

Appendix 7G

Guidelines for qualification gap-fill for retail investment advisers

Who should use these guidelines?

Under the RDR professionalism requirements if you are a *retail investment adviser* then you need to meet a new standard of qualification from 31 December 2012 in order to act as a *retail investment adviser*. If you already hold certain qualifications specified in TC Appendix 4 you will not need to attain any further examinations. Instead you will need to fill any knowledge gaps against the Financial Services Skills Council's examination standards using qualification gap-fill. To do this you should use the templates in this Appendix which reproduce the Financial Services Skills Council's examination standards and allow you to identify the gaps that you will need to fill. You will need to have your gap-fill verified by an *accredited body* before 31 December 2012 to enable these qualifications to count as appropriate qualifications.

Please note:

- In order to take advantage of qualification gap-fill you must hold a qualification for each specific activity you perform, for example if you hold a qualification for *packaged products* but also give advice on *securities* you will need to hold an appropriate qualification for both of these activities.
- The template below is an updated version of the template we published in CP09/31. Advisers who are using the template from CP09/31 can continue to do so.

Instructions for use

First, you should establish which tables below you need to use. This is based on the *TC* Appendix 1.1 activity you will be performing. The revised examination standards under the RDR are divided into core and specialist content.

The core modules apply to all *retail investment advisers* and are as follows:

- (1) Financial Services, regulation and ethics
- (2) Investment principles and risk
- (3) Personal taxation

This means that all qualification gap-filling must include tables 1, 2 and 3 set out below.

Second, you need to establish which of the specialist modules you need to gap-fill. This depends on which *TC* Appendix 1.1 activities you carry out, as defined in *TC* Appendix 1.1. The matrix below helps to show which tables you need to use to complete gap-fill for the specialist content, with the tables numbered 4, 5, 6 and 7.

Figure 1

Table number Adviser's activity, as per TC Appendix 1.1	4 Securities	5 Derivatives	6 Pensions and retirement planning	7 Application standards for packaged products
2 – <i>advising on securities</i>	✓	✗	✗	✗
3 – <i>Advising on derivatives</i>	✗	✓	✗	✗
4 – <i>Advising on packaged products which are not broker funds</i>	✗	✗	✓	✓
6 – <i>Advising on friendly society tax-exempt policies</i>	✗	✗	✓	✓
12 – <i>Advising on and</i>	✓	✗	✗	✗

<i>dealing in securities which are not stakeholder pension schemes or broker funds</i>				
13 – <i>Advising on and dealing in derivatives</i>	<i>x</i>	<i>✓</i>	<i>x</i>	<i>x</i>

There is no specialist module for *packaged products* (distinct from application standards for *packaged products*) because the *packaged product* content is a combination of the three core modules, along with pensions & retirement planning and protection. The examination standard for protection is not included here because the level has not changed, so there is no gap to fill.

Once you have worked out which tables you need to use, you should check the learning outcomes in column 2. The indicative content in column 3 provides additional guidance on the areas to be covered¹. If the qualification or CPD you completed meets the learning outcome, you need do nothing more in that area other than record the fact in column 4 or 5. If it does not meet the learning outcome, you will need to undertake and evidence, in column 5, the qualification gap-fill you have completed to meet the new requirements before 31 December 2012. If you remain uncertain, you should contact your qualification awarding body or your intended *accredited body* who should be able to help. Column 6 should be completed by your *accredited body*.

The prime focus of qualification gap-filling should be on the relevance of the learning activity to the learning outcome and indicative content to be achieved. This can be from any source: firm, professional body, training provider etc, and from any time provided it is completed before 31st December 2012. CPD carried out in the past can be used to meet the qualification gap-fill requirements where this can be appropriately verified.

¹ Please note that the application standards for packaged products have outcome standards in column 1 and assessment in column 2. For this you will need to check if your qualification covered the outcome standard and record the result.

