



CHARTERED INSTITUTE FOR  
SECURITIES & INVESTMENT

# Financial Products, Markets & Services

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## Objective of the Examination

The objective of the examination is to provide candidates with a basic introduction to the financial services industry with a focus on investments.

The examination will test candidates' knowledge and understanding of the following elements:

- Introduction
- Economic Environment
- Financial Assets and Markets
- Equities
- Bonds
- Derivatives
- Investment Funds
- Financial Services Regulation
- Taxation, Investment Wrappers and Trusts
- Other Financial Products

## Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate** or **be able to apply**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** require the candidate to be able to use formulae to perform calculations
- **be able to apply** require the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

## Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website ([cisi.org/candidateupdate](http://cisi.org/candidateupdate)) on a regular basis for updates that could affect their examination as a result of industry change.

## Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty.

<b>Examination specification</b>		
<b>50 multiple choice questions</b>		
<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	Introduction	2
2	Economic Environment	3
3	Financial Assets and Markets	5
4	Equities	8
5	Bonds	5
6	Derivatives	4
7	Investment Funds	7
8	Financial Services Regulation	6
9	Taxation, Investment Wrappers and Trusts	6
10	Other Financial Products	4
<b>Total</b>		<b>50</b>

## Assessment Structure

A one-hour examination of 50 multiple choice questions.

Candidates sitting the examination by Computer Based Testing may have, in addition, up to 10% of additional questions as trial questions that will not be separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

Summary Syllabus

**Element 1 Introduction**

- 1.1 The Financial Services Industry

**Element 2 Economic Environment**

- 2.1 Economic Environment

**Element 3 Financial Assets and Markets**

- 3.1 Cash
- 3.2 The Money Market
- 3.3 Property
- 3.4 The Foreign Exchange Market

**Element 4 Equities**

- 4.1 Equities

**Element 5 Bonds**

- 5.1 Characteristics
- 5.2 Government Bonds
- 5.3 Corporate Bonds
- 5.4 Investing in Bonds

**Element 6 Derivatives**

- 6.1 Derivatives Uses
- 6.2 Futures
- 6.3 Options
- 6.4 Terminology
- 6.5 Derivatives / Commodity Markets

**Element 7 Investment Funds**

- 7.1 Introduction
- 7.2 Unit Trusts
- 7.3 Investment Companies with Variable Capital (ICVCs)
- 7.4 Pricing, Dealing and Settling
- 7.5 Investment Trusts
- 7.6 Exchange-Traded Funds
- 7.7 Hedge Funds

**Element 8 Financial Services Regulation**

- 8.1 Financial Services Regulation

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- 8.2 Financial Crime
- 8.3 Insider Dealing and Market Abuse
- 8.4 Data Protection
- 8.5 Complaints and Compensation

### **Element 9 Taxation, Investment Wrappers and Trusts**

- 9.1 Tax
- 9.2 Investment Wrappers
- 9.3 Pensions
- 9.4 Trusts

### **Element 10 Other Financial Products**

- 10.1 Loans
- 10.2 Mortgages
- 10.3 Life Assurance
- 10.4 Protection Insurance

**Element 1 Introduction**

**1.1 The Financial Services Industry**

On completion, the candidate should:

1.1.1 *know* the role of the following within the financial services industry:

- retail banks
- building societies
- investment banks
- pension funds
- insurance companies
- fund managers
- platforms
- stockbrokers
- custodians
- industry trade and professional bodies
- peer to peer lending / crowdfunding

1.1.2 *know* the function of and differences between retail and professional business and who the main customers are in each case:

- retail clients and professional clients

1.1.3 *know* the role of the following investment distribution channels:

- independent financial advisers
- restricted advice
- execution only
- robo advice



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1.1.4 *know* the key factors in the financial advice process:

- affordability, suitability, attitude to risk
- matching solutions with needs
- monitoring and reviewing clients' circumstances
- information given to clients

### **Element 2            Economic Environment**

#### **2.1            Economic Environment**

On completion, the candidate should:

2.1.1 *know* the factors which determine the level of economic activity:

- state-controlled economies
- market economies
- mixed economies
- open economies

2.1.2 *know* the function of central banks:

- The Bank of England
- The Federal Reserve
- The European Central Bank

2.1.3 *know* the functions of the Monetary Policy Committee

2.1.4 *know* how goods and services are paid for and how credit is created

2.1.5 *understand* the impact of inflation / deflation on economic behaviour

2.1.6 *know* the meaning of the following measures of inflation:

- Consumer Prices Index
- Retail Price Index

2.1.7 *understand* the impact of the following economic data:

- Gross Domestic Product (GDP)
- Balance of Payments

- budget deficit / surplus
- level of unemployment
- exchange rates

**Element 3 Financial Assets and Markets**

**3.1 Cash**

On completion, the candidate should:

- 3.1.1 *know* the characteristics of fixed-term and instant access deposit accounts
- 3.1.2 *understand* the distinction between gross and net interest payments
- 3.1.3 *know* the characteristics of Bitcoin

