



CHARTERED INSTITUTE FOR  
SECURITIES & INVESTMENT

# UK Financial Regulation

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## Objective of the examination

The objective of the examination is to ensure candidates have a basic knowledge of the regulations and legislation underpinning the financial markets and the conduct of investment business.

The examination will test candidates' knowledge and understanding of the following elements:

- The Regulatory Environment
- The Financial Services and Markets Act 2000 and Financial Services Act 2012
- Associated Legislation and Regulation
- The FCA Conduct of Business Sourcebook / Client Assets
- Complaints and Redress

# Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know** or **understand**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle

**Note:** The syllabus has included for guidance, references from the FSMA 2000, the Criminal Justice Act 1993 [CJA] and the FCA and PRA Handbooks to assist candidates in locating source material. An explanation of the FCA and PRA Handbook Reference Codes and other abbreviations follows:

AML	Anti-Money Laundering
BIPRU	Prudential Sourcebook for Banks, Building Societies & Investment Firms
CASS	Client Assets
CFT	Combating the Financing of Terrorism
COBS	Conduct of Business Sourcebook
COCON	Code of Conduct for Staff sourcebook
COLL	Collective Investment Schemes
COMP	Compensation
COND	Threshold Conditions
DEPP	Decision Procedure and Penalties Manual
DISP	Dispute resolution: Complaints
EG	Enforcement Guide
ESAs	European Supervisory Authorities
FCA	Financial Conduct Authority

## UK Financial Regulation

FINMAR	The Financial Stability and Market Confidence sourcebook
FIT	Fit and Proper Test for Approved Persons
FRC	Financial Reporting Council
GENPRU	General Prudential Sourcebook
IFPRU	Prudential Sourcebook for Investment Firms
ML	Money Laundering
PERG	Perimeter Guidance Manual
PR	Prospectus Rules
PRA	Prudential Regulation Authority
PRIN	Principles for Businesses
SUP	Supervision
SYSC	Senior Management Arrangements, Systems and Controls
TC	Training and Competence
UK EMIR	UK European Market Infrastructure Regulation
UK MAR	UK Market Abuse Regulation
UK SFTR	UK Securities Financing Transactions Regulations

**Please note all Handbook references in the syllabus refer to the FCA Handbook unless otherwise stated.**

## Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty.

Examination specification		
75 multiple choice questions		
Element number	Element	Questions
1	The Regulatory Environment	7
2	The Financial Services and Markets Act 2000 and Financial Services Act 2012	10
3	Associated Legislation and Regulation	18
4	The FCA Conduct of Business Sourcebook / Client Assets	37
5	Complaints and Redress	3
Total		75

## Assessment Structure

A 1 hour 30 minute examination of 75 multiple choice questions.

Candidates sitting the examination by Computer Based Testing may have up to 10% additional questions as trial questions that will not be separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

## Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website ([cisi.org/candidateupdate](http://cisi.org/candidateupdate)) on a regular basis for updates that could affect their examination as a result of sector change.





# Summary Syllabus

## **Element 1 The Regulatory Environment**

- 1.1 The Role of the FCA and PRA
- 1.2 The Regulatory Infrastructure

## **Element 2 The Financial Services and Markets Act 2000 and Financial Services Act 2012**

- 2.1 Regulated and Prohibited Activities
- 2.2 Performance of Regulated Activities
- 2.3 Information Gathering and Investigations
- 2.4 Regulated Activities

## **Element 3 Associated Legislation and Regulation**

- 3.1 Market Abuse
- 3.2 Insider Dealing
- 3.3 Market Manipulation
- 3.4 Money Laundering and Financial Crime
- 3.5 Bribery and Corruption
- 3.6 Record Keeping Requirements
- 3.7 Disclosure and Transparency rules
- 3.8 Transaction and Trade Reporting
- 3.9 Data Protection Act 2018
- 3.10 Prudential Standards

## **Element 4 The FCA Conduct of Business Sourcebook / Client Assets**

- 4.1 The Application and General Provisions of the FCA Conduct of Business Sourcebook
- 4.2 Accepting Clients
- 4.3 Communicating with Clients, Including Financial Promotions
- 4.4 Suitability
- 4.5 Product Disclosure and the Client's Right to Cancel
- 4.6 Dealing and Managing
- 4.7 Reporting to Clients
- 4.8 Client Assets

## **Element 5 Complaints and Redress**

- 5.1 Customer Complaints



## **Element 1 The Regulatory Environment**

### **1.1 The Role of the FCA and PRA**

On completion, the candidate should:

- 1.1.1 *know* the FCA's and PRA's statutory objectives and rule-making powers in respect of authorisation, supervision, enforcement, sanctions and disciplinary action [FSMA]
- 1.1.2 *understand* the Principles for Businesses [PRIN 1.1.2 (FCA), 1.1.7, 2.1.1 (FCA/PRA)] and the requirement to act honestly, fairly and professionally and to treat customers fairly [COBS 2.1]
- 1.1.3 *know* the requirements of the Senior Managers & Certification Regime (SM&CR)
- 1.1.4 *know* the rules and guidance regarding certain of the key Senior Management Arrangements, Systems and Controls for both MiFID and Non-MiFID investment firms [SYSC 1.2.1, 4.1.1/2]
- 1.1.5 *know* the FCA's and PRA's supervisory approach to regulation including outcome-based, early intervention and conduct risk
- 1.1.6 *know* the recording of voice conversations and electronic communications across all media [SYSC 10A]

### **1.2 The Regulatory Infrastructure**

On completion, the candidate should:

*Understand* the wider structure of UK financial regulation including the responsibilities of the main regulating bodies and the relationship between them:

- 1.2.1 Market regulators: The Financial Conduct Authority and the Prudential Regulation Authority
- 1.2.2 Other regulators: The Competition and Markets Authority, The Information Commissioner and The Pensions Regulator
- 1.2.3 The relationships and coordination between the following:
  - The Financial Conduct Authority (FCA)
  - The Payment Systems Regulator (PSR)
  - The Prudential Regulation Authority (PRA)
  - The Competition and Markets Authority (CMA)
  - Her Majesty's Revenue & Customs (HMRC)

## UK Financial Regulation

- The Financial Ombudsman Scheme (FOS)
- The Financial Services Compensation Scheme (FSCS)
- The Financial Policy Committee (FPC)
- The Upper Tribunal (Tax and Chancery)
- The Bank of England (BoE)
- Her Majesty's Treasury (HMT)
- The Pension Ombudsman (PO)
- The Pension Protection Fund (PPF)
- The Panel of Takeovers and Mergers (POTM)

1.2.4 *know* the type of provisions used by the FCA and PRA in their handbooks/rulebooks and the status of their approved sector guidance

1.2.5 *know* relevant aspects of:

- The Unfair Terms in Consumer Contracts Regulations 1999 (UTCCR)
- Consumer Rights Act 2015 (CRA)

1.2.6 *know* the Pension regulator's rules with respect to occupational pension schemes

1.2.7 *understand* the Chartered Institute for Securities & Investment's Code of Conduct

1.2.8 *understand* the relevance of EU legislation and guidance (directives and regulations approved by the European Parliament and European Supervisory Authorities)

1.2.9 *understand* the role of oversight and other influencing bodies

- internal audit
- external audit
- trustees

## **Element 2 The Financial Services and Markets Act 2000 and Financial Services Act 2012**

### **2.1 Regulated and Prohibited Activities**

On completion, the candidate should:

- 2.1.1 *know* the regulated and prohibited activities [Parts II/III of FSMA 2000, Regulated Activities Order 2001 and the under-noted guidance in the Perimeter Guidance Manual (PERG)]:
- authorised persons [PERG 2.2.3]
  - exempt persons [PERG 2.10] and FSMA [Exemption Order 2001 (SI 2001/1201)]
  - offences under the Act [PERG 2.2.1/2]
  - enforceability of agreements entered into with an unauthorised business [PERG 2.2.2]
  - defences available under the Act [PERG 2.2.1]
- 2.1.2 *understand* the regulators' actions in respect of prohibition orders and actions for damages and how private persons can sue for damages when a firm is declared in breach [(FSMA 2000 s.56, 59, 71) (FSA 2012 s.138D)]

### **2.2 Performance of Regulated Activities**

On completion, the candidate should:

- 2.2.1 *know* the role of the FCA and PRA enforcement divisions, the power of the FCA and PRA to make decisions by executive procedures and the role, scope and consequences of the Regulatory Decisions Committee's responsibility for decision making [DEPP 3.1 – 3.4, 4.1]
- 2.2.2 *know* the outcomes of the FCA's and PRA's statutory notices [DEPP 1.2], the regulatory enforcement processes: warning, decision, supervisory and final notices [DEPP 2.2 + 2.3] and the firm's right to refer to the tribunal [DEPP 2.3.2/3]
- 2.2.3 *know* the FCA's powers of intervention (products and financial promotions)

## **2.3 Information Gathering and Investigations**

On completion, the candidate should:

- 2.3.1 *know* the regulators' power to require information and to appoint persons to carry out investigations [FSMA 2000 s.165 - 8]

## **2.4 Regulated Activities**

On completion, the candidate should:

