

UK Financial Regulation Certificate for Financial Advisers (CeFA) and Certificate in Mortgage Advice and Practice (CeMAP™) Module 1 – Syllabus

Learning Outcomes

Unit 1 Introduction to Financial Services Environment and Products

On completion of this part of the module, candidates will be expected to:

Demonstrate an understanding of:

- 1 the purpose and structure of the UK financial services industry
- 2 the main financial asset classes and their characteristics, covering past performance, risk and return
- 3 the main financial services product types and their functions
- 4 the main financial advice areas
- 5 the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances
- 6 the basic legal concepts relevant to financial advice
- 7 the UK taxation and social security systems and how they affect personal financial circumstances
- 8 the impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans

Unit 2 UK Financial Services and Regulation

On completion of this part of the module, candidates will be expected to:

Demonstrate a knowledge of:

- 1 the main aims and activities of the Financial Services Authority (FSA), and its approach to ethical conduct by firms and individuals
- 2 how other non-tax laws and regulations impact upon firms and the process of advising clients

Demonstrate an understanding of:

- 1 the FSA's approach to regulating firms and individuals
- 2 how the FSA's rules affect the control structures of firms and their relationship with the FSA
- 3 how the FSA's Conduct of Business rules apply to the process of advising customers/clients
- 4 how the Anti-Money Laundering rules apply to dealings with private and intermediate customers
- 5 the main features of the rules for dealing with complaints and compensation
- 6 how The Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally.

Detailed Syllabus

Unit 1 Introduction to Financial Services Environment and Products

| Attainment Level | Outcome | Indicative Content | Approximate Weighting |
|----------------------------------|--|--|------------------------------|
| Demonstrate an understanding of: | 1 The purpose and structure of the UK financial services industry | U1.1 The function of the financial services industry in the economy – transferring funds between individuals, businesses and government – risk management U1.2 The main institutions/organisations – markets, retail institutions, wholesale institutions U1.3 The role of the EU and of the UK government – regulation, taxation, economic and monetary policy, provision of welfare and benefits | 10% |
| | 2 The main financial asset classes and their characteristics, covering past performance, risk and return | U2.1 Cash deposits U2.2 Government securities and corporate bonds – fixed interest and index linked U2.3 Equities U2.4 Property – residential and commercial | 10% |
| | 3 The main financial services product types and their functions | U3.1 Direct investment – cash, government securities and corporate bonds, equities and property U3.2 Collective investments – structure, tax and charges – OEICs/unit trusts, investment trusts and companies, life assurance contracts, offshore funds U3.3 Derivatives – their structure and purpose U3.4 Mortgages and other loans – personal and commercial U3.5 Pensions | 20% |

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| | 4 The main financial advice areas | U4.1 Budgeting U4.2 Protection U4.3 Borrowing U4.4 Investment and saving U4.5 Retirement planning U4.6 Estate planning U4.7 Tax planning | 10% |
| | 5 The process of giving financial advice, including the importance of regular reviews of the consumer's circumstances | U5.1 The nature of the client relationship, confidentiality, trust and consumer protection U5.2 The information required from consumers and methods of obtaining it U5.3 Factors determining how to match solutions with consumer needs and demands U5.4 How to assess affordability and suitability U5.5 The importance of communication skills in giving advice and how to adapt advice to customers with different capacities and needs U5.6 The importance of monitoring and review of consumers' circumstances U5.7 Information for consumers and when it should be provided (outline only) | 10% |
| | 6 The basic legal concepts relevant in financial advice | U6.1 Legal persons – individuals, wills, intestacy, personal representatives (and administration of estates), trustees, companies, limited liabilities, partnerships U6.2 Contract, capacity U6.3 Agency U6.4 Real property, personal property and joint ownership U6.5 Powers of attorney and enduring powers of attorney U6.6 Insolvency and bankruptcy | 15% |
| | 7 The UK taxation and social security systems and how they affect personal financial circumstances | U7.1 UK Income tax system – liability to income tax, allowances, reliefs, rates, grossing up interest and dividends, employed and self-employed income, priorities for taxing different classes of income, gift aid, Give As You Earn U7.2 Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains U7.3 Inheritance tax – liability to IHT, main exemptions, basic calculation of IHT liabilities U7.4 Stamp duty land tax and stamp duty reserve tax on securities U7.5 National insurance U7.6 VAT U7.7 Social security benefits | 20% |
| | 8 The impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans | U8.1 Definition of inflation U8.2 The difference between fixed and variable interest rates and how they affect the affordability, suitability and performance of financial products in both the long and short term | 5% |

Unit 2 UK Financial Services and Regulation

| Attainment Level | Outcome | Indicative Content | Approximate Weighting |
|----------------------------------|---|---|-----------------------|
| Demonstrate a knowledge of: | 1 The main aims and activities of the Financial Services Authority (FSA) and its approach to ethical conduct by firms and individuals | K1.1 The Financial Services and Markets Act 2000 K1.2 The FSA's main objectives, role and activities K1.3 The FSA's principles for businesses and approved persons – how they reflect the need for ethical behaviour by firms and approved persons, FSA guidance (for example, Treating Customers Fairly) K1.4 Arrangements, systems and controls for senior managers K1.5 The fit and proper test for approved persons K1.6 The prevention of crime, including market abuse and insider dealing | 10% |
| | 2 How other non-tax laws and regulations are relevant to firms and to the process of advising clients | K2.1 The Office of Fair Trading and the Consumer Credit legislation K2.2 The Pensions Regulator K2.3 Unfair Contract Terms; Advertising Standards Authority; Banking Code K2.4 EU directives K2.5 CAT and stakeholder standards | 10% |
| Demonstrate an understanding of: | 1 The FSA's approach to regulating firms and individuals | U1.1 Authorisation of firms, regulated activities & regulated investments, firms' status (independent or other) U1.2 Capital adequacy U1.3 FSA supervision and the risk based approach U1.4 Discipline and enforcement including notification requirements | 10% |
| | 2 How the FSA's rules affect the control structures of firms and their relationship with the FSA | U2.1 Approved persons and controlled functions U2.2 Advertising and financial promotion rules U2.3 Reporting and record keeping U2.4 Training and competence rules U2.5 Specific rules for independent financial advisers and whole of market advisers | 20% |

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| | 3 How the FSA's Conduct of Business Rules apply to the process of advising customers/clients | U3.1 Types of customer U3.2 Terms of business, client agreements and initial disclosure documents U3.3 Status of advisers and status disclosure to customers U3.4 Advice and know your customer rules U3.5 Suitability of advice U3.6 Execution-only sales U3.7 Charges and commissions U3.8 Cooling off and cancellation U3.9 Product disclosure U3.10 Simplified advice on the stakeholder suite of products U3.11 Regulatory rules for mortgage advice – MCOB U3.12 Future regulatory rules for general insurance advice – ICOB | 30% |
| Demonstrate an understanding of: | 4 How the Anti-Money Laundering rules apply to dealings with private and intermediate customers | U4.1 Proceeds of Crime Act 2002 U4.2 Proceeds of crime – definition U4.3 Money laundering offences U4.4 Client identification procedures U4.5 Record keeping requirements U4.6 Reporting procedures U4.7 Training requirements U4.8 Enforcement | 10% |
| | 5 The main features of the rules for dealing with complaints and compensation | U5.1 Firms' internal complaints procedures U5.2 The Financial Ombudsman Service (FOS) U5.3 The Financial Services Compensation Scheme (FSCS) | 5% |
| | 6 How the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally | U6.1 Definitions in the Data Protection Act U6.2 The data protection principles U6.3 Enforcement of the Data Protection Act | 5% |
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