CFA Society United Kingdom

CFA SOCIETY UNITED KINGDOM

WE GROW TALENT

# CERTIFICATE IN INVESTMENT MANAGEMENT (IMC)

## (CFA UK Level 4 Certificate in Investment Management)

## Unit 1: The Investment Environment

## V.24 Tested from 1 December 2026

**Commented [A1]:** Amended from V.23

**Commented [A2]:** Amended from 2025

## UNIT AIMS

**By the end of this unit, learners should be able to demonstrate:**

- an understanding of the UK financial services industry and international financial markets;
- an understanding of, and ability to critically evaluate, the outcomes that distinguish between ethical and compliance driven behaviour, and apply the CFA Code of Ethics and Standards of Professional Conduct to business behaviours of individuals;
- an understanding of the Financial Conduct Authority's (FCA's) use of principles and outcomes-based regulation to promote ethical and fair outcomes, and the ability to apply the regulatory advice framework in practice for the consumer;
- an ability to analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts, and an ability to apply the knowledge of personal taxation to the provision of investment advice; and
- an ability to analyse the role and relevance of tax in the financial affairs of individuals and trusts.

## QUESTION ALLOCATION:

Question allocation across the syllabus is balanced on the guidance of psychometric and industry specialists. The following question allocation for Version 24 of the IMC is provided as a broad indication of the relative 'weighting' of different parts of the syllabus in IMC examinations from 1 December 2026.

**Commented [A3]:** Amended from Version 23

**Commented [A4]:** Amended from 2025

| Content area | Topic | Topic name | Question allocation |
|---|---|---|---|
| Financial markets and institutions | 1 | Financial markets and institutions | 10–20 |
| Ethics | 2 | Ethics and investment professionalism | 5–15 |
| Regulation and legal concepts | 3 | The regulation of financial markets and institutions | 25–35 |
| | 4 | Legal concepts | |
| Clients | 5 | Client advice | 15–25 |
| Taxation | 6 | Taxation in the UK | 10–20 |

## OTHER INFORMATION REGARDING THIS UNIT:

**Exam format:** 85 questions.

Online testing using standard multiple choice, item sets and gap-fill style questions.

**Time allowed for exam:** 1 hour and 40 minutes.

**Grades:** Pass or fail.

**Study materials:** Official Training Manual V.24 is available from the CFA UK website, including revision questions with fully worked calculations.

**Commented [A5]:** Amended from V.23

Mock exam available on the CFA UK website.

**Recommended study hours:** 100 hours.

**Availability of exam sessions:** Every working day through Pearson testing centres and every day via OnVUE remote proctoring.

## TOPIC 1 FINANCIAL MARKETS AND INSTITUTIONS

**By the end of this topic, learners should be able to:**

- demonstrate an understanding of the UK financial services industry, in its European and global context; and
- demonstrate an understanding of UK and international financial markets.

### 1.1 INTRODUCTION TO FINANCIAL MARKETS

1.1.1 Explain the functions of the financial services industry in allocating capital within the global economy

1.1.2 Explain the role and impact of the main financial institutions

1.1.3 Explain the role of the government, including economic and industrial policy, regulation, taxation and social welfare

### 1.2 THE ROLE OF SECURITIES MARKETS IN PROVIDING LIQUIDITY AND PRICE TRANSPARENCY

1.2.1 Differentiate between a financial security and a real asset

1.2.2 Identify the key features of an ordinary share, a bond, a derivative contract, a unit in a pooled fund and a foreign exchange transaction

1.2.3 Identify the functions of securities markets in providing price transparency and liquidity

1.2.4 Identify the reasons why liquidity and price transparency are thought to be important for the efficient allocation of capital when trading in securities markets

1.2.5 Identify the types of securities and the market conditions where price transparency, liquidity and depth are likely to be high/low

1.2.6 Define liquidity risk and identify why it is important

1.2.7 Identify, explain and calculate transaction costs and their differences associated with dealing in UK and non-UK equities, fixed-income securities, pooled funds and property

### 1.3 TYPES OF FINANCIAL MARKETS

1.3.1 Identify the main dealing systems and facilities offered in the UK equities market and explain the clearing and settlement procedures for UK exchange-traded securities