- 2.4.1 *know* the activities specified in Part II of the Regulated Activities Order
- 2.4.2 *know* the main exclusions from the need for authorisation under the FSMA 2000 [Regulated Activities Order]
- absence of holding out [PERG 2.8.4(1)]
  - groups and joint enterprises (PERG 2.9.9/10)
  - advice in newspapers [PERG 2.8.12 & 7.1.2]
  - trustees, nominees and personal representatives [PERG 2.9.3]
  - employee share schemes [PERG 2.9.13]
  - overseas persons [PERG 2.9.15]
- 2.4.3 *know* the investments specified in Part III of the Regulated Activities Order
- 2.4.4 *know* the authorisation procedures for firms:
- the need for authorisation [FSMA s.19. PERG 2.3, Annex 1 and 2, 2.10.9 - 16]
  - the threshold conditions for authorisation [FSMA Sch 6. COND 2]
- 2.4.5 *know* the supervisory process:
- purpose of supervision arrangements [SUP 1A.2/3]
  - focus on a firm's senior management [SUP 1A.1.4, SYSC 1.2.1(1)/4.2.1/4.3.1]
  - tools for supervision [SUP 1A.4.1/2/4/5]
- 2.4.6 *understand* the PRA and FCA individual accountability requirements for all firms, the requirements for individuals to be registered and be subject to the Senior Managers & Certification

Regime and what this means, and who is subject to the Conduct Rules [SYSC 23, 24 and SUP 10C]

- 2.4.7 *know* the approval process for individuals performing or intending to perform a Senior Management Function under the Senior Managers & Certification Regime [SUP 10C (Guidance), SUP 10C.2 (for FCA-designated Senior Management Functions); PRA Rulebook Senior Managers Regime – applications and notifications (2)]
- 2.4.8 *understand* the processes and provisions relating to the Directory, a new public register for key individuals working in financial services
- 2.4.9 *know* the Training and Competence regime:
- the application of the systems and control responsibilities in relation to the competence of employees [SYSC 5.1.1 (FCA/PRA)]
  - the application of T&C for retail activities [TC 1.1.1/3]
  - assessing and maintaining competence [TC 2.1.1(1), 2.1.2], the examination requirements before starting activities [TC 2.1.6/7(1)], firms must assess at the outset and at regular intervals the training needs of its employees [TC 2.1.11], maintaining competence [TC 2.1.12/13] and the need for a Statement of Professional Standing
  - activities to which the T&C rules apply [TC Appendix 1]
- 2.4.10 *know* the legal and regulatory basis for whistleblowing [SYSC 18.1, 18.3, 18.4.3/4]

### **Element 3 Associated Legislation and Regulation**

#### **3.1 Market Abuse**

On completion, the candidate should:

- 3.1.1 *understand* the scope and status of the UK Market Abuse Regulation [The Market Abuse (Amendment) (EU Exit) Regulations 2019]
- 3.1.2 *understand* the civil [FCA MAR 1.1.3 & DEPP 6] and criminal [CJA 1993 Part V and Financial Services Act 2012 Sections 89-92, FSMA s.402, EG 12.3] regime for market abuse and insider dealing
- 3.1.3 *understand* the requirement to prevent and detect market abuse including the obligation on firms to make suspicious transaction

and order reports [UK MAR Article 16]

### 3.2 Insider Dealing

On completion, the candidate should:

- 3.2.1 *know* the prohibition for insider dealing [UK MAR Article 14]
- 3.2.2 *understand* the definition of inside information [UK MAR Article 7], insider dealing [UK MAR Article 8] and unlawful disclosure of inside information [UK MAR Article 10]
- 3.2.3 *understand* market soundings [UK MAR Article 11] and market manipulation [UK MAR Article 12]
- 3.2.4 *understand* the disclosure requirements for inside information [UK MAR Article 17] and the requirement for insider lists [UK MAR Article 18]
- 3.2.5 *understand* the meaning of 'inside information' and 'insider'; the offences and the instruments covered by the legislation [CJA 1993 s.52/56/57/58 + Schedule 2]
- 3.2.6 *know* the general defences available with regard to insider dealing [CJA 1993 s.53]
- 3.2.7 *know* the special defences: market makers acting in good faith, market information and price stabilisation [CJA 1993 s.53 and Schedule 1 paras 1-5]

### 3.3 Market Manipulation

On completion, the candidate should:

- 3.3.1 *know* the prohibition for market manipulation [UK MAR Article 15]
- 3.3.2 *understand* the four forms of market manipulation: Manipulating transactions; Manipulating devices; Dissemination; and Benchmark manipulation. [UK MAR Article 12]
- 3.3.3 *understand* legitimate behaviour [UK MAR Article 9] and the concept of accepted market practices [UK MAR Article 13]
- 3.3.4 *understand* the obligation on Persons discharging managerial responsibilities [UK MAR Article 19]
- 3.3.5 *understand* the obligations where providing investment recommendations [UK MAR Article 20]



### 3.4 Money Laundering and Financial Crime

On completion, the candidate should:

