

## ApEx11

Overseeing on a day-to-day basis  
administrative functions in relation to  
managing investments

# Summary of Learning Outcomes

<b>ApEx11 OVERSEEING ON A DAY-TO-DAY BASIS ADMINISTRATIVE FUNCTIONS IN RELATION TO MANAGING INVESTMENTS</b>	
<b>11A Arranging Settlement</b>	Level
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K1 the settlement timetable	Knowledge
K2 settlement types	Knowledge
K3 the difference in settlement systems between products	Knowledge
K4 tax, charges and levies	Knowledge
<b>U Demonstrate an understanding of:</b>	
U1. the settlement process	Comprehension
U2. different settlement methods	Comprehension
U3. non cash transfers, buying in and selling out	Comprehension
<b>11B Monitoring and processing corporate actions</b>	
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K5 parties involved in the process	Knowledge
K6 requirements of the Panel on Take-overs and Mergers	Knowledge
K7 asset (event) types	Knowledge
<b>U Demonstrate an understanding of:</b>	
U4. the corporate action or asset servicing process	Comprehension
U5. tax considerations	Comprehension
<b>11C Client account administration, liaison and reporting, including valuation and performance measurements</b>	
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K8 Know Your Customer	Knowledge
K9 compliance and adherence issues	Knowledge
K10 registration and record keeping	Knowledge
K11 client assets	Knowledge
K12 new and closing of business	Knowledge
<b>U Demonstrate an understanding of:</b>	
U6. administration of the client account	Comprehension
U7. power of attorney	Comprehension
U8. tax issues	Comprehension
U9. valuation and reporting	Comprehension
<b>11D ISA , PEP or CTF administration</b>	
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K13 objectives and key features of ISAs, PEPs and CTFs	Knowledge
K14 regulation and authorisation	Knowledge
K15 ISA and PEP investment rules and restrictions	Knowledge
K16 CTF investment rules and restrictions	Knowledge

K17	charges and expenses	Knowledge
K18	security for mortgages and loans	Knowledge
K19	ISA and PEP - returns of information and Inland Revenue inspections	Knowledge
K20	CTF - returns of information and Inland Revenue inspections	Knowledge
<b>U</b>	<b>Demonstrate an understanding of:</b>	
U10.	ISA and PEP - investors and applications	Comprehension
U11.	CTF - investors and applications	Comprehension
U12.	income and tax claims	Comprehension
U13.	holder rights and tax claims	Comprehension
U14.	withdrawals, closure and death of an investor	Comprehension
U15.	transfers	Comprehension
<b>11E Investment trust savings scheme administration</b>		
Candidates will be expected to:		
<b>K</b>	<b>Demonstrate a knowledge of:</b>	
K21	corporate actions	Knowledge
K22	who operates the scheme	Knowledge
K23	structure and characteristics	Knowledge
K24	cancellation /cooling off	Knowledge
K25	information versus advice	Knowledge
<b>U</b>	<b>Demonstrate an understanding of:</b>	
U16.	introduction of investment trust savings schemes	Comprehension
U17.	marketing/ promotions	Comprehension
U18.	investor protection/ rights	Comprehension
U19.	reconciliations	Comprehension
U20.	dividend payments	Comprehension

