

Unit 1: Introduction to Investment

Student Workbook

Course Overview

The CISI produces globally recognised qualifications that allow people to spread their wings in the world of finance, and this introductory course is the first step on that flight path. By studying for the **Introduction to Securities and Investment**, you will have the opportunity to develop your understanding of key principles and elements of financial services, including raising your awareness of the ethics and integrity within the sector.

Your course begins with an overview of the financial services sector, and through the subsequent units you will be able to develop and apply your understanding of the economy and financial products. You will also explore the regulatory elements of the sector as well as the role and process of giving financial advice. Predominantly, the course provides you with opportunities to consider how the UK market functions, but in places draws comparisons to other countries and the global market.

Introduction to Securities and Investment

Course Title: Introduction to Securities and Investment

Level: 3

Length of Delivery: 12 months

Total Qualification Time: 81 hours
(This is an estimate of how long the course should take a typical candidate but will vary from person to person).

Course Intent: Have the opportunity to develop your understanding of key principles and elements within financial services.

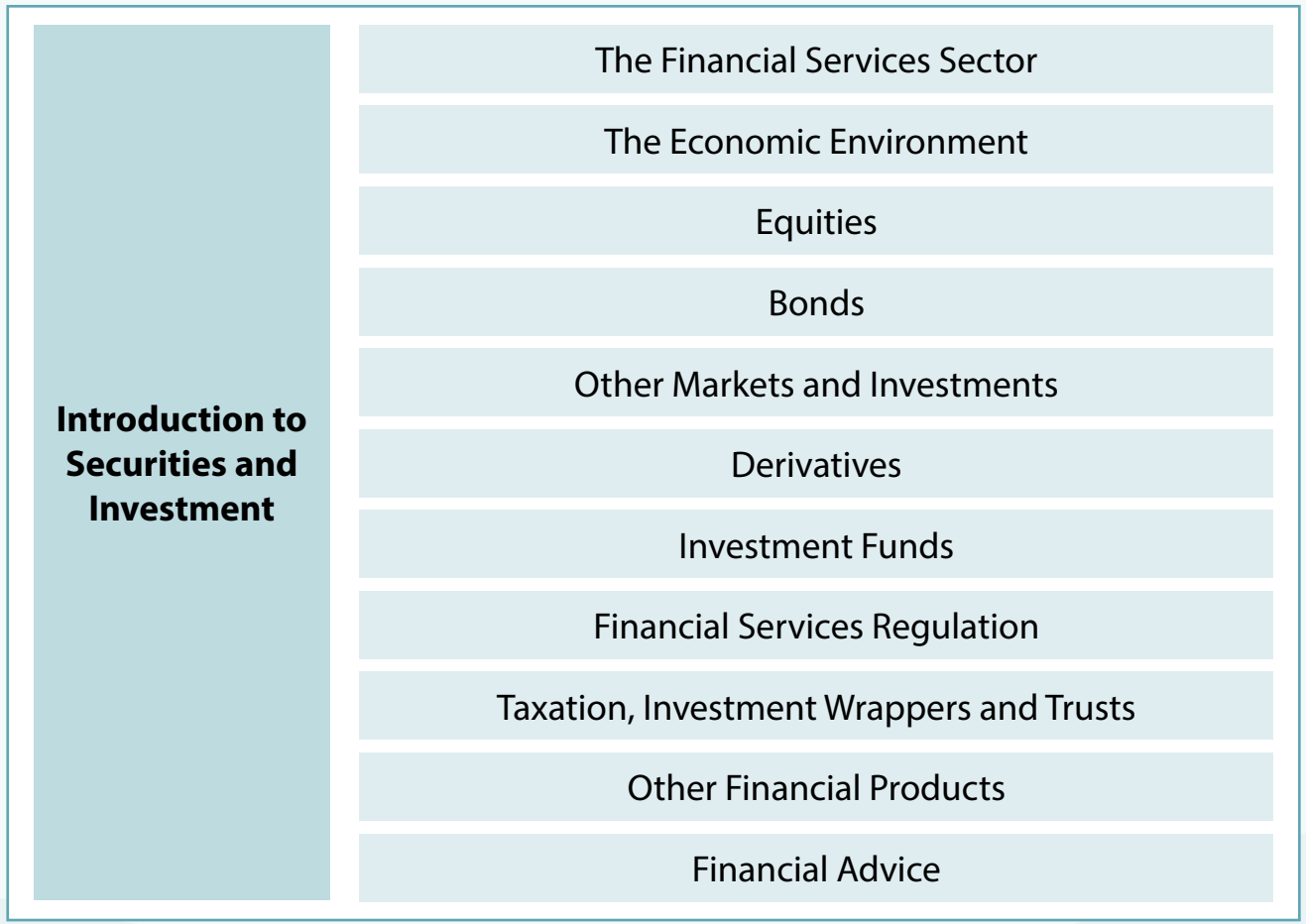
Course Aim: By studying for this globally recognised qualification, you will develop your confidence of how the financial services sector is structured, increase your awareness of a range of financial products and understand how the sector is regulated. These skills can be transferred to economic or business related degrees, or applied directly through an internship or employment.

