

IAC GAP-FILL

THIS FACTSHEET PROVIDES GUIDANCE TO FIRMS AND ADVISERS IN THE USE OF STRUCTURED LEARNING TO FILL THE GAPS BETWEEN THE LEGACY QUALIFICATION THE INVESTMENT ADVICE CERTIFICATE (“IAC”) AND THE EXAM STANDARDS OF THE RETAIL DISTRIBUTION REVIEW

Advisers who hold the IAC will not be required to sit any further qualifications although gaps will need to be filled by structured learning.

The CISI has assessed the coverage of the new level 4 exam standards and appropriate learning hours by the IAC as 91%.

The minimum amount of structured learning recommended for holders of the IAC will vary according to which specific areas of advice an individual works in.

For the core subjects, 15 hours’ structured learning is required. Specialist areas of Securities, Derivatives, Retail Investment Products and Friendly Society Tax-Exempt Policies require varying numbers of hours gap-fill.



Minimum Structured Learning CPD needed for gap-fill:

Core Financial Services, Regulation & Ethics – 8 hours
Core Investment Principles & Risk – 6 hours
Core Personal Taxation – 1 hour

Gaps to be filled depending on specific advice activity

Securities – 6 hours
Derivatives – 12 hours
Retail Investment Products
and Friendly Society Tax-Exempt Policies – 6 hours

“This is excellent and just the sort of service a professional body should be giving to its members. The CISI is to be congratulated for a very proactive approach.”

IFA Bob Bullivant, Chief Executive at Newport -based Annuity Direct

The following table shows the gaps in the syllabus, details of the gaps between the IAC and the exam standards, and the CISI recommended gap-fill solutions/options to consider for firms and individuals.

For those firms and advisers using the CISI's own CPD scheme, the CPD log includes designated areas for these gaps to be listed together with the means by which each adviser has filled the gaps. Advisers using CISI CPD events or activities will have these automatically logged but we anticipate that a number of you will use a firm's own seminars, together with other providers, and as you know we endorse provision other than our own. Our list of Accredited Training Providers and CISI Approved CPD Providers can be found at cisi.org/cpdotherbodies. Our list of Approved Gap-fill Providers can be found at cisi.org/gapfillproviders

FINANCIAL SERVICES, REGULATION and ETHICS (CORE)

Syllabus gaps	Detail	Recommendations
Demonstrate an ability to apply the Code of Ethics and professional standards to business behaviours of individuals	The over-arching Code of Ethics The professional principles and values on which the Code is based Identifying ethical dilemmas	Option 1 is the CISI IntegrityMatters Option 2 is an e-based seminar covering ethics and integrity from a CISI endorsed provider or a firm-based seminar of at least one hour's duration.
Demonstrate an ability to critically evaluate the outcomes that distinguish between ethical and compliance driven behaviours	Typical behavioural indicators - positive and negative The outcomes which may result from behaving ethically - for the industry, the firm, individual advisers and consumers	
Demonstrate an understanding of the UK financial services industry, in its European and global context	Role and structure of the UK and international markets, key participants	Option 1 is to take the following Professional Refresher Modules:
Demonstrate an understanding of how the retail consumer is served by the financial services industry	Consumers' main financial needs and how they are prioritised: Managing debt Saving and investing	<ul style="list-style-type: none"> - UK Regulatory Structure - Treating Customers Fairly - Permissions Regime - Market Abuse - Client Classifications - Approved Persons Regime - Financial Ombudsman Service
Demonstrate an understanding of legal concepts and considerations relevant to financial advice	Legal persons and powers of attorney Basic law of contract and agency Insolvency and bankruptcy	Option 2 is to take the equivalent of the above modules with an Accredited Training Provider, in-firm training or a CPD provider
Demonstrate an understanding of the regulation of financial services	The role of 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 Commissioner Additional oversight - senior management, trustees, auditors, external compliance support services	
Demonstrate an understanding of the FSA's responsibilities and approach to regulation	Statutory objectives and how the FSA is structured to achieve these: Financial capability - National Strategy	
Demonstrate the ability to apply the regulatory advice framework in practice for the consumer	Client relationships and adviser responsibilities: Fiduciary relationship - duty of care, confidentiality, primacy of clients' interests	

INVESTMENT PRINCIPLES & RISK (CORE)

Syllabus gaps

Demonstrate an ability to analyse the characteristics, inherent risks, behaviour and correlation of asset classes

Detail

Alternative investments such as commodities and physical assets

Pricing, liquidity and fair value

Correlation of asset classes - relevance to asset allocation

Recommendations

Option 1 is an 'Investment Principles & Risk' seminar from CISI endorsed or accredited training provider or a seminar at a firm's premises (full day)