1.3.2 Identify the nature of the securities that would be traded on each of the main dealing systems and facilities

1.3.3 Explain the structure and operation of the primary and secondary UK markets for gilts and corporate bonds

1.3.4 Explain the motivations for, and implications of, dual listing for a company

1.3.5 Compare and contrast exchange-traded and over-the-counter (OTC) markets

1.3.6 Distinguish between the following alternative trading venues: multilateral trading facilities, systematic internalisers, organised trading facilities and dark pools

1.3.7 Explain the regulatory regime for cryptoassets in the UK

1.3.8 Distinguish between a quote-driven and an order-driven market

1.3.9 Explain the roles of the various participants in the UK equity market

1.3.10 Explain algorithmic and high-frequency trading, its benefits, risks and regulation

**Commented [A6]:** New learning outcome statement

**Commented [A7]:** Amended from 13.7 to 13.8

**Commented [A8]:** Amended from 13.8 to 13.9

**Commented [A9]:** Amended from 13.9 to 13.10

## 1.4 THE UK LISTING AUTHORITY AND PROSPECTUS REQUIREMENTS

1.4.1 Explain the role of the Financial Conduct Authority (FCA) as the UK listing authority

1.4.2 Identify the listing rules in the Financial Services and Markets Act (FSMA) 2000 as amended

1.4.3 Explain the main conditions for listing on the Official List, AIM and AQSE

1.4.4 Explain the purpose of the requirement for a prospectus or listing particulars

1.4.5 Identify the main exemptions from listing particulars

## 1.5 INFORMATION DISCLOSURE AND CORPORATE GOVERNANCE REQUIREMENTS FOR UK EQUITY MARKETS

1.5.1 Explain the disclosures required under the disclosure and transparency rules relating to directors' interests and major shareholdings

1.5.2 Explain the purpose of corporate governance regulation and the role of the Financial Reporting Council in promoting good corporate governance

1.5.3 Explain, in outline, the scope and content of corporate governance standards in the UK

1.5.4 Explain the purpose and scope of the Shareholders Rights Directive (SRD II) and its impact on pension schemes

1.5.5 Explain the importance of board diversity in relation to good corporate governance

1.5.6 Explain the London Stock Exchange requirements for listed companies to disclose corporate governance compliance

1.5.7 Explain the continuing obligations of London Stock Exchange listed companies regarding information disclosure and dissemination

1.5.8 Explain, in outline, the UK company law requirements regarding the calling of annual general meetings and other general meetings

1.5.9 Distinguish between annual general meetings and other types of company meetings

1.5.10 Distinguish between the types of resolution that can be considered at company general meetings

1.5.11 Distinguish between the voting methods used at company meetings

1.5.12 Explain the role and powers of a proxy

## 1.6 INTERNATIONAL MARKETS

1.6.1 Explain the structure, features, and regulatory and trading environment of international markets, including developed markets and emerging markets

1.6.2 Explain the structure and operation of the primary and secondary markets for Eurobonds

1.6.3 Explain the settlement and clearing procedures overseas, including the role of international central securities depositories, and the different settlement cycles and challenges in managing global assets

## 1.7 THE PRINCIPAL-AGENT PROBLEM: SEPARATION OF OWNERSHIP AND CONTROL

1.7.1 Explain how capital markets allow the beneficial ownership, and the control of capital, to be separated

1.7.2 Distinguish between beneficial owners (principals) and the various agents involved in the capital allocation process

1.7.3 Explain how conflict between the interests of agents and principals gives rise to the 'agency' or 'principal-agent' problem

1.7.4 Identify examples of agency costs such as: expropriation, perquisites, self-dealing and higher cost of capital, which arise when the agency problem is known to exist

1.7.5 Identify the main reasons why it is argued that reducing the agency problem benefits the investment profession and society as a whole

## TOPIC 2 ETHICS AND INVESTMENT PROFESSIONALISM

**By the end of this topic, learners should be able to:**

- demonstrate an ability to critically evaluate the outcomes that distinguish between ethical and compliance-driven behaviour; and
- demonstrate an ability to apply the CFA Code of Ethics and Standards of Professional Conduct to the business behaviours of individuals.