Indicative Content  
for each Learning Outcome

ApEx11 OVERSEEING ON A DAY-TO-DAY BASIS ADMINISTRATIVE FUNCTIONS IN RELATION TO MANAGING INVESTMENTS		
Attainment Level	Outcome	Indicative Content
<b>11A Arranging Settlement</b>		
<b>K</b> Demonstrate knowledge of:	<b>K1 The settlement timetable</b>	K1.1 Global depots – Euroclear, Clearstream, CREST - and other markets – US, Japan, Asia and emerging markets K1.2 Standard settlement periods – by product and by market K1.3 Stock lending K1.4 Pre settlement to failed trade management - impacts of failure and rectification K1.5 Standing settlement instructions K1.6 Arrangements for special settlements, e.g. ex-dividend
	<b>K2 Settlement types</b>	K2.1 De-materialised - institutional net settlement; registration; CREST in Europe/ electronic settlement K2.2 Certificated - types of form (documents), certificates, registration, role of register, how issued (including foreign ownership issues) K2.3 Fixed, rolling settlement, free of payment, Real Time Gross Settlement
	<b>K3 The difference in settlement systems between products</b>	K3.1 Equities through CREST K3.2 Settlement rules according to how product was traded e.g exchange or over the counter K3.3 Different asset classes including: equities, bonds, cash, gilts, derivatives (OTC or ETD), foreign exchange, exchange traded funds K3.4 Money markets e.g. commercial papers, fixed deposits K3.5 Exchange versus over the counter payment and settlement processes K3.6 How schemes settle (UK specific) e.g. collectives, SIPPS
	<b>K4 Tax, charges and levies</b>	K4.1 Income tax - the client's investment and the impact that consideration of tax will have on the administration process K4.2 Stamp duty (not charities) and withholding tax K4.3 Capital Gains Tax K4.4 Double taxation K4.5 Tax reclaims K4.6 Trade commissions paid and other charges K4.7 Market levies
<b>U</b> Demonstrate understanding of:	<b>U1 The settlement process</b>	U1.1 Key features of settlement – front to back overview U1.2 Clearance and settlement process – differences between processes; which are more problematic and why; implications of problematic processes U1.3 Straight through processing: principles, objectives and main stages U1.4 Types of settlement U1.5 Roles, responsibilities and operating standards of those involved in the process – the custodian; the investment manager; stockbrokers; market makers; Authorised Corporate Director (ACD); clients; IFAs; registrars U1.6 Central counterparty – ie clearing houses and brokers

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<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
<b>11A Arranging Settlement</b>		
<b>U</b> Demonstrate understanding of:	<b>U2 Different settlement methods</b>	U2.1 Key features of settlement for each product type and how settlement would be done: money market, cash settlements, CDs, equities U2.2 Implications of mistakes in each of the settlement methods above U2.3 Failed trades – time limits on being able to claim, fail resolution methods, claim management U2.4 Contractual settlements, including cut off deadlines
	<b>U3 Non cash transfers, buying in and selling out</b>	U3.1 Certificates U3.2 Dematerialisation U3.3 Renunciations and types of forms U3.4 Internal portfolio transactions/ transfers U3.5 Different risk from day to day buying and selling U3.6 Switches in collectives U3.7 In specie transfers U3.8 The use of programme trades U3.9 Settlement timescales

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<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
<b>11B Monitoring and processing corporate actions</b>		
<b>K</b> Demonstrate knowledge of:	<b>K5 Parties involved in the process</b>	K5.1 Who is involved and their roles and responsibilities K5.2 Role of custodians in corporate actions
	<b>K6 Requirements of the Panel on Take-overs and Mergers</b>	K6.1 Deadline K6.2 Announcement requirements K6.3 Consequences of non-compliance with requirements

