

ITEM REJECTION - COMMON ERRORS

EXAMPLE 1

LO 3.2.4 (Introduction to Securities & Investment):

'Understand the meaning of gross redemption yield/yield to maturity'

Item submitted:

It is 2003. The above calculation shows how the yield to maturity is calculated for 7% Conversion Stock 2008 which is currently trading at £112.

What is the gross redemption yield?

- A 3.47%
- B 4.34%
- C 4.72%
- D 8.87%

Reason for rejection:

Item does not meet the learning objective of *understand* as it is a calculation item.

EXAMPLE 2

LO 3.3.1 (SI Regulatory Paper)

'Understand the terms money laundering, criminal conduct and criminal property and the application of money laundering to all crimes (Proceeds of Crime Act 2002 s.340)

Item submitted:

What relevance does the Proceeds of Crime Act 2002 have to money laundering?

- A Firms complying with the Act can disregard the FSA's money laundering sourcebook
- B It is an adjunct to the Financial Services and Markets Act 2002
- C It widens the previous definition of money laundering to include the funds arising from any illegal act
- D The Act lists specific crimes, the proceeds of which fall into the definition of money laundering

Reason for rejection:

The item does not test the candidates *understanding* of the term money laundering.

EXAMPLE 3

LO 6.1.4 (SI Regulatory Paper)

'Know how the application of the FSA Conduct of Business Sourcebook applied to appointed representatives (COB 1.7.1)

COB 1.7.1

Although *COB* does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*). In determining whether a *firm* has complied with any provision of *COB*, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the *Act*).

Common errors

Where references to other sourcebooks have been made in the learning objective, the reference material becomes part of the learning objective.

References to other source material will always be limited to a specific area of the sourcebook. In this example, the reference is limited to COB 1.7.1.

A large majority of items are rejected as they are not strictly limited to the stated reference and therefore are not written on the learning objective.

EXAMPLE 4

LO 6.2.1 (SI Regulatory Paper)

'know the rule on clear and fair communication (COB 2.1.1/2.1.3 – 2.1.5)

Item submitted:

COB 2.1 refers to which of the following rules?

- A Inducements and soft commission
- B Clear, fair and soft commission
- C Reliance on others
- D Chinese Walls

Reason for rejection

This item does not test the candidate on their knowledge of the rule but instead tests whether the candidate is able to recall random bits of information.