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## AES-1 Appropriate Examinations: Retail Investment Advice

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Standards for Appropriate Examinations for those advising on investments that are packaged products

ApEx1 UK Financial Services, Regulation and Ethics

ApEx2 Investment and Risk

ApEx3 Protection

ApEx4 Retirement Planning

The Appropriate Examinations Standards (AES) series is published by the Financial Services Skills Council. The Standards set out the requirements for Appropriate Examinations required for the relevant regulated activities specified under the Financial Services Authority's Training and Competence Rules.

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# Overview

AES1-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 4 as employees engaging in advising on investments that are packaged products.

AES1-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

## The Standard

AES1-3 Each Standard defines the learning outcomes and the levels of attainment that a candidate must achieve and the indicative content relevant to each learning outcome.

AES1-4 The Appropriate Examination requirement for those advising on investments that are packaged products is:

4.1 Individuals must have passed an Appropriate Examination based on the **ApEx1 UK Financial Services, Regulation and Ethics** standard published here.

and

4.2 Individuals must have passed an Appropriate Examination based on the **ApEx2 Investment and Risk** standard published here.

and

4.3 Individuals must have passed an Appropriate Examination based on the **ApEx3 Protection** standard published here.

and

4.4 Individuals must have passed an Appropriate Examination based on the **ApEx4 Retirement Planning** standard published here.

AES1-5 Candidates must achieve, at the level of attainment specified, all the required outcomes in each Standard in order to pass an Appropriate Examination.

AES1-6 **In addition**, candidates must achieve **Learning Outcome H1** which tests the individual's ability to combine and apply knowledge and understanding specified in the four standards to the practical demands of advising consumers. (See the Summary of Learning Outcomes in Part 3.)

## Recognition of Appropriate Examinations that meet the Standards

AES1-7 The Skills Council will designate as Appropriate Examinations proposed examinations that

7.1 meet the relevant Appropriate Examination Standards

**and**

7.2 are brought forward by an awarding body which meets at least one of the following conditions:

7.2.1 it is accredited by the bodies regulating qualifications in England, Wales and Northern Ireland (Ofqual/DCELLS/Ofqual NI) and has been or is intended to be entered into the Qualifications and Credit Framework (QCF) or equivalent;

**or**

7.2.2 it submits the proposed Appropriate Examination for credit rating and placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority;

**or**

7.2.3 it is offered by a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA);

**or**

7.2.4 it is approved by a body equivalent to those identified in above and having authority in a jurisdiction other than the UK.

## Listing

AES1-8 The Skills Council holds a List of Appropriate Examinations. Once awarding body proposals meet the requirements set out above, they will be entered into this List as Appropriate Examinations that may meet the Training and Competence requirements of the FSA.

AES1-9 The List is accessible free of charge to employers, practitioners, candidates and members of the public on the Skills Council's website [www.fssc.org.uk/exams/index.html](http://www.fssc.org.uk/exams/index.html).

AES1-10 It is provided to guide employers in discharging their responsibilities under the FSA's Training and Competence Rule TC 2.1.1R: which states with effect from 1 November 2007:

1. A firm must not assess an employee as competent to carry on an activity in TC Appendix 1 until the employee has demonstrated the necessary competence to do

so and has (if required by TC Appendix 1) passed each module of an Appropriate Examination. This assessment need not take place before the employee starts to carry on the activity

2. A firm may assess an employee who is subject to, but has not satisfied, an Appropriate Examination requirement as competent to the extent that:
  - (a) that employee works in a branch in an EEA State other than the United Kingdom;
  - (b) the employee is engaging in MiFID business; and
  - (c) there is no Appropriate Examination or equivalent in that EEA State.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

Employers may use the List to identify Appropriate Examinations. The List provides contact details of the awarding bodies offering the examinations.

### **Internal Examinations**

AES1-11 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

### **Questions and Answers**

AES1-12 The Skills Council publishes separately a list of Frequently Asked Questions about Appropriate Examinations. These are available to download from the Skills Council's website – [www.fssc.org.uk](http://www.fssc.org.uk).

# Part One:

## About the Standards



## **The Standards**

AES1-13 For certain regulated activities, firms must ensure that employees have passed an Appropriate Examination in order to meet the FSA's Training and Competence Rules.

AES1-14 This paper sets out Appropriate Examination Standards in the form of learning outcomes, attainment levels and indicative content to be achieved by those advising on investments that are packaged products.

## **Basis**

### **Source**

AES1-15 Proposals for an examination curriculum were first published in the FSA's consultation paper CP157 Examination Framework for Retail Financial Services (Investment Advice Strand 1).

AES1-16 The Standards stated here are derived from:

- 16.1 the work of successive round table consultations and working parties, involving practitioners and awarding bodies;
- 16.2 feedback from the FSA's consultation on CP157;
- 16.3 subsequent work by a practitioner group to produce a prepublication draft;
- 16.4 feedback from the Skills Council's own consultation on the process of identifying appropriate examinations (March 2004).

## **Relevance**

AES1-17 The knowledge and understanding shown here underpins achievement of the appropriate National Standards for Providing Financial Advice, which are the benchmarks for assessing the individual's ability to practice competently in this role.

## **Status**

AES1-18 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for investment advisers to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES1-19 They do not apply to other areas of knowledge and understanding that a practitioner may need to offer advice on consumer requirements and financial products and services.

AES1-20 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES1-21 The Skills Council has already brought forward such Standards in the following publications, which may be downloaded from the Skills Council's website:

AES-1	Retail Investment Advice
AES-2	Mortgage Advice
AES-3	Lifetime Mortgage Activities
AES-4	Long Term Care Insurance Advice
AES-5	Overseeing Life Policy Administration
AES-6	Overseeing Investment Management Administration
AES-7	Overseeing Stakeholder Pension Administration
AES-8	Overseeing Collective Investment Schemes
AES-9	Overseeing Safeguarding Client Money
AES-10	Overseeing Stakeholder Pension Scheme Decision Trees
AES-11	Securities and Derivatives Advice
AES-12	Securities Advice
AES-13	Derivatives Advice
AES-14	Managing Investments
AES-15	Advising on Friendly Society tax-exempt policies
AES-16	Acting as a Broker Fund Adviser
AES-17	Advising on syndicate participation at Lloyd's
AES-18	Acting as a Pension transfer specialist

## Scope of the Standards

AES1-22 The knowledge and understanding specified is set out under the following principal headings:

**22.1 Learning Outcomes** that require individuals to demonstrate knowledge and understanding;

**22.2 Attainment Levels** which define the level of knowledge and understanding individuals must demonstrate to show that they have achieved the learning outcome. An attainment level is set for each outcome, and determines which of the following the individual must demonstrate:

22.2.1 knowledge;

22.2.2 understanding;

22.2.3 an ability to apply knowledge and understanding;

22.2.4 an ability to analyse information;

22.2.5 an ability to assess or evaluate information.

### **22.3 Indicative content**

22.3.1 These are statements of the general areas of knowledge and understanding that must be covered in an Appropriate Examination.

22.3.2 They are designed to guide awarding bodies when they design examinations in the subjects covered by each Standard.

## Application

AES1-23 The Standards are set:

23.1 to enable firms to make training and testing arrangements for individuals to acquire and apply knowledge and understanding appropriate to provide financial investment advice

and

23.2 to guide awarding bodies so that they can bring forward proposals for Appropriate Examinations to the Financial Services Skills Council.

AES1-24 **An Appropriate Examination must meet the Standard.** It may comprise the whole of a qualification or part of it. It is for awarding bodies to decide the examination strategy they will use to meet the required Standard(s).