### 2.1 ETHICAL AND COMPLIANCE-DRIVEN BEHAVIOUR

2.1.1 Describe the need for ethics in the investment industry

2.1.2 Identify positive and negative behavioural indicators

2.1.3 Identify the ethical obligations to clients, prospective clients, employers and co-workers

2.1.4 Critically evaluate the outcomes which may result from behaving unethically – for the industry, individual advisers, the firm and consumers

2.1.5 Critically evaluate the outcomes which may result from limiting behaviour to compliance within the rules – for the industry, individual advisers and consumers

### 2.2 CFA CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

2.2.1 Identify the elements of the CFA Code of Ethics and Standards of Professional Conduct

2.2.2 Explain the professional principles and values on which the CFA Code of Ethics and Standards of Professional Conduct are based

2.2.3 Apply the CFA Code of Ethics and Standards of Professional Conduct to a range of ethical dilemmas

## TOPIC 3 THE REGULATION OF FINANCIAL MARKETS AND INSTITUTIONS

**By the end of this topic, learners should be able to:**

- demonstrate an understanding of UK and International financial markets;
- demonstrate the ability to apply the regulatory framework in practice;
- demonstrate an understanding of the UK financial services industry, in its European and global context;
- demonstrate an understanding of the Financial Conduct Authority's (FCA) responsibilities and approach to regulation;

- demonstrate an ability to apply the FCA's principles and rules as set out in the regulatory framework and FCA Handbook; and
- demonstrate an understanding of where the Prudential Regulation Authority (PRA) may also be involved for dual-regulated firms.

## 3.1 UK REGULATION

3.1.1 Describe and distinguish between the roles of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Bank of England (BoE), Financial Policy Committee (FPC) and HM Treasury (HMT)

3.1.2 Explain the different roles of the FCA and PRA for dual-regulated investment firms

3.1.3 Explain the scope of the Financial Services and Markets Act (FSMA) 2000 (as amended)

3.1.4 Explain the scope of the Regulated Activities Order 2001 (as amended) in terms of regulated activities and specified investments

3.1.5 Explain the function of the following bodies/persons: the Payments Systems Regulator (PSR), the Competition and Markets Authority (CMA), and the Information Commissioner's Office (ICO)

3.1.6 Explain the function and make-up of the Takeover Panel and how it is financed

3.1.7 Explain the regulatory status of the City Code on Takeovers and Mergers (the City Code)

3.1.8 Explain the main provisions of the City Code, including the bid timetable

3.1.9 Explain the purpose and scope of the main regulations governing occupational pensions

3.1.10 Explain the purpose and scope of the FCA's recognised industry codes

## 3.2 ASSIMILATED EU LAW AND OTHER INTERNATIONAL REGULATIONS RELATING TO UK FINANCIAL SERVICES

### UK and EU financial services relationship

3.2.1 Explain the relationship between the UK and EU financial services regulatory framework and the legal status of EU directives and regulations in the UK.

### Retained EU Law

3.2.2 Explain the effect of the Financial Services and Markets Act 2023 (FSMA 2023) and the Retained EU Law (Revocation and Reform) Act 2023 and the role of the FCA and PRA

### UK regulation of markets in financial instruments (UK MiFID Framework)

3.2.3 Explain the purpose and scope of the UK MiFID framework

### UK regime for Undertakings for Collective Investment in Transferable Securities (UCITS)

3.2.4 Explain the purpose and scope of the UK UCITS regime

### Alternative Investment Fund Managers Directive (AIFMD UK)

3.2.5 Explain the purpose and scope of the AIFMD UK

### UK European Market Infrastructure Regulation (UK EMIR)

3.2.6 Explain the purpose and scope of UK EMIR

### UK Benchmarks Regulation (UK BMR)

3.2.7 Explain the purpose and scope of the UK BMR

### US Foreign Account Tax Compliance Act and OECD Common Reporting Standard

3.2.8 Explain the purpose and scope of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS)

## 3.3 THE FINANCIAL CONDUCT AUTHORITY (FCA): OBJECTIVES AND HIGH-LEVEL STANDARDS

3.3.1 Explain the role and statutory objectives of the FCA

3.3.2 Identify and distinguish among the blocks of the FCA Handbook

3.3.3 Identify the FCA's Principles for Businesses (PRIN 2 & PRIN 2A) and explain their application and purpose (PRIN 1.1.1 & 1.1.2)