Course Learning Outcomes:

- Foster an awareness of ethics and integrity in financial services
- Develop knowledge of key areas of financial services
- Demonstrate an understanding of the role and workings of the financial services sector

Introduction to Securities and Investment

Course Structure



Resources

Each unit covers a number of learning objectives, which correspond to different sections of the workbook. An e-book accompanies the course which includes a read aloud function, related videos and the ability to make digital annotations. To further support your studies for this qualification, you can also download the MyCISI app or purchase 'Revision Express'. If they are to be adopted, add in here any of the suggested support strategies from the initial recommendations document e.g. online discussion room, mentors etc.

The course will be assessed by completion of a 1 hour examination, constructed of 50 multiple choice questions; a breakdown of the exam structure and practice questions can be found within the workbook. There is the choice to take the examination at a test centre near you or via remote invigilation from your home.

Undertaking this course will enable you to gain a student membership to the CISI, at no additional charge. This provides you with a number of benefits as well as additional Continued Professional Development opportunities. These include:

- Networking and social events
- Young Professionals' Network (YPN)
- Access to 'The Review', the CISI's award winning members magazine
- CISI TV which hosts over 120,000 on-demand videos
- CISI Professional Refresher modules

Progression

On completion of the course, you will have a good grounding for further study, an internship or employment in the financial services sector. You will also be eligible to transfer your student membership to a core membership grade, and continue working with the CISI to equip you with the practical knowledge you will need for a successful career in the securities and investments profession.

Unit 1

Unit Aim: Explore the role of the financial services sector and the main participants in it.

Relevance of this unit to the course: This unit introduces key terms in the financial services sector that will underpin concepts in subsequent units. Key participants will be defined, investment distribution channels will be considered and Environmental, Social and Governance will be explored.

Learning Objective	Learning Outcomes	Chapter Section
1.1.1	Know the role of the following within the financial services sector: • Retail banks • Savings institutions • Pension funds • Insurance companies • Stockbrokers and Wealth Managers • Custodians • Platforms • Third-party administrators (TPAs) • Industry trade and professional bodies • Peer to peer / crowdfunding	3
1.1.2	Know the function and differences between retail and professional business. Be able to discuss who the main customers are in each case.	2
1.1.3	Know the role of the following investment distribution channels: • Independent Financial Advisors • Restricted advice • Execution only • Robo advice	4
1.1.4	Know about the following themes: • Fintech • Environmental, Social and Governance (ESG)	4

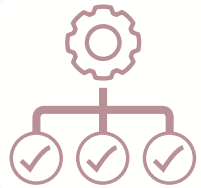
How to use this student workbook

Throughout this student workbook, look out for the different icons to support your learning:

Understand and learn – these sections will help you to develop your knowledge and understanding of the assessed learning objectives.



Apply and practise – Practise and test your newly acquired learning by undertaking a range of activities to help you prepare for the multiple choice assessment at the end of the course.



Further your knowledge – Consolidate your understanding of key concepts by reading and interacting with current, credible resources to help further enhance your learning.





Unit 1

1.1 – Introduction to the Financial Services Sector

Introduction to Financial services

Welcome to the world of Financial Services!

To give you a short introduction to this unit, watch the CISI video introducing financial services. Note down any new terms and key words that you come across.

Research the definitions and start to build a glossary of terms to help with your learning.