**3.2 The Money Market**

On completion, the candidate should:

- 3.2.1 *know* the difference between a capital market instrument and a money market instrument
- 3.2.2 *know* the definition and features of the following:
  - Treasury Bill
  - Commercial Paper
  - Certificate of Deposit
  - Money market funds
- 3.2.3 *know* the advantages and disadvantages of investing in money market instruments

**3.3 Property**

On completion, the candidate should:

- 3.3.1 *know* the characteristics of property investment:
  - commercial / residential property
  - direct/indirect investment

3.3.2 *know* the advantages and disadvantages of investing in property

### 3.4 **The Foreign Exchange Market**

On completion, the candidate should:

3.4.1 *know* the basic structure of the foreign exchange market including:

- currency quotes
- settlement
- spot / forward

## **Element 4 Equities**

### 4.1 **Equities**

On completion, the candidate should:

4.1.1 *know* how a company is formed and the differences between private and public companies

4.1.2 *know* the features and benefits of ordinary and preference shares:

- dividend
- capital gain
- share benefits
- right to subscribe for new shares
- right to vote

4.1.3 *be able to calculate* the share dividend yield

4.1.4 *understand* the advantages, disadvantages and risks associated with owning shares:

- price risk
- liquidity risk
- issuer risk

4.1.5 *know* the definition of a corporate action and the difference between mandatory, voluntary and mandatory with options

4.1.6 *understand* the following terms:

- bonus / scrip / capitalisation issues
- rights issues
- dividend payments
- takeover / merger

4.1.7 *know* the purpose and format of annual general meetings

4.1.8 *know* the function of a stock exchange:

- primary / secondary market
- listing

4.1.9 *know* the types and uses of a stock exchange index

4.1.10 *know* to which markets and exchanges the following indices relate:

- FTSE
- Dow Jones Industrial Average
- S&P 500
- Nikkei 225
- CAC40
- XETRA Dax
- NASDAQ Composite
- Hang Seng

4.1.11 *know* how shares are traded:

- order driven / quote driven

4.1.12 *know* the method of holding title – registered / bearer / immobilised / dematerialised

4.1.13 *understand* how settlement takes place and the key participants within the settlement process

**Element 5 Bonds**

**5.1 Characteristics**

On completion, the candidate should:

5.1.1 *understand* the characteristics and terminology of bonds:

- coupon
- redemption
- nominal value

**5.2 Government Bonds**

On completion, the candidate should:

5.2.1 *know* the definition and features of government bonds:

- types
- yields

**5.3 Corporate Bonds**

On completion, the candidate should:

5.3.1 *know* the definitions and features of the following types of bond:

- domestic
- foreign
- eurobond

**5.4 Investing in Bonds**

On completion, the candidate should:

5.4.1 *know* the advantages and disadvantages of investing in different types of bonds

5.4.2 *be able to calculate* the flat yield of a bond

5.4.3 *understand* the role of credit rating agencies and the differences between investment and non-investment grades

**Element 6 Derivatives**

**6.1 Derivatives Uses**

On completion, the candidate should:

6.1.1 *know* the uses and application of derivatives

**6.2 Futures**

On completion, the candidate should:

6.2.1 *know* the definition and function of a future

**6.3 Options**

On completion, the candidate should:

6.3.1 *know* the definition and function of an option

6.3.2 *understand* the following terms:

- calls
- puts

**6.4 Terminology**

On completion a candidate should:

6.4.1 *understand* the following terms:

- long
- short
- holder
- writing
- premium

**6.5 Derivatives / Commodity Markets**

On completion, the candidate should:

6.5.1 *know* the characteristics of the derivatives and commodity markets

6.5.2 *know* the advantages and disadvantages of investing in the derivatives and commodity markets

**Element 7 Investment Funds**

**7.1 Introduction**

On completion, the candidate should:

7.1.1 *understand* the benefits of collective investment

7.1.2 *know* the difference between active and passive management

7.1.3 *know* the types of funds and how they are classified

**7.2 Unit Trusts**

On completion, the candidate should:

7.2.1 *know* the definition and legal structure of a unit trust

7.2.2 *know* the roles of the manager and the trustee

**7.3 Investment Companies with Variable Capital (ICVCs)**

On completion, the candidate should:

7.3.1 *know* the definition and legal structure of an ICVC/SICAV

7.3.2 *know* the roles of the authorised corporate director and the Depositary

7.3.3 *know* the characteristics of Property Authorised Investment Funds (PAIFs)

#### 7.4 **Pricing, Dealing and Settling**

On completion, the candidate should:

7.4.1 *know* how unit trust units and ICVC shares are priced

7.4.2 *know* how shares and units are bought and sold

7.4.3 *know* how collectives are settled

#### 7.5 **Investment Trusts**

On completion, the candidate should:

7.5.1 *know* the characteristics of an investment trust:

- gearing
- real estate investment trusts (REITs)

7.5.2 *understand* the factors that affect the price of an investment trust

7.5.3 *know* the meaning of the discounts and premiums in relation to investment trusts