Core content

Table 1 – Financial Services, Regulation and Ethics

1	2	3	4	5	6
Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of learning activity	Verification of qualification top-up and date
Understand	The UK financial services industry in its European and global context				
		<ul style="list-style-type: none"> • role and structure of the UK and international markets, key participants 			
		<ul style="list-style-type: none"> • the impact of the EU on UK regulation 			
		<ul style="list-style-type: none"> • the role of government – economic and industrial policy, regulation, taxation and social welfare 			
		<ul style="list-style-type: none"> • the function and operation of financial services within the wider economy 			
Understand	How the retail consumer is served by the financial services industry				

		<ul style="list-style-type: none"> • obligations towards consumers and their perception of financial services; 			
		<ul style="list-style-type: none"> • consumers' main financial needs and how they are prioritised: <ul style="list-style-type: none"> - managing debt - budgeting and borrowing, including house purchase - protection - saving and investing - retirement - estate planning and tax planning • how those needs are met: <ul style="list-style-type: none"> - mortgages and loans - life and health insurance - savings and investments - State benefits - the main types of pension provision 			
Understand	The legal concepts and considerations relevant to financial advice				
		<ul style="list-style-type: none"> • legal persons and power of attorney • basic law of contract and agency • ownership of property • insolvency and bankruptcy • wills and intestacy • use of trusts: <ul style="list-style-type: none"> - the main types of trusts and their uses - how to create and administer trusts 			

Understand	The regulation of financial services				
		<ul style="list-style-type: none"> the role of the Financial Services Authority (FSA), HM Treasury and the Bank of England – market regulation 			
		<ul style="list-style-type: none"> the role of other regulating bodies such as the Competition Commission, the Office of Fair Trading, the Pensions Regulator, the Information Commissioner 			
		<ul style="list-style-type: none"> Financial Services and Markets Act (FSMA) 2000, other relevant legislation 			
		<ul style="list-style-type: none"> the role of EU regulation and relevant Directives 			
		<ul style="list-style-type: none"> additional oversight – senior management, trustees, auditors, external compliance support services 			
Understand	The FSA’s responsibilities and approach to regulation				
		<ul style="list-style-type: none"> Statutory objectives and how the FSA is structured to achieve these: <ul style="list-style-type: none"> powers and activities financial stability and prudential regulation powers to deal with financial crime financial capability – National Strategy the FSA Handbook – the main principles and rules <ul style="list-style-type: none"> the High Level Standards Prudential Standards Business Standards <ul style="list-style-type: none"> Conduct of Business (COBS) 			

		◦ rules for dealing with client assets			
		◦ Market Conduct code			
		◦ Training and Competence			
		- Regulatory Processes:			
		◦ authorisation, supervision, approved persons, significant influence functions, controlled functions, appointed representatives			
		• risk-based supervision, discipline and enforcement, sanctions to deal with criminal activities			
Apply	The principles and risk as set out in the regulatory framework				
		• regulated activities and authorisation requirements			
		• approved person and controlled function responsibilities			
		• record keeping, reporting and notification requirements			
		• professionalism and the training and competence requirements			
		• Anti money laundering and proceeds of crime obligations			
		• Data protection including data security			
		• complaints procedures and responsibilities to consumers			
	• the Financial Ombudsman Service (FOS)				
	• the Financial Services Compensation Scheme (FSCS)				

Apply	The regulatory advice framework in practice for the consumer				
		<ul style="list-style-type: none"> • client relationships and adviser responsibilities: <ul style="list-style-type: none"> - types of clients - fiduciary relationship – duty of care, confidentiality, primacy of clients’ interests - clarity of service provision and charges, status disclosure including terms of business and client agreements, execution only - limitations to own authority or expertise, referrals to and relationships with relevant specialists - clients’ cancellation rights 			
		<ul style="list-style-type: none"> • regulated advice standards 			
		<ul style="list-style-type: none"> • monitoring and reviewing clients’ plans and circumstances and taking account of relevant changes 			
Understand	The range of skills required when advising clients				
		<ul style="list-style-type: none"> • Communicating clearly, assessing and adapting to the differing capabilities of clients 			
		<ul style="list-style-type: none"> • gathering information, assessment and analysis of client’s needs and circumstances, reaching conclusions and making appropriate recommendations 			

Understand	The FSA's use of principles and outcomes based regulation to promote ethical and fair outcomes				
		<ul style="list-style-type: none"> the Principles for Business and the discretionary obligations these place on firms 			
		<ul style="list-style-type: none"> corporate culture and leadership 			
		<ul style="list-style-type: none"> the responsibilities that rest with approved persons and the need for integrity, competence and fair outcomes for clients, including dealing with conflicts of interest 			
Apply	The Code of Ethics and professional standards to business behaviours of individuals				
		<ul style="list-style-type: none"> the over-arching Code of Ethics 			
		<ul style="list-style-type: none"> the professional principles and values on which the Code is based 			
		<ul style="list-style-type: none"> identifying ethical dilemmas the steps involved in managing ethical dilemmas 			
Critically evaluate	The outcomes that distinguish between ethical and compliance driven behaviours				
		<ul style="list-style-type: none"> typical behavioural indicators – positive and negative 			
		<ul style="list-style-type: none"> the outcomes which may result from behaving 			

		ethically – for the industry, the firm, individual advisers and consumers			
		<ul style="list-style-type: none"> the outcomes which may result from limiting behaviour to compliance with the rules – for the industry, firm, individual advisers and consumers 			

