ◆ the responsibilities of an organisation when a request is received to transfer an account to another financial institution
- ◆ the responsibilities of organisations in relation to ownership of money held in dormant accounts

## **National Unit Specification: statement of standards (cont)**

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- ◆ measures which customers can take to limit the impact of fraud on their account
- ◆ credit reference agencies and the information to be provided to customers as regards the use of credit reference agencies by Financial Services organisations
- ◆ the complaints procedure and associated timescales

The Assessment Support pack produced for this Unit provides examples of assessment methodologies and materials. Centres may use these or develop their own based on existing organisational activities, assessments and tests provided these meet the standard required as specified in the Evidence Requirements above.

An appendix which lists the key aspects/responsibilities of the various Codes and regulations, although not exhaustive is included within this Unit.

## **National Unit Specification: support notes**

### **UNIT      Financial Services: Regulatory Framework — An Introduction (Higher)**

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 content of this Unit covers the introductory aspects of the Regulatory Framework which candidates working within the Financial Services Sector require to understand. The areas covered are Data Protection, Money Laundering and the Code of Practice in place within Financial Services organisations. Candidates need to develop a working knowledge of the relevant regulation and Code(s) of practice in these areas. This knowledge is required to ensure that candidates do not breach the regulatory guidelines and Code(s) of practice, as this would place their employer in conflict with the regulatory regime and Code(s) of practice.

Organisations affected by the regulations include banking (retail and corporate), National Savings and Investments, building societies, investment operations, credit unions, finance companies, pension companies and insurance companies.

Each outcome is focused on a particular regulatory area. Candidates require to be aware of both why the regulation is necessary, and specifically what actions require to be taken by them to ensure that they fulfil their duties as an employee in a manner which complies with the regulatory requirements and Code(s) of practice. As complying with the regulation and codes of practice can have considerable impact on relations with customers, candidates must also demonstrate their knowledge in the context of customer interactions within their working environment.

In order to develop the skills required by this Unit the Candidate will require to make use of work-place training materials and, where appropriate, on the job training to develop their knowledge. As compliance with the regulation is mandatory the requisite materials will be available within any organisation of the type detailed above. Additionally, candidates will require to demonstrate their knowledge of the regulation and Code(s) of practice by responding to specific scenarios, where appropriate.

#### **GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT**

Teaching and learning approaches for this Unit take place in the working environment (either real life or simulated). The information needed to develop knowledge in this area will be available from the candidate's employing organisation.

Whilst the candidate is receiving the required knowledge via the combination of mentoring, self-study, and conducting practical tasks in the workplace, they should be preparing a folio to allow them to demonstrate their knowledge and understanding.

Additionally candidates should be provided with materials which give evidence of instances of regulatory breaches and the impact of such breaches. Candidates should be encouraged to identify how adhering to organisational procedures could have prevented the breach occurring.

## National Unit Specification: support notes (cont)

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The candidate will also complete a test relating to the Code(s) of practice within their organisation which confirms the organisational processes and procedures required in order that their organisation complies with the Code(s).

#### **GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT**

The assessment methods suggested below are flexible in that they can be tailored to the requirements of assessing knowledge of each distinct area of regulation and code of practice.

As alternative methods of assessment are suggested each method selected should quantify the extent of the response required from the candidate. Depending on the range of assessment methods being used, the weight given to each method of assessment will influence the extent of the response required from the candidate.

Assessment methods which are suitable for all candidates include the following:

- ◆ The production by the candidate orally or in writing of a summary explaining the rationale behind the regulation or Code(s) of practice. Summaries can be used to assess each distinct area of regulation or Code(s) of practice as required. The summary should outline the goals which the regulations or Code(s) of practice seek to achieve, specifying how the organisational procedures achieve these goals.
- ◆ Candidates should be given examples of a regulatory breach and use this to produce a response explaining how, by applying organisational policies and procedures, they could prevent such a breach from occurring in their organisation. Again this method of assessment is suitable for each of the regulatory areas as required.
- ◆ Tests can also be used to assess knowledge, but it is recommended that where testing is used it is combined with other more practical assessments such as those suggested above to ensure that the candidate can apply the knowledge gained.

In circumstances where the candidate has regular customer interaction in their job-role, the following assessment method provides a suitable means by which knowledge can be assessed;

- ◆ Preparation by the candidate of an interview log summarising interviews which demonstrate the application of and adherence to the regulations and Code(s) of practice. The candidate's line manager should corroborate the accuracy of the content of the log.

