



Securities & Investment Institute level 3

International Certificate in Financial Advice

Effective from January 2006

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Syllabus Unit/Element	
ELEMENT 1	Demonstrate <i>KNOWLEDGE</i> of the purpose and structure of the financial services industry and economic factors that affect investment returns
1.1	Demonstrate <i>KNOWLEDGE</i> of the purpose and structure of the financial services industry
1.1.1	The function of the financial services industry in the economy – transferring funds between individuals, businesses and government - risk management
1.1.2	The main institutions/organisations – markets, retail institutions, wholesale institutions
1.1.3	The role of government - regulation, taxation, economic and monetary policy, provision of welfare and benefits
1.2	Demonstrate <i>KNOWLEDGE</i> of the main financial asset classes and their characteristics, covering past performance, risk and return
1.2.1	Cash deposits
1.2.2	Government securities and corporate bonds – fixed interest and index linked
1.2.3	Equities
1.2.4	Property – residential and commercial
1.3	Demonstrate <i>KNOWLEDGE</i> of the macro-economic factors that affect investment returns
1.3.1	The global context – international markets and the globalisation of trade and finance
1.3.2	The role of government and central banks – fiscal and monetary policy
1.3.3	Money, inflation, deflation, disinflation, interest rates, the link between money supply and inflation, measuring money supply
1.3.4	Balance of payments – capital and current account, exchange rates, the importance of the balance of payments
1.3.5	Economic and financial cycles – national income, global influences, the main stages of economic and stock market cycles, longer term growth trends
1.3.6	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
1.3.7	Key economic indicators – gross domestic product (GDP), retail prices and consumer prices indices, public sector net cash requirement, volume of fixed investment, volume of consumer spending, balance of payments, money stock, foreign exchange rates, bank rate, government bond yields, stock market indices
1.4	Demonstrate <i>KNOWLEDGE</i> of how investment returns are related to investment risk and how that risk is measured
1.4.1	Inflation and investment returns – the difference between nominal and real returns
1.4.2	The effects of compound interest
1.4.3	The time value of money
1.4.4	Varying investment returns from the main different asset classes – ‘risk-free’ rates of return & the risk premium
1.4.5	Measuring risk – volatility, the significance of standard deviation as a measure of volatility, the importance and limitations of past performance data
1.4.6	Measuring total return and the significance of beta and alpha
1.4.7	Investment portfolio planning and reducing risk through diversification – systemic and non-systemic risk, diversification across shares, sectors, markets and asset classes
ELEMENT 2	Demonstrate <i>KNOWLEDGE</i> of the basis of the relationship between adviser and client and the codes of conduct governing business dealings
2.1	Demonstrate a <i>KNOWLEDGE</i> of the fiduciary relationship that exists between an adviser and a client

2.1.1	Definition of 'client's best interest' and the implications of this rule for a financial adviser
2.1.2	Extent of an adviser's duty to disclose material information about a recommended investment
2.1.3	Concept of a 'conflict of interests' and to be aware of its significance when giving client advice
2.1.4	Fiduciary responsibilities of intermediaries
2.1.5	The settlement responsibilities of clients
2.2	Demonstrate a KNOWLEDGE of the main aims and activities of financial services regulators and their approach to ethical conduct by firms and individuals
2.2.1	Transition from self-regulation to statutory regulation
2.2.2	Main objectives, role and activities of financial services regulators
2.3.3	Ethical codes of conduct developed by regulators - Principles of Business; Statement of Principles for Approved Persons; Training & Competency
2.3	Demonstrate KNOWLEDGE of the best practice that can be derived from rules applied to the process of advising clients
2.3.1	Types of customer
2.3.2	Terms of business and client agreements
2.3.3	Status of advisers and status disclosure to customers
2.3.4	Advice and know your customer rules
2.3.5	Suitability of advice
2.3.6	Execution-only sales
2.3.7	Charges and commissions
2.3.8	Cooling off and cancellation
2.3.9	Product disclosure
2.4	Demonstrate KNOWLEDGE of money laundering and the best practices that can be applied to dealings with clients
2.4.1	Stages of money laundering
2.4.2	Client identification procedures
2.5	Demonstrate KNOWLEDGE of the definition of a complaint and the main features of complaint handling systems
2.5.1	Definition of a complaint
2.5.2	Internal complaints procedures
ELEMENT 3	Demonstrate an UNDERSTANDING of the process of giving financial advice, including the importance of regular reviews of the client's circumstances and the risks faced by investors and how an investor's risk profile is determined
3.1	Demonstrate an UNDERSTANDING of the process of giving financial advice, including the importance of regular reviews of the client's circumstances
3.1.1	The nature of the client relationship, confidentiality, trust and client protection
3.1.2	The information required from clients and methods of obtaining it
3.1.3	Factors determining how to match solutions with client needs and demands
3.1.4	How to assess affordability and suitability
3.1.5	The importance of communication skills in giving advice and how to adapt advice to customers with different capacities and needs
3.1.6	The importance of monitoring and reviewing of clients' circumstances
3.2	Demonstrate an UNDERSTANDING of the risks faced by investors and how an investor's risk profile is determined
3.2.1	The importance of affordability and suitability in making financial planning decisions
3.2.2	Main types of risk for investors – equity capital risk, currency risk, interest rate risk, institutional risk, regulatory risk, income risk, inflation risk, shortfall risk
3.2.3	Objective factors – timescale, age, commitments, wealth, life cycle
3.2.4	Subjective factors – attitudes and experiences
3.3.5	Methods of assessment
3.3	Demonstrate KNOWLEDGE of the basic legal concepts relevant in financial advice

