

## SQA Advanced Unit Specification

### General information

**Unit title:** Financial Services Regulatory Framework (SCQF level 8)

**Unit code:** J01Y 48

**Superclass:** AL

**Publication date:** May 2018

**Source:** Scottish Qualifications Authority

**Version:** 02

### Unit purpose

This unit is designed to ensure that learners can recognise and explain the main regulatory requirements that financial services organisations, and people working in them, are required to comply with in the United Kingdom. It provides learners with the knowledge required to deal with many of the regulatory challenges they could face in the workplace.

It also prepares learners for study towards the examinations required by the regulatory authorities and is primarily intended for learners who expect to take up advisory, sales support roles or trainee managerial positions. It may also be suited to those undertaking business related courses or who have a personal interest in this topic.

### Outcomes

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

- 1 Explain the structure of UK financial regulation, the responsibilities of the main regulating bodies and the relationship between them.
- 2 Explain the application of personal investment regulations, principles, standards and codes in the UK financial services sector.
- 3 Apply other legislation, codes and industry specific schemes applicable to UK personal financial services providers.

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### **Credit points and level**

1 SQA Advanced unit credit at SCQF level 8: (8 SCQF credit points at SCQF level 8)

### **Recommended entry to the unit**

Access to this unit is at the discretion of the centre. However, it is recommended that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of the core skill of *Communication* at SCQF level 5 or by possession of National 5 English or a suitable NC 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 delivery and assessment of this unit should be updated annually to reflect changing structures of the regulatory environment and any changes in regulation that impacts on the unit content.

### **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 structure of UK financial regulation, the responsibilities of the main regulating bodies and the relationship between them.

##### Knowledge and/or skills

- ◆ The Bank of England
- ◆ The Prudential regulator
- ◆ The Conduct regulator
- ◆ The Payment Services regulator
- ◆ The Pensions regulator
- ◆ The Competition regulator
- ◆ The Information regulator

#### Outcome 2

Explain the application of personal investment regulations, principles, standards and codes in the UK financial services sector.

##### Knowledge and/or skills

- ◆ Authorisation of organisations
- ◆ Approval of individuals
- ◆ Conduct of Business Rules
- ◆ Treating Customers Fairly (TCF)
- ◆ Market Abuse Regulations
- ◆ Dispute resolution

#### Outcome 3

Apply other legislation, codes and industry specific schemes applicable to UK personal financial services providers.

##### Knowledge and/or skills

- ◆ Anti-money laundering and proceeds of crime legislation
- ◆ Data protection legislation
- ◆ Anti-bribery regulations

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- ◆ Financial services independent ombudsman schemes
- ◆ Financial services compensation and protection schemes

### **Evidence requirements for this unit**

It is recommended that Outcomes 1, 2 and 3 of this unit be assessed separately.

#### **Outcome 1**

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain how the UK Financial Services regulatory framework is structured and explain the inter-relationships between the various regulatory bodies involved in the sector. Evidence must be provided to demonstrate that learners can:

- ◆ Explain the regulatory responsibilities of the Bank of England and the relationship between the bank and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Prudential regulator and the relationship between the Prudential regulator and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Conduct regulator and the relationship between the Conduct regulator and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Payment Services regulator and the relationship between the Payment Services regulator and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Pensions regulator and the relationship between the Pensions regulator and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Competition regulator and the relationship between the Competition regulator and other bodies regulating customer activities in UK financial services.
- ◆ Explain the regulatory responsibilities of the Information regulator and the relationship between the Information regulator and other bodies regulating customer activities in UK financial services.

The evidence should be generated under open-book conditions.

#### **Outcome 2**

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain how personal investment regulations, principles, standards and codes are applied in the UK financial services sector.

Evidence for the knowledge and/or skills in the outcome will be provided on a sample basis. This evidence may be presented as part of a report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the outcome.

The sample must comprise of three of the knowledge and/or skills items with a different sample of knowledge and/or skills being used each time the outcome is assessed. Evidence requirement 3 relating to the Conduct of Business rules must be sampled in every assessment instrument. Where an item is sampled, a learner's response can be judged to be

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satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner can, in a given set of circumstances:

- ◆ Explain the requirements for the authorisation of organisations wishing to provide personal financial services.
- ◆ Explain the requirements for the approval of individuals wishing to manage or provide personal financial services.
- ◆ Explain the content of the Conduct of Business Sourcebook Rules that applies in relation to any three from:
  - Client categorisation
  - Types of advice
  - Terms of Business
  - Assessing suitability when giving advice
  - Providing information about products
  - Providing information about services and remuneration
  - Customer cancellation rights
- ◆ Explain the application of the TCF principle.
- ◆ Explain the impact of Market Abuse Regulations on investment advice given or transactions made.
- ◆ Explain the application of the dispute resolution requirements.