7.5.4 *know* how investment trust shares are traded

#### 7.6 **Exchange-Traded Funds**

On completion, the candidate should:

7.6.1 *know* the main characteristics of exchange-traded funds

- trading
- replication methods

#### 7.7 **Hedge Funds**

On completion, the candidate should:

7.7.1 *know* the basic characteristics of hedge funds:

- risks
- cost and liquidity



- investment strategies

## **Element 8 Financial Services Regulation**

### **8.1 Financial Services Regulation**

On completion, the candidate should:

- 8.1.1 *understand* the need for regulation
- 8.1.2 *know* the function and impact of UK regulators in the financial services industry
- 8.1.3 *understand* the reasons for authorisation of firms
- 8.1.4 *know* the requirements of the Senior Managers and Certification Regime and the approved persons regime
- 8.1.5 *know* the outcomes arising from the FCA's approach to managing conduct risk within firms including Treating Customers Fairly

### **8.2 Financial Crime**

On completion, the candidate should:

- 8.2.1 *know* what money laundering is, the stages involved and the related criminal offences
- 8.2.2 *know* the purpose and the main provisions of the Proceeds of Crime Act and the Money Laundering Regulations
- 8.2.3 *know* the action to be taken by those employed in financial services if money laundering activity is suspected and what constitutes satisfactory evidence of identity
- 8.2.4 *know* the purpose of the Bribery Act
- 8.2.5 *know* how firms and individuals can be exploited as vehicles for financial crime:
  - theft of customer data to facilitate identity fraud
  - cybercrime
  - terrorist financing

### **8.3 Insider Dealing and Market Abuse**

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On completion, the candidate should:

8.3.1 *know* the offences that constitute insider dealing and the instruments covered

8.3.2 *know* the offences that constitute market abuse and the instruments covered

### 8.4 **Data Protection**

On completion, the candidate should:

8.4.1 *understand* the basic steps firms should take to comply with the Data Protection regulations

### 8.5 **Complaints and Compensation**

On completion, the candidate should:

8.5.1 *know* the requirements for handling customer complaints including the role of the Financial Ombudsman Service

8.5.2 *know* the circumstances under which the Financial Services Compensation Scheme pays compensation

## **Element 9 Taxation, Investment Wrappers and Trusts**

### 9.1 **Tax**

On completion, the candidate should:

9.1.1 *know* the direct and indirect taxes:

- income tax
- capital gains tax
- inheritance tax
- stamp duty, stamp duty reserve tax and stamp duty land tax
- VAT
- corporation tax
- national insurance

9.1.2 *know* the main exemptions in respect of the main personal taxes

## 9.2 **Investment Wrappers**

On completion, the candidate should:

9.2.1 *know* the definition of and aim of ISAs

9.2.2 *know* the tax incentives provided by ISAs

9.2.3 *know* the basic characteristics of the following types of ISA :

- cash
- stocks & shares
- junior ISAs
- lifetime

9.2.4 *know* the eligibility conditions for investors

9.2.5 *know* the following aspects of investing in ISAs:

- subscriptions
- transfers
- withdrawals

## 9.3 **Pensions**

On completion, the candidate should:

9.3.1 *know* the following aspects of investing in pensions:

- benefits
- contributions
- transfers
- withdrawals

9.3.2 *know* the basic characteristics of the following:

- State Pension Scheme
- Occupational Pension Schemes

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- Personal Pensions including Self Invested Personal Pensions (SIPPs)
- Stakeholder Pensions
- NEST/Auto Enrolment
- Pension Protection fund

### 9.4 **Trusts**

On completion, the candidate should:

9.4.1 *know* the definition of the following terms:

- trustee
- settlor
- beneficiary

9.4.2 *know* the main reasons for creating trusts

## **Element 10 Other Financial Products**

### 10.1 **Loans**

On completion, the candidate should:

10.1.1 *know* the differences between bank loans, overdrafts, credit card borrowing and pay day loans

10.1.2 *know* the difference between the quoted interest rate on borrowing and the effective annual rate of borrowing

10.1.3 *be able to calculate* the effective annual rate of borrowing, given the quoted interest rate and frequency of payment

10.1.4 *know* the difference between secured and unsecured borrowing

### 10.2 **Mortgages**

On completion, the candidate should:

10.2.1 *understand* the characteristics of the mortgage market:

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- interest rates
- loan to value

10.2.2 *know* the definition of and types of mortgage:

- repayment
- interest only
- offset

10.2.3 *know* the fees applicable

### 10.3 **Life Assurance**

On completion, the candidate should:

10.3.1 *understand* the basic principles of life assurance

10.3.2 *know* the definition of the following types of life policy:

- term assurance
- whole-of-life

### 10.4 **Protection Insurance**

On completion, the candidate should:

10.4.1 *know* the main areas in need of protection:

- family/personal
- mortgage
- long term care
- business protection

10.4.2 *know* the definition of the following types or protection insurance features of the following:

- critical illness
- income protection
- mortgage protection

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- accident and sickness
- household cover
- medical insurance
- long term care