



## DIPLOMA IN PROFESSIONAL FINANCIAL ADVICE

### UNIT 1: FINANCIAL SERVICES, REGULATION and ETHICS

#### Learning Outcomes:

- 1 Demonstrate an understanding of the UK financial services industry, in its European and global context
- 2 Demonstrate an understanding of how the retail consumer is served by the financial services industry
- 3 Demonstrate an understanding of legal concepts and considerations relevant to financial advice
- 4 Demonstrate an understanding of the regulation of financial services
- 5 Demonstrate an understanding of the FSA's responsibilities and approach to regulation
- 6 Demonstrate the ability to apply the principles and rules as set out in the regulatory framework
- 7 Demonstrate the ability to apply the regulatory advice framework in practice for the consumer
- 8 Demonstrate an understanding of the range of skills required when advising clients
- 9 Demonstrate an understanding of the FSA's use of principles and outcomes based regulation to promote ethical and fair outcomes
- 10 Demonstrate the ability to apply the Code of Ethics and professional standards to business behaviours of individuals
- 11 Demonstrate an ability to critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours

**Syllabus Points:**

**1. Demonstrate an understanding of the UK financial services industry, in its European and global context**

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

**2. Demonstrate an understanding of how the retail consumer is served by the financial services industry**

- 2.1 Obligations towards consumers and their perception of financial services
- 2.2 Consumers' main financial needs and how they are prioritised: Managing debt, Budgeting and borrowing, including house purchase, Protection, Saving and investing, Retirement, Estate planning and tax planning
- 2.3 How these needs are met: Mortgages and loans, Life and health insurance, Savings and investments, State benefits, The main types of pension provision

**3. Demonstrate an understanding of legal concepts and considerations relevant to financial advice**

- 3.1 Legal persons and powers of attorney
- 3.2 Basic law of contract and agency
- 3.3 Ownership of property
- 3.4 Insolvency and bankruptcy
- 3.5 Wills and intestacy
- 3.6 Use of trusts: The main types of trusts and their uses, How to create and administer trusts

**4. Demonstrate an understanding of the regulation of financial services**

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

## **5. Demonstrate an understanding of the FSA's responsibilities and approach to regulation**

- 5.1 Statutory objectives and how FSA is structured to achieve these: Powers and activities, Financial stability and prudential regulation, Powers to deal with financial crime, Financial capability – National Strategy
- 5.2 The High Level Standards, Prudential Standards, Business Standards, Conduct of Business (COBS), Rules for dealing with client assets, Market Conduct code, Training and Competence
- 5.3 Regulatory Processes: Authorisation, supervision, approved persons, significant influence functions, controlled functions, appointed representatives
- 5.4 Risk based supervision, discipline and enforcement, sanctions to deal with criminal activities

## **6. Demonstrate the ability to apply the principles and rules as set out in the regulatory framework**

- 6.1 Regulated activities and authorisation requirements
- 6.2 Approved person and controlled function responsibilities
- 6.3 Record keeping, reporting and notification requirements
- 6.4 Professionalism and the training and competence requirements
- 6.5 Anti-money laundering and proceeds of crime obligations
- 6.6 Data protection including data security
- 6.7 Complaints procedures and responsibilities to customers
- 6.8 The Financial Ombudsman Service (FOS)
- 6.9 The Financial Services Compensation Scheme (FSCS)

## **7. Demonstrate the ability to apply the regulatory advice framework in practice for the consumer**

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

**8. Demonstrate an understanding of the range of skills required when advising clients**

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

**9. Demonstrate an understanding of the FSA's use of principles and outcomes based regulation to promote ethical and fair outcomes**

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

**10. Demonstrate the ability to apply the Code of Ethics and professional standards to business behaviours of individuals**

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

**11. Demonstrate an ability to critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours**

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