3.3.4 Explain the consequences of breaching the FCA's Principles for Businesses (PRIN 1.1.7–1.1.9 and DEPP 6.2.14 & 6.2.15)

3.3.5 Explain the purpose and scope of the FCA's rules regarding Senior Management Arrangements, Systems and Controls (SYSC)

3.3.6 Explain the purpose of the principles and rules on conflicts of interest, including: identifying, recording and disclosing conflicts of interest and managing them to ensure the fair treatment of clients (PRIN 2.1.1, Principle 8 & SYSC 10)

3.3.7 Explain, in outline, the procedures for authorisation of firms, including knowledge of the threshold conditions, and liaison with the PRA where relevant

3.3.8 Explain the regulatory requirements on individual accountability under the Senior Managers Regime, Certification Regime and FCA Conduct rules (SUP 10C)

3.3.9 Explain the FCA Conduct rules and their application (COCON)

3.3.10 Explain the requirements relating to training and competence (TC 1–3)

3.3.11 Explain the professionalism requirements that have to be met by retail investment advisers and investment managers (TC 1–3, including appendices)

## 3.4 REGULATION OF INVESTMENT EXCHANGES AND CLEARING HOUSES

3.4.1 Explain the role of an investment exchange

3.4.2 Explain the need for investment exchanges being recognised by the FCA and how the Bank of England regulates clearing houses in the UK

3.4.3 Explain the purpose of UK MiFID rules on transparency requirements applied to operators in regulated markets including RMs, MTFs, OTFs and SIs

3.4.4 Identify and distinguish the roles of the main bodies involved in securities trading in the UK, including London Stock Exchange Group (LSEG), ICE Futures Europe and ICE Clear Europe

3.4.5 Identify the main features of trading, clearing and settlement of both exchange-traded and OTC derivatives

3.4.6 Explain the arrangements for market transparency and transaction reporting in the main derivative markets

## 3.5 FCA BUSINESS STANDARDS

### Accepting customers for business (client categorisation)

3.5.1 Explain the purpose of client categorisation

3.5.2 Distinguish between a retail client, a professional client and an eligible counterparty (COBS 3.4–3.6)

3.5.3 Apply the rules relating to treating a client as an elective professional client (COBS 3.5.3)

3.5.4 Apply the rules relating to treating a client as an elective eligible counterparty (COBS 3.6.4–3.6.6)

3.5.5 Apply the rules relating to providing clients with a higher level of protection (COBS 3.7)

3.5.6 Apply the rules relating to client agreements (COBS 8A.1)

### Financial promotions and other communications with customers, including information about the firm

3.5.7 Explain the purpose and scope of the financial promotions rules and the exemptions from them (COBS 4.1)

3.5.8 Explain the 'fair, clear and not misleading' rule (COBS 4.2)

3.5.9 Explain the rules relating to communications with retail clients (COBS 4.5A)

3.5.10 Explain the rules relating to past, simulated past and future performance (COBS 4.5A)

3.5.11 Explain the rules relating to direct offer promotions (COBS 4.7)

3.5.12 Explain the rules relating to cold calls and other promotions that are not in writing (COBS 4.8)

3.5.13 Explain the rules relating to systems and controls in relation to approving and communicating financial promotions (COBS 4.10)