Table 2 – Investment principles and risk

Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of qualification top-up?	Verification of qualification top-up and date
Analyse	The characteristics, inherent risks, behaviour and correlation of asset classes				
		<ul style="list-style-type: none"> cash and cash equivalents: <ul style="list-style-type: none"> main types, costs and charges 			
		<ul style="list-style-type: none"> fixed interest securities: <ul style="list-style-type: none"> main types running and redemption yields, interest rates and yield curves markets and indices transaction costs – purchase and sale 			
		<ul style="list-style-type: none"> equities: 			

		- main types, private equity			
		- valuation measures – price/earnings (P/E) ratio, dividend yield and cover, Net Asset Value (NAV)			
		- stock markets – indices, listings			
		- transaction costs			
		• property:			
		- main types, residential and commercial, income profile and gearing			
		- valuation			
		- performance benchmarking			
		- transaction and on-going costs			
		• alternative investments such as commodities, and physical assets			
		• pricing, liquidity and fair value			
		• correlation of asset classes – relevance to asset allocation			
Understand	The macro-economic environment and its impact on asset classes				
		• main long term UK and global socio-economic trends			
		• overview of world economies and globalisation of markets			
		• economic and financial cycles – predictability, regional economy differences			
		• the key economic indicators – trends and their interpretation			

		<ul style="list-style-type: none"> • significance of monetary and fiscal policy • relevance of money, inflation, deflation, interest rates and exchange rates • balance of payments and international capital flows • the role of financial investment in the economy 			
Understand	The merits and limitations of the main investment theories				
		<ul style="list-style-type: none"> • key features of the main investment theories: <ul style="list-style-type: none"> - modern portfolio theory - multi factor theory - efficient market hypothesis - capital asset pricing model (CAPM) • portfolio theory, diversification and hedging: <ul style="list-style-type: none"> - correlation between asset classes - total return and an awareness of beta and alpha - risk adjusted returns • basics of behavioural finance – market and individual behaviours 			
Apply	The principles of the time value of money				
		<ul style="list-style-type: none"> • compound interest and discounting • real returns and nominal returns 			
Analyse and explain	The nature and impact of the main types of risk on investment performance				
		<ul style="list-style-type: none"> • liquidity and access 			

		<ul style="list-style-type: none"> • income and capital growth including shortfall 			
		<ul style="list-style-type: none"> • short term volatility 			
		<ul style="list-style-type: none"> • long term performance 			
		<ul style="list-style-type: none"> • gearing 			
		<ul style="list-style-type: none"> • currency 			
		<ul style="list-style-type: none"> • inflation 			
		<ul style="list-style-type: none"> • interest rates 			
		<ul style="list-style-type: none"> • systematic and non- systematic, including fraud and counterparty, institutional, market timing 			
Analyse	The characteristics, inherent risks, behaviours and relevant tax considerations of investment products				
		<ul style="list-style-type: none"> • the advantages and disadvantages of direct investment in securities and assets compared to indirect investment through collectives and other products 			
		<ul style="list-style-type: none"> • the main types and use of indirect investment products: 			
		<ul style="list-style-type: none"> - investment structures: 			
		<ul style="list-style-type: none"> ◦ collective investment funds – onshore and offshore 			
		<ul style="list-style-type: none"> ◦ Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs) 			
		<ul style="list-style-type: none"> ◦ closed ended funds / investment companies – onshore and offshore 			
	<ul style="list-style-type: none"> ◦ Individual Savings Account (ISAs) and Child 				

		Trust Funds (CTFs)			
		◦ National Savings and Investments			
		◦ life assurance based investments – onshore and offshore			
		◦ defined contribution (DC) pension arrangements			
		◦ Real Estate Investment Trusts (REITs) and other property based products			
		◦ Venture Capital Trusts (VCTs) and Enterprise Investments Schemes (EISs) – basic structures and uses			
		◦ broker funds and distributor influenced funds (DIFs)			
		- derivatives:			
		◦ basic structure, main types and uses			
		- investment strategy based products:			
		◦ hedge fund and funds of hedge funds			
		◦ absolute return funds			
		◦ structured products – income and capital growth, structure and analysis			
		◦ with profit funds – main principles			
Apply	The investment advice process				
		• know your client requirements:			
		- explain the investment process			
		- establish client relationships, capability and circumstances including assets and debts			
		- agree and prioritise needs and wants			

