

Regulation & Compliance

Examinable from December 2008

AIM

The aim of the examination is to test candidates' knowledge and understanding of the legal, regulatory and ethical framework of the UK financial services industry and their ability to apply such knowledge and understanding in a practical manner. Candidates will also be required to display an awareness of current topics of interest in the field and be able to debate the major principles of such topics.

The regulatory environment is subject to significant change and students should ensure that their knowledge is up to date. They should read the financial press and material published by the FSA and other regulatory agencies whose actions affect the UK and European financial services industry.

KNOWLEDGE LEVEL EXPLANATIONS

In this syllabus knowledge levels give an indication of the depth to which each topic should receive emphasis, as follows:

Overview knowledge:

An awareness of principles or rules, sufficient for the student to know when he or she should refer to an outside source and why. Students with such knowledge should be able to articulate issues which would require further study and to discuss briefly the likely result of that enquiry. **(O)**

General knowledge:

Knowledge and understanding sufficient for intelligent comment and the solution of straightforward problems. **(G)**

Detailed knowledge:

A thorough knowledge and substantial understanding, permitting detailed comment and the solution of complex problems **(D)**

EXAMINATION STRUCTURE

A three hour and fifteen minutes examination, in which the paper is divided into three sections:

SECTION A: Up to ten compulsory short answer questions. This section will carry 30% of the marks.

SECTION B: A choice of four practical, problem solving questions from which students are required to answer two. **ONE QUESTION WILL BE COMPULSORY.** This section will carry 40% of the marks and these will be awarded to reflect not only technical knowledge but the ability to apply that knowledge to the problem and to deal practically and effectively with the situation presented, **INCLUDING AN ETHICAL AND PROFESSIONAL RESPONSE TO THE SITUATION, BASED UPON THE SECURITIES & INVESTMENT INSTITUTE CODE OF CONDUCT, WHERE APPROPRIATE.**

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SECTION C: A choice of four essay questions from which students are required to answer two. This section will carry 30% of the marks and these will be awarded to reflect both knowledge and understanding together with clarity of arguments presented.

SYLLABUS

PART 1 - REGULATORY FRAMEWORK

Objectives

To demonstrate a knowledge and understanding of the regulatory framework of the financial services industry, including the roles of the regulators in relation to the major London markets, both as currently organised and incorporating planned future changes.

Content

Knowledge Level

A. Financial Services and Markets Act 2000

Part I (the regulator)	D
Part II (regulated and prohibited activities)	D
Part III (authorisation and exemption)	D
Part IV (permission to carry on regulated activities)	D
Part VIII (penalties for market abuse)	D
Part X, chapter 1 (rule making powers)	G
Part XIV (disciplinary measures)	D
Part XXV (injunctions and restitution)	G
Part XXVII (offences)	D
Carrying on Regulated Activities by way of business Order	G
Regulated Activities Order	D
Financial Promotions Order	D
Collective Investment Schemes: Section 235/8 & 240/241	G
Prescribed markets & qualifying Investments order (2001)	G

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B.FRAMEWORK OF EUROPEAN FINANCIAL SERVICES REGULATION

Financial Services Action Plan, including MiFID, UCITS G

Home and Host state regulation including passporting G

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PART 2 - FSA HANDBOOK OF RULES AND GUIDANCE

To demonstrate a knowledge and understanding of the FSA's rules and guidance as applicable to investment business conducted in the UK.

Knowledge level

A. High level standards

PRIN Principles for Businesses	D
SYSC Senior Management Arrangements, Systems and Controls	D
SYSC 1 Application & purpose	O
SYSC 2 Senior management arrangements	D
SYSC 3 Systems & controls	D
SYSC 4 General organisational requirements	G
SYSC 5 Employees, agents and other relevant persons	G
SYSC 6 Compliance, internal audit and financial crime	G
SYSC 7 Risk control	G
SYSC 8 Outsourcing	G
SYSC 9 Record keeping	O
SYSC 10 Conflicts of interest'	G
COND Threshold Conditions	D
APER Statements of Principle and Code of Practice for Approved Persons	D
FIT The Fit and Proper Test for Approved Persons	G
GEN General provisions	O