3.5.14 Explain the record-keeping requirements relating to financial promotions (COBS 4.11)

3.5.15 Explain the rules relating to distance marketing communications (COBS 5.1 & 5.2)

3.5.16 Explain the rules relating to providing information about the firm and compensation information (COBS 6.1ZA)

3.5.17 Explain the rules on inducements (COBS 2.3A & 2.3B)

3.5.18 Explain the rules on adviser charging and remuneration (COBS 6.1A & 6.4)

3.5.19 Explain the FCA anti-greenwashing rules

### Identifying client needs (suitability and appropriateness)

3.5.20 Explain the rules relating to assessing suitability (COBS 9A.2 & 9A.3)

3.5.21 Explain the rules relating to assessing appropriateness (COBS 10A.2)

3.5.22 Explain the rules relating to warning a client (COBS 10A.3)

3.5.23 Identify circumstances when assessing appropriateness is not required (COBS 10A.4 & 10A.6)

3.5.24 Identify circumstances where own authority or expertise is limited and there is the need to refer to specialists

3.5.25 Distinguish between independent advice and restricted advice (COBS 6.2B)

### Dealing and managing

3.5.26 Explain the rules relating to best execution (COBS 11.2A)

3.5.27 Explain the rules relating to client order handling (COBS 11.3)

3.5.28 Explain the rules on personal account dealing (COBS 11.7A)

### Investment research

3.5.29 Explain the rules relating to investment research produced by a firm and disseminated to clients (COBS 12.2)

3.5.30 Explain the rules relating to the publication and dissemination of non-independent research (COBS 12.2)

3.5.31 Explain the disclosure requirements relating to the production and dissemination of research recommendations (COBS 12.4)

### Product governance and disclosure requirements

3.5.32 Explain the rules relating to product governance (PROD 3)

3.5.33 Explain the obligations relating to preparing product information (COBS 13.1 & COLL 4.7)

3.5.34 Explain the FCA's approach to temporary product intervention (PROD 2)

3.5.35 Explain the scope of consumer composite investment products as set out in the Consumer Composite Investments (CCI) Regime

3.5.36 Explain the purpose of the FCA Sustainability Disclosure Requirements (SDR) and investment labelling regime

3.5.37 Explain the rules relating to the form and content of a product summary for CCIs

3.5.38 Explain the rules relating to cancellation rights (COBS 15)

### Record-keeping and reporting information

3.5.39 Apply the rules relating to record-keeping for client orders and transactions (COBS 11.5A)

3.5.40 Apply the rules relating to occasional reporting to clients (COBS 16A.3)

3.5.41 Apply the rules relating to periodic reporting to clients (COBS 16A.4)

3.5.42 Explain the rules relating to reporting on the progress of an authorised fund to unitholders (COLL 4.5)

3.5.43 Explain the requirements on authorised fund managers to publish an annual assessment of value (COLL 6.6.20R)

### Client assets and client money rules

3.5.44 Explain the concept of fiduciary duty

3.5.45 Explain the application and purpose of the rules relating to custody of client assets held in connection with MiFID business (CASS 6.1)

**Commented [A10]:** Amended from:

3.5.35 Explain the scope of packaged retail investment products as set out in the Packaged Retail and Insurance-based Investment Products (PRIIPs) regime

**Commented [A11]:** Amended from:

3.5.37 Explain the rules relating to the form and content of a key features document, key information document (PRIIPs) and a key investor information document (COBS 13.2, 13.2, 14.2 & COLL 4.7)

3.5.46 Explain the rules relating to the protection of clients' assets and having adequate organisational arrangements (CASS 6.2)

3.5.47 Explain the rules relating to depositing assets with third parties (CASS 6.3)

3.5.48 Explain the purpose of the rules relating to the use of clients' assets (CASS 6.4)

3.5.49 Explain the rules relating to records, accounts and reconciliations of clients' assets (CASS 6.6)

3.5.50 Explain the application and purpose of the rules relating to the treatment of client money (CASS 7.11)

3.5.51 Explain the rules relating to the protection of client money and having adequate organisational arrangements (CASS 7.12)