CISI TV

Log in to CISI TV through the learning platform here and take a look around our TV channel. There, you can catch up on past CISI events anywhere, anytime with around 500 videos. We'll also be guiding you through some of this content throughout this course to help you keep up to date with current financial services news and topics to help further your knowledge and understanding.



The UK financial services industry

TheCityUK is the industry-led body representing UK-based financial and related professional services. Annually, they produce a report exploring the key facts about the UK financial services sector, focusing on how the industry contributes to the economy and how financial services support UK consumers and businesses.

Before we move into the key course content, it's important to understand how the industry operates in the UK.



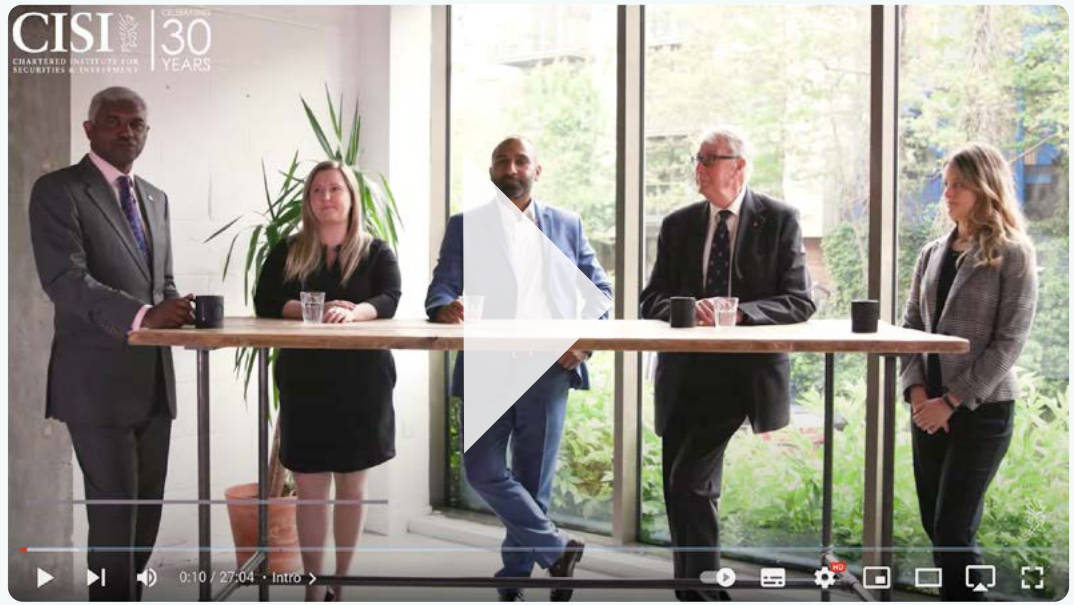
Read the report and **identify** the different types of institutions and individuals that make up the UK financial services industry.

Highlight how these organisations and individuals support consumers and businesses in the UK.

Financial Sector Voices

Watch 5 members of CISI discuss their perspectives about the financial services sector, talking about how the sector is changing and how it may look in the future.

1. What are key challenges facing the financial services sector?
2. How is the financial services sector changing?
3. Any jargon or terms you are not sure about? List below and research their meaning.





Module Learning Outcome 1.1.1

Identify the role of the following within the financial services sector:

- Retail banks
- Savings institutions
- Investment banks
- Pension funds
- Insurance companies
- Stockbrokers and Wealth Managers
- Custodians
- Platforms
- Third-party administrators (TPAs)
- Industry trade and professional bodies
- Peer to peer / crowdfunding

Using chapter 1 of the course workbook, read the descriptions of the main participants in the financial services sectors and in your own words, summarise your answers in the table below

	Their role within the industry	Products/Services that they offer
Retail Banks		
Savings Institutions		
Peer to Peer (P2P) and crowdfunding		
Investment Banks		
Pension Funds		
Insurance Companies		

Using chapter 1 of the course workbook, read the descriptions of the main participants in the financial services sectors and in your own words, summarise your answers in the table below

	Their role within the industry	Products/Services that they offer
Fund Managers		
Stockbrokers and Wealth managers		
Custodian Banks		
Platforms		
Third-Party Administrators		
Trade and Professional Bodies		

Quick fire questions – Participants in the financial services industry

1. How do investment banks differ from retail banks?

2. Describe what fund management is

3. What are stockbrokers also known as?

4. What can stockbrokers advise on?

5. List 3 activities undertaken by a custodian bank

6. Why are professional bodies and trade associations important in the financial services industry?

7. Discuss 2 benefits and 2 disadvantages of peer to peer lending for both the borrower and the saver?

Who does what?