- 3.4.1 *understand* the terms 'money laundering', 'criminal conduct' and 'criminal property' and the application of money laundering to all crimes [Proceeds of Crime Act 2002 s.340] and the power of the Secretary of State to determine what is 'relevant criminal conduct'
- 3.4.2 *understand* that the UK legislation on money laundering is found in the Proceeds of Crime Act 2002 [POCA], as amended by the Serious Organised Crime and Police Act 2005 [SOCPA], the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017), the Senior Management Arrangements, Systems and Controls Sourcebook [SYSC] and that guidance to these provisions is found in the Joint Money Laundering Steering Group Guidance and Financial Crime Guide and understand the interaction between them
- 3.4.3 *understand* the obligations on firms for adequate training of individuals on money laundering (MLR 2017 Section 24)
- 3.4.4 *understand* the three stages of money laundering
- 3.4.5 *understand* the main offences set out in POCA Part 7 Sections 327, 328, 329, 330, 333A, 342 [assistance i.e. concealing, arrangements, acquisition, use and possession; failure to disclose; tipping off in the regulated sector] and the implications of Part 7 regarding the objective test in relation to reporting suspicious transactions; that appropriate disclosure [internal for staff and to the National Crime Agency for the firm] is a defence
- 3.4.6 *understand* the approach covered by the Senior Management Arrangements, Systems and Controls Sourcebook [SYSC], in particular, the systems and controls that the FCA and PRA expect firms to have adopted, the role of the Money Laundering Reporting Officer and Nominated Officer. [SYSC 3.2.6, 3.2.6 (A)-(J), SYSC 6.3 (FCA)]
- 3.4.7 *understand* the standards expected by the JMLSG Guidance particularly in relation to:
  - Risk-based approach
  - Requirements for directors and senior managers to be responsible for money laundering precautions
  - Need for risk assessment
  - Need for enhanced due diligence in relation to politically exposed persons [JMLSG 5.5.1 – 5.5.36]
  - Need for high-level policy statement

- Detailed procedures implementing the firm's risk-based approach [JMLSG 1.1-1.8, 1.53 – 1.59, 2.1-2.21, 4.3 – 4.77]
- Financial Sanctions Regime [JMLSG Part III 5.3.54 – 5.3.62]

3.4.8 *understand* the money laundering aspects of know your customer:

- JMLSG 5.1.1 - 5.1.15
- credit reference agencies

3.4.9 *understand* the importance of ongoing monitoring of business relationships and being able to recognise a suspicious transaction and the requirement for staff to report to the MLRO and for the firm to report to the National Crime Agency (NCA)

3.4.10 *know* the role of the Financial Action Task Force (FATF)

3.4.11 *know* what activities are regarded as 'terrorism' in the UK [Terrorism Act 2000 Part 1], the obligations on regulated firms under the Counter-Terrorism Act 2008 [money laundering of terrorist funds] [part 5 section 62 and s.7 parts 1-7] and the Anti-Terrorism Crime and Security Act 2001 Schedule 2 Part 3 [Disclosure of Information] and where to find the sanction list for terrorist activities

3.4.12 *understand* the importance of preventative measures in respect of terrorist financing and the essential differences between laundering the proceeds of crime and the financing of terrorist acts [JMLSG Preface 9] and the interaction between the rules of the FCA (The Financial Crime Guide), the PRA, the Terrorism Act 2000 and the JMLSG Guidance regarding terrorism [JMLSG Preface 27, 28, 29]

### 3.5 Bribery and Corruption

On completion, the candidate should:

3.5.1 *know* the main purpose of the Bribery Act 2010 and the categories of offences covered in Sections 1 - 7 Bribery Act 2010

### 3.6 Record Keeping Requirements

On completion, the candidate should:

3.6.1 *now* record keeping requirements in relation to:

- Anti – Money Laundering (AML)
- Combating the Financing of Terrorism (CFT)

### 3.7 Disclosure and Transparency rules

On completion, the candidate should:

- 3.7.1 *know* the purpose of the Disclosure and Transparency rules and the control of information [DTR 2.1.3, 2.6.1]
- 3.7.2 *know* the legal nature and purpose of the UK Takeover Code (section 2 of the Introduction):
  - the six General Principles
  - the definitions of:
    - “acting in concert”
    - “dealings”
    - “interest in shares”
    - “relevant securities”
- 3.7.3 *understand* the principles behind disclosure of interest rules and why they are required
- 3.7.4 *know* the following disclosure of interest rules:
  - under the Disclosure and Transparency rules:
    - the disclosure thresholds
    - to whom disclosure has to be made and within what timescale
    - differing transparency requirements globally
  - UK under the Companies Act 2006, Section 793, in relation to company investigations

### 3.8 Transaction and Trade Reporting

On completion, the candidate should:

- 3.8.1 *understand* the definition of a reportable transaction (FCA and UK MiFIR)
- 3.8.2 *understand* the role and purpose of reporting:
  - transaction (UK MiFIR)
  - trade (UK MiFIR)
  - UK EMIR

- short selling
- UK SFTR

3.8.3 *know* which party to a trade is responsible for reporting including trades carried out by overseas branches

