

## **SQA Advanced Unit Specification**

### **General information**

**Unit title:** Financial Sector: An Introduction (SCQF level 7)

**Unit code:** J01W 47

**Superclass:** AL

**Publication date:** April 2018

**Source:** Scottish Qualifications Authority

**Version:** 01

### **Unit purpose**

This unit is designed to introduce learners to the financial sector and provide an understanding of the roles of and interactions between financial institutions and markets operating within the sector in the UK and with their customers. It is primarily intended to prepare learners for employment in roles within the financial sector including banks, building societies, insurance companies and organisations providing financial advice to customers. It is also suitable for those who wish to gain a general knowledge of the UK financial services sector prior to undertaking further study and/or professional qualifications.

### **Outcomes**

On successful completion of the unit the learner will be able to:

- 1 explain the role of the financial institutions in the UK financial sector.
- 2 explain the role of the financial markets in the UK financial sector.
- 3 explain the relationship between the institutions, markets and customers in the UK financial sector.

### **Credit points and level**

1 SQA Credit at SCQF level 7 (8 SCQF credit points at SCQF level 7)

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### Recommended entry to the unit

Access to this unit is at the discretion of the centre, however it is expected that learners would have good written communication and numerical skills. These may be demonstrated by the achievement of core skill *Communication* at SCQF level 5, or by possession of National 5 English, or a suitable NC Unit, and core skill *Numeracy* at SCQF level 5 or by possession of a relevant unit.

### Core skills

Opportunities to develop aspects of core skills are highlighted in the support notes for this unit specification.

There is no automatic certification of core skills or core skill components in this unit.

### Context for delivery

If this unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes.

The assessment support pack (ASP) for this unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## **SQA Advanced Unit Specification: Statement of standards**

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Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Where evidence for outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

### **Outcome 1**

Explain the role of the financial institutions in the UK financial sector.

#### **Knowledge and/or skills**

- ◆ The Bank of England
- ◆ Retail banks
- ◆ Building societies
- ◆ Credit unions
- ◆ Wholesale banks
- ◆ Investment banks
- ◆ Insurance companies
- ◆ Investment companies

### **Outcome 2**

Explain the role of the financial markets in the UK financial sector.

#### **Knowledge and/or skills**

- ◆ London Stock Exchange
- ◆ New issues market
- ◆ Secondary market
- ◆ Interbank market
- ◆ Intercompany market
- ◆ Sterling certificates deposit market
- ◆ Derivatives market

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### Outcome 3

Explain the relationship between the institutions, markets and customers in the UK financial sector.

#### Knowledge and/or skills

- ◆ The connections and interactions between institutions, financial markets and customers
- ◆ The impact of interest rate changes on banks
- ◆ The impact of interest rate changes on financial markets
- ◆ The impact of interest rate changes on the borrowing and spending decisions made by individual consumers

#### Evidence requirements for this unit

##### Outcome 1

Evidence for the knowledge and/or skills in this outcome will be generated through sampling. This evidence may be presented as a report or in response to specific questions.

The sample must comprise of **four** of the knowledge and/or skills items. To ensure that learners will not be able to foresee which items they will be questioned about, a different sample of **four** knowledge and/or skills items is required each time the outcome is assessed.

The sample should include:

- ◆ the Bank of England.
- ◆ two knowledge and/or skills from retail banks, building societies, credit unions.
- ◆ one knowledge and/or skills from wholesale banks, investment banks, insurance companies, investment companies.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided shows that the learner can explain the role of:

- ◆ the Bank of England in the UK financial sector making reference to its core purposes
- ◆ retail banks with regard to their function and purpose
- ◆ building societies with regard to their functions and purposes
- ◆ credit unions with regard to their functions and purposes
- ◆ wholesale banks with regard to their function and purpose
- ◆ investment banks with regard to their functions and purposes
- ◆ insurance companies with regard to their functions and purposes
- ◆ investment companies with regard to their functions and purposes

Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the outcome being assessed.

Evidence should be generated through assessment in open-book supervised conditions.

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### Outcome 2

Evidence for the knowledge and/or skills in this outcome will be generated through sampling. This evidence may be presented as a report or in response to specific questions.

The sample must comprise of **three** of the knowledge and/or skills items. To ensure that learners will not be able to foresee which items they will be questioned about, a different sample of **three** knowledge and/or skills items is required each time the outcome is assessed.

The sample should include:

- ◆ at least one knowledge and/or skills from the first three bullet points below, ie the London Stock Exchange, new issues market, or secondary market
- ◆ at least one knowledge and/or skills from the remaining bullet points below, ie the interbank market, intercompany market, sterling certificates deposit market, or derivatives market

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided shows that the learner can explain the:

- ◆ role of the London Stock Exchange in the UK financial sector
- ◆ operation of the new issues market
- ◆ operation of the secondary market
- ◆ role of the interbank market
- ◆ role of the intercompany market
- ◆ role of the sterling certificates deposit market
- ◆ operation of the derivatives market

Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the outcome being assessed.

Evidence should be generated through assessment in open-book supervised conditions.