AES1-25 Whatever examination strategy is used, the Skills Council requires that the arrangements for testing achievement against the Standard(s) are clearly stated in both the examination design and the materials used to communicate awarding body requirements to candidates and employers.

## **Listing of Appropriate Examinations**

AES1-26 The Skills Council maintains a List of Appropriate Examinations. This comprises

26.1 Qualifications and other tests that meet Appropriate Examination Standards; and

26.2 Qualifications and other tests that have been previously approved by the FSA.

AES1-27 For any examination to be entered into the List of Appropriate Examinations by the Financial Services Skills Council, it must

27.1 Meet the relevant Standard(s) set out here: that is, it must test achievement of

27.1.1 the learning outcomes at the specified levels of attainment, and

27.1.2 the indicative content.

**and**

27.2 Test the individual's ability to integrate the knowledge and understanding covered by the Standards when advising on investments which are packaged products. This requirement is specified in an over-arching learning outcome. For details, see page 18.

**and**

27.3 Meet the requirements of a nationally recognised quality assurance body as defined below.

AES1-28 When awarding bodies bring forward proposals for examinations for entry into the Skills Council's List of Appropriate Examinations, the Skills Council will review each proposal against its Appropriate Examination Criteria [see Part Two].

AES1-29 The Skills Council will endeavour to inform the awarding body of the results of its review within ten working days<sup>1</sup> of receipt of the proposals and

***Either***

29.1 Confirm that the proposals meet the relevant Examination Standard(s)

***Or***

29.2 Request specific changes to be made so that the proposals meet the criteria.

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<sup>1</sup> This timescale allows for discussions between the awarding body and the Skills Council if there is a need to clarify any aspects of the proposals. The Skills Council will make its best efforts to complete the review within ten days.

AES1-30 Once a proposal meets the criteria, the Skills Council will endorse its submission to an appropriate external quality assurance body. There are different external quality assurance bodies, depending upon where the awarding body is located and its educational status<sup>2</sup>. The Skills Council's requirement is that:

30.1 Appropriate Examinations offered by an awarding body based in England, Wales or Northern Ireland must

30.1.1 meet the requirements of the relevant Appropriate Examination Standard(s)

**and**

30.1.2 be accredited by the relevant national qualifications regulators within the national qualifications frameworks (NQF) of England, Wales and Northern Ireland.

30.2 Appropriate Examinations offered by an awarding body based in Scotland must be credit-rated by the Scottish Qualifications Authority and placed in the Scottish Credit and Qualifications Framework (the equivalent in Scotland of the NQF).

30.3 UK higher education bodies<sup>3</sup> (such as universities) offering Appropriate Examinations must have had a satisfactory institutional audit report from the Quality Assurance Agency for Higher Education (QAA).

30.4 Some examinations previously recognised by the FSA as 'approved examinations' are awarded by bodies outside the UK. Such bodies do not come into the scope of the UK quality assurance bodies identified above. In such cases, the Skills Council

30.4.1 will ask the awarding body to confirm that their examinations are consistent with the relevant Appropriate Examination Standard(s); and

30.4.2 requires that the examination offered by the overseas awarding body is approved by a national body equivalent to QCA or QAA where such bodies exist in the jurisdiction of the awarding body. This will apply both to current qualifications previously approved by the FSA and to any new qualifications awarded by extra-territorial bodies.

AES1-31 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

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<sup>2</sup> For more details of these bodies and their role in assuring the quality of Appropriate Examinations, please contact the Skills Council.

<sup>3</sup> Higher education bodies are not in scope to QCA.

AES1-32 When such an examination replaces a previously approved examination (for example, a new version of the Financial Planning Certificate, for advising on packaged products) the older version will:

32.1 continue to be listed, because it will apply to those who passed it before the new version became available.

32.2 be listed as *'appropriate, but no longer available for new candidates'*.

AES1-33 The Skills Council will co-operate with awarding bodies in informing the industry about transitional arrangements for candidates who have not completed a previously listed examination that is replaced by a new version.

### **Responsibility for maintaining competence**

AES1-34 Employers are reminded that under the FSA's Training & Competence Rules and Guidance:

TC 2.1.12 A firm must review on a regular and frequent basis employees' competence and take appropriate action to ensure that they remain competent for their role.

TC 2.1.13 A firm should ensure that maintaining competence for an employee takes into account such matters as:

- (1) technical knowledge and its application;
- (2) skills and expertise; and
- (3) changes in the market and to products, legislation and regulation.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

### **Internal Examinations**

AES1-35 An employer may decide not to use external Appropriate Examinations in their arrangements for meeting the FSA's Training and Competence Rules. They may instead decide to use internal examinations. Under the FSA's Training and Competence Rules, the employing firm should be able to justify that the examination is appropriate for the activity being carried out by the employee.

## Part Two:

# Criteria for Appropriateness

## FSSC Criteria for recognising Appropriate Examinations

Proposals for recognition as Appropriate Examinations must meet the following criteria:

AER1. The organisation making the proposals must be

- 1.1. an awarding body accredited with the Qualifications and Curriculum Authority: that is, it must have satisfied the requirements for Part A accreditation with QCA; or
- 1.2. prepared to accept a credit rating of the proposed Appropriate Examination and its placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority; or
- 1.3. a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA); or
- 1.4. an examining body located outside the UK and approved by a body equivalent to QCA, SQA or QAA and having authority in a jurisdiction other than the UK.

AER2. The proposals must meet the requirements of the relevant Appropriate Examination Standards: that is:

- 2.1. The proposed **learning outcomes** must:
  - 2.1.1. be the learning outcomes specified in the Appropriate Examination Standards, and
  - 2.1.2. test attainment at least at the cognitive level defined for each outcome in each of the Appropriate Examination Standards;
- 2.2. The proposals must clearly identify how each learning outcome is to be tested.
- 2.3. The proposed **syllabus content** should be consistent with the indicative content of the Appropriate Examination Standard(s).

2.4. The **assessment methods** used must:

- 2.4.1. be appropriate to testing attainment at the level specified in the relevant Appropriate Examination Standard(s);
- 2.4.2. generate valid and reliable evidence of the candidate's knowledge and understanding;
- 2.4.3. be capable of consistent application by competent examiners and moderators;
- 2.4.4. be applicable to all potential candidates and allow for suitable alternative procedures to be available for candidates with special assessment needs.



Part Three:

Retail Investment Advice

Standards for Appropriate Examinations

## The Standards

The Standards contain the following information:

1. The learning outcomes that must be assessed in an Appropriate Examination
2. The indicative content of the syllabus for each outcome
3. The level of attainment necessary to pass an Appropriate Examination.

This information is presented in two sections:

1. A summary of the learning outcomes cross-referenced to the level of attainment required
2. Details of the indicative content for each learning outcome.

### Outcomes and Level

Learning outcomes are classified by level. By level is meant **level of attainment**, defined in terms of the cognitive skills required to achieve each learning outcome. The following is based on Bloom's Taxonomy and shows successive levels of attainment, the abilities needed to reach this level and the types of verbs that might be used to frame examination questions and tasks.

