

Guidelines for qualification gap fill for retail investment advice

Qualification gap fill for retail investment advice

Who should use these guidelines?

Under the RDR professionalism requirements if you are an investment adviser then you need to meet a new standard of qualification from end 2012 in order to provide retail investment advice. You do not need to do any further exams if you already hold certain appropriate qualifications identified by us where you can fill any knowledge gaps against the reformed examination standards¹ with qualification gap fill.

You can use this guide to help you with how to do qualification gap-fill.

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.**
- **These guidelines are an updated version of the template we published in CP09/31. Advisers who are relying on the template from CP09/31 can continue to do so or can use the new guidelines published here.**

When must you complete your qualification gap-fill?

The gap fill needs to be completed by 31 December 2012 - *if you do not complete the qualification gap fill before 31 December 2012 you will not be permitted to continue to give investment advice after that date.* Your qualification gap filling activity must be verified by an accredited body before the end of December 2012.

Instructions for use

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

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

¹ Exam standards are defined by the Financial Services Skills Council and can be found at www.fssc.org.uk/696_14.html?i=1

- 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 into guidelines.

Second you need to establish which of the **specialist modules you need to gap fill**. This depends on which regulated activity or activities you carry out, as defined in TC Appendix 1.1 (<http://fsahandbook.info/FSA/html/handbook/TC/App/1/1>). The matrix below helps to show which tables you need to use to complete gap fill for the specialist content, with the modules 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 – advising on securities	✓	x	x	x
3 – Advising on derivatives	x	✓	x	x
4 – Advising on packaged products which are not broker funds	x	x	✓	✓
6 – Advising on Friendly Society tax-exempt policies	x	x	✓	✓

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

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 covered². 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 the end of 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.

We expect the prime focus of qualification gap-filling to 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 end-2012. CPD carried out in the past can be used to meet the qualification gap fill requirements where this can be appropriately verified.

² Please note that the application standards for packaged products have outcome standards in column 2 and assessment in column 3. 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		PARTIAL		
		<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 			
Understand	How the retail consumer is served by the financial services industry		PARTIAL		
		<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			
		- 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		NO		
		• legal persons and power of attorney			
		• basic law of contract and agency			
		• ownership of property			
		• insolvency and bankruptcy			
		• wills and intestacy			
		• use of trusts			
		- the main types of trusts and their uses			
		- how to create and administer trusts			
Understand	The regulation of financial services		NO		
		• the role of the Financial Services Authority (FSA), HM Treasury and the Bank of England – market regulation			
		• the role of other regulating bodies such as the Competition Commission, the Office of Fair Trading, the Pensions Regulator, the Information			

		<p>Commissioner</p> <ul style="list-style-type: none"> Financial Services and Markets Act (FSMA) 2000, other relevant legislation the role of EU regulation and relevant Directives additional oversight – senior management, trustees, auditors, external compliance support services 			
Understand	The FSA's responsibilities and approach to regulation		NO		
		<ul style="list-style-type: none"> Statutory objectives and how 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: <ul style="list-style-type: none"> 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		NO		

	regulatory framework				
		<ul style="list-style-type: none"> regulated activities and authorisation requirements 			
		<ul style="list-style-type: none"> approved person and controlled function responsibilities 			
		<ul style="list-style-type: none"> record keeping, reporting and notification requirements 			
		<ul style="list-style-type: none"> professionalism and the training and competence requirements 			
		<ul style="list-style-type: none"> Anti money laundering and proceeds of crime obligations 			
		<ul style="list-style-type: none"> Data protection including data security 			
		<ul style="list-style-type: none"> complaints procedures and responsibilities to consumers 			
		<ul style="list-style-type: none"> the Financial Ombudsman Service (FOS) 			
		<ul style="list-style-type: none"> the Financial Services Compensation Scheme (FSCS) 			
Apply	The regulatory advice framework in practice for the consumer		PARTIAL		
		<ul style="list-style-type: none"> client relationships and adviser responsibilities 			
		<ul style="list-style-type: none"> - types of clients 			
		<ul style="list-style-type: none"> - fiduciary relationship – duty of care, confidentiality, primacy of clients’ interests 			
		<ul style="list-style-type: none"> - clarity of service provision and charges, status disclosure including terms of business and client agreements, execution only 			
		<ul style="list-style-type: none"> - limitations to own authority or expertise, referrals to and relationships with relevant specialists 			
		<ul style="list-style-type: none"> - 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		NO		
		<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		NO		
		<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		NO		

	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 			
		<ul style="list-style-type: none"> the steps involved in managing ethical dilemmas 			
Critically evaluate	The outcomes that distinguish between ethical and compliance driven behaviours		NO		
		<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,		YES		

	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 • 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 • equities <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - 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		YES		
		<ul style="list-style-type: none"> • main long term UK and global socio-economic trends 			
		<ul style="list-style-type: none"> • overview of world economies and globalisation of markets 			
		<ul style="list-style-type: none"> • economic and financial cycles – predictability, regional economy differences 			
		<ul style="list-style-type: none"> • the key economic indicators – trends and their interpretation 			
		<ul style="list-style-type: none"> • significance of monetary and fiscal policy 			
		<ul style="list-style-type: none"> • relevance of money, inflation, deflation, interest rates and exchange rates 			
		<ul style="list-style-type: none"> • balance of payments and international capital flows 			
	<ul style="list-style-type: none"> • the role of financial investment in the economy 				
Understand	The merits and limitations of the main investment theories		YES		
		<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) 			
		<ul style="list-style-type: none"> • 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 			
		<ul style="list-style-type: none"> • basics of behavioural finance – market and individual behaviours 			
Apply	The principles of the		YES		

	time value of money				
		<ul style="list-style-type: none"> • compound interest and discounting 			
		<ul style="list-style-type: none"> • real returns and nominal returns 			
Analyse and explain	The nature and impact of the main types of risk on investment performance		YES		
		<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"> • systemic and non-systemic, including fraud and counterparty, institutional, market timing 			
Analyse	The characteristics, inherent risks, behaviours and relevant tax considerations of investment products		PARTIAL		
		<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 			