3.5.52 Explain the rules relating to the depositing of money with third parties (CASS 7.14)

3.5.53 Explain the rules relating to the segregation of client money (CASS 7.13)

3.5.54 Explain the rules relating to records, accounts and reconciliations of clients' money (CASS 7.15)

3.5.55 Explain the rules relating to mandate accounts (CASS 8)

3.5.56 Explain the rules relating to title transfer collateral arrangements

## 3.6 FCA SUPERVISION AND REDRESS

3.6.1 Explain the FCA's approach to supervision and the enforcement and disciplinary powers of the FCA

3.6.2 Explain the FCA rules relating to handling of complaints (DISP 1.3)

3.6.3 Explain the role of the Financial Ombudsman Service (DISP Introduction & DISP 2) and the Pensions Ombudsman

3.6.4 Apply the rules relating to determination by the Financial Ombudsman Service (DISP 3.6)

3.6.5 Distinguish between compulsory and voluntary jurisdiction (DISP Introduction)

3.6.6 Explain the procedure and time limits for the resolution of complaints (DISP 1.4, 1.5 & 1.6)

3.6.7 Apply the rules relating to record-keeping and reporting concerning complaints (DISP 1.9 & 1.10)

3.6.8 Explain the purpose of the Financial Services Compensation Scheme (FSCS) (COMP 1.1.7 & 1.1.10A)

3.6.9 Identify the circumstances under which the FSCS will pay compensation (COMP 1.3.3, 3.2.1, 4.2.1 & 4.2.2)

3.6.10 Identify the limits on the compensation payable by the FSCS (COMP 10.2.1, 10.2.2 & 10.2.3)

### 3.7 FINANCIAL CRIME

3.7.1 Explain the various sources of money laundering and counter-terrorism regulation and legislation (FCA rules, SYSC 6.3, Money Laundering Regulations, Proceeds of Crime Act 2002)

3.7.2 Explain the three stages involved in the money laundering process

3.7.3 Explain the role of the Joint Money Laundering Steering Group (JMLSG)

3.7.4 Explain the main features of the guidance provided by the JMLSG

3.7.5 Explain the five offence categories under UK money laundering legislation

3.7.6 Explain the meaning of 'inside information' covered by the Criminal Justice Act (CJA) 1993

3.7.7 Explain the offence of insider dealing covered by the CJA 1993

3.7.8 Identify the penalties for being found guilty of insider dealing

3.7.9 Explain the FCA's powers to prosecute market abuse (EG 12.3)

3.7.10 Describe the behaviours defined as market abuse (MAR 1.3–1.9 and the Market Abuse Regulation)

3.7.11 Explain the enforcement powers of the FCA relating to market abuse (DEPP 6.5C)

3.7.12 Explain the main features of the Bribery Act 2010, the UK Criminal Finances Act 2017 and the Economic Crime and Corporate Transparency Act 2023

## TOPIC 4 LEGAL CONCEPTS

**By the end of this topic, learners should be able to:**

- demonstrate an understanding of legal concepts relevant to financial advice.

### 4.1 LEGAL CONCEPTS

4.1.1 Explain legal persons and power of attorney

4.1.2 Explain basic law of contract and agency

4.1.3 Explain the types of ownership of property

4.1.4 Explain insolvency and bankruptcy

4.1.5 Explain wills and intestacy

4.1.6 Describe the main types of trusts and their uses

4.1.7 Explain the purpose and scope of the Trustee Act 2000: the rights and duties of the parties involved, the nature of the trust deed and the investment powers of trustees

4.1.8 Explain the purpose of a Statement of Investment Principles

## TOPIC 5 CLIENT ADVICE

**By the end of this topic, learners should be able to:**

- demonstrate an ability to apply the financial planning process;
- demonstrate an understanding of how the retail consumer is served by the financial services industry; and
- demonstrate an understanding of the range of skills required when advising clients.

### 5.1 TYPES AND CHARACTERISTICS OF INVESTORS

5.1.1 Describe and compare different types of investors

5.1.2 Explain the obligations of a firm towards retail clients, including the FCA's Consumer Duty rules

### 5.2 THE CLIENT'S FINANCIAL OBJECTIVES

5.2.1 Explain the main needs of retail clients and how they are prioritised

5.2.2 Explain the importance of establishing and quantifying a client's objectives

5.2.3 Explain the need to prioritise objectives to accommodate a client's affordability

### 5.3 THE CLIENT'S CURRENT CIRCUMSTANCES

5.3.1 Explain the importance of the fact-find process in establishing a client's current financial circumstances and requirements

5.3.2 Identify the factors shaping a client's circumstances

### 5.4 THE CLIENT'S RISK PROFILE

5.4.1 Analyse the main types of investment risk as they affect investors

5.4.2 Explain the role of diversification in mitigating risk

5.4.3 Analyse the factors affecting a client's risk profile

5.4.4 Explain the key methods of determining a client's risk profile

## 5.5 INVESTMENT RECOMMENDATIONS

5.5.1 Explain why asset allocation always comes before investment or product selection

5.5.2 Explain the key roles of fund charges, the use of past performance, the financial stability of the provider, the stability, independence and standing of trustees, fund custodians and auditors as criteria within the fund selection process