<b>K</b>	<b>KNOWLEDGE</b>	ability to recall (e.g. facts, rules, definitions) <i>(Action verbs: List, State, Define, Outline)</i>
<b>U</b>	<b>COMPREHENSION</b>	ability to interpret, translate ideas, extrapolate <i>(Action verbs: Explain, Describe, Discuss, Interpret, Identify)</i>
<b>A</b>	<b>APPLICATION</b>	ability to apply general principles/rules in new situations <i>(Action verbs: Demonstrate, Apply, Operate, Illustrate, Employ)</i>
<b>An</b>	<b>ANALYSIS</b>	ability to break down information and make clear the nature of the component parts and their relationship to each other <i>Action verbs: Distinguish, Investigate, Analyse etc)</i>
<b>S</b>	<b>SYNTHESIS</b>	ability to assemble a number of components in order to generate a new statement or plan <i>(Action verbs; Design, Create, Organise, Plan etc)</i>
<b>As</b>	<b>EVALUATION</b>	ability to judge the value of methods or materials by comparison with external criteria <i>(Action verbs: Judge, Evaluate, Appraise, Assess etc)</i>

### Numbering

Standards are assigned their own reference numbers: Approved Examination Standard 1 or ApEx1, etc.

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

# Summary of Learning Outcomes

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

### SUMMARY OF LEARNING OUTCOMES

ApEx1 UK Financial Services, Regulation and Ethics	
<b>ApEx1A UK Financial Services</b>	<b>Level</b>
Candidates will be expected to:	
<b>U Demonstrate an understanding of:</b>	
U1 the purpose and structure of the UK financial services industry	Comprehension
U2 the main financial asset classes and their characteristics, covering past performance, risk and return	Comprehension
U3 the main financial services product types and their functions	Comprehension
U4 the main financial advice areas	Comprehension
U5 the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances	Comprehension
U6 the basic legal concepts relevant to financial advice	Comprehension
U7 the UK taxation system	Comprehension
U8 the impact of inflation and interest rate volatility on the performance of investments	Comprehension
<b>ApEx1B Regulation and Ethics</b>	<b>Level</b>
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K1 the main aims and activities of the Financial Services Authority (FSA), and its requirements for ethical conduct by firms and individuals	Knowledge
K2 how legislation (other than tax legislation) and regulations impact upon firms and the process of advising clients	Knowledge
K3 the role of oversight groups	Knowledge
<b>U Demonstrate an understanding of:</b>	
U9 the FSA's approach to regulating firms and individuals	Comprehension
U10 how the FSA's rules affect the control structures of firms and their relationship with the FSA	Comprehension
U11 how the FSA's Conduct of Business rules apply to the process of advising customers/clients	Comprehension
U12 how the anti-money laundering rules apply to dealings with private and intermediate customers	Comprehension
U13 the main features of the rules for dealing with complaints and compensation	Comprehension
U14 the Data Protection Act 1998	Comprehension

ApEx1 UK Financial Services, Regulation and Ethics

Attainment Level	Outcome	Indicative Content
<b>1a Introduction to UK Financial Services</b>		
U Demonstrate an understanding of:	<b>U1 The purpose and structure of the UK financial services industry</b>	U1.1. The function of the financial services industry in the economy – transferring funds between individuals, businesses and government. 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 U1.4 The purpose and position of clearing and settlement organisations
	<b>U2 The main financial asset classes and their characteristics, covering past performance, risk and return</b>	U2.1. Cash deposits and money market instruments U2.2. Government securities, corporate bonds and Eurobonds – fixed interest and index linked U2.3. Equities U2.4. Derivatives U2.5. Commodities U2.6. Foreign exchange markets U2.7. Real estate – commercial and residential U2.7.1 Collective funds U2.7.2 REITs U2.7.3 Buy to let U2.8 Enterprise Investment Schemes (EIS)
	<b>U3 The main financial services product types and their functions</b>	U3.1. Direct investment – cash, government securities and corporate bonds, equities, property and commercial money market instruments 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. Structured products

	<p><b>U4 The main financial advice areas</b></p>	<p>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  U4.8 The importance of regular reviews in line with the consumer's circumstances and arrangements  U4.9 Offshore considerations  U4.10 Socially responsible and ethical investments</p>
	<p><b>U5 The process of giving financial advice, including the importance of regular reviews of the consumer's circumstances</b></p>	<p>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, including the importance of not overestimating the level of knowledge held by the average consumer  U5.6 The importance of monitoring and review of consumers' circumstances  U5.7 The information consumers must be given under the current regulatory requirements  U5.8 Consumer rights and remedies, including awareness of their limitations</p>
<p>U Demonstrate an understanding of:</p>	<p><b>U6 The basic legal concepts relevant in financial advice</b></p>	<p>U6.1 Legal persons – individuals, wills, intestacy, personal representatives (and administration of estates), trustees, companies, limited liabilities, partnerships  U6.2 Contract, capacity to contract  U6.3 Agency  U6.4 Real estate, personal property and joint ownership  U6.5 Powers of attorney and enduring powers of attorney  U6.6 Insolvency and bankruptcy</p>

	<b>U7 The UK taxation system</b>	<p>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</p> <p>U7.2 Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains</p> <p>U7.3 Inheritance tax</p> <p>U7.4 Corporation tax</p> <p>U7.5 Concept of residency/domicile</p> <p>U7.6 Withholding tax</p> <p>U7.7 Stamp duty on securities, including real estate and real estate funds</p> <p>U7.8 National Insurance</p>
	<b>U8 The impact of inflation and interest rate volatility on the performance of investments</b>	<p>U8.1 Definition of inflation</p> <p>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</p> <p>U8.3 Extreme market movements (booms and busts)</p>

## 1b Regulation and Ethics

Attainment Level	Outcome	Indicative Content
K Demonstrate a knowledge of:	<b>K1 The main aims and activities of the Financial Services Authority (FSA) and its requirements for ethical conduct by firms and individuals</b>	K1.1 The role, activities and statutory objectives of the FSA K1.2 Key features of the FSA's principles for businesses K1.3 Arrangements, systems and controls for senior managers K1.4 The fit and proper test for approved persons K1.5 The prevention of crime, including market abuse and insider dealing K1.6 The approach to, and requirements for, treating customers fairly, including service standards and an awareness of the respective duties of product providers and advisers
	<b>K2 How legislation (other than tax legislation) and regulations impact upon firms and the process of advising clients</b>	K2.1 The role of the Competition Commission K2.2 TPR's rules with respect to occupational pension schemes K2.3 Unfair Contract Terms K2.4 EU directives K2.5 The role of the Department for Work and Pensions (DWP)
	<b>K3 The role of oversight groups</b>	K3.1 The role of internal and external auditors, trustees and compliance
U Demonstrate an understanding of:	<b>U9 The FSA's approach to regulating firms and individuals</b>	U9.1 Authorisation of firms, regulated activities & regulated investments, firms' status (independent or other) U9.2 Capital adequacy U9.3 FSA supervision and the principles based approach U9.4 Discipline and enforcement including notification requirements
	<b>U10 How the FSA's rules affect the control structures of firms and their relationship with the FSA</b>	U10.1 Approved persons and controlled functions U10.2 Reporting and record keeping U10.3 The Training and Competence regime U10.4 Depolarisation