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Attainment Level	Outcome	Indicative Content
<b>11B Monitoring and processing corporate actions</b>		
	<b>K7 Asset (event) types</b>	K7.1 Mergers and acquisitions, bonus issues, distributions and rights issues K7.2 Dividends – including paying dividends and what can go wrong in reconciliations K7.3 Typical failure points and impact of failure K7.4 Mandatory/non mandatory - what can be processed; what needs to be referred K7.5 Stock dividends
<b>U Demonstrate understanding of:</b>	<b>U4 The corporate action or asset servicing process</b>	U4.1 Why corporate actions happen - major types, most common occurrence of errors, failure pivots within the process U4.2 Process flows, timetables U4.3 Proxy voting (AGM vs capital events EGM) and how investment managers may decide to use shares U4.4 Basic corporate governance, including class actions U4.5 Reconciliation <ul style="list-style-type: none"> <li>i. importance of</li> <li>ii. market claim</li> </ul> U4.6 Use of settlement systems – CREST, Euroclear, STP U4.7 Fiduciary responsibilities when processing instructions on behalf of clients U4.8 Asset servicing procedures e.g. timescales, consulting clients, written instructions U4.9 Effect of omnibus accounts U4.10 Documentation - validating the document; what is required for a discretionary event and for a non discretionary event U4.11 The implications of each market event on the processing of corporate actions
<b>U Demonstrate understanding of:</b>	<b>U5 Tax considerations</b>	U5.1 Capital Gains Tax or Income Tax U5.2 European Savings Directive U5.3 Section 18 Income and Corporation Taxes Act 1988 U5.4 Withholding tax U5.5 Qualified Intermediary Scheme U5.6 Offshore/onshore – including European tax required and/or offshore constraints U5.7 Residency and domicile: impact on income U5.8 Tax treatment - income, equalisation, coupons; mandatory and non mandatory U5.9 Different treatment required for other accounts, e.g. trust U5.10 US and European corporate actions



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<b>11C Client account administration, liaison and reporting, including valuation and performance measurements</b>		
<b>K</b> Demonstrate knowledge of:	<b>K8 Know Your Customer</b>	K8.1 Type of client (e.g. private, intermediate), service provided and type of client money K8.2 Rules that apply to record keeping, charges, commissions and reconciliations
	<b>K9 Compliance and adherence issues</b>	K9.1 Risks posed by non-checking of: <ul style="list-style-type: none"> <li>• Signatories and authentication</li> <li>• Data Protection Act requirements</li> </ul> K9.2 Methods of instruction K9.3 Timely execution, including sending contract notes out on time, complaint handling K9.4 Incorrect client classification or non-completion of client classification requirement K9.5 Minimum periods of reporting on various types of function, e.g. valuation, according to applicable regulatory rules
	<b>K10 Registration and record keeping</b>	K10.1 Requirements/responsibilities regarding outsourced departments K10.2 Legal requirements for registration of investments – legal entities, corporate bodies and individuals K10.3 Required legal documentation - powers of attorney, grants of probate/letters of administration, company articles and memorandum, trust documents, investment management agreements, terms of business documents K10.4 Necessary disclosure – e.g. remuneration, contract notes, what must be disclosed on documents
	<b>K11 Client assets</b>	K11.1 Application and purpose of the client money rules K11.2 Circumstances in which money is not client money K11.3 When client money becomes due and payable to the firm K11.4 Requirement for segregation of client money from firm's own money K11.5 Requirement on payment of interest and placing of client money on deposit with approved banks in a client bank account K11.6 Record keeping requirements and reconciliation rules
	<b>K12 New and closing of business</b>	K12.1 Transfer of assets – what is allowed K12.2 In specie transfer K12.3 Different types of customer specific regulations in accordance with current relevant legislation K12.4 Transition manager K12.5 New products K12.6 Rules for closing business K12.7 Role of the custodian, investment manager and consultants K12.8 Issues in managing residual income and how they are dealt with

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**OVERSEEING ON A DAY-TO-DAY BASIS ADMINISTRATIVE FUNCTIONS IN RELATION TO MANAGING INVESTMENTS**