The evidence should be generated under open-book supervised conditions.

### Outcome 3

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can apply other legislation, codes and financial services industry specific schemes. Evidence must be provided that learners can, in a given set of circumstances:

- ◆ Apply anti-money laundering legislation
- ◆ Apply data protection legislation
- ◆ Apply the processes of financial services independent ombudsman schemes
- ◆ Apply the requirements of financial services compensation and protection schemes

The evidence should be generated under open-book conditions.

### SQA Advanced Unit Support Notes

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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

**The following guidance was prepared in March 2018 based on current regulations. 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 services and/or regulations listed.**

**NOTE:** Where this unit refers to named regulators this should, where applicable, include any organisation that takes over any of the regulatory aspects detailed in this unit from those currently operating in March 2018.

The teaching and assessment of this unit should highlight throughout each topic the requirement for professional and ethical behaviour by financial services advisers in every customer interaction.

Their knowledge in this unit has to be applied in the context of a given scenario and explanations given have to be relevant to that scenario and not merely a repetition of all the knowledge relating to the topic.

The focus of this unit is solely on the personal investor and learners should spend time being able to apply their knowledge of the regulations, principles, standards and codes in situations involving personal investors. Teaching and learning should concentrate on this application and associated explanations rather than on the repetition of the content of the various sources of authority.

**Outcome 1** looks at how the financial services industry is regulated and what the responsibilities of the various bodies involved in this regulation are. Many of the responsibilities are shared or delegated between the bodies and learners need to be able to explain how the various bodies work together to ensure the government's objectives of effective regulation are delivered.

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It is expected that centres will cover the following topics:

### The Bank of England

- ◆ The role of the Bank of England and the regulatory oversight entrusted to them
- ◆ How the regulation and supervision of financial services organisations has been devolved to various bodies
- ◆ The relationships between the Bank of England and the other regulators

### The Prudential regulator (currently the Prudential Regulation Authority)

- ◆ The role of the Prudential Regulation Authority (PRA) and the regulatory responsibilities entrusted to them
- ◆ The scope of the remit of the PRA, the objectives of the PRA and the approach the PRA applies to regulation and supervision
- ◆ The relationships between the PRA and the other regulators

### The Conduct regulator (currently the Financial Conduct Authority)

- ◆ The role of the Financial Conduct Authority (FCA) and the regulatory responsibilities entrusted to them
- ◆ The scope of the remit of the FCA, the objectives of the FCA and the approach the FCA applies to regulation and supervision
- ◆ The relationships between the FCA and the other regulators

### The Payment Services regulator

- ◆ The role of the Payment Services Regulator (PSR) and the regulatory oversight entrusted to them
- ◆ The scope of the remit of the PSR, the objectives of the PSR and the approach the PSR applies to regulation and supervision
- ◆ The relationships between the PSR and the other regulators

### The Pensions regulator

- ◆ The role of The Pensions Regulator (TPR) and the regulatory oversight entrusted to them
- ◆ The scope of the remit of TPR, the objectives of TPR and the approach TPR applies to regulation and supervision
- ◆ The relationships between TPR and the other regulators

### The Competition regulator (currently the Competition and Markets Authority)

- ◆ The role of the Competition and Markets Authority (CMA) and the regulatory oversight entrusted to them
- ◆ The scope of the remit of the CMA, the objectives of the CMA and the approach the CMA applies to regulation and supervision
- ◆ The relationships between the PSR and the other regulators

### The Information regulator (currently the Information Commissioner's Office)

- ◆ The role of the Information Commissioner's Office (ICO) and the regulatory oversight entrusted to them
- ◆ The scope of the remit of the ICO, the objectives of the ICO and the approach the ICO applies to regulation and supervision
- ◆ The relationships between the ICO and the other regulators

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**Outcome 2** looks at how the various regulations, principles, standards and codes that are enforced by the bodies that the learner will have become familiar with in Outcome 1 are applied. This outcome is the most substantial outcome in the unit and centres should devote the greatest portion of available learning time on this outcome.