	<b>U11 How the FSA's Conduct of Business Rules apply to the process of advising customers/clients</b>	<ul style="list-style-type: none"> <li>U11.1 Types of customer</li> <li>U11.2 Terms of business and client agreements</li> <li>U11.3 Status of advisers and status disclosure to customers</li> <li>U11.4 Advice and know your customer rules</li> <li>U11.5 Suitability of advice</li> <li>U11.6 Execution-only sales</li> <li>U11.7 Charges and commissions</li> <li>U11.8 Cooling off and cancellation</li> <li>U11.9 Product disclosure</li> <li>U11.10 Risk disclosure statements</li> <li>U11.11 Advertising and financial promotion rules</li> </ul>
D Demonstrate an understanding of:	<b>U12 How the Anti-Money Laundering rules apply to dealings with private and intermediate customers</b>	<ul style="list-style-type: none"> <li>U12.1 Proceeds of Crime Act 2002 and associated Money Laundering regulations</li> <li>U12.2 Definition of financial crime and proceeds of crime</li> <li>U12.3 Money laundering offences and the Terrorism Act 2000</li> <li>U12.4 Client identification procedures</li> <li>U12.5 Record keeping requirements</li> <li>U12.6 Reporting procedures</li> <li>U12.7 Training requirements</li> <li>U12.8 The role of the Financial Action Task Force</li> </ul>
	<b>U13 The main features of the rules for dealing with complaints and compensation</b>	<ul style="list-style-type: none"> <li>U13.1 Firms' internal complaints procedures</li> <li>U13.2 The Financial Ombudsman Service (FOS)</li> <li>U13.3 The Financial Services Compensation Scheme (FSCS)</li> </ul>
	<b>U14 The Data Protection Act 1998</b>	<ul style="list-style-type: none"> <li>U14.1 Definitions in the Data Protection Act</li> <li>U14.2 The data protection principles</li> <li>U14.3 Enforcement of the Data Protection Act</li> </ul>

ApEx2 Investment and Risk		
Candidates will be expected to:		
<b>U Demonstrate an understanding of:</b>		
U1	the macro-economic factors that affect investment returns	Comprehension
U2	the basic principles of taxation applying to the investments of UK resident and domiciled individuals	Comprehension
U3	different asset classes and their key features and suitability for different consumer circumstances	Comprehension
U3.1	Cash deposits	Comprehension
U3.2	Government securities and corporate bonds	Comprehension
U3.3	Equities	Comprehension
U3.4	Property – residential and commercial	Comprehension
U4	Different product types and their key features and suitability for different consumer circumstances	Comprehension
U4.1	OEICs and unit trusts	Comprehension
U4.2	Investment trusts	Comprehension
U4.3	Individual savings accounts (ISAs) and personal equity plans (PEPs)	Comprehension
U4.4	UK and offshore life assurance company products	Comprehension
U4.5	Offshore funds	Comprehension
U5	the role of ethical investment and socially responsible investment in financial advice	Comprehension
U6	the importance of asset allocation in the investment process	Comprehension
U7	how other issues affect investment planning	Comprehension
U8	tax planning strategies and tax calculation rules and procedures	Comprehension
<b>An Demonstrate an ability to</b>		
An1	analyse consumers' circumstances and suitable investment products, taking account of any existing arrangements	Analysis
<b>A Demonstrate an ability to</b>		
A1	apply suitable investment product solutions to specific consumers' circumstances	Application
A2	apply how investment returns are related to investment risk and how that risk is measured	Application
A3	apply the risks faced by investors and how an investor's risk profile is determined	Application

**APEx2 INVESTMENT AND RISK**

<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
U Demonstrate an understanding of:	<b>U1. The macro-economic factors that affect investment returns</b>	<p>U1.1 Main long term UK socio-economic trends – ageing population, rising living standards, growth of the service sector and other changing patterns of the UK economy, productivity of capital and labour, wealth and income distribution</p> <p>U1.2 The global context – international markets, globalisation of trade and finance, European economic and monetary union</p> <p>U1.3 The role of government and central banks – fiscal and monetary policy</p> <p>U1.4 Money, inflation, deflation, disinflation, interest rates, the link between money supply and inflation, measuring money supply</p> <p>U1.5 Balance of payments – capital and current account, exchange rates, the importance of the balance of payments</p> <p>U1.6 Economic and financial cycles – national income, global influences, the main stages of economic and stock market cycles, longer term growth trends</p> <p>U1.7 The role of financial investment in the economy – primary markets: how investment markets introduce new funds to business and the government; secondary markets: how markets enable investors to adjust their investments to suit their needs</p> <p>U1.8 Key economic indicators – gross domestic product (GDP), retail prices index (RPI) and the consumer prices index (CPI), public sector net cash requirement, volume of fixed investment, volume of consumer spending, balance of payments, money supply, foreign exchange rates, minimum lending rate, gilt yields, stock market indices</p>
	<b>U2 The basic principles of taxation applying to the investments of UK resident and domiciled Individuals</b>	<p>U2.1 Income tax – liability to income tax, allowances, reliefs, rates, grossing up interest and dividends, employed and self-employed income, priorities for taxing different classes of income</p> <p>U2.2 Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains</p> <p>U2.3 Stamp duty (including Stamp Duty Reserve Tax) on securities</p>

**APEx2 INVESTMENT AND RISK**

U Demonstrate an understanding of:

**U3 Different asset classes and their key features**

*U3.1 Cash deposits*

- U3.1.1 Characteristics and past performance – liquidity, rates of interest, real returns, institutions, statutory protection, risk factors, foreign currency deposits
- U3.1.2 Main types of deposit account – instant access, notice and fixed rate
- U3.1.3 Taxation of deposit interest – savings income, tax deducted at source, offshore accounts
- U3.1.4 ISAs and TOISAs
- U3.1.5 National Savings and Investment deposit products

*U3.2 Government securities, corporate bonds*

- U3.2.1 Main characteristics of fixed interest investments – nominal value and market price, coupon, redemption date
- U3.2.2 Investment returns – running yields, yields to redemption, capital returns, volatility and risk, yield curves
- U3.2.3 Gilts – government guarantee, short, medium and long dated gilts, past performance, gilt strips, risk
- U3.2.4 Index-linked gilts – returns on income and capital, risk
- U3.2.5 Corporate bonds – borrowers' risk ratings and effects on yields, past performance
- U3.2.6 Other types of bonds – permanent interest bearing shares, zero coupon bonds, deep discounted bonds, local authority bonds, convertible loan stock.
- U3.2.7 National Savings and Investments – fixed interest investments
- U3.2.8 Dealing costs of purchases and sales
- U3.2.9 Taxation of government securities and corporate bonds – interest and capital gains/losses

*U3.3 Equities*

- U3.3.1 Main types of shares – ordinary and preference
- U3.3.2 Characteristics of equity-based investment – individual company performance and main factors that affect company profits and share values, size of company and market liquidity, sectors and markets
- U3.3.3 Measuring performance – price earnings ratio (PE), dividend yield, dividend cover, borrowing, net assets
- U3.3.4 Market behaviour – what makes markets fluctuate, fundamental analysis and market psychology
- U3.3.5 Past performance – growth, dividends and volatility
- U3.3.6 Stock market indices – main UK and overseas indices
- U3.3.7 Dealing costs, stamp duty reserve tax
- U3.3.8 Taxation of dividends
- U3.3.9 Derivatives – futures and options, CFDs, covered warrants and other main types; main features and uses
- U3.3.10 Employee share schemes and incentives

		<p>U3.3.11 AIM shares, unlisted securities and enterprise investment schemes – tax characteristics, past performance in terms of risk and returns</p> <p><i>U3.4 Property – residential and commercial</i></p> <p>U3.4.1 Characteristics of commercial and residential property investment – returns from rent and capital growth, demand, risks, quality of tenants, occupancy levels, liquidity, depreciation and maintenance costs</p> <p>U3.4.2 Past performance – differences between commercial and residential property (buy to let), key determinants of past investment returns, volatility, income and capital returns</p> <p>U3.4.3 Borrowing – its effect on risk and returns</p> <p>U3.4.4 Transaction costs – commissions, fees and stamp duty land tax</p> <p>U3.4.5 Taxation issues – taxation of rental income, interest relief, capital gains tax</p> <p>U3.4.6 Indirect property investment vehicles – unit trusts/OEICs, property shares, life assurance property bonds, offshore funds, Real Estate Investment Trusts (REITs)</p> <p>U3.4.7 Means of valuing property (yield and historical average return)</p> <p>U3.5 Alternative investments</p> <p>U3.6 Absolute return funds</p>
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**APEx2 INVESTMENT AND RISK**