Option 2 is passes in the full level 3 Investment Management Certificate from the CFA UK

Demonstrate an understanding of the macro - economic environment and its impact on asset classes

The role of financial investment in the economy

Demonstrate an understanding of the merits and limitations of the main investment theories

Key features of the main investment theories:

- Modern portfolio theory
- Multi-factor model
- Efficient market hypothesis
- Capital asset pricing model (CAPM)

Portfolio theory, diversification and hedging

- Correlation between asset classes
- Total return and an awareness of beta and alpha
- Risk-adjusted returns

Basics of behavioural finance - market and individual behaviours

Demonstrate an ability to apply the principles of the time value of money

Compound interest and discounting

Real returns and nominal returns

Demonstrate an ability to analyse and explain the nature and impact of the main types of risk on investment performance

Gearing

Interest rates

Systematic and non-systematic, including fraud and counterparty, institutional, market timing

Demonstrate the ability to analyse the characteristics, inherent risks, behaviours and relevant tax considerations of investment products

The main types and use of indirect investment products:

Investment structures

– broker funds and distributor influenced funds (DIFs)

SECURITIES

Syllabus gaps

Demonstrate an understanding of the securities market structure, features, regulatory and trading environment

Detail

Role, structure and regulation of global securities markets:
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), Systematic Internalisers, Dark pools

International markets:

- Developed markets, Emerging markets, Foreign Exchange market

Structure and access considerations

Demonstrate an ability to apply dealing principles and practice relevant to client investment activity

International markets - main differences in principles and practice

Demonstrate an understanding of clearing, settlement and custody principles and practice relevant to client investment activity

Clearing and central counterparty - UK process, duties, risks

Settlement:

- UK process, International Central Securities, Depositories (CSDs)

Relevance and impact of corporate actions

Demonstrate an ability to assess the factors that influence market behaviour relevant to investment advice

Factors that influence market and individual security movements:

- Volume, liquidity and impact of trading activities - domestic and international markets
- Derivatives market, interactivity of timed events, relationship with cash market
- Research and ratings

Demonstrate an ability to analyse the characteristics, features, behaviours and risks of securities in the context of the market for these products

Equities:

- Share classes
- American Depository Receipts (ADRs) and Global Depository Receipts (GDRs)
- Comparative valuation measures and relevance

Debt securities:

- Domestic and international government securities
- Corporate debt securities
- Duration, interest rate movements, price/yield relationship
- Credit ratings, creditor rankings

Derivative substitutes:

- warrants and covered warrants
- contracts for difference (CFDs)

ETFs and structured products

Cash and cash equivalents

Foreign Exchange

Recommendations

Option 1 is 'Securities' (full day) with an Accredited Training Provider, in-firm training or a CPD provider

Option 2 is to take the CISI Securities level 4 training course as if preparing for the exam

Option 3 is to prepare for and pass the CISI Securities level 4 exam

Option 4 is a level 3 Securities qualification preferably passed since 2008

Option 5 is passes in the full level 3 Investment Management Certificate from the CFA UK and additional reading available by emailing rdr@cisi.org

DERIVATIVES

Syllabus gaps

Demonstrate an understanding of the derivatives market structure, features, regulatory and trading environment

Detail

Role, structure and regulation of global derivatives markets
Role of regulators, other supervisory bodies and trade associations

Range of derivative instruments and typical risks

- 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

Demonstrate an understanding of the pricing, trading and market practice of Exchange-traded derivatives

Calculation of profit/loss on delivery or expiry - futures and options

Mechanisms for futures pricing

- Factors influencing pricing
- Bases for calculation

Mechanisms of options pricing

- Factors influencing pricing and premiums
- Bases for calculation

Price discovery for commodities

Market transparency, reporting and monitoring

Demonstrate an understanding of the main types and characteristics of OTC traded derivatives

Forwards and forward rate agreements (FRAs)

OTC option products

Contracts for difference

Swaps - Interest rate swaps

Credit derivatives - Credit default swaps

Structured products

OTC trade capture, confirmation and clearing mechanisms

Clearing, margin, settlement, exercise and delivery of both Exchange-traded and OTC derivatives

Definition and purpose of clearing

- Roles and relationships
- Risks and guarantees
- Central counterparty clearing

Purpose, types and application of margin

- Parties involved
- Processing, collection and payment
- Pricing factors and calculation

Purpose, types and application of collateral

Delivery and settlement

Exercise of options, assignment of obligations, abandonment and expiry

Demonstrate an ability to evaluate the purpose, merits, limitations and risks of the main derivatives strategies for trading, hedging and investment relevant to client investment activity