It is expected that centres will cover the following topics:

- ◆ The requirements for authorisation — activities requiring authorisation, authorisation and approval criteria
- ◆ The requirements for approval of individuals — definitions of controlled functions and types of significant influence functions, Senior Manager and Certification Regime
- ◆ The Conduct of Business Sourcebook Rules:
  - Client categorisation (a client, a retail client, a professional client, an eligible counterparty, best execution and execution only clients — COBS 3)
  - Types of advice (independent and restricted — COBS 6)
  - Terms of business (requirement to issue, typical content of client agreements - COBS 4)
  - Assessing suitability when giving advice (content of a fact find, sources of information to inform a fact find and techniques to apply when obtaining information from the customer in support of the fact find — COBS 9)
  - Providing information about products (content of suitability report, key features documents — COBS 13/14)
  - Providing information about services and remuneration (disclosure of charges, fees and commissions including rules relating to inducements and indirect benefits — COBS 6)
  - Customer cancellation rights (the right to cancel, the notification required, the time limits — COBS 15)
- ◆ The application of the principle of Treating Customers Fairly (TCF) (fair customer treatment central to the organisations culture, products designed and targeted to the needs of identified customer groups, customers provided with clear information, customer advice is suitable, standards of product performance and service, absence of unreasonable post sale barriers)
- ◆ Market Abuse — application of the Market Abuse Regulations 2016; activities which are breaches and how these arise — insider dealing, unlawful disclosure of inside information and market manipulation
- ◆ Dispute Resolution Requirements — requirement to have processes openly communicated to all; complaint handling processes, the stages and timescales that should apply



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**Outcome 3** looks at the application of other related legislation and codes that financial services providers have to comply with. It also considers some of the key industry schemes that are in place to protect the customer should things go wrong. The outcome requires learners to apply their understanding of the legislation/code/scheme in a given situation so it is important that during the teaching of this outcome, the focus is on the practical application of what is being learned.

It is expected that centres will cover the following topics:

- ◆ Anti-Money laundering legislation — Proceeds of Crime Act 2002, The Money Laundering Legislation 2007 and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; the definition of money laundering; the steps in Money Laundering transactions; the methods used by financial services providers to reduce the risk of being party to money laundering transactions; what constitutes a suspicious transaction; how suspicious transactions should be handled.
- ◆ Data Protection legislation — How the General Data Protection Regulations (GDPR) 2018 is applied a financial services organisation; client consent requirements; the retention of personal data; data portability; the role of the Data Protection Officer; the actions a financial services organisation must take in the event of a breach.
- ◆ Anti-Bribery regulations — Bribery Act 2010; role of Whistleblowing in the detection/prevention of bribery/corruption in an organisation; sources of potential risks of bribery/corruption in financial services organisations and the systems and controls that can be used to mitigate against these risks; the actions a financial services organisation must take if it becomes aware of bribery/corruption within the organisation.
- ◆ Ombudsman schemes — The Financial Services Ombudsman and The Pensions Ombudsman. Scope of issues that can be referred to each ombudsman; how personal investors can make a complaint to each ombudsman; what the process is following the making of a complaint.
- ◆ Compensation and Protection schemes — The Financial Services Compensation Scheme and The Pension Protection Fund. How the scheme/fund is funded; circumstances in which the scheme/fund will make payments to personal investors; compensation limits; time limits for making claims; what the process is for a customer or pension fund contributor following the failure of an organisation.

### Guidance on approaches to delivery of this unit

During the delivery of this unit, it is recommended that learners are made aware of the latest developments in the regulation of UK Financial Services and that they are applying current legislation, codes and regulatory guidance in any answers they give in assessments.

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 services sector. The unit is primarily intended to contribute to the provision of the required introductory regulatory knowledge and skills needed by employees working in the financial services industry as advisers or support staff.

The unit is not a substitute for and does not provide exemption from the regulatory examinations.

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

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The focus of delivery should be on the application of the knowledge and skills by reviewing customer scenarios and identifying the impact of the regulatory framework on the actions that the customer and/or financial services providers can take.

### **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.

Evidence could be generated through the use of case study or other stimulus material.

Outcome 1 must be assessed under open-book conditions. A case study or series of related scenarios may be used to cover all areas of knowledge and/or skills for this outcome. Evidence could be generated through a report, restricted response questions, individual presentations or other assessment instrument.