B. Business standards

COBS Conduct of Business	
In particular	
COBS 1 Application	O
COBS 2 Conduct of business obligations	O
COBS 3 Client categorization	D
COBS 4 Communicating with clients, including financial promotions	D
COBS 5 Distance communications	O
COBS 6 Information about the firm, its services and remuneration	D
COBS 8 Client agreements	D
COBS 9 Suitability (excluding basic advice)	D
COBS 10 Appropriateness (for non-advised services)	D
COBS 11 Dealing and managing	D
COBS 12 Investment research	D
COBS 16 Reporting information to clients	D

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<i>CASS</i> Client assets	G
<i>MAR</i> Market Conduct	G
In particular:	
MAR 1 The Code of Market Conduct	D
MAR 2 Stabilising Rules	O
<i>DTR</i>	
Disclosure Rules & Transparency Rules	G
Insider lists	G
Delayed disclosure	G
<i>T&C</i> Training and competence	G
C. <u>Regulatory processes</u>	
<i>SUP</i> Supervision	O
In particular	
SUP 6 Applications to vary and cancel Part IV permissions	O
SUP 8 Waiver and modification of rules	O
SUP 10 Approved persons	D
SUP 13 & 13A Brief Guide to passporting	G
SUP 15 Notifications to the FSA	G
SUP 17 Transaction reporting	G
<i>DEPP</i> Decision Procedure and Penalties Manual.	O



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D. Redress

Dispute resolution & complaints:
In particular:

<i>DISP</i>	DISP 1 & 2 Complaint handling procedures for firms & eligible complainants	D
<i>COMP</i>	Compensation	G
<i>COAF</i>	Complaints against the FSA	O

E. Regulatory Guides

	The Perimeter Guidance Manual	
PERG 2	Authorisation and regulated activities	D
PERG 8	Financial promotions and related activities	O

PART 3-OTHER REGULATORY PROVISIONS

A. Takeover Code

General principles	D
Role and function of the Takeover Panel	O

B. FSA Listing rules –including model code (LR9 Annex 1) O

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C. Insider Dealing

Part V and Schedule 1 of the Criminal Justice Act 1993 and regulations made thereunder	D
The offences	D
The defences	D
Interpretation of	
– “dealing”	D
– “inside information”	D
– “insiders”	D
– “made public”	D
– “professional intermediary”	D
Penalties, prosecution and territorial scope	D

D. Money Laundering

The regulatory framework in respect of money laundering	
Money laundering regulations 2007	O
Offences under the Terrorism Act (2000) Sec 21A	D
Proceeds of Crime Act (2002) Sections 327-334	D
Serious Organized Crime & Police Act 2005	O
Joint Money Laundering Steering Group Guidance for the UK Financial Sector (chapters 1-4)	O
Firms systems & controls (including relevant provisions of SYSC)	D
Implementation of the third money laundering directive	O

PART 4 –THE REGULATION OF MARKETS AND EXCHANGES

Objectives

To demonstrate a knowledge and understanding of the main dealing and reporting rules of the major securities and financial derivative exchanges and some of the major characteristics of and differences between a variety of regulated markets.

Regulation of:

Recognised Investment Exchanges (RIE)	O
Designated Investment Exchanges (DIE)	O
Recognised Overseas Investment Exchanges (ROIE)	O
Multilateral Trading Facilities	O
Systematic Internalizers	O
NIPS code	O

READING LIST

Essential Strategies for Financial Services Compliance by Annie Mills

Published by Wiley

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Most parts of the Regulation and Compliance syllabus cover ground where there has been major change in the recent past. As a result, there is comparatively little in the way of up-to-date secondary literature to which reference can usefully be made. Students must therefore be prepared to have recourse, where appropriate, to the primary materials to which the syllabus refers.

Candidates are encouraged to make reference to the Financial Services and Markets Act and the FSA handbook. www.fsa.gov.uk

Candidates are advised to familiarise themselves with the FSA website, including

Dear CEO letters

Market watch/market abuse

Regulatory decisions

Executive speeches and press releases