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### Outcome 3

Evidence for the knowledge and/or skills in the outcome will be provided on a sample basis. This evidence may be presented as a report or in response to questions.

The sample must comprise of **two** of the knowledge and/or skills items with a different sample of knowledge and/or skills being used each time the outcome is assessed.

The sample should include:

- ◆ the first bullet point below, ie the connections and interactions between banks, financial markets and customers
- ◆ one from the remaining bullet points

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided shows that the learner can explain the:

- ◆ connections and interactions between institutions, financial markets and customers
- ◆ impact of interest rate changes on banks
- ◆ impact of interest rate changes on financial markets
- ◆ impact of interest rate changes on the borrowing and spending decisions made by individual consumers

Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the outcome being assessed.

Evidence should be generated through assessment in open-book supervised conditions.

### SQA Advanced Unit Support Notes

**Unit title:** Financial Sector: An Introduction (SCQF level 7)

Unit support notes are offered as guidance and are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

#### Guidance on the content and context for this unit

This unit is primarily intended to prepare learners for employment or further study in financial services.

**The following guidance was prepared in December 2017 based on institutions, markets, legislation and regulation in place at that time. Centres should ensure that learners have used current information in their learning and that assessment content and assessment checklists reflect the current situation which may, as a result, differ from the guidance below in terms of the institutions, markets, practices, legislation and/or regulations listed.**

Outcome 1 looks at the role of the financial institutions that operate within the UK financial sector. This includes the Bank of England acting as banker to the government, setter of the base interest rate and its role as overseer of all financial services regulation. Retail, wholesale and investment banks provide services to a range of customers including individuals, companies and other banks. It is important that learners gain an understanding of how each of the institutions operate, and its role and function within the sector.

Learners should become familiar with relevant terminology and should make use of this. Their knowledge should be applied in the context of a given scenario and answers to questions should be relevant to that scenario.

It is expected that centres will cover the following topics:

- ◆ Core purposes of the Bank of England:
  - Maintaining the integrity and value of the financial system:
    - the role and structure of the Financial Policy Committee (FPC)
    - stress testing
    - regulation of financial institutions by the Prudential Regulation Authority (PRA)
    - oversight of payment, clearing, and settlement systems

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- ◆ Maintaining the stability of the financial system:
  - Relationship between Financial Policy Committee and government/Chancellor of the Exchequer
  - Setting of interest rates
  - Use of quantitative easing
- ◆ Other roles of Bank of England:
  - Note issuer
  - Banker to the government
  - International banker
  - Bank of England reporting
- ◆ Retail banks:
  - Role in providing savings accounts for customers:
    - deposit accounts
    - current accounts
  - Role in providing lending facilities for customers:
    - Short-term lending
    - Medium-term lending
    - Long-term lending
    - Balancing the savings and lending equation
- ◆ Building societies:
  - Structure of a building society
  - Main differences between a bank and a building society
  - Savings accounts provided to customers
  - Lending facilities offered to customers
- ◆ Credit unions:
  - Structure of a credit union
  - Savings accounts provided to customers
  - Lending facilities offered to customers
- ◆ Wholesale banks:
  - Providing lending facilities for other banks including retail banks
- ◆ Investment banks:
  - Supporting businesses to issue new shares
  - Supporting business acquisitions and mergers
  - Providing mezzanine finance
  - Treasury management services
- ◆ Insurance companies and investment companies:
  - Management of risk
  - Insurers as institutional investors
  - Provider of pensions
  - Provider of investment and savings vehicles

The unit does not focus on the particular products provided by the institutions but on their role and function within the financial services sector and the wider UK economy.



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Outcome 2 looks at the role of the capital and money markets in the UK financial sector. There are a number of financial instruments which individuals and financial institutions can choose to invest in, and the ways in which they are traded are studied within this outcome.

It is expected that centres will cover the following topics:

- ◆ The Stock Exchange:
  - The main Stock Exchanges in the world
  - The London Stock Exchange
  - The main indices of the London Stock Exchange
  - The main responsibilities of the London Stock Exchange with regard to supervision and regulation of the trading of equities and other financial instruments
- ◆ The Primary (New Issues) Market:
  - Main Market
  - Alternative Investments Market
  - Smaller Specialist Markets
  - Obtaining a listing on the London Stock Exchange
  - Three ways a company can issue shares in the primary market:
    - placing
    - introduction
    - initial public offering
- ◆ The Secondary Market:
  - Participants in the secondary market
  - Operation of the secondary market for equities
  - Operation of the secondary market for gilts
  - Smaller specialist markets
- ◆ Operation of the interbank money market:
  - Role of banks in lending to each other
  - LIBOR
  - Sterling certificates of deposit
- ◆ Operation of the intercompany market
- ◆ Derivatives market:
  - Financial futures and options
  - Role of financial futures and options
  - Hedging

Outcome 3 looks at the connections between, and impact of, interest rates on institutions, markets and consumers in the UK financial sector. This unit does not focus on the subject of economics and the reasons for interest rate changes, but on the way in which interest rate changes impact on banks and the financial decisions made by individual consumers.