		◦ Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs)			
		◦ closed ended funds / investment companies – onshore and offshore			
		◦ 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		PARTIAL		
		• 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		PARTIAL		
		• 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		YES		
		• 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 date

Understand	The UK tax system as relevant to the needs and circumstances of individuals and trusts		PARTIAL		
		<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		PARTIAL		
		<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 			
		- pension arrangements			
		- Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs)			
		- onshore and offshore collectives and investment companies			
		- onshore and offshore life assurance policies			
		- Real Estate Investment Trusts (REITS)			
		- 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		NO		
		<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		PARTIAL		
		<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 			
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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		PARTIAL		
		<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:			
		- Issuing, listing, quotation, admission to market.			
		◦ 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		PARTIAL		
		• Dealing – domestic markets, rules and principles			
		- Best Execution			
		- Aggregation and Allocation			

		<ul style="list-style-type: none"> - Front running 			
		<ul style="list-style-type: none"> • International markets – main differences in principle and practice 			
Understand	Clearing, settlement and custody principles and practice relevant to client investment activity		PARTIAL		
		<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		PARTIAL		
		<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 			
		<ul style="list-style-type: none"> • 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		YES		
		• Equities:			
		- Share classes			
		- American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)			
		- Comparative valuation measures and relevance			
		• Debt securities:			
		- Domestic and international government securities			
		- Corporate debt securities			
		- Duration, interest rates movements, price/yield relationship			
		- Creditor ratings, creditor rankings			
		• Derivative substitutes			
		- Warrants and covered warrants			
		- Contracts for difference (CFDs)			
		• Collectives:			
		- Open and closed ended			
		- Asset value, pricing and gearing			
		- Asset cover, redemption yields			
		- Investment management styles and fund selection			

		- Passported products			
		• ETFs and structured products			
		• Cash and cash equivalents			
		• Foreign Exchange			
<i>These standards include the requirement to COMBINE and APPLY the learning content from all units of the Appropriate Examination</i>					
Apply	The relevant factors and considerations to decide and implement investment recommendations		PARTIAL		
		• Obtain the range of client information and subjective factors to understand their needs, wants, values and risk profile essential to planning			
		• Synthesise client and relevant market information to provide the basis for assumptions and decisions			
		• Analyse the advantages and disadvantages of the appropriate options			
		• Select, recommend, explain and justify, and transact			
		- Sources and use of research and other information			
		• Holding securities within an investment portfolio:			
		- Direct holdings, indirect holdings and combinations			
		- Role of derivative substitutes			
		- Rationale, advantages and disadvantages			
		- Impact on overall client objectives and priorities			
		- Asset allocation factors and relationship to overall portfolio			
		- 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		PARTIAL		
		<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 			
		<ul style="list-style-type: none"> • 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			
		- 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		YES		
		• 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		PARTIAL		

		<ul style="list-style-type: none"> • main products <ul style="list-style-type: none"> - futures - options • main UK and international exchanges • trading platforms <ul style="list-style-type: none"> - Mechanisms and procedures • wholesale trading facilities <ul style="list-style-type: none"> - significance and uses • clearing mechanisms and processes 			
Understand	The pricing, trading and market practice of Exchange Traded derivatives		YES		
		<ul style="list-style-type: none"> • calculation of profit/loss on delivery or expiry – futures and options • mechanisms for futures pricing <ul style="list-style-type: none"> - factors influencing pricing - bases for calculation • mechanisms of options pricing <ul style="list-style-type: none"> - factors influencing pricing and premiums - bases for calculation • price discovery for commodities • market transparency, reporting and monitoring • order / instruction flow and order type • input and matching, trade registration processes 			
Understand	The main types and characteristics of OTC traded derivatives		NO		
		<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		NO		
		<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 			
		<ul style="list-style-type: none"> • purpose, types and application of margin <ul style="list-style-type: none"> - parties involved - processing, collection and payment - pricing factors and calculation 			
		<ul style="list-style-type: none"> • purpose, types and application of collateral 			
		<ul style="list-style-type: none"> • delivery and settlement 			
		<ul style="list-style-type: none"> • 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		PARTIAL		

	relevant to client investment activity				
		<ul style="list-style-type: none"> • trading and speculation 			
		<ul style="list-style-type: none"> • Hedging <ul style="list-style-type: none"> - options strategies - futures strategies 			
		<ul style="list-style-type: none"> • investment and derivatives, including use of synthetics <ul style="list-style-type: none"> - 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 Exam</i>					
Apply	The relevant factors and considerations to decide and implement investment recommendations		PARTIAL		
		<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 			

		- direct holdings, indirect holdings and combinations			
		- rationale, advantages and disadvantages			
		- impact on overall client objectives and priorities			
		- 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			