Trading and Speculation

Hedging - Options strategies, Futures strategies

Investment and derivatives, including use of synthetics

- Portfolio hedging
- Portfolio yield enhancement
- Structured funds and ETFs

Recommendations

Option 1 is gap-fill Derivatives' with an Accredited Training Provider, in-firm training or a CPD provider (two days)

Option 2 is to take the level 4 derivatives training course as if preparing for the exam

Option 3 is a level 3 Derivatives qualification passed preferably since 2008

PERSONAL TAXATION (CORE)

Syllabus gaps

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

Detail

Outline of Value Added Tax (VAT) and Corporation Tax

Indirect investments:
Child Trust Funds (CTFs) and ISAs

Key principles of income tax planning - spouse, civil partners, children, pension contributions, ISA allowances, use of the main CGT exemptions and reliefs

Main uses of lifetime gifts and trusts in basic IHT mitigation

Recommendations

Option 1 is the CISI CPD seminar on Taxation or Professional Refresher 'Taxation' module

Option 2 is the equivalent of the above with an Accredited Training Provider, in-firm training or a CPD provider



RETAIL INVESTMENT PRODUCTS AND FRIENDLY SOCIETY TAX-EXEMPT POLICIES

Syllabus gaps

Demonstrate an understanding of how the HMRC tax regime applies to pensions planning

Detail

Pension scheme investment funds
 Outline of the annual allowance, lifetime allowance, special annual allowance, & associated charges
 Outline of relevant transitional reliefs post-Finance Act 2006
 Outline of the tax treatment of other scheme types:
 - Employer Funded Retirement Benefit Schemes (EFRBS)
 - Qualifying Recognised Overseas Pension Schemes (QROPS)

Recommendations

Option 1 is 'Understanding Pensions & Retirement Planning' (one day) with an Accredited Training Provider, in-firm training or a CPD provider

Option 2 is the training for the CISI Private Client Advice unit with an Accredited Training Provider.

Demonstrate an understanding of the relevant aspects of pensions law and regulation to pensions planning

Pensions Regulator compliance requirements
 Pension protection schemes
 Trust and contract based pensions
 Role and duties of trustees and administrators
 Pensions and divorce
 Employment law relevant to pensions
 Bankruptcy law and pension assets

Option 3 is for advisers to consider provision from specialist bodies such as the Chartered Insurance Institute or Pensions Management Institute

Demonstrate an understanding of the structure, relevance and application of the state schemes to an individual's pension planning

Basic state retirement benefits
 Additional state retirement benefits, historic and current
 Contracting in/out considerations
 Pension credit framework

Demonstrate an understanding of the structure, characteristics and application of defined benefit schemes to an individual's pension planning

Main types, variations and hybrids
 Rules and operation of DB schemes
 Funding methods and issues
 Roles of trustees and other parties, and scheme reporting
 Public sector schemes

Demonstrate an ability to analyse the range of defined contribution scheme options as they apply to an individual's pension planning


Legal bases for schemes and main impacts
 Main types of DC schemes and their rules and operation
 Contributions - methods and issues
 Contracting out, rebates and the contracting out decision
 Benefits on leaving and death before crystallisation
 Scheme options, limitations and restrictions
 Crystallisation options and impact of decisions
 Transfer issues and considerations
 Stakeholder pensions
 Personal Accounts

Demonstrate an ability to analyse the options and factors to consider for drawing pension benefits

DB Schemes: Scheme benefits, payment guarantees, survivor benefits
 DC schemes:
 - Secured pensions, types of annuities and main features
 - Unsecured pensions
 - Compliance requirements

Demonstrate an ability to evaluate the aims and objectives of retirement planning including the relevant investment issues

Assessing and quantifying retirement aims and objectives:
 - Availability and prioritisation of savings
 - Assumptions and impacts
 - Conflict with other objectives
 - Timescales and risk
 Investments available to meet this objective:
 - Suitability and risk
 - Rates of return needed
 - Accumulation and decumulation strategies, life-styling
 - Products and wrappers, advantages and constraints, critical yield
 - Other sources of non-pension income
 Asset allocation factors, relationship to overall portfolio
 Self-investment - Main characteristics
 Alternative solutions for pension income:
 - Alternative sources of capital including non-pension investment assets, home equity, proceeds from sale of a business, inheritance
 - Advantages and drawbacks
 Factors affecting regular reviews



“The results of our robust and diligent mapping analysis reflects the high standards of our qualifications which are updated annually by a dedicated panel of practitioners. We believe the small structured learning remnant can be achieved very cost effectively”

Simon Culhane, Chartered FCSI , Chief Executive, Chartered Institute for Securities & Investment

CISI OFFICES IN COLOMBO DUBAI DUBLIN EDINBURGH LONDON MUMBAI SINGAPORE

IAC mapping

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