		- agree investment objectives, growth, income, time horizons, debt and credit management and repayment			
		- determine and agree risk profile – objective and subjective factors			
		- assess affordability and other suitability considerations, ethical, social responsibility and religious preferences			
		- agree strategy and rationale to achieve the objectives			
		- agree benchmark / performance measures and review process			
		• asset allocation:			
		- alignment with client risk profile and requirements			
		- diversification and correlation benefits			
		- accumulation and decumulation			
Understand	The principles of investment planning				
		• asset allocation:			
		- stochastic modelling			
		- strategic and tactical asset allocation			
		• portfolio construction:			
		- stock and fund selection			
		- diversification by sector, geographical area and currency			
		- main fund management strategies and styles			
	- costs, charges, Total Expense Ratios (TERs), Portfolio Turnover Rates (PTRs)				

		- selection of products, tax wrapper and services			
		- provider selection and due diligence			
		- recommendations and suitability			
		• wrap and other platforms:			
		- concept and uses			
		- benefits and risks			
		- costs/charges			
Analyse	The performance of investments				
		• portfolio performance:			
		- methods of evaluating portfolio performance			
		- selection and use of benchmarks			
		- new money and timing factors			
		• portfolio review and administration:			
		- changes in client circumstances			
		- changes in financial environment			
		- new products and services available			
		- maintenance of products and services			
	- use of external services / benchmarking				
	- rebalancing				

Table 3 – Personal taxation

Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of qualification top-up and date	Verification of qualification top-up and
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					date
Understand	The UK tax system as relevant to the needs and circumstances of individuals and trusts				
		<ul style="list-style-type: none"> • income tax – sources of income, liability, allowances, reliefs, priorities for taxing income, income of trusts and beneficiaries 			
		<ul style="list-style-type: none"> • National Insurance Contributions (NICs) – liability for employers, employees, self-employed contribution levels, voluntary NICs 			
		<ul style="list-style-type: none"> • Capital Gains Tax (CGT) – liability, rate, disposals, gains and losses, reliefs and exemptions, capital gains of trusts 			
		<ul style="list-style-type: none"> • Inheritance Tax (IHT) – liability, transfers, nil rate band, rates, reliefs and exemptions, assets held in trusts, transfers to and from trusts 			
		<ul style="list-style-type: none"> • residence and domicile – main rules, impact on liability to income tax, CGT and IHT 			
		<ul style="list-style-type: none"> • UK tax compliance – self assessment, Pay as You Earn (PAYE), tax returns, tax payments, tax evasion and avoidance issues 			
		<ul style="list-style-type: none"> • Stamp duty reserve tax and stamp duty land tax – transactions subject to tax, rates of tax, main reliefs 			
		<ul style="list-style-type: none"> • outline of Value Added Tax (VAT) and Corporation Tax 			
Analyse	The taxation of investments as relevant to the needs and				

	circumstances of individuals and trusts				
		<ul style="list-style-type: none"> • direct investments – cash and cash equivalents, fixed interest securities, equities and property 			
		<ul style="list-style-type: none"> • indirect investments: 			
		<ul style="list-style-type: none"> - pension arrangements 			
		<ul style="list-style-type: none"> - Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs) 			
		<ul style="list-style-type: none"> - onshore and offshore collectives and investment companies 			
		<ul style="list-style-type: none"> - onshore and offshore life assurance policies 			
		<ul style="list-style-type: none"> - Real Estate Investment Trusts (REITS) 			
	<ul style="list-style-type: none"> - Venture Capital Trusts (VCTs) and Enterprise Initiative Schemes (EISs) – basic outline 				
Analyse	The role and relevance of tax in the financial affairs of individuals and trusts				
		<ul style="list-style-type: none"> • the impact of taxes on individuals, trusts and their investments 			
		<ul style="list-style-type: none"> • key principles of income tax planning – spouse, civil partners, children, pension contributions, ISA allowances, use of the main CGT exemptions and reliefs 			
		<ul style="list-style-type: none"> • main uses of lifetime gifts and trusts in basic IHT mitigation 			