It is expected that centres will cover the following topics:

- ◆ The connections and interactions between institutions, financial markets and customers
- ◆ The impact of interest rate changes on banks
- ◆ The impact of interest rate changes on financial markets
- ◆ The impact of interest rate changes on the borrowing and spending decisions made by individual consumers

### Guidance on approaches to delivery of this unit

This unit is likely to form part of a group award designed to provide learners with technical or professional knowledge and skills for the financial sector.

This unit provides the knowledge and skills required by learners to ensure they are aware of the financial institutions in the UK financial sector, the interaction between these institutions and the role they play in providing investment opportunities for customers.

Learners should be taught the unit in the order of the outcomes and in the order that the knowledge and/or skills are specified.

The focus of the learning should be on the application of the knowledge and skills by considering changes to bank base rates and the effect this has on financial services institutions.

### Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

It is recommended that this unit be assessed by an instrument of assessment that would require learners to answer questions based on a case study. The assessment could be based on one case study, split into two parts, or on two separate case studies. Outcome 1 could be assessed separately with Outcomes 2 and 3 being assessed together within one case study. The learner would take the role of a financial services industry employee providing information in a manner which could be understood by those who are not employed in the financial services industry and therefore not experts in their understanding of the sector.

Care should be taken when writing the case study or assessment questions that the learners are encouraged to establish connections between financial institutions and the effect on these of the interest rate changes.

The assessment will be carried out under **open-book supervised** conditions. It is recommended that learners complete the assessment for Outcome 1 in one hour and Outcomes 2 and 3 in a two hour period. The two assessments could be undertaken either separately or at the same time.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

An assessment support pack (ASP) and marking guidelines have been provided to indicate the national standard of achievement required at SCQF level 7.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the evidence requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing core and other essential skills

Learners will have opportunities to develop the core skill of *Communication* at SCQF level 5 in this unit as they will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment.

Learners will also have opportunities in all outcomes to develop skills in the critical thinking component the core skill *Problem Solving* at SCQF level 5. They will be presented with information about the institutions and markets within the UK financial services sector and will have to apply critical thinking skills to understand the relationships between these and the effects of interest rate changes on both banks and individual customers. Having identified the key factors, they will need to apply critical thinking to given scenarios to decide on the impact which will result from interest rate changes.

### Other essential skills

Learners may be given opportunity to develop key employability skills as well as develop and awareness and understanding of citizenship and sustainability. These include skills of:

Team work/group work	Positive attitude to work
Using initiative/being proactive	Analysing and evaluating
Problem solving	Planning and organising
Paying attention to detail	Time management
Research and investigation	Adopting professional working standards and practices
Applying numeracy skills	Setting goals and making action plans

## History of changes to unit

Version	Description of change	Date

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### General information for learners

#### Unit title: Financial Sector: An Introduction (SCQF level 7)

This section will help you decide whether this is the unit for you by explaining what the unit is about, what you should know or be able to do before you start, what you will need to do during the unit and opportunities for further learning and employment.

This unit is designed to introduce you to the institutions that make up the UK financial services sector and to help you understand their roles and the interactions between these institutions and with their customers. You will gain an overview of how money can be invested not just in banks but also by purchasing shares in companies and making loans to companies and the UK government. You will also learn how the Bank of England sets the bank base rate of interest and how other banks and financial institutions are affected by interest rate changes. These interactions also have an impact on customers, both individuals and businesses, on their saving, borrowing and spending decisions.

On completion of the unit the learner should be able to:

- 1 Explain the role of the financial institutions in the UK financial sector.
- 2 Explain the role of the financial markets in the UK financial sector.
- 3 Explain the relationship between the institutions, markets and customers in the UK financial sector.

In Outcome 1 you will learn about the institutions which make up the financial services sector. These include the Bank of England, retail and wholesale banks, investment and insurance companies. You will learn about the role each of these plays in the movement of money around the UK financial services system, facilitating deposits, investment and lending.

In Outcome 2 you will learn about the money markets which operate in the financial services sector and enable the trading of investment products. These include the London Stock Exchange, the facilities for the primary and secondary trading of investment instruments and the derivatives market.

In Outcome 3 you will learn about the interactions between the institutions and markets which make up the UK financial services sector. In particular, you will learn about how changes in interest rates affect the institutions and also their customers — both individuals and companies — who will consider interest rates when making their decisions about saving, investing, lending and spending.

The unit may be assessed by two assessments; the first assessment covering Outcome 1 and the second assessment covering Outcomes 2 and 3. These may be delivered separately or at the same time. These assessments could be in the form of a case study with questions for you to answer based on the case study. It is recommended that the first assessment be completed within a one hour working period and the second within a two hour working period. The assessment will be on an open-book basis conducted under supervised conditions. You will be permitted to take into the assessment any books or notes which you think will assist you. You will need to successfully complete questions from all three outcomes in order to pass the unit.

There are opportunities to develop components within the core skills of *Communication*, *Problem Solving* and *Numeracy* at SCQF level 5 in this unit.