It is suggested that learners complete the assessment of this outcome immediately after the completion of the teaching of the outcome.

Outcome 2 must be assessed under open-book supervised conditions. There is no restriction on the materials that the learner may bring to the assessment. A case study or series of related scenarios may be used to cover all areas of knowledge and/or skills for this outcome. The focus of the assessment should be on the practical application of the relevant regulations, principles, standards and codes in given scenarios. Evidence could be generated through restricted response questions or other assessment instrument.

The use of formative assessments should give learners the opportunity to prepare for the summative assessment. The importance of clarity of explanations of regulatory concepts should be emphasised from the outset and learners should be fully briefed on how to achieve this when presenting their responses.

The assessment should take around an hour to complete but should not be time controlled. Learners may also require additional time to read the scenarios at the beginning of the assessment. The use of additional reading time is at the discretion of the centre.

It is suggested that learners complete the assessment of this outcome immediately after the completion of the teaching of the outcome.

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Outcome 3 must be assessed under open-book conditions. A case study or series of related scenarios may be used to cover all areas of knowledge and/or skills for this outcome. Evidence could be generated through a report, restricted response questions or other assessment instruments. The focus of the assessment should be on the practical application of the relevant regulation, codes or services in given scenarios.

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 produced to indicate the national standard of achievement required at SCQF level 8.

### **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, 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**

In this unit learners will have opportunities in Outcomes 1, 2 and 3 to develop skills in the Written Communication (Reading) at SCQF level 5. Learners will be expected to read and understand complex written information — the general skill of this component. They are expected to make use of regulatory concepts and will have to read relevant material relating to these. This information may be obtained from textbooks, regulatory handbooks, financial services industry publications and websites. Learners will have to assimilate the technical information and make the connections between the legal concepts and their practical application.

## History of changes to unit

Version	Description of change	Date
02	Text in Support Notes (in Guidance on approaches to assessment of this unit) updated from “exemplar assessment pack” to “assessment support pack (ASP)” and paragraphs moved to end of section.	17/05/18

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SQA acknowledges the valuable contribution that Scotland’s colleges have made to the development of SQA Advanced Qualifications.

**FURTHER INFORMATION:** Call SQA’s Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our Centre Feedback Form.

### General information for learners

#### **Unit title:** Financial Services Regulatory Framework (SCQF level 8)

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 ensure that you can recognise and explain the main regulatory requirements that financial services organisations, and people working in them, are required to comply with in the United Kingdom. It provides you with the knowledge required to deal with many of the regulatory challenges you could face in the workplace.

This unit will prepare you for a career within the financial services sector and for studying towards the examinations required by the regulatory authorities.

On completion of the unit you should be able to:

- 1 Explain the structure of UK financial regulation, the responsibilities of the main regulating bodies and the relationship between them
- 2 Explain the application of personal investment regulations, principles, standards and codes in the UK financial services sector
- 3 Apply other legislation, codes and industry specific schemes applicable to UK personal financial services providers

In Outcome 1 you will learn which organisations are involved in the regulation of organisations in the UK financial services sector and what their roles are. You will learn about how these organisations connect with each other to ensure effective financial services regulation in the UK.

In Outcome 2 you will learn how the various regulations and codes protect the personal investor. Most of the legal framework in this outcome is the responsibility of the Conduct regulator. You will learn who can provide financial services and what they must do when giving advice to their customers to meet the requirements of the regulators and ensure that all customers are treated fairly.

In Outcome 3 you will learn about how other legislation, codes and industry schemes also impact on how financial services organisations operate. You will learn about specific requirements such as anti-money laundering and data protection legislation and how these affect the way a financial services organisation interacts with their customers every day.

This unit may be assessed by three assessments one for each outcome. Each assessment could consist of a number of questions that covers the outcome being assessed. Questions may be based on a case study and in all your answers, you will be required to give clear explanations of how the provisions of the UK financial services regulatory framework would be applied in that scenario.

Assessment will be carried out under open-book conditions, the assessment of Outcomes 1 and 3 will not be supervised and it is likely that you will complete these assessments in your own time. Outcome 2 will be completed under supervised open-book conditions, meaning you can bring your own learning materials to the assessment. It is recommended that the assessment for Outcome 2 be completed within a one hour working period.

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You will need to successfully complete the assessments for all three outcomes in order to pass the unit.

There are opportunities to develop components within the core skill of *Communication* at SCQF level 5 in this unit.