U Demonstrate an understanding of:

**U4 Different product types and their key features**

*U4.1 OEICs and unit trusts*

- U4.1.1 Structure of OEICs (investment companies with variable capital – ICVCs) and unit trusts – the common characteristics of funds and the main differences, relative merits of direct investment and investment in funds
- U4.1.2 Range of funds – different UK fund classifications, hedge funds, limited issue funds, tracker funds
- U4.1.3 Charges and pricing – initial and annual charging structures, single and bid/offer pricing, dilution levies
- U4.1.4 Total expense ratio and hidden charges (from dealing costs, level of turnover of funds)
- U4.1.5 Dealing in funds
- U4.1.6 Taxation basics - UK and offshore, taxation within the funds, taxation of UK individual and trustee investors
- U4.1.7 Offshore funds – tax structure of both the fund and the UK investor, recognition by the FSA
- U4.1.8 Structured investment funds – equity index-based and equity-based growth and income funds

*U4.2 Investment trusts*

- U4.2.1 Basic structure and characteristics – closed ended structure, differences between closed and other funds, range of investment trusts
- U4.2.2 Main different classes of shares – ordinary shares, income shares, zero dividend shares, capital shares
- U4.2.3 Dealing, pricing, premiums and discounts
- U4.2.4 Gearing – advantages and drawbacks in terms of risk and flexibility
- U4.2.5 Past performance of investment trusts – risk and returns
- U4.2.6 Taxation – dividends and capital gains of investment trusts and for the investors who own them
- U4.2.7 Venture capital trusts – structure, tax characteristics, past performance in terms of risk and returns

*U4.3 Individual savings accounts (ISAs) and personal equity plans (PEPs)*

- U4.3.1 Structure – components: stocks and shares, cash, life assurance maxi-ISAs, mini-ISAs and TESSA-only ISAs (TOISAs) annual investment limits
- U4.3.2 Charging – initial and annual charges for direct investments and collectives, CAT standards
- U4.3.3 Tax treatment – interest, dividends, mixed bond funds, capital gains, time limit for tax regime
- U4.3.4 Eligibility – age, residence
- U4.3.5 Transfers – restrictions

		<ul style="list-style-type: none"><li>U4.3.6 Key aspects of PEPs</li><li>U4.3.7 Effect of the death of the investor</li><li><i>U4.4 UK and offshore life assurance company products</i><ul style="list-style-type: none"><li>U4.4.1 Structure and characteristics of life assurance bonds – linked funds, with profit bonds, guaranteed income and growth bonds</li><li>U4.4.2 Qualifying policies – maximum investment plans and other endowments</li><li>U4.4.3 Traded endowments</li><li>U4.4.4 Charges – initial and annual</li><li>U4.4.5 Taxation – UK and offshore, within the fund and for the investor</li><li>U4.4.6 The choice between life assurance bonds and OEICs/unit trusts</li><li>U4.4.7 Purchased life annuities</li></ul></li><li>U4.5 The role of Platforms, wraps and fund supermarkets.</li></ul>
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**APEx2 INVESTMENT AND RISK**

U Demonstrate an understanding of:	<b>U5 The role of ethical investment and socially responsible investment in financial advice</b>	<p>U5.1 Socially responsible investment – portfolios with social, ethical, environmental and financial goals, including ethical investment</p> <p>U5.2 Ethical investment – portfolios based on ethical, social or environmental values where companies have been specifically excluded or selected as a result of their activities or behaviour, eliminating investments that meet negative criteria, while including those that meet positive criteria</p> <p>U5.3 Possible implications for investment performance</p>
	<b>U6 The importance of asset allocation in the investment process</b>	<p>U6.1 The importance of asset allocation – achieving objectives, reducing risk, need for review</p> <p>U6.2 Analysing the underlying composition of funds – managed funds, with profits funds, fund of funds and other collective investments</p> <p>U6.3 Sample asset allocations – different types of investors</p>
	<b>U7 How other issues affect investment planning</b>	<p>U7.1 Comparing charges, their impact and relevance, reduction in yield <b>(including hidden charges)</b></p> <p>U7.2 Active as against passive investment management</p> <p>U7.3 Paying off the mortgage as against other investments, what should be the relationship between investing and borrowing?</p> <p>U7.4 Alternative investments (e.g. gold, art, antiques) – past performance, advantages and drawbacks</p>
	<b>U8 Tax planning strategies</b>	<p>U8.1 Basic investment tax planning – use of personal allowances, spouses’ personal allowances, children’s tax position, pension contributions, use of ISAs, use of capital gains tax exemptions, tax deferral, use of life assurance bonds</p> <p>U8.2 Factors to account for in making personal tax calculations: basic income tax and capital gains tax computations – personal allowances, non-savings income, savings income, dividends, life assurance bond profits, chargeable gains</p> <p>U8.3 Criteria for selecting a tax planning strategy</p> <p>U8.4 Rules and procedures relating to personal tax calculations.</p> <p>U8.5 How to make correct tax calculations</p> <p>U8.6 Legal requirements applying to confidentiality and disclosure of personal tax information</p>



**APEx2 INVESTMENT AND RISK**

<p>An Demonstrate an ability to:</p>	<p><b>An1 Analyse consumers' circumstances and suitable investments, taking account of any existing arrangements</b></p>	<p>An1.1 Factors shaping consumers' circumstances                  An1.2 How to identify and analyse risk aversion and exposure                  An1.3 How to assess affordability and suitability                  An1.4 Methods of identifying and reviewing suitable investments                  An1.5 How to assess the impact of new solutions on existing arrangements</p>
<p>A Demonstrate an ability to:</p>	<p><b>A1 Apply suitable investment product solutions to specific consumers' circumstances</b></p>	<p>A1.1 The range of solutions available to suit different types of circumstance                  A1.2 The criteria for matching solutions to consumer needs and demands                  A1.3 Factors influencing the way in which recommendations are presented                  A1.4 How to check consumers' understanding of recommendations                  A1.5 Consumer rights and the regulatory requirements that apply to the provision of investment advice</p>
<p>A Demonstrate an ability to:</p>	<p><b>A2 How investment returns are related to investment risk and how that risk is measured</b></p>	<p>A2.1 Inflation and investment returns – the difference between nominal and real returns                  A2.2 The effects of compound interest                  A2.3 The time value of money                  A2.4 Varying investment returns from the main different asset classes – 'risk-free' rates of return &amp; the risk premium                  A2.5 Measuring risk – volatility, the significance of standard deviation as a measure of volatility, the importance and limitations of past performance data                  A2.6 Measuring total return and the significance of beta and alpha                  Investment portfolio planning and reducing risk through diversification – systemic and non-systemic risk, diversification across shares, sectors, markets and asset classes</p>

**APEx2 INVESTMENT AND RISK**

	<p><b>A3 The risks faced by investors and how an investor's risk profile is determined</b></p>	<p>A3.1 The importance of affordability and suitability in making financial planning decisions                      A3.2 Main types of risk for investors – equity capital risk, currency risk, interest rate risk, institutional risk, regulatory risk, income risk, inflation risk, shortfall risk                      A3.3 Objective factors: timescale, age, commitments, wealth, life cycle                      A3.4 Subjective factors: attitudes and experiences                      A3.5 Methods of assessment</p>
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## SUMMARY OF LEARNING OUTCOMES