Attainment Level	Outcome	Indicative Content
<b>11C Client account administration, liaison and reporting, including valuation and performance measurements</b>		
<b>U</b> Demonstrate understanding of:	<b>U6 Administration of the client account</b>	U6.1 Parties involved in the client account process - investment/product providers, investors, custodians U6.2 Client needs - client agreements; terms and conditions; instructions to move money or switch accounts U6.3 Information requirements for client accounts - registration details; use of nominees; distribution of income U6.4 Customer service aspects - service level agreements; key performance indicators; error/exception handling; prohibition on release of information without authority/signatory U6.5 Client reporting rules for income statement and transaction reporting U6.6 Client fees and charges – what can be charged, when it can be charged and how it can be agreed
	<b>U7 Power of attorney</b>	U7.1 Purpose U7.2 Mandates, enduring power of attorney and power of attorney: key features and distinctions between them U7.3 Powers of the attorney U7.4 Principles and operation U7.5 Procedures for and considerations when starting and stopping
	<b>U8 Tax issues</b>	U8.1 Implications of residency U8.2 Capital Gains Tax U8.3 Income Tax U8.4 Tax implications for the income of different entities, e.g. private client, institutional client, charity
	<b>U9 Valuation and reporting</b>	U9.1 Frequency and content of valuation U9.2 Performance measurements – agreed benchmarks/indices with customer; calculation method of performance U9.3 Valuation methods – equity, bond, derivatives, cash, forex and alternative investments U9.4 Where prices are sourced and the impact/requirements of International Accounting Standards and exchange rates U9.5 Industry standards and requirements U9.6 Revaluation of a forward FX on a valuation/portfolio U9.7 Reporting process and requirements; consequences of non-compliance U9.8 S.212 Notices U9.9 UKLA's Model Code requirements

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<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
<b>11D ISA , PEP or CTF administration</b>		
<b>K</b> Demonstrate knowledge of:	<b>K13 Objectives and key features of ISAs, PEPs and CTFs</b>	K13.1 Types of scheme K13.2 Tax advantages K13.3 Investment objectives
	<b>K14 Regulation and authorisation</b>	K14.1 ISA and PEP legislation K14.2 CTF legislation K14.3 The Inland Revenue K14.4 Role and responsibilities of the account manager K14.5 Application for authorisation K14.6 Withdrawals of authorisation K14.7 Role and responsibilities of third party administrators K14.8 Money laundering considerations
	<b>K15 ISA and PEP investment rules and restrictions</b>	K15.1 Subscription methods K15.2 Approved all-employee share schemes K15.3 Regular savings K15.4 Qualifying investments (cash and stocks/shares) K15.5 Qualifying insurance (ISA only) K15.6 Dealing
	<b>K16 CTF investment rules and restrictions</b>	K16.1 Subscription methods K16.2 Regular savings K16.3 Qualifying investments (stakeholder and non-stakeholder) K16.4 Dealing
	<b>K17 Charges and expenses</b>	K17.1 Which charges must be taken from within and which from without an investor's account or subscription K17.2 Initial charges K17.3 Periodic and additional management charges K17.4 Exit charges
	<b>K18 Security for mortgages and loans</b>	K18.1 Advantages of ISAs as repayment vehicles K18.2 Effects on administration of the use of ISA for mortgage/loan repayment
	<b>K19 ISA and PEP - returns of information and Inland Revenue inspections</b>	K19.1 Returns of information K19.2 Purpose and content of IR inspection visits K19.3 Breaches of rules – reparable or irreparable K19.4 Simplified voiding K19.5 Amounts to be recovered

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<b>11D ISA , PEP or CTF administration</b>		
<b>K</b> Demonstrate knowledge of:	<b>K20 CTF - returns of information and Inland Revenue inspections</b>	K20.1 Returns of information K20.2 Purpose and content of IR inspection visits K20.3 Breaches of rules
<b>U</b> Demonstrate understanding of:	<b>U10 ISA and PEP - investors and applications</b>	U10.1 Applications U10.2 Declaration and authority U10.3 Acknowledgements and incomplete applications U10.4 Incapacity to sign U10.5 Customer agreements U10.6 Cancellations and cooling off
	<b>U11 CTF - investors and applications</b>	U11.1 The voucher U11.2 Applications U11.3 Declaration and authority U11.4 Registered contact U11.5 Stakeholder requirement U11.6 Acknowledgements and incomplete applications U11.7 Incapacity to sign U11.8 Customer agreements U11.9 Cancellations and cooling off U11.10 Revenue-allocated accounts
	<b>U12 Income and tax claims</b>	U12.1 Cash dividend U12.2 Bonus issues U12.3 Rights issues U12.4 New issues/Public offers U12.5 Income options for ISA and PEP U12.6 Income tax and claims U12.7 Interest on uninvested cash on deposit in ISA/PEP stocks and shares component
	<b>U13 Holder rights and tax claims</b>	U13.1 Contract/advice notes U13.2 Statements and valuation U13.3 Shareholder rights U13.4 Correcting errors