3.8.4 *know* the reporting channels and systems

### **3.9 Data Protection Act 2018**

On completion, the candidate should:

3.9.1 *know* the six principles of the Data Protection Act 2018; the role, responsibilities and accountability of data controllers and data processors and the rights of individuals in respect of the collection and use of their personal data and record-keeping requirements of FCA-regulated firms

3.9.2 *know* the enforcement powers of the Information Commissioner and the ability to levy fines

### **3.10 Prudential Standards**

On completion, the candidate should:

3.10.1 *know* the purpose of the Capital Adequacy Requirement for certain types of investment firms

## **Element 4 The FCA Conduct of Business Sourcebook / Client Assets**

### **4.1 The Application and General Provisions of the FCA Conduct of Business Sourcebook**

On completion, the candidate should:

#### **The Firms Subject to the Conduct of Business Sourcebook COBS 1**

4.1.1 *know* the firms subject to the FCA Conduct of Business Sourcebook [COBS 1.1.1-1.1.3, COBS 1 Annex 1 Part 3, section 3]

## **Activities Subject to the Conduct of Business Sourcebook COBS 1**

- 4.1.2 *know* the activities which are subject to the FCA Conduct of Business Sourcebook including Eligible Counterparty Business and transactions between regulated market participants [COBS 1.1.1-1.1.3 Annex 1, Part 1(1) and (4)]

## **Impact of Location COBS 1**

- 4.1.3 *know* the impact of location on firms/activities of the application of the FCA Conduct of Business Sourcebook: permanent place of business in UK  
[COBS 1.1.1-1.1.3 and Annex 1, Part 1(1) and (4)]

## **Appointed Representatives COBS 1**

- 4.1.4 *know* how the application of the FCA Conduct of Business Sourcebook applies to appointed representatives [COBS 1.1.1] including financial promotions and firm's responsibilities for appointed representatives [COBS 4.1]

## **Electronic Media**

- 4.1.5 *know* the provisions of the FCA Conduct of Business Sourcebook regarding electronic media [Glossary definitions of 'Durable Medium' and 'Website Conditions']

## **4.2 Accepting Clients**

On completion, the candidate should:

### **Client Categorisation COBS 3**

- 4.2.1 *understand* client status [PRIN 1.2.1/2/3, Glossary, COBS 3]:
- definition of client [COBS 3.2]
  - the application of the rules on client categorisation [COBS 3.1]
  - retail client [COBS 3.4]; professional client [COBS 3.5] and eligible counterparty [COBS 3.6]
- 4.2.2 *understand* client status [PRIN 1.2.1/2/3, Glossary, COBS 3]:
- when a person is acting as agent for another person [COBS 2.4.1– 3]

- the rule on categorising elective professional clients and the requirements for clients electing to be professional clients [COBS 3.5.3 – 9, 3.5.3B/C/E]
- the rule on elective eligible counterparties [COBS 3.6.4 – 6, 3.6.4A/B]
- providing clients with a higher level of protection [COBS 3.7]
- the requirement to provide notifications of client categorisation [COBS 3.3.1A/B]

### **Client Agreements and Information Provision COBS 2, 6, 7, 8 & 14**

- 4.2.3 *know* the requirement for firms to provide client agreements, when a client agreement is required to be signed and when it is acceptable to be provided to clients for MiFID business [COBS 8A.1.4 – 8A.1.7, 6.1ZA.5] and Non-MiFID business [COBS 8.1.1 – 8.1.3]
- 4.2.4 *know* the requirement to provide information to clients prior to providing services to clients including information relating to the nature and risk of the services and designated investments being offered for MiFID business [COBS ~~2.2A6-1A~~] and Non-MiFID business [COBS 2.2, 6.1.1-4 & 14.3.1-10]
- 4.2.5 *know* the rules on the provision of information in connection with the service of managing investments and execution only services for MiFID business [COBS 6.1ZA.2.1/4/10] and Non-MiFID business [COBS 6.1.6]
- 4.2.6 *know* the rules on the provision of information concerning safeguarding of designated investments belonging to clients and client money for MiFID business [COBS 6.1ZA.9] and Non-MiFID business [COBS 6.1.7]
- 4.2.7 *know* the rules on disclosure of costs and associated charges, timing of disclosure; medium of disclosure, changes to information provided to the client and compensation information for MiFID business [COBS 6.1ZA.11-16] and Non-MiFID business [COBS 6.1.9-6.1.16]
- 4.2.8 *know* the requirements for an adviser to a retail client to be remunerated only by adviser charges in relation to any personal recommendation or related service [COBS 6.1A]

## **Reliance on Others COBS 2.4**

- 4.2.9 *know* the rules, guidance and evidential provisions regarding reliance on others [COBS 2.4.4/6/7]