Apply	the knowledge of personal taxation to the provision of investment advice				
		<ul style="list-style-type: none"> to carry out computations on the most common elements of income tax and NICs; CGT; IHT including the impact of lifetime transfers and transfers at death 			
		<ul style="list-style-type: none"> to make elementary tax planning recommendations in the context of investment advice 			

Specialist content

Table 4 – Securities

Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of qualification top-up and date	Verification of qualification top-up and date
Understand	The securities market structure, features, regulatory and trading environment				
		<ul style="list-style-type: none"> • role, structure and regulation of global securities markets: <ul style="list-style-type: none"> - primary, secondary and dual listing - exchange trading and over-the-counter (OTC) trading - role of regulators, other supervisory bodies and trade associations • market participants and roles • domestic markets: <ul style="list-style-type: none"> - issuing, listing, quotation, admission to market: <ul style="list-style-type: none"> ◦ UK Listing Authority ◦ PLUS Market ◦ AIM Market ◦ issuing securities without a prospectus 			

		- Markets for trading:			
		◦ equities			
		◦ Government bonds			
		◦ corporate bonds			
		- Other trading venues:			
		◦ Multilateral Trading Facilities (MTFs)			
		◦ Systemic Internalisers			
		◦ dark pools			
		• international markets:			
		- developed markets			
		- emerging markets			
		- foreign exchange market			
		- structure and access considerations			
Apply	Dealing principles and practice to relevant client investment activity				
		• dealing – domestic markets, rules and principles:			
		- Best Execution			
		- aggregation and allocation			
		- front running			
		• international markets – main differences in principle and practice			
Understand	Clearing, settlement and custody principles and practice relevant to client investment activity				

		<ul style="list-style-type: none"> • clearing and central counterparty – UK process, duties, risks 			
		<ul style="list-style-type: none"> • settlement: <ul style="list-style-type: none"> - UK process - International Central Securities Depositories (CSDs) 			
		<ul style="list-style-type: none"> • custody of assets and client money 			
		<ul style="list-style-type: none"> • relevance and impact of corporate actions 			
Assess	The factors that influence market behaviour relevant to investment advice				
		<ul style="list-style-type: none"> • factors that influence market and individual security movements: <ul style="list-style-type: none"> - volume, liquidity and impact of trading activities – domestic and international markets - derivatives market, interactivity of timed events, relationship with cash market - research and ratings - Market Abuse regime • information and disclosure: <ul style="list-style-type: none"> - issuer reporting and announcement, corporate actions - transparency obligations – transaction reporting, share ownership and disclosure, short selling - market data convention 			
Analyse	The characteristics, features, behaviours				

	and risks of securities in the context of the market for these products				
		<ul style="list-style-type: none"> • equities: 			
		<ul style="list-style-type: none"> - share classes 			
		<ul style="list-style-type: none"> - American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) 			
		<ul style="list-style-type: none"> - comparative valuation measures and relevance 			
		<ul style="list-style-type: none"> • debt securities: 			
		<ul style="list-style-type: none"> - domestic and international government securities 			
		<ul style="list-style-type: none"> - corporate debt securities 			
		<ul style="list-style-type: none"> - duration, interest rates movements, price/yield relationship 			
		<ul style="list-style-type: none"> - creditor ratings, creditor rankings 			
		<ul style="list-style-type: none"> • derivative substitutes: 			
		<ul style="list-style-type: none"> - warrants and covered warrants 			
		<ul style="list-style-type: none"> - contracts for difference (CFDs) 			
		<ul style="list-style-type: none"> • collectives: 			
		<ul style="list-style-type: none"> - open and closed ended 			
		<ul style="list-style-type: none"> - asset value, pricing and gearing 			
		<ul style="list-style-type: none"> - asset cover, redemption yields 			
		<ul style="list-style-type: none"> - investment management styles and fund selection 			
<ul style="list-style-type: none"> - passported products 					
<ul style="list-style-type: none"> • ETFs and structured products 					
<ul style="list-style-type: none"> • cash and cash equivalents 					