3.3.1	Legal persons – individuals, companies, partnerships, trustees, wills and intestacy
3.3.2	Contract and capacity
3.3.3	Agency
3.3.4	Powers of attorney
3.3.5	Insolvency and bankruptcy
ELEMENT 4	Demonstrate KNOWLEDGE of the range of financial assets, their salient features and their advantages and disadvantages and of the main financial markets on which they are dealt
4.1	Demonstrate KNOWLEDGE of the main characteristics of government securities and corporate bonds
4.1.1	Main characteristics of fixed interest investments – nominal value and market price, coupon, redemption date.
4.1.2	Investment returns – running yields, yields to redemption, capital returns, volatility and risk, yield curves
4.1.3	Government Bonds – government guarantee, short, medium and long dated gilts, past performance, index linked, gilt strips, risk
4.1.4	Corporate bonds – borrowers' risk ratings and effects on yields, past performance
4.2	Demonstrate KNOWLEDGE of the main characteristics of Equities
4.2.1	Features of shares
4.2.2	American and Global Depositary Receipts
4.2.3	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, including corporate actions – rights issues, bonus issues, scrip issues, capitalisation issues
4.2.4	Measuring performance – price earnings ratio (PE), dividend yield, dividend cover, borrowing, net assets
4.2.5	Market behaviour – what makes markets fluctuate, fundamental analysis and market psychology
4.2.6	Past performance – growth, dividends and volatility
4.2.7	Stock market indices – main UK and overseas indices
4.3	Demonstrate KNOWLEDGE of the basic principles of derivatives
4.3.1	Definition of a future and an option
4.3.2	Understanding of the following terms: - long; short; open - calls; puts; holding; writing; premium - in-the-money; out-of-the-money; at-the-money; breakeven point
4.4	Demonstrate KNOWLEDGE of the main financial markets
4.4.1	The main characteristics of order driven markets and quote driven markets and the differences between principal trading and agent trading, and On Exchange and Over the Counter
4.4.2	Features of the main stock exchanges and their equity trading systems (UK, US, Japan, Hong Kong, Euronext, Germany and Spain)
4.4.3	Features of the main settlement systems used in the UK, US, Japan, Hong Kong, Euronext, Germany and Spain
4.4.4	The role of global custodians
4.4.5	Basic structure of the foreign exchange market including spot and forward rates
ELEMENT 5	Demonstrate KNOWLEDGE of the range of financial products available to clients to meet their savings, investment, and needs
5.1	Demonstrate KNOWLEDGE of the range of investment services available to investors
5.1.1	Wealth management and discretionary and advisory services
5.1.2	Role of the fund manager
5.2	Demonstrate KNOWLEDGE of collective investment schemes
5.2.1	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
5.2.2	Range of funds – different UK fund classifications, hedge funds, limited issue funds, tracker funds
5.2.3	Charges and pricing – initial and annual charging structures, single and