1. Who selects investments that make up the portfolios for collective investment schemes?

2. Who undertakes investment administration?

3. Who collects and looks after the proceeds raised from selling securities?

4. Who are large, long-term investors in financial assets to provide people with an income during retirement?

5. Who advises companies on raising additional finance through the issue of new shares and bonds?

6. Who offers execution only services to clients?

Who does what?

7. Who pays out if an individual has a policy covering them against the loss of their job when repaying their mortgage?

8. Who provides personal loans and credit cards?

9. Who ensures the views of sections of the industry are represented?

10. What is commonly referred to as asset management?

11. Who funds projects and ventures by raising money from a large number of people?

12. Where can clients view and administer their investment portfolios?

CISI TV

Professor Moorad Choudhry, Chartered FCSI, the CISI's renowned banking guru, discusses the current state of banking in the middle of a wave of troubles and bank failures. Is this a banking crisis, or a crisis in some banks? Hear him speak with George Littlejohn MCSI in this timely and robust discussion of responsible bank stewardship and practice. For those who want to delve further, the second edition of Moorad's The Principles of Banking offers finance professionals, regulators, and students from a variety of backgrounds an authoritative and practical discussion of the foundations of modern banking and good banking practice. In the book, you'll find a comprehensive roadmap to a more sustainable business model for banking.





Module Learning Outcome 1.1.2

Understand the function and differences between retail and professional business.
Be able to discuss who the main customers are in each case.

The functions of professional and retail business

Read chapter 1 in the course workbook and **summarise** the key activities of professional and retail business in the table below

Professional Activities	Retail Activities

Professional vs Retail

Read the scenarios below and **decide** whether the activity comes under professional or retail activities.

	Professional	Retail
Scenario 1 – Providing critical illness cover to consumers	◯	◯
Scenario 2 – Providing professional indemnity insurance to businesses	◯	◯
Scenario 3 – Trading shares	◯	◯
Scenario 4 – Managing pension funds	◯	◯
Scenario 5 – Providing private pensions schemes to individuals	◯	◯
Scenario 6 – Providing investment advice to individuals	◯	◯

Markets

Professional business is made up of a number of different markets – equity, bond, foreign exchange, derivatives and insurance. **Read** the relevant pages in chapter 1 of the course workbook and **answer** the following questions?

1. What is an equity market?

2. Name 3 global stock exchanges?

3. What is a multilateral trading facility?

4. What is a bond market?

5. What is the name of the market where currencies are traded?

6. How is the value of currency determined?

Markets Continued...

Professional business is made up of a number of different markets – equity, bond, foreign exchange, derivatives and insurance. **Read** the relevant pages in chapter 1 of the course workbook and **answer** the following questions?

7. What are derivative markets?

8. Name 2 types of derivatives?

9. Explain insurance markets

10. What is the role of Lloyds of London?

Markets – True or False?

	True	False
Bond markets are smaller in size compared to equity markets	◯	◯
Electronic trading is becoming increasingly prevalent in the FX market	◯	◯
Equity markets are also known as stock markets	◯	◯
The New York Stock Exchange is the largest exchange in the world	◯	◯
Lloyds of London is an insurance company	◯	◯

Extension activity – financial markets

Watch the MoneyWeek introduction to financial markets video.
Make notes about the difference between:

- Money markets
- Capital markets



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Module Learning Outcome 1.1.3

Understand the role of the following investment distribution channels:

- Independent Financial Advisers
- Restricted advice
- Execution only
- Robo advice

Investment distribution channels

Consumers can access financial planning services via a number of different channels, notably through:

- Financial Advisers
- Execution-only services
- Robo Advice

Read the relevant pages in chapter 1 of the course workbook and **complete** the following sentences.

1. Financial planning is…

2. An Independent Financial Adviser must…

3. Restricted advice means that…

4. Execution-only level of service is…

5. Robo-advice involves…

A day in the life of a Financial Adviser

In this video George explains his role, the challenges he faces and how his career has progressed over the years.

List the varied tasks and activities that George performs as a Financial Adviser