## **4.3 Communicating with Clients, Including Financial Promotions**

On completion, the candidate should:

### **Application of the Rules on Communication with Clients, Including Financial Promotions COBS 4.1**

- 4.3.1 *know* the FCA Conduct of Business Rules relating to fair treatment of customers, the application of the rules on communication to clients and on fair, clear and not misleading communications and financial promotions and the additional requirements relating to retail clients in respect of MiFID business [COBS 4.5A.3] and Non-MiFID business [COBS 4.1, 4.2.1 - 4, 4.5]

### **The Rule on Fair, Clear and Not Misleading Communications and Identifying Financial Promotions As Such COBS 4.1, 4.2, 4.3 and 4.5A**

- 4.3.2 *know* the purpose and application of the financial promotion rules and the relationship with Principles for Businesses 6 and 7 [COBS 4.1]
- 4.3.3 *know* the rule on identifying promotions as such [COBS 4.3]

### **The Main Exceptions (Financial Promotions Order (“FPO”), COBS 4.1 & 4.8 and Glossary Definition of “Excluded Communications”)**

- 4.3.4 *know* the main exceptions to the financial promotion rules in COBS [COBS 4.1, 4.8], the limitations in connection to MiFID business and the existence of the FPO

### **Types of Communication COBS 4**

- 4.3.5 *know* the types and methods of communication addressed by COBS 4
- 4.3.6 *know* the rules on prospectus advertisements [PR 3.3]

### **Communicating with Retail Clients COBS 4.5**

- 4.3.7 *know* the general rule in connection with communicating with retail clients [COBS 4.5 and 4.5A.3]

### **Past, Simulated Past and Future Performance COBS 4.6 and 4.5A**

- 4.3.8 *know* the rules on past, simulated past and future performance [COBS 4.6 excluding 4.6.4 - 4.6.4B and 4.5A.10, 12 and 14]

### **Financial Promotions Containing Offers or Invitations COBS 4.7**

- 4.3.9 *know* the rule on financial promotions containing offers or invitations [COBS 4.7.1A – 4.7.4]

### **Cold Calls and Other Promotions that are Not in Writing COBS 4.8 and 4.9**

- 4.3.10 *know* the rules on unwritten promotions [COBS 4.8.3] and the restriction on cold calling [COBS 4.8.2]
- 4.3.11 *know* the rule on financial promotions for overseas persons [COBS 4.9.3]

### **Systems and Controls and Approving and Communicating Financial Promotions COBS 4.10 and SYSC 4**

- 4.3.12 *know* the requirement for approving financial promotions and the circumstances of relying on another firm's confirmation of compliance [COBS 4.10, SYSC 4]

## **4.4 Suitability**

On completion, the candidate should:

- 4.4.1 *understand* the assessment of client suitability requirements for MiFID business [COBS 9A.2.1/4/5/6/7/8/9/10/11/12/13/15] and Non-MiFID business [COBS 9.1.1-9.1.4, 9.2.1-6, 9.3.1]

### **Suitability (including basic advice) COBS 9.1**

- 4.4.2 *understand* the application of the rules on identifying client needs and advising [COBS 9.1.1-9.1.4 and COBS 9A.2.1, 2 and 3]



**Assessing Suitability COBS 9.2, 9A.2, 9.3, 9.4 and 9.5A**

- 4.4.3 *understand* the purpose of the suitability rules and the requirement for assessing suitability [COBS 9.2.1 - 3 and COBS 9A.2.1-9A.2.15]
- 4.4.4 *understand* the information which a firm must obtain from a client in order to make a suitability assessment [COBS 9.2.1–7 and 9A.2.4-11]; and the guidance on assessing suitability [COBS 9.3.1 and COBS 9A.2.20 and 21]
- 4.4.5 *know* the application of the assessing suitability rules for professional clients [COBS 9A.2.5]
- 4.4.6 *understand* the application of the rules on churning and switching for MiFID business [COBS 9A.2.18] and Non-MiFID business [COBS 9.3.2]
- 4.4.7 *understand* the obligation to provide a retail client with a suitability report for MiFID business [COBS 9A.3.2] and Non-MiFID business [COBS 9.4.1–3]
- 4.4.8 *know* the timing and contents of a suitability report for MiFID business [COBS 9A.3.2,3] and Non-MiFID business [COBS 9.4.4-6]
- 4.4.9 *know* relevant guidance for dealing with insistent clients [COBS 9.5A]

**Appropriateness (Non-Advised Services) COBS 10**

- 4.4.10 *understand* the application and purpose of the rules on Non-MiFID non-advised sales [COBS 10.1] and MiFID business [COBS 10A.2.1]
- 4.4.11 *understand* the obligations for assessing appropriateness for MiFID business [COBS 10A.2.3/4] and Non-MiFID business [COBS 10.2]
- 4.4.12 *know* the circumstances in which it is not necessary to assess appropriateness for MiFID business [COBS 10A.4.1] and Non-MiFID business [COBS 10.4–10.6]