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<b>11D ISA , PEP or CTF administration</b>		
<b>U</b> Demonstrate understanding of:	<b>U14 Withdrawals, closure and death of an investor</b>	U14.1 Withdrawals, including calculation of market value on withdrawal of investment from account U14.2 Date of closure and payment of outstanding benefits U14.3 Invalid accounts U14.4 Failure to adhere to regulations U14.5 Death of an investor (ISA and PEP) U14.6 Death of the child (CTF)
	<b>U15 Transfers</b>	U15.1 Reasons and procedures U15.2 Partial transfers (ISA and PEP) U15.3 Transfer of account manager U15.4 Transfers out U15.5 Outstanding dividends, interest or tax credits and income tax recoverable U15.6 Transfers in (ISA and PEP)

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<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
<b>11E Investment trust savings scheme administration</b>		
<b>K</b> Demonstrate knowledge of:	<b>K21 Corporate actions</b>	K21.1 Effect of a corporate action on the look of an investment trust and the way it trades K21.2 Effect on investment trust administration cycle K21.3 People involved - roles and responsibilities K21.4 Meetings that may be held and why K21.5 Effect on premium and dilution
	<b>K22 Who operates the scheme</b>	K22.1 In what capacity: agent, principal etc K22.2 Responsibility of agent/principal to the client and to each other K22.3 Other parties involved (e.g. Company Secretary) and their responsibilities

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<b>11E Investment trust savings scheme administration</b>		
<b>K</b> Demonstrate knowledge of:	<b>K23 Structure and characteristics</b>	K23.1 Basic structure / characteristics: closed ended structure, difference between closed and other funds, range of investment trusts K23.2 Main different classes of shares: ordinary shares, income shares, zero dividend shares, capital shares K23.3 Dealing, pricing, premiums and discounts K23.4 Gearing: advantages and drawbacks in terms of risk and flexibility K23.5 Past performance of investment trusts: risk and return K23.6 Taxation: dividends and capital gains of investment trust and for the investors who own them K23.7 Venture capital trusts: structure, tax characteristics, past performance in terms of risk and returns K23.8 Commissions payments to intermediaries
	<b>K24 Cancellation /cooling off</b>	K24.1 Timescales K24.2 Right of return K24.3 Reasons why requirements are not regulated for investment trust savings schemes
	<b>K25 Information versus advice</b>	K25.1 Difference between each and reasons for the differences K25.2 Consequences of providing unauthorised advice
<b>U</b> Demonstrate understanding of:	<b>U16 Introduction of investment trust savings schemes</b>	U16.1 Reasons for development U16.2 How you buy shares in a scheme U16.3 Benefits to the trust U16.4 Benefits to the investor
	<b>U17 Marketing/ promotions</b>	U17.1 How investment trust schemes can market their own shares through investment trust savings schemes U17.2 Legal requirements: what can and can't be advertised
	<b>U18 Investor protection/ rights</b>	U18.1 Protections and rights relating to the investment trust saving scheme U18.2 Difference in buying inside and outside scheme U18.3 Voting rights U18.4 Shareholder documentation <ul style="list-style-type: none"> <li>- Annual reports and accounts</li> <li>- Corporate actions</li> </ul>
	<b>U19 Reconciliations</b>	U19.1 Mechanics of reconciliation U19.2 Terms and conditions: requirements if not paying interest
	<b>U20 Dividend payments</b>	U20.1 Rules regarding ability of an investment trust savings scheme to hold cash pending dividend payment