	bid/offer pricing, dilution levies
5.2.4	Dealing in funds
5.2.5	Offshore funds – tax structure of both the fund and the investor, recognition by regulators
5.2.6	Structured investment funds – equity index-based and equity-based growth and income funds
5.3	Demonstrate KNOWLEDGE of the main types of life assurance policy, their functions and how they are arranged
5.3.1	The basic principles of life assurance, proposers, lives assured, single and joint life policies
5.3.2	Main types of policy; the effects on policy design and premium structures of mortality risk, investment and expenses; comparison of term, renewable and permanent policies and their uses
5.3.3	Mechanics of life assurance policies – proposal, utmost good faith disclosure, underwriting, cancellation rights, policy document, renewals, assignment
5.3.4	Structure and characteristics of life assurance bonds – linked funds, with profit bonds, guaranteed income and growth bonds
5.4	Demonstrate KNOWLEDGE of the main types of protection policies
5.4.1	Income protection insurance – who should be insured, amount of cover, term – and main product features
5.4.2	Critical illness insurance cover
5.4.3	Mortgage payment protection insurance
5.4.4	Personal accident Insurance
5.4.5	Long term care
5.4.6	Medical insurance
5.4.7	Business insurance protection
ELEMENT 6	Demonstrate an UNDERSTANDING of the main financial planning areas and the approach used to structure a portfolio of financial assets to suit the needs of a client
6.1	Demonstrate an UNDERSTANDING of the main financial advice areas
6.1.1	Main financial advice areas - Budgeting and expenditure planning; Protection; Borrowing; Investment and saving; planning for education costs; retirement planning; estate planning; tax planning and the importance of regular reviews in line with the client's circumstances and arrangements
6.2	Demonstrate an UNDERSTANDING of protection planning
6.2.1	Main areas in need of protection – family and personal protection, mortgage, long term care, inheritance tax planning and business protection
6.2.2	Assessing priorities in life and health protection – individual and family priorities
6.2.3	The importance of determining existing protection arrangements and their consequences for protection planning
6.2.4	Assessing and quantifying different kinds of family life assurance protection needs and choosing appropriate policies and policy features to meet needs
6.3	Demonstrate an UNDERSTANDING of investment planning
6.3.1	The importance of asset allocation – achieving objectives, reducing risk, need for review
6.3.2	Analysing the underlying composition of funds – managed funds, with profits funds, fund of funds and other collective investments
6.3.3	Sample asset allocations – different types of investors
6.3.4	Ethical and socially responsible investment and the possible implications for investment performance
6.3.5	Other issues affecting investment planning – charges; active v. passive investment management; relationship between investing and borrowing; alternative investments (e.g. gold, art, antiques) – past performance, advantages and drawbacks
6.4	Demonstrate an UNDERSTANDING of retirement planning
6.4.1	Main aims and strategies for retirement planning and determining needs at retirement and after retirement

6.4.2	Accumulating funds for retirement – investment strategies and asset allocation, long, medium and short timescales
6.4.3	How pension funds can be invested to provide capital and income in retirement; asset classes – risks, returns and past performance; and asset allocation – timescale, relation to other assets, client attitudes, life styling
6.5	Demonstrate an UNDERSTANDING of estate and tax planning
6.5.1	Basic investment tax planning, factors to account for in making personal tax calculations and criteria for selecting a tax planning strategy
6.5.2	Role of life assurance in estate planning
ELEMENT 7	Demonstrate an UNDERSTANDING of how to combine the knowledge of financial assets with the approaches to financial planning in order to identify suitable solutions to the client's circumstances
7.1	Demonstrate an UNDERSTANDING of how to analyse clients' circumstances and identify suitable investment product solutions
7.1.1	Factors shaping clients' circumstances, risk exposure, affordability and suitability
7.1.2	The range of solutions available to suit different types of circumstance and methods of identifying and reviewing
7.1.3	The criteria for matching solutions to client needs and demands including assessing the impact of new solutions on existing arrangements
7.1.4	Consumer rights and any regulatory requirements that applying to the provision of investment advice
7.2	Demonstrate an UNDERSTANDING of how to analyse clients' circumstances and identify suitable retirement product solutions
7.2.1	Factors shaping clients' circumstances, retirement aspirations and prospects and risk exposure, affordability and suitability
7.2.2	The types of pension products, associated risks and suitability criteria and methods of identifying and reviewing
7.2.3	The criteria for matching solutions to client needs and demands including assessing the impact of new solutions on existing arrangements
7.2.4	Consumer rights and any regulatory requirements applying to the provision of retirement planning advice
7.2.5	The consequences of inadequate retirement planning and how to explain these objectively to clients
7.3	Demonstrate an UNDERSTANDING of how to analyse clients' circumstances and identify suitable protection product solutions
7.3.1	Factors shaping clients' circumstances and protection need, risk exposure, affordability and suitability
7.3.2	The types of protection products, their interrelationship and the consequences for identifying suitable and affordable solutions
7.3.3	The criteria for matching solutions to client needs and demands including assessing the impact of new solutions on existing arrangements
7.3.4	Consumer rights and any regulatory requirements applying to the provision of protection planning advice
7.3.5	The consequences of inadequate protection and how to explain these objectively to clients
7.4	Demonstrate an UNDERSTANDING of how to analyse clients' circumstances and identify suitable investment, retirement and protection product solutions
7.4.1	Factors influencing the way in which recommendations are presented and how to check clients' understanding of recommendations