ApEx3 Protection		
<b>Candidates will be expected to:</b>		
U1	The purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning	Comprehension
U2	The main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning	Comprehension
U3	The use of trusts in life assurance	Comprehension
U4	The main types of income protection insurance policies, their functions, how they are arranged and the tax rules.	Comprehension
U5	The main types of critical illness insurance policies, their functions, how they are arranged and the tax rules	Comprehension
U6	The main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance	Comprehension
U7	The main features and functions of personal accident insurance	Comprehension
U8	The main features and functions of long-term care insurance and the context in which it is used.	Comprehension
U9	The main types of medical insurance and their uses.	Comprehension
U10	The main need for business insurance protection and how they can be met	Comprehension
<b>An</b>	<b>Demonstrate an ability to</b>	
An1	analyse consumers' circumstances and suitable protection products, taking account of any existing arrangements	Analysis
<b>A</b>	<b>Demonstrate an ability to</b>	
A1	apply suitable protection product solutions to specific consumers' circumstances	Application

**APEx3 PROTECTION**

Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding of:	<b>U1 the purpose and scope of financial protection and how the main types of state benefit and existing protection arrangements have an impact on protection planning</b>	<p>U1.1 Main types of cover – life assurance, income protection insurance, critical illness insurance, mortgage payment protection insurance, accident sickness and unemployment insurance, personal accident insurance, long term care insurance, medical expenses.</p> <p>U1.2 The main areas of need for protection – family and personal protection, mortgage, long term care, inheritance tax planning and the business protection.</p> <p>U1.3 Divorce and relationship breakdown – impact on policies and changing needs</p> <p>U1.4 The role of employment and pension-based protection benefits – dependence on employment based cover, advantages and drawbacks</p> <p>U1.5 Regulatory issues – investment policies, non investment long term care policies, other insurance policies, ICOB</p> <p>U1.6 State benefits – their relevance to the provision of protection policies, main features of: income support, jobseekers' allowance, child benefit, bereavement payment, bereavement allowance, widowed parent's allowance, carer's allowance, statutory sick pay, incapacity benefit, pension credit, disability living allowance, attendance allowance, working tax credit, child tax credit, state dependant's pensions</p> <p>U1.7 Assessing priorities in life and health protection – individual and family priorities</p> <p>U1.8 The importance determining existing protection arrangements and their consequences for protection planning.</p>
	<b>U2 The main types of life assurance policy, their functions, how they are arranged, the tax rules and the use of life assurance in mitigating inheritance tax and estate planning</b>	<p>U1.1 The basic principles of life assurance, proposers, lives assured, single and joint life policies</p> <p>U1.2 Main types of policy, permanent policies, term assurances, pension-based policies, group policies, effects on policy design and premium structures of mortality risk, investment and expenses, comparison of term, renewable and permanent policies and their uses</p> <p>U1.3 Mechanics of life assurance policies – proposal, utmost good faith disclosure, underwriting, cancellation rights policy document, renewals assignment</p> <p>U1.4 Policy proceeds – surrender, claim and maturity payments</p> <p>U1.5 Taxation of life assurance policies – basic rules of the taxation of life assurance company funds, the basic criteria for qualifying policies and their consequences, the taxation of proceeds of non-qualifying policies, pension policies, non-pension group life policies.</p> <p>U1.6 Special aspects – second hand policies, assignments, commissions</p> <p>U1.7 Assessing and quantifying different kinds of family life assurance protection needs and choosing appropriate policies and policy features to meet needs – requirements for cover, who should be covered, type of cover, flexibility and additional features, term and permanent policies, amount of cover, inflation-proofing, policy term, capital needs, liabilities, pension fund replacement, short- and longer-term income replacement needs, impact of state benefits, choice of policies and affordability.</p> <p>U1.8 Principles of will, probate and intestacy</p> <p>U1.9 Outline of inheritance tax – scope, chargeable transfers, potential exempt transfers, transfers on death, nil rate band, exemptions and reliefs, gifts with reservation, valuation.</p> <p>U1.10 Basic inheritance tax computations for individuals</p>

		<p>U1.11 Basic inheritance tax planning</p> <p>U1.12 Role of life assurance in estate planning – funding for inheritance tax through regular premium life assurance, regular gifting using life assurance policies, insuring lifetime gifts and when to use level or decreasing term assurance, back to back whole life and annuity purchase.</p>
U Demonstrate an understanding of:	<b>U2 The use of trusts in life assurance</b>	<p>U3.1 The nature of trusts</p> <p>U3.2 How trusts are set up and the main roles – settler(s), trustees and beneficiaries</p> <p>U3.3 Choosing trustees</p> <p>U3.4 Main types of trust – absolute, life interest, flexible, revertor to settlor, discretionary, accumulation and maintenance, Married Women’s Property Act trusts</p> <p>U3.5 Why trusts are used – their advantages and drawbacks, when they should and should not be used</p> <p>U3.6 Life assurance policies under trust – assignments, effects of bankruptcy, claims, dealings with beneficiaries</p> <p>U3.7 Tax issues of policies under trust – income tax, inheritance tax</p>
U Demonstrate an understanding of:	<b>U4 the main types of income protection insurance policies, their functions, how they are arranged and the tax rules.</b>	<p>U4.1 The need for income protection insurance – who should be allowed, amount of cover, term</p> <p>U4.2 Main product features – individual and group policies, guaranteed premium rates, unit linked and reviewable policies, deferred periods, term, escalation of cover and benefits, limitation on benefits, effects on policy design and premium structures of morbidity, investment and expenses</p> <p>U4.3 Proposals and underwriting – premium rate structures by age, occupation, non-working insured people, effects on rates of deferred periods, escalation and policy term, difference between underwriting for incapacity rather than death</p> <p>U4.4 Claims and conditions – definitions of incapacity, exclusions and conditions, travel and changes of occupation, monitoring claims</p> <p>U4.5 Taxation – individual and group policies</p> <p>U4.6 State benefits for illness and incapacity and their impact on the need for cover.</p> <p>U4.7 Waiver of premium – existing policies, providing the cover through income protection policies</p> <p>U4.8 Group policies and employer policies</p>
U Demonstrate an understanding of:	<b>U5 The main types of critical illness insurance policies, their functions, how they are arranged and the tax rules.</b>	<p>U5.1 Insurance cover provided – differences in coverage, changes in definitions, additional benefits, taxation of benefits</p> <p>U5.2 Policy structure – stand alone, combined whole life or term, first claim, bolt on, single and joint life policies</p> <p>U5.3 Group policies</p> <p>U5.4 Effects on policy design and premium structures of morbidity, medical developments, investment and expenses</p> <p>U5.5 Underwriting issues</p> <p>U5.6 Need for cover – who needs cover, type of cover, flexibility and additional features, term and permanent policies</p> <p>U5.7 Assessing the amount of cover needed, inflation-proofing, policy term, capital needs, short and longer-term income, replacement needs</p>