**4.5 Product Disclosure and the Client's Right to Cancel**

On completion, the candidate should:

**Product Disclosure COBS 13, 14, 15 and MCOB 6A**

- 4.5.1 *know* the purpose of the rules on the sale of packaged products to retail clients, the rules requiring the provision of key features to retail clients and the main features to be explained in the key features [COBS 13.1.1/3/4, 13.2.1/2/4, 13.3.1/2 (excluding Annex 1R) and 14.1.1, 14.3.1/2], and the information about financial instruments (MiFID provisions) [COBS 14.3A]
- 4.5.2 *know* the purpose and requirements of the cancellation and withdrawal rights [COBS 15.1.1, 15.2.1, 15.2.3, 15.2.5, 15.3.1, 15.3.2] and the application of reflection periods (MCOB 6A)
- 4.5.3 *know* the requirements for a firm making a personal recommendation to be independent or restricted

**4.6 Dealing and Managing**

On completion, the candidate should:

**Application of the Rules on Dealing and Managing COBS 11.1**

- 4.6.1 *know* the application of the rules on dealing and managing [COBS 11.1]

**Conflicts of interest COBS 12, SYSC 10 and PRIN 2.1**

- 4.6.2 *understand* the application and purpose of the principles and rules on conflict of interest; the rules on identifying conflicts and types of conflicts; the rules on recording and disclosure of conflicts [PRIN 2.1.1 Principle 8, SYSC 10.1.1 - 6 + 10.1.8/9]
- 4.6.3 *know* the rule requiring a conflicts policy and the contents of the policy [SYSC 10.1.10/11/12]
- 4.6.4 *understand* the rules on managing conflicts of interest (SYSC 10.1.7) and how to manage conflicts of interest to ensure the fair treatment of clients (SYSC 10.2) including: information barriers such as 'Chinese walls'; reporting lines; remuneration structures; segregation of duties; policy of independence
- 4.6.5 *know* the rules on managing conflict in connection with investment research and research recommendations [COBS 12.2.14/16/19 and UK MAR 20(1)]

**Inducements and Payment for Research COBS 2.3 and 2.3A**

- 4.6.6 *know* the rules on inducements relating to MiFID business [COBS 2.3A.5/6/8/9/10]; the provision of independent advice, restricted

advice and portfolio management services to retail clients [COBS 2.3A.15]; the provision of independent advice and portfolio management services to retail clients outside the UK or to professional clients [COBS 2.3A.16], acceptable minor non-monetary benefits [COBS 2.3A.19] and to Non-MiFID business [COBS 2.3.1/2]

- 4.6.7 *know* the regulations in respect of the inducements requirements in respect of research for MiFID business [COBS 2.3B.1-4] and Non-MiFID business [COBS 2.3.1/2]

### **Best Execution COBS 11.2 and 11.2A**

- 4.6.8 *understand* the requirements of providing best execution for MiFID business [COBS 11.2A] and Non-MiFID business [COBS 11.2 and 11.2B]
- 4.6.9 *understand* the requirements for an order execution policy, its disclosures, the requirements for consent and review for MiFID business [COBS 11.2A] and Non-MiFID business [COBS 11.2.14-18, 11.2.22-26 and 11.2B]
- 4.6.10 *understand* the rules on following specific instructions from a client [COBS 11.2.19-21]
- 4.6.11 *understand* the rules on monitoring the effectiveness of execution arrangements and policy; demonstrating compliance with the execution policy; and the duties of portfolio managers and receivers and transmitters to act in a client's best interest, and information provision for MiFID business [COBS 11.2A.31-38] and Non-MiFID business [COBS 11.2.27, 11.2.29 – 34]

### **Client Order Handling for MiFID and Non-MiFID Business COBS 11.3**

- 4.6.12 *understand* the rule on client order handling [COBS 11.3.1] and the conditions to be satisfied when carrying out client orders [COBS 11.3.2.2A, 11.3.3–6]

### **Aggregation and Allocation COBS 11.3**

- 4.6.13 *understand* the rules on aggregation and allocation of orders [COBS 11.3.7A-8A] and the rules on aggregation and allocation of transactions for own account [COBS 11.3.9A-13]

### **Client Limit Orders COBS 11.4**

- 4.6.14 *know* the rules on client limit orders - the obligation to make unexecuted client limit orders public for MiFID and Non-MiFID business [COBS 11.4]

## **PA Dealing COBS 11.7 and 11.7A**

- 4.6.15 *understand* the purpose and application of the personal account dealing rule and the restrictions on personal account dealing for MiFID business [COBS 11.7A] and Non-MiFID business [COBS 11.7.1–3]
- 4.6.16 *know* the arrangements required to comply with the personal account dealing rules including the notification requirements; and exceptions regarding personal account dealing for MiFID business [COBS 11.7A] and Non-MiFID business [COBS 11.7.4–7]