		<ul style="list-style-type: none"> • Foreign Exchange 			
<i>These standards include the requirement to COMBINE and APPLY the learning content from all units of the Appropriate Qualification</i>					
Apply	The relevant factors and considerations to decide and implement investment recommendations				
		<ul style="list-style-type: none"> • obtain the range of client information and subjective factors to understand their needs, wants, values and risk profile essential to planning 			
		<ul style="list-style-type: none"> • synthesise client and relevant market information to provide the basis for assumptions and decisions 			
		<ul style="list-style-type: none"> • analyse the advantages and disadvantages of the appropriate options 			
		<ul style="list-style-type: none"> • select, recommend, explain and justify, and transact: <ul style="list-style-type: none"> - sources and use of research and other information 			
		<ul style="list-style-type: none"> • holding securities within an investment portfolio: <ul style="list-style-type: none"> - direct holdings, indirect holdings and combinations 			
		<ul style="list-style-type: none"> - role of derivative substitutes 			
		<ul style="list-style-type: none"> - rationale, advantages and disadvantages 			
		<ul style="list-style-type: none"> - impact on overall client objectives and priorities 			
		<ul style="list-style-type: none"> - asset allocation factors and relationship to overall portfolio 			
		<ul style="list-style-type: none"> - matching to client risk appetite 			

		<ul style="list-style-type: none"> • take account of relevant tax, accounting and costs considerations 			
		<ul style="list-style-type: none"> • comply with advice and dealing regulation specific to securities – COBS 			
		<ul style="list-style-type: none"> • client reporting requirements 			
		<ul style="list-style-type: none"> • communication, monitoring, review and maintenance of the portfolio to achieve the client’s objectives, deal with change and respond to setbacks 			

Table 5 – Derivatives

Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of qualification top-up?	Verification of qualification top-up and date
Understand	The derivatives market structure, features, regulatory and trading environment				
		<ul style="list-style-type: none"> • role, structure and regulation of global derivatives markets: <ul style="list-style-type: none"> - role of regulators, other supervisory bodies and trade associations • range of derivative instruments and typical risks: <ul style="list-style-type: none"> - financial derivatives - commodity derivatives - property derivatives - exotic derivatives • market terminology • key market participants and roles • exchange trading and over-the-counter (OTC) trading – main differences: <ul style="list-style-type: none"> - standard and bespoke - maturity, expiry, margin, collateral, liquidity - clearing and settlement - transparency and confidentiality 			

		- trading mechanisms			
		- counterparties			
		- documentation			
		• central counterparty (CCP) clearing of OTC transactions			
Understand	The principles, components, characteristics and risks of derivatives relative to the underlying				
		• relationships to underlying			
		• physically settled versus cash settled			
		• general pricing principles – futures, options			
Understand	The market environment, product types and characteristics of Exchange Traded derivatives				
		• main products:			
		- futures			
		- options			
		• main UK and international exchanges			
		• trading platforms:			
		- mechanisms and procedures			
		• wholesale trading facilities:			
		- significance and uses			

		<ul style="list-style-type: none"> • clearing mechanisms and processes 				
Understand	The pricing, trading and market practice of Exchange Traded derivatives	<ul style="list-style-type: none"> • calculation of profit/loss on delivery or expiry – futures and options 				
		<ul style="list-style-type: none"> • mechanisms for futures pricing: <ul style="list-style-type: none"> - factors influencing pricing - bases for calculation 				
		<ul style="list-style-type: none"> • mechanisms of options pricing: <ul style="list-style-type: none"> - factors influencing pricing and premiums - bases for calculation 				
		<ul style="list-style-type: none"> • price discovery for commodities 				
		<ul style="list-style-type: none"> • market transparency, reporting and monitoring 				
		<ul style="list-style-type: none"> • order / instruction flow and order type 				
		<ul style="list-style-type: none"> • input and matching, trade registration processes 				
Understand	The main types and characteristics of OTC traded derivatives					
		<ul style="list-style-type: none"> • forwards and forward rate agreements (FRAs) 				
		<ul style="list-style-type: none"> • OTC option products 				
		<ul style="list-style-type: none"> • contracts for difference 				
		<ul style="list-style-type: none"> • swaps: <ul style="list-style-type: none"> - interest rate swaps 				
		<ul style="list-style-type: none"> • credit derivatives: <ul style="list-style-type: none"> - credit default swaps 				
		<ul style="list-style-type: none"> • structured products 				
		<ul style="list-style-type: none"> • OTC trade capture, confirmation and clearing mechanisms 				
Understand	Clearing, margin, settlement, exercise and					

	delivery of both Exchange Traded and OTC derivatives				
		<ul style="list-style-type: none"> • definition and purpose of clearing: <ul style="list-style-type: none"> - roles and relationships - risks and guarantees - central counterparty clearing • purpose, types and application of margin: <ul style="list-style-type: none"> - parties involved - processing, collection and payment - pricing factors and calculation • purpose, types and application of collateral • delivery and settlement • exercise of options, assignment of obligations, abandonment and expiry 			
Evaluate	The purpose, merits, limitations and risks of the main derivatives strategies for trading, hedging and investment relevant to client investment activity				
		<ul style="list-style-type: none"> • trading and speculation • hedging: <ul style="list-style-type: none"> - options strategies - futures strategies • investment and derivatives, including use of synthetics: 			

		- portfolio hedging			
		- portfolio yield enhancement			
		- structured funds and ETFs			
<i>These standards include the requirement to COMBINE and APPLY the learning content from all units of the Appropriate Qualification</i>					
Apply	The relevant factors and considerations to decide and implement investment recommendations				
		<ul style="list-style-type: none"> • obtain the range of client information and subjective factors to understand their needs, wants, values and risk profile essential to planning 			
		<ul style="list-style-type: none"> • synthesise client and relevant market information to provide basis for assumptions and decisions 			
		<ul style="list-style-type: none"> • analyse the advantages and disadvantages of the appropriate strategies 			
		<ul style="list-style-type: none"> • select, recommend, explain and justify, and transact: 			
		<ul style="list-style-type: none"> - sources and use of research and other information 			
		<ul style="list-style-type: none"> • holding derivatives within an investment portfolio: 			
		<ul style="list-style-type: none"> - direct holdings, indirect holdings and combinations 			
		<ul style="list-style-type: none"> - rationale, advantages and disadvantages 			
		<ul style="list-style-type: none"> - impact on overall client objectives and priorities 			
		<ul style="list-style-type: none"> - main factors to consider when holding both securities and derivatives within the portfolio 			

		- asset allocation factors and relationship to overall portfolio			
		- matching to client risk appetite and trade-offs			
		• take account of relevant tax, accounting and costs considerations			
		• comply with advice and dealing regulations specific to derivatives – COBS			
		• client reporting requirements			
		• communication, monitoring, review and maintenance of the portfolio to achieve the client’s objectives, deal with change and respond to setbacks			

Table 6 – Pensions and retirement planning

Attainment level	Learning outcome	Indicative content	Covered in qualification? (Y/N)	Evidence of qualification top-up?	Verification of qualification top-up and date
Understand	The political, economic and social environment factors which provide the context for pensions planning				
		• role of Government, policy direction, challenges and proposed reforms			

		<ul style="list-style-type: none"> • corporate responsibilities, challenges and impact on pension provision 			
		<ul style="list-style-type: none"> • demographic trends, longevity and ageing population 			
		<ul style="list-style-type: none"> • incentives, disincentives and attitudes to saving 			
		<ul style="list-style-type: none"> • main scheme types and methods of pension provision: 			
		<ul style="list-style-type: none"> - State pension benefits 			
		<ul style="list-style-type: none"> - DB schemes, funding and benefits 			
		<ul style="list-style-type: none"> - DC schemes, funding and benefits 			
Understand	How the HMRC tax regime applies to pension planning				
		<ul style="list-style-type: none"> • funding/contributions to registered pension schemes, tax relief provision 			
		<ul style="list-style-type: none"> • pension scheme investment funds 			
		<ul style="list-style-type: none"> • death benefits before and after crystallisation 			
		<ul style="list-style-type: none"> • pension scheme retirement benefits 			
		<ul style="list-style-type: none"> • outline of the annual allowance, lifetime allowances, special annual allowance, and associated charges 			
		<ul style="list-style-type: none"> • outline of relevant transitional reliefs post- Finance Act 2006 			
		<ul style="list-style-type: none"> • outline of the tax treatment of other scheme types: 			
		<ul style="list-style-type: none"> - Employer Funded Retirement Benefit Schemes (EFRBS) 			
		<ul style="list-style-type: none"> - Qualifying Recognised Overseas Pension Schemes (QROPS) 			

Understand	The relevant aspects of pensions law and regulation to pensions planning				
		<ul style="list-style-type: none"> • Pensions Regulator compliance requirements • pension protection schemes • trust and contract based pension schemes • role and duties of trustees and administrators • pensions and divorce • employment law relevant to pensions • bankruptcy law and pension assets 			
Understand	The structure, relevance and application of the State Schemes to an individual's pension planning				
		<ul style="list-style-type: none"> • basic state retirement benefits • additional state retirement benefits, historic and current • contracting in/out considerations • pension credit framework 			
Understand	The structure, characteristics and application of Defined Benefit schemes to an individual's pension planning				