For candidates who do not apply the regulations or Code(s) of practice as part of their job-role, an alternative assessment method is required to replace the interview log as follows:

- ◆ The candidate should prepare a response to a case study scenario which is presented to them. The case study can be used to test knowledge in any of the regulatory areas or Code(s) of practice. The response can be delivered orally or in writing. The content of the case study will provide candidates with details of a customer request or interaction which requires the candidate to apply their knowledge of regulation to the scenario. Time allowed to complete the exercise should be specified and the exercise should be open-book allowing them access to the same materials that a candidate interviewing a customer would have access to.

## **National Unit Specification: support notes (cont)**

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### **CANDIDATES WITH ADDITIONAL SUPPORT NEEDS**

This Unit Specification is intended to ensure that there are no artificial barriers to learning or assessment. 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 document *Guidance on Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* (SQA, 2004).



### Financial Services: Regulatory Framework — An Introduction (Higher)

#### Outcome 1 — Money Laundering and the Proceeds of Crime Act 2002

Main features of the regulation in respect of Money Laundering:

- ◆ financial institutions must have controls in place which are designed to frustrate money laundering
- ◆ financial institutions must have in place procedures to report any suspected money laundering
- ◆ financial institutions must comply with any court orders to produce records for investigation and evidence and restrain assets
- ◆ in order to avoid committing an offence, any knowledge or suspicion of money laundering must be reported to the Law Enforcement agencies by Financial Institutions
- ◆ failure to report an offence could make a member of staff personally responsible and liable to criminal prosecution
- ◆ financial Institutions are protected under the legislation from liability for breach of customer confidentiality when information about transactions or accounts suspected as being used for money laundering is passed to the authorities
- ◆ financial Institutions must maintain records and evidence of all new clients identification

Reasons for Introduction:

- ◆ to detect and prevent drug trafficking and terrorist activities
- ◆ to establish a number of money laundering offences
- ◆ to ensure that knowledge or suspicion of Money Laundering offences is reported to the appropriate authority
- ◆ to make it a criminal offence to make a disclosure to an alleged offender which is likely to prejudice any investigation (“tipping off”)
- ◆ to prevent criminals benefiting from the proceeds of crime

#### Outcome 2 — Data Protection Act

The Data Protection Act 1998 was implemented in 2001, and contains eight principles of good practice for Data Controllers to follow when processing customer personal data, and gives people certain legal rights regarding information held about them.

Explanation of Third Party Data

- ◆ any specific personal data information obtained from an individual that is processed by the organisation for purposes other than its original intent eg marketing ,credit scoring

Procedures for any breach of current Data Protection legislation

- ◆ where any personal data has been passed to the organisation for the purposes of processing how this specific information is to be used must be supplied to the data subject and their consent obtained before processing, otherwise a breach will have occurred
- ◆ before any data is processed consent should be obtained from the data subject

#### Outcome 3 — Code(s) of practice relevant to the organisation

Key aspects of the relevant Code of practice

For example see Banking and Business Banking Code below:

## Banking Code and Business Banking Code

The Business Banking Code relates to businesses, charities, and societies that have an annual turnover/income of less than £1m.

### Banking Code and Business Banking Code

All those who subscribe to these codes must comply with it at two levels.

- 1 The Bank will make sure that such things as product terms and conditions meet the requirements of the Codes — this is taken care of by central departments.
- 2 Staff need to make sure that they know:
  - ◆ the contents of the codes
  - ◆ where copies of the codes are kept, should a customer ask for one
  - ◆ the process to follow when dealing with a customer concern
  - ◆ when we might pass personal information to credit reference agencies
  - ◆ how the “cooling off” period works (for example, a customer has the right to cancel the agreement within 14 days of receipt of their new credit card)

### Key commitments (for ‘we’ read the Bank, for ‘you’ read the customer)

We, the subscribers to this code, promise that we will:

- ◆ act fairly and reasonably in all our dealings with you
- ◆ ensure that all services and products comply with this Code, even if they have their own terms and conditions
- ◆ give you information on our services and products in plain language, and offer help if there is any aspect which you do not understand
- ◆ ensure that the procedures our staff follow reflect the commitments set out in the Code
- ◆ correct errors and handle complaints speedily
- ◆ consider cases of financial difficulty sympathetically and positively
- ◆ ensure that all services and products comply with relevant laws and legislation

Further information can, if required, be found in the publications “Banking Code” and “Business Banking Code” and all organisations should ensure that they have copies of these available for customers.