

LSE GAP-FILL

THIS FACTSHEET PROVIDES GUIDANCE TO FIRMS AND ADVISERS IN THE USE OF STRUCTURED LEARNING TO FILL THE GAPS BETWEEN THE LEGACY LONDON STOCK EXCHANGE FULL MEMBERSHIP EXAMS AND THE EXAM STANDARDS OF THE RETAIL DISTRIBUTION REVIEW

Existing, authorised advisers who hold three or four appropriate LSE Exams or have passed both the Stock Exchange Practice and Technique of Investment LSE exams or were designated MSI(Dip)* will not be required to sit any further qualifications although gaps will need to be filled by structured learning. The LSE exam is a legacy qualification, and is not available to new entrants to the industry.

The CISI has assessed the coverage of the new exam standards by the LSE exams as approximately 83%. The minimum amount of structured learning recommended for holders of the LSE exams will vary according to which specific areas of advice an individual works in. For the core subjects, 27 hours of 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.

*If you were awarded MSI(Dip) on the basis of the LSE exams you should carry out the gap-fill for the LSE exams. If you were awarded the MSI(Dip) on the basis of the Diploma, you should carry out the gap-fill for the Diploma (See CISI website for Diploma gap analysis). If you are in any doubt as to which category you fall into, please contact us on rdr@cisi.org



Minimum Structured Learning CPD needed for gap-fill:

Core Financial Services, Regulation & Ethics – 14 hours
Core Investment Principles & Risk – 12 hours
Core Personal Taxation – 1 hour

Gaps to be filled depending on specific advice activity

Securities – 6 hours
Derivatives – 18 hours
Retail Investment Products
and Friendly Society Tax-Exempt Policies – 18 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 LSE exams and the new level 4 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
Complete unit missing	Complete unit missing	<p>The current regulatory structure is substantially different compared with the lighter regime in place when the LSE exams were live.</p> <p>Option 1 is to train in the new UK Regulation and Professional Integrity examination at level 4 through an Accredited Training Provider (ATP).</p> <p>Option 2 is a level 3 regulation exam taken and passed since 2008 together with the CISI's IntegrityMatters and the following Professional Refresher modules:</p> <ul style="list-style-type: none"> - Anti-Money Laundering (or evidence of AML training) - Approved Persons Regime - Client Classifications - Financial Ombudsman Service - Financial Promotions - Inducements and Dealing Commissions - Market Abuse - Permissions Regime - Treating Customers Fairly - UK Regulatory Structure

INVESTMENT PRINCIPLES & RISK (CORE)

Syllabus gaps	Detail	Recommendations
Demonstrate an understanding of the macro-economic environment and its impact on asset classes	The main long - term UK and global socio-economic trends. Overview of world economies and globalisation of markets. Economic and financial cycles - predictability, regional economy differences. The key economic indicators - trends and their interpretation. Significance of monetary and fiscal policy. Relevance of money, inflation, deflation, interest rates and exchange rates. Balance of payments and international capital flows. The role of financial investment in the economy	<p>Option 1 is an 'Investment Principles & Risk' seminar from CISI endorsed or accredited training provider or a seminar at a firm's premises (two days)</p> <p>Option 2 is a pass in the full level 3 Investment Management Certificate from the CFA UK</p>
Demonstrate an understanding of the merits and limitations of the main investment theories	<p>Key features of the main investment theories: Modern portfolio theory - Multi-factor model - Efficient market hypothesis - Capital asset pricing model (CAPM)</p> <p>Portfolio theory, diversification and hedging - Correlation between asset classes - Total return and an awareness of beta and alpha - Risk-adjusted returns</p> <p>Basics of behavioural finance - market and individual behaviours</p>	
Demonstrate an ability to analyse and explain the nature and impact of the main types of risk on investment performance	<p>Liquidity and access - Income and capital growth, including shortfall - Short-term volatility - Long-term performance - Gearing - Currency - Inflation - Interest rates</p> <p>Systematic and non-systematic, including fraud and counterparty, institutional, market timing</p>	

Syllabus gaps

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

Detail

The advantages and disadvantages of direct investment in securities and assets compared to indirect investment through collectives and other products. Main types and uses of indirect investment products: Investment structures: 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 Accounts (ISAs) and Child Trust Funds (CTFs); National Savings and Investments; Life Assurance based investments - onshore and offshore; Defined contribution (DC) pensions; Real Estate Investment Trusts (REITs) and other property based products; Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs); Broker funds and distributor influenced funds (DIFs). Derivatives; basic structure, main types and uses. Investment strategy based products - hedge funds and funds of hedge funds; Absolute return funds; Structured Products - income and capital growth, structure and analysis; With profit funds, main principles

Recommendations

Option 1 is a seminar from CISI endorsed or accredited training provider or a seminar at a firm's premises (two days)

Demonstrate an ability to apply the investment advice process

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 - Agree strategy and rationale to achieve the objectives - Agree benchmark / performance measures and review process

Demonstrate an understanding of the principles of investment planning

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, TERs, PTRs - Selection of products, tax wrapper and services - Provider selection and due diligence - Recommendations and suitability. Wrap and other platforms: Concepts and uses - Benefits and risks - Costs/ charges

Demonstrate an ability to analyse the performance of investments

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

PERSONAL TAXATION (CORE)

Syllabus gaps

Demonstrate an understanding of the role and relevance of tax in the financial affairs of individuals and trusts

Detail

The impact of taxes on individuals, trusts and their investments. Key principles of investment tax planning - spouses, 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

Demonstrate the ability to apply the knowledge of personal taxation to the provision of investment advice

To carry out tax computations on the most common elements of income tax and NICs, CGT, and IHT including the impact of lifetime transfers and transfers at death. To make elementary tax planning recommendations in the context of investment advice

SECURITIES

Syllabus gaps

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

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

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

Detail

Role, structure & regulation of global securities markets: Role of regulators, other supervisory bodies and trade associations.

Domestic markets: other trading venues: Multilateral Trading Facilities (MTFs) - Systematic internalisers - Dark pools

Factors that influence market and individual security movements - Domestic and international markets: volume, liquidity and impact of trading activities. Derivatives market: interactivity of timed events, relationship with cash market. Research and ratings. Market Abuse regime. Information and disclosure - Issuer reporting and announcements, corporate actions. Transparency obligations: transaction reporting, share ownership and disclosure, short selling. Market data convention

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

Recommendations

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

Option 2 is a pass in the full level 3 Investment Management Certificate from the CFA UK and additional reading available by emailing rdr@cisi.org

Option 3 is to take the CISI Securities level 4 training course as if preparing for the exam

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

Option 5 is a level 3 Securities qualification preferably passed since 2008

DERIVATIVES

Syllabus gaps

Majority of unit missing

Detail

Majority of unit missing

Recommendations

Derivatives markets, products and applications have developed significantly since the LSE exams were introduced.

For those currently advising and/or dealing in derivatives we recommend a training course for the Level 4 IAD Derivatives unit (exam optional) with an Accredited Training Provider

RETAIL INVESTMENT PRODUCTS AND FRIENDLY SOCIETY TAX-EXEMPT POLICIES

Syllabus gaps

Retirement planning, pension eligibility, products and legislation have all developed significantly since the LSE exams were introduced.

Detail

Recommendations

We recommend a training course for the CISI Private Client Advice unit with an Accredited Training Provider.

Option 2 is to cover the relevant topics through the Chartered Insurance Institute's training and exams

CISI OFFICES IN

COLOMBO

DUBAI

DUBLIN

EDINBURGH

LONDON

MUMBAI

SINGAPORE

LSE mapping

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