5.5.3 Identify benchmarks and other performance measures in relation to client advice

5.5.4 Explain the importance of reviews within the financial planning process

## 5.6 SKILLS REQUIRED WHEN ADVISING CLIENTS: CASE STUDIES

5.6.1 Describe the need for advisers to communicate clearly, assessing and adapting to the differing levels of knowledge and understanding of their clients

5.6.2 Identify and apply suitable investment solutions to suit the different needs of retail clients

## 5.7 INSTITUTIONAL INVESTORS: THE OBJECTIVES OF INSTITUTIONAL INVESTORS AND THE FACTORS THAT IMPACT UPON THEIR INVESTMENT DECISIONS

5.7.1 Explain the features and objectives of the following funds in the UK: pension funds (defined benefit (DB) and defined contribution (DC)), life assurance and general insurance

5.7.2 Explain the impact of automatic enrolment in workplace pensions and pension freedom of choice for DC pension schemes

5.7.3 Identify and contrast the risks of DB versus DC pension schemes for the sponsor and beneficiary

5.7.4 Distinguish between the typical asset allocations for DB and DC pension funds, life assurance and general insurance funds

5.7.5 Explain the return objectives of the major fund types

5.7.6 Classify funds by their income/capital growth requirements

5.7.7 Explain the effect of each of the following on a fund's asset allocation: time horizons, liability structure and liquidity requirements

5.7.8 Explain the taxation of the various types of funds in the UK and the effect that taxation legislation may have on stock selection and asset allocation

5.7.9 Identify other types of legal requirements that affect pension funds, insurance funds and retail clients

5.7.10 Identify the constraints that impact the return objectives of pension and insurance funds

## TOPIC 6 TAXATION IN THE UK

**By the end of this topic, learners should be able to:**

- demonstrate an understanding of the UK tax system as relevant to the needs and circumstances of individuals and trusts;
- demonstrate an ability to analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts;
- demonstrate an ability to analyse the role and relevance of tax in the financial affairs of individuals and trusts; and
- demonstrate an ability to apply the knowledge of personal taxation to the provision of investment advice.

### 6.1 THE UK TAX SYSTEM AND THE TAXATION OF INVESTMENTS

6.1.1 Describe the principles of income tax applicable to earnings, savings and investment income in the UK

6.1.2 Describe, in relation to income tax, the system of allowances, reliefs and priorities for taxing income

6.1.3 Explain the taxation of the income of trusts and beneficiaries

6.1.4 Describe the system of National Insurance contributions (NICs)

6.1.5 Describe the principles of capital gains tax (CGT) in the UK

6.1.6 Describe the principles of inheritance tax (IHT) in the UK

6.1.7 Explain the limitations of lifetime gifts and transfers at death in mitigating IHT

6.1.8 Explain the implications of residence in relation to liability to income tax, CGT and IHT

6.1.9 Describe the system of UK tax compliance including self-assessment, pay as you earn (PAYE), tax returns, tax payments, tax evasion and avoidance issues

6.1.10 Describe the principles of stamp duty land tax (SDLT) as applied to property purchases (buying, selling and leasing)

6.1.11 Describe the principles of stamp duty reserve tax (SDRT)

6.1.12 Explain how companies are taxed in the UK

6.1.13 Describe, in outline, the principles of value added tax (VAT)

6.1.14 Analyse the taxation of direct investments including cash and cash equivalents, fixed-interest securities, equities and property

6.1.15 Analyse the key features and taxation of indirect investments including pension arrangements, different types of individual savings accounts (ISAs), onshore and offshore life assurance policies, real estate investment trusts (REITs), venture capital trusts (VCTs), enterprise investment schemes (EISs) and business property relief

## 6.2 INVESTMENT ADVICE AND TAX PLANNING

6.2.1 Evaluate the tax considerations shaping clients' needs and circumstances

6.2.2 Analyse the key principles of income tax planning

6.2.3 Analyse how the use of annual CGT exemptions, the realisation of losses, the timing of disposals, and sale and repurchase of similar assets can mitigate CGT

6.2.4 Calculate the most common elements of income tax, CGT and IHT, including the impact of lifetime transfers and transfers at death

6.2.5 Select elementary tax planning recommendations in the context of investments and pension advice