## **4.7 Reporting to Clients**

On completion, the candidate should:

### **Confirmation of Transactions and Periodic Statements COBS 16.1, 16.2, 16.3, 16A.1**

- 4.7.1 *know* general client reporting and occasional reporting requirements, the provision of dealing confirmations and periodic statements to retail and professional customers and the exceptions to the requirements and the record-keeping requirements in respect of MiFID business [COBS 16A.2.1, 16A.3.1, 16A.4.1, 16A.4.3 and 16A.5.1] and Non-MiFID business [COBS 16.1-16.3]

## **4.8 Client Assets**

On completion, the candidate should:

- 4.8.1 *understand* the purpose of the client money and custody rules in CASS including the requirement for segregation and that it is held in trust [CASS 6.2.1-3; 7.12.1-2; 7.13.2/3/5/12]
- 4.8.2 *know* the requirements for reconciling client assets and client money including the timing and identification of discrepancies [CASS 6.6.11/13/16/17/19/22/24/27/28/34/37/44/54; 7.15.5/20/22/29/31/32/33]
- 4.8.3 *know* the exemptions from the requirements of the CASS rules [CASS 1.2.3-4; 6.1.1-6; 6.2.10/13/14/15; 7.10.1-10 and 7.10.12]
- 4.8.4 *know* the information needed by the CASS auditor to understand the business model of the firm (FRC 11, 55), when a limited assurance Client Assets Report is required (FRC 16, 17) and the

need for a firm's own risk assessment (FRC 77) - FRC – Client Asset Assurance Standard (Revised November 2019)

- 4.8.5 *know* the two types of arrangement under which a firm is given rights of use and when the CASS 3 rules apply (CASS 3.1.5, 3.1.7)
- 4.8.6 *understand* the purpose of the requirement to have a CASS Resolution Pack (CASS 10.1.2)
- 4.8.7 *know* the required retrieval period (CASS 10.1.7) and the requirement to keep information up to date (CASS 10.1.11)
- 4.8.8 *know* the definition of a mandate (CASS 8.2.1), the forms they can take (CASS 8.2.2), the importance of the ability to give instructions to another person (CASS 8.2.4) and the requirement to maintain a list of mandates (CASS 8.3.2A)

## **Element 5 Complaints and Redress**

### **5.1 Customer Complaints**

On completion, the candidate should:

- 5.1.1 *know* the procedures a firm must implement and follow to handle customer complaints [DISP 1.1.3, 1.1A .1, 1.2.1/3/6, 1.3.3, 1.4.1, 1.6.1/2/5, 1.9.1, 1.10.1]
- 5.1.2 *know* the role of the Financial Ombudsman Service (FOS) [DISP Complaints Sourcebook – Dispute Resolution: Complaints: Introduction] and the awards which can be made [DISP 3.7.2/4]
- 5.1.3 *know* the role of the Pension Ombudsman and the Pension Protection Fund
- 5.1.4 *know* the criteria for a complainant to be eligible to lodge a complaint [DISP 2.2 and DISP 2.7]
- 5.1.5 *know* the circumstances in which the Financial Services Compensation Scheme will pay compensation [COMP 3.2, 4.2.1/2/3] and the compensation payable in respect of protected deposits and protected investment business [COMP 10.2.1/3]
- 5.1.6 *know* the framework under which the FCA can be alerted to Super-Complaints and Mass-Detriment References

## Further Reference

While a thorough understanding of the training materials will be sufficient to pass the examination, candidates may wish to read beyond these materials to gain a better grasp of the sector in which they have chosen to work. Candidates might find the following websites of interest for this purpose.

**Financial Ombudsman Service** at [financial-ombudsman.org.uk](https://financial-ombudsman.org.uk)

**Financial Services Compensation Scheme** at [fscs.org.uk](https://fscs.org.uk)

**The Office of Public Sector Information** at [legislation.gov.uk](https://legislation.gov.uk)

(source legislation is available on this site)

**Her Majesty's Treasury** at [hm-treasury.gov.uk](https://hm-treasury.gov.uk)

**Joint Money Laundering Steering Group guidance** at [jmlsg.org.uk](https://jmlsg.org.uk)

**Information Commissioner's Office** at [ico.org.uk](https://ico.org.uk)

**Financial Conduct Authority** at [fca.org.uk](https://fca.org.uk)

**Bank of England** at [bankofengland.co.uk](https://bankofengland.co.uk)

**PRA Rulebook** at [prerulebook.co.uk](https://prerulebook.co.uk)

**FCA Handbook** at [handbook.fca.org.uk](https://handbook.fca.org.uk)

**Providing assurance on Client Assets to the FCA (as issued November 2019)  
known as Client Asset Assurance Standard** at [frc.org.uk](https://frc.org.uk)