		<ul style="list-style-type: none"> • main attributes and benefits of DB pension provision 			
		<ul style="list-style-type: none"> • main types, variations and hybrids 			
		<ul style="list-style-type: none"> • rules and operation of DB schemes 			
		<ul style="list-style-type: none"> • funding methods and issues 			
		<ul style="list-style-type: none"> • roles of trustees and other parties, and scheme reporting 			
		<ul style="list-style-type: none"> • factors to consider and benefits on leaving, early and normal retirement 			
		<ul style="list-style-type: none"> • benefits on ill health and death 			
		<ul style="list-style-type: none"> • eligibility criteria and top up options 			
		<ul style="list-style-type: none"> • transfer issues and considerations 			
		<ul style="list-style-type: none"> • public sector schemes 			
Analyse	The range of Defined Contribution scheme options as they apply to an individual's pension planning				
		<ul style="list-style-type: none"> • main attributes and benefits of DC pension provision 			
		<ul style="list-style-type: none"> • legal bases for schemes and main impacts 			
		<ul style="list-style-type: none"> • main types of DC schemes and their rules and operation 			
		<ul style="list-style-type: none"> • contributions – methods and issues 			
		<ul style="list-style-type: none"> • contracting out, rebates and the contracting out decision 			
		<ul style="list-style-type: none"> • benefits on leaving and death before crystallisation 			
		<ul style="list-style-type: none"> • scheme options, limitations and restrictions 			

		<ul style="list-style-type: none"> • crystallisation options and impact of decisions 			
		<ul style="list-style-type: none"> • transfer issues and considerations 			
		<ul style="list-style-type: none"> • stakeholder pensions 			
		<ul style="list-style-type: none"> • Personal Accounts 			
Analyse	The options and factors to consider for drawing pension benefits				
		<ul style="list-style-type: none"> • State retirement benefits 			
		<ul style="list-style-type: none"> • DB schemes: <ul style="list-style-type: none"> - scheme benefits, payment guarantees, survivor benefits 			
		<ul style="list-style-type: none"> • DC schemes: <ul style="list-style-type: none"> - secured pensions, types of annuities and main features - unsecured pensions - compliance requirements 			
		<ul style="list-style-type: none"> • phased retirement – options, benefits and risks 			
		<ul style="list-style-type: none"> • timing of decisions and implementation 			
		<ul style="list-style-type: none"> • triviality rules 			
Evaluate	The aims and objectives of retirement planning including the relevant investment issues				
		<ul style="list-style-type: none"> • assessing and quantifying retirement aims and objectives: <ul style="list-style-type: none"> - availability and prioritisation of savings - assumptions and impacts 			

		- conflicts with other objectives			
		- timescales and risk			
		• investments available to meet this objective:			
		- suitability and risk			
		- rates of return needed			
		- accumulation and decumulation strategies, life-styling			
		- products and wrappers, advantages and constraints, critical yield			
		- other sources of non-pension income			
		• asset allocation factors, relationship to overall portfolio			
		• self investment:			
		- main characteristics			
		• alternative sources for pension income			
		- alternative sources of capital including non-pension investment assets, home equity, proceeds from sale of a business, inheritance			
		- advantages and drawbacks			
		• factors affecting regular reviews			

Table 7 – Application standards for packaged products

Outcome standards	Assessment	Covered in qualification? (Y/N)	Evidence of qualification top-up?	Verification of qualification top-up and date
Candidates should be able to:	Assessment at this level will seek to test ability			

	to:			
<ul style="list-style-type: none"> • Obtain appropriate client information and understand clients' needs, wants, values and risk profile essential to the financial planning process 	<ul style="list-style-type: none"> - Identify and use relevant understanding, methods and skills to address problems that are complex and non-routine while normally fairly well defined 			
<ul style="list-style-type: none"> • Synthesise the range of client information, subjective factors and indicators to provide the basis for financial planning assumptions and decisions 				
<ul style="list-style-type: none"> • Analyse a client's situation and the advantages and disadvantages of the appropriate options 	<ul style="list-style-type: none"> - Take responsibility for overall courses of action as well as exercise autonomy and judgement 			
<ul style="list-style-type: none"> • Formulate suitable financial plans for action 	<ul style="list-style-type: none"> - Initiate and use appropriate investigation to inform actions - Analyse, interpret and evaluate relevant information and ideas 			
<ul style="list-style-type: none"> • Explain and justify recommendations 				
<ul style="list-style-type: none"> • Implement, review and maintain financial plans to achieve the clients' objectives and adapt to changes in circumstances 	<ul style="list-style-type: none"> - Review the effectiveness and appropriateness of methods, actions and results 			