		<p>U5.8 Split benefit trusts for death benefits</p> <p>U5.9 Comparing critical illness cover and income protection – advantages and drawbacks</p>
	<p><b>U6 The main features and functions of mortgage payment protection insurance (MPPI) and accident, sickness and unemployment (ASU) insurance.</b></p>	<p>U6.1 Cover provided by MPPI and ASU – long term illness, incapacity, unemployment, differences between MPPI and ASU</p> <p>U6.2 Need for MPPI and ASU</p> <p>U6.3 Main limitations on the insurance provided</p> <p>U6.4 Comparing MPPI with ASU, income protection and critical illness insurance – advantages and drawbacks</p> <p>U6.5 State support for mortgage costs – qualifying rules, main limits on benefits</p>
	<p><b>U7 The main features and functions of personal accident insurance</b></p>	<p>U7.1 Types of cover – death, specified injury</p> <p>U7.2 Limitations – cover, annual policy</p> <p>U7.3 Personal accident insurance for children – availability, group schemes</p> <p>U7.4 Assessing individual needs – comparing with MPPI, ASU, income protection and critical illness insurance</p>
	<p><b>U8 The main features and functions of long-term care insurance and the context in which it is used</b></p>	<p>U8.1 Long term care insurance main features – pre-funded protection, pre-funded protection and investment, immediate care policies, regular premium and single premium policies, costs and benefits</p> <p>U8.2 Meeting the need for income to pay for long term care – period and costs of care</p> <p>U8.3 State (including NHS) – and local authority help for LTC – conditions and amounts</p> <p>U8.4 Other long term care planning – accumulating of funds, use of home, ownership of home, equity release, accelerated death benefits and viatical settlements</p> <p>U8.5 Enduring power of attorney – need, basic procedure, consequences.</p>
U Demonstrate an understanding of:	<p><b>U9 The main types of medical insurance and their uses</b></p>	<p>U9.1 Cover provided – difference between acute and chronic conditions, overseas aspects, main different levels of benefits, policy excesses.</p> <p>U9.2 Benefits of having medical insurance</p> <p>U9.3 Underwriting issues – pre-existing conditions</p> <p>U9.4 Individual and group plans</p> <p>U9.5 Features and limitations of other medical insurance plans – health cash plans, dental plans</p>
	<p><b>U10 The main needs for business insurance protection and how they can be met</b></p>	<p>U8.1 Key person insurance – needs, appropriate life and health policies, basic tax position</p> <p>U8.2 Shareholder insurance - needs, appropriate life and health policies, basic tax position</p> <p>U8.3 Partnership insurance - needs, appropriate life and health policies, basic tax position</p>
An Demonstrate an ability to:	<p><b>An1 Analyse consumers' circumstances and suitable protection products, taking account of any</b></p>	<p>An1.1 Factors shaping consumers' circumstances and protection needs</p> <p>An1.2 How to identify and analyse risk aversion and exposure</p> <p>An1.3 How to assess affordability and suitability</p> <p>An1.4 Methods of identifying and reviewing suitable product solutions</p> <p>An1.5 The interrelationship of protection products and its consequences for identifying suitable and affordable</p>

	<b>existing arrangements</b>	<p>solutions</p> <p>An1.6 How to assess the impact of new solutions on existing arrangements</p>
A Demonstrate an ability to:	<b>A1 Apply suitable investment solutions to specific consumers' circumstances</b>	<p>A1.1 The range of solutions available to suit different types of circumstance</p> <p>A1.2 The criteria for matching solutions to consumer needs and demands</p> <p>A1.3 Factors influencing the way in which recommendations are presented</p> <p>A1.4 How to check consumers' understanding of recommendations</p> <p>A1.5 Consumer rights and the regulatory requirements apply to the provision of investment advice</p> <p>A1.6 The consequences of inadequate protection and how to explain these objectively to consumers</p>

ApEx4 Retirement Planning		Level
Candidates will be expected to:		
<b>U</b>	<b>Demonstrate an understanding of:</b>	
U1	The main aims and strategies for retirement planning.	Comprehension
U2	The main rules governing the tax treatment of pensions.	Comprehension
U3	The main state pension benefits to which individuals may be entitled in retirement and the impact they may have on retirement planning.	Comprehension
U4	The basic principles underlying defined benefit pension schemes.	Comprehension
U5	The basic principles underlying defined contribution pension schemes and how benefits are built up.	Comprehension
U6	How pension funds can be invested to provide capital and income in retirement.	Comprehension
U7	The main criteria that can be used in choosing pension contracts and providers.	Comprehension
U8	The main options for drawing retirement benefits for individuals with defined contribution schemes.	Comprehension
U9	The suitability of registered pension schemes and other types of investments which can be used to provide retirement benefits.	Comprehension
U10	Pressures on pension provision, trends and planned future changes to legislation, tax regulations and practice applying to retirement planning arrangements.	Comprehension
U11	(in summary form) the main rules governing pensions and divorce or dissolution of civil partnership.	Comprehension
<b>An</b>	<b>Demonstrate an ability to</b>	
An1	Analyse consumers' circumstances and products suitable to meet retirement needs, taking account of any existing arrangements.	Analysis
<b>A</b>	<b>Demonstrate an ability to</b>	
A1	Apply suitable retirement product solutions to specific consumers' circumstances.	Application



ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding Of:	<b>U1 The main aims and strategies for retirement planning.</b>	<p>U1.1 Determining needs at retirement and after retirement – planning when and how to retire, need for capital for asset purchases, repayment of liabilities, retirement income and capital in the initial retirement years, longer term income needs, surviving spouse/partner income needs, potential need to fund long term care, estate planning aims.</p> <p>U1.2 Quantifying future retirement needs in advance – methods of assessing and budgeting, based on current and expected expenditure, potential long term care fees, estimating future rates of inflation and real investment returns, estimating clients' other income and capital resources.</p> <p>U1.3 Accumulating funds for retirement – investment strategies and asset allocation, long, medium and short timescales.</p> <p>U1.4 Accumulating funds for retirement – tax strategies, tax relief, tax shelter, advantages and disadvantages of maximising tax free cash, minimising future tax in retirement.</p> <p>U1.5 Overview of the main types of plans – state pension benefits, defined benefit and defined contribution occupational pension schemes, cash balance schemes, personal pensions/stakeholder pensions.</p> <p>U1.6 Identifying the existing pension provision from state and private sources – DWP projections, defined benefit scheme benefit statements and statutory money purchase illustrations.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
U Demonstrate an understanding Of:	<b>U2 The main rules governing the tax treatment of pensions.</b>	<p>U2.1 Employee taxation, basic income tax and national insurance computations – simple fringe benefits, reliefs and allowances.</p> <p>U2.2 Employer taxation – corporation tax, national insurance contributions, income tax for unincorporated employers, effect of making pension contributions, ‘wholly and exclusively’ test (in outline), spreading of relief.</p> <p>U2.3 Special considerations for shareholding directors – the choice between salary and dividends.</p> <p>U2.4 Main aspects of the tax treatment of registered pension schemes, annual allowance, lifetime allowance, eligibility of individuals for tax relief, annual limit for relief, minimum pension age, benefit types and limitations</p> <p>U2.5 The tax position of pension funds – the treatment of different classes of asset.</p> <p>U2.6 Taxation of pension benefits – state benefits, occupational and personal pension schemes.</p>
	<b>U3 The main state pension benefits to which individuals may be entitled in retirement and the impact they may have on retirement planning.</b>	<p>U3.1 Basic state pension – payment age, entitlement, pension amount and increases, effect of deferment, taxation, national insurance contribution record, basic state pension widow(er)’s and civil partner’s death and bereavement benefits, Department for Work and Pensions pension forecast service.</p> <p>U3.2 Graduated pensions, state earnings related pension scheme (SERPS) and the state second pension (S2P) – calculation of benefits, including widow(er)’s and civil partner’s benefits under SERPS, contracting out of S2P generally.</p> <p>U3.3 Pension credit – structure, impact of claimants’ income and capital position, effects on pension planning.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
<p><b>U</b> Demonstrate an understanding Of:</p>	<p><b>U4 The basic principles underlying defined benefit pensions schemes.</b></p>	<p>U4.1 Pensions and life assurance benefits – accrual rates, eligibility, inflation protection, contracting out, commutation issues, life assurance, dependants’ income benefits.</p> <p>U4.2 Main roles of employers and pension scheme trustees, requirement for member-nominated trustees, importance of scheme rules determining and limiting benefit options.</p> <p>U4.3 Basic position on early retirement, reduction in benefits, early retirement through ill health.</p> <p>U4.4 Early leavers and transfer values – reduction in benefits on leaving, where transfers can be made and how they can be calculated (in outline only), right to transfer value, refunds of contributions.</p> <p>U4.5 Funding and investment issues of defined benefit schemes – employers’ commitment and risk, funding levels, protection of pension rights, employee contributions, annual limit for relief, topping up with additional voluntary contributions (AVCs) and free standing additional voluntary contributions (FSAVCs) and concurrent personal pensions.</p> <p>U4.6 Private sector schemes – scheme specific funding requirements, accounting for employers’ pension funds and liabilities under accounting standard FRS17 and IAS 19, employees’ financial security and risk to defined benefit pension benefits.</p> <p>U4.7 Death in service– tax efficiency and limitations of cover, cost.</p> <p>U4.8 Contracting out of S2P – basic position, effect on national insurance contributions.</p> <p>U4.9 Closure and winding up of schemes – main implications.</p> <p>U4.10 The Pension Protection Fund and Financial Assistance Scheme.</p> <p>U4.11 Advice issues – pension opt-outs, transfers and early leavers, added years AVCs as against money purchase AVCs, AVCs and concurrent personal pensions.</p> <p>U4.12 Public sector schemes – benefit structures, security, transfer club.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
<p><b>U</b> Demonstrate an understanding Of:</p>	<p><b>U5 The basic principles underlying defined contribution pension schemes and how benefits are built up.</b></p>	<p>U5.1 Basic structure of defined contribution occupational and personal pension schemes – contributions, funds, benefits, transferability.</p> <p>U5.2 Main roles of employers and pension scheme trustees, importance of scheme rules determining and limiting benefit options.</p> <p>U5.3 Nature and operation of group personal pension schemes – contributions by employer and employee, control of investment and benefits.</p> <p>U5.4 Income tax computations and employee contributions to occupational and personal pension schemes – methods of giving relief, computation of relief, timing of relief, effects on payments on account.</p> <p>U5.5 Tax relief on employers’ pension contributions – to personal pensions and defined contribution occupational pension schemes.</p> <p>U5.6 Employee contributions, AVCs and FSAVCs.</p> <p>U5.7 Use of concurrent personal pension plan, effect on allowances, benefit types, timing of benefits.</p> <p>U5.8 Contracting out of S2P/SERPS via scheme or personal pensions – basic position, effect on national insurance contributions Protected Rights.</p> <p>U5.9 Death benefits before crystallisation of retirement benefits – lump sum benefits, dependants’ income benefits, lifetime allowance test, term assurance.</p> <p>U5.10 Protecting against consequences of ill health - availability and effect of waiver of premium feature, income protection arrangements, the use of critical illness insurance, contributions whilst incapacitated.</p> <p>U5.11 Stakeholder pensions – definition, the requirements for employer designation.</p> <p>U5.12 Contributions for others, including contributions by parents for children.</p> <p>U5.13 Advice issues – estimating how much needs to be invested to accumulate adequate funds for retirement, affordability, assessing a client’s investment risk profile.</p>
<p><b>U</b> Demonstrate understanding of</p>	<p><b>U6 How pension funds can be invested to provide capital and income in retirement.</b></p>	<p>U6.1 Asset classes – risks, returns and past performance (cross reference to ApEx 2 &amp; 19 Investment and Risk &amp; Managing Investments).</p> <p>U6.2 Asset allocation – timescale, relation to other assets, client attitudes, life styling.</p> <p>U6.3 Self investment under registered pension schemes (occupational and personal) – the main rules, tax implications, characteristics and opportunities.</p>

ApEx4 Retirement Planning		
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U Demonstrate understanding of	<b>U7 The main criteria that can be used in choosing pension contracts and providers.</b>	<p>U7.1 The choice between the main kinds of defined contribution schemes and their relative merits.</p> <p>U7.2 Choosing pension providers – costs, administration, financial strength.</p> <p>U7.3 Fund choice, past performance, risk, life styling.</p> <p>U7.4 Self-investment options.</p>
	<b>U8 The main options for drawing retirement benefits for individuals with defined contribution schemes.</b>	<p>U8.1 Normal minimum pension age, effect of ill-health.</p> <p>U8.2 Maximum tax free pension commencement lump sum.</p> <p>U8.3 Annuities – main types of annuity: level or escalating, inflation linked, with profit and unit linked, criteria for selecting annuity type, impaired life and enhanced, single life and joint life, death benefits after retirement: capital protection and guarantees.</p> <p>U8.4 Basics of phased retirement and unsecured income with risk aspects, death benefits, income tax and IHT implications.</p> <p>U8.5 Basics of Alternatively Secured Pension (ASP) with risk aspects, death benefits, income tax and IHT implications.</p> <p>U8.6 Other sources of income in retirement.</p>
U Demonstrate understanding of	<b>U9 The suitability of registered pension schemes and other types of investments which can be used to provide retirement benefits.</b>	<p>U9.1 The tax characteristics of registered pension schemes compared with other types of investment – tax treatment, accessibility, contribution limits and allowances, risk, availability, charges.</p> <p>U9.2 ISAs.</p> <p>U9.3 Direct investment in cash, bonds and equities, importance of diversification, danger of over-reliance on employer-linked investments (eg share schemes).</p> <p>U9.4 OIECS/unit trusts and other collective investments.</p> <p>U9.5 Life assurance contracts.</p> <p>U9.6 Property – residential and commercial – and use of equity release products to release funds.</p> <p>U9.7 Selling a business or share in a business.</p> <p>U9.8 Unregistered pension schemes.</p>

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
	<b>U10 Pressures on pension provision, trends and planned future changes to legislation, tax regulations and practice applying to retirement planning arrangements.</b>	U10.1 Reasons for trend away from defined benefit schemes. U10.2 Effect of longevity on pension provision, including State Scheme. U10.3 Planned reforms to State Pensions, including increase in State Pension Age and changes to S2P structure. U10.4 Planned reinstatement of link between State basic pension and earnings Inflation. U10.5 Abolition of contracting out on defined contribution basis. U10.6 Personal Accounts.
	<b>U11 (in summary form) the main rules governing pensions and divorce or dissolution of civil Partnership.</b>	U11.1 Offsetting. U11.2 Earmarking. U11.3 Sharing. U11.4 Implications for pension planning – effect on allowances and the need to build up additional benefits.

ApEx4 Retirement Planning		
Attainment Level	Outcome	Indicative Content
<b>An</b> Demonstrate an ability to	<b>An1 Analyse consumers' circumstances and products suitable to meet retirement needs, taking account of any existing arrangements.</b>	<p>An1.1 Factors shaping consumers' circumstances, retirement aspirations and prospects.</p> <p>An1.2 How to identify and analyse risk aversion and exposure.</p> <p>An1.3 How to assess affordability and suitability.</p> <p>An1.4 Methods of identifying and reviewing suitable product solutions.</p> <p>An1.5 The types of pension products, associated risks and suitability criteria.</p>
<b>A</b> Demonstrate an ability to	<b>A1 Apply suitable retirement product solutions to specific consumers' circumstances</b>	<p>A1.1 The range of solutions available to suit different types of circumstance.</p> <p>A1.2 The criteria for matching solutions to consumer needs and demands.</p> <p>A1.3 Factors influencing the way in which recommendations are presented.</p> <p>A1.4 How to check consumer's understanding of recommendations.</p> <p>A1.5 Consumer rights and the regulatory requirements applying to the provision of retirement planning advice.</p> <p>A1.6 The consequences of inadequate provision and how to explain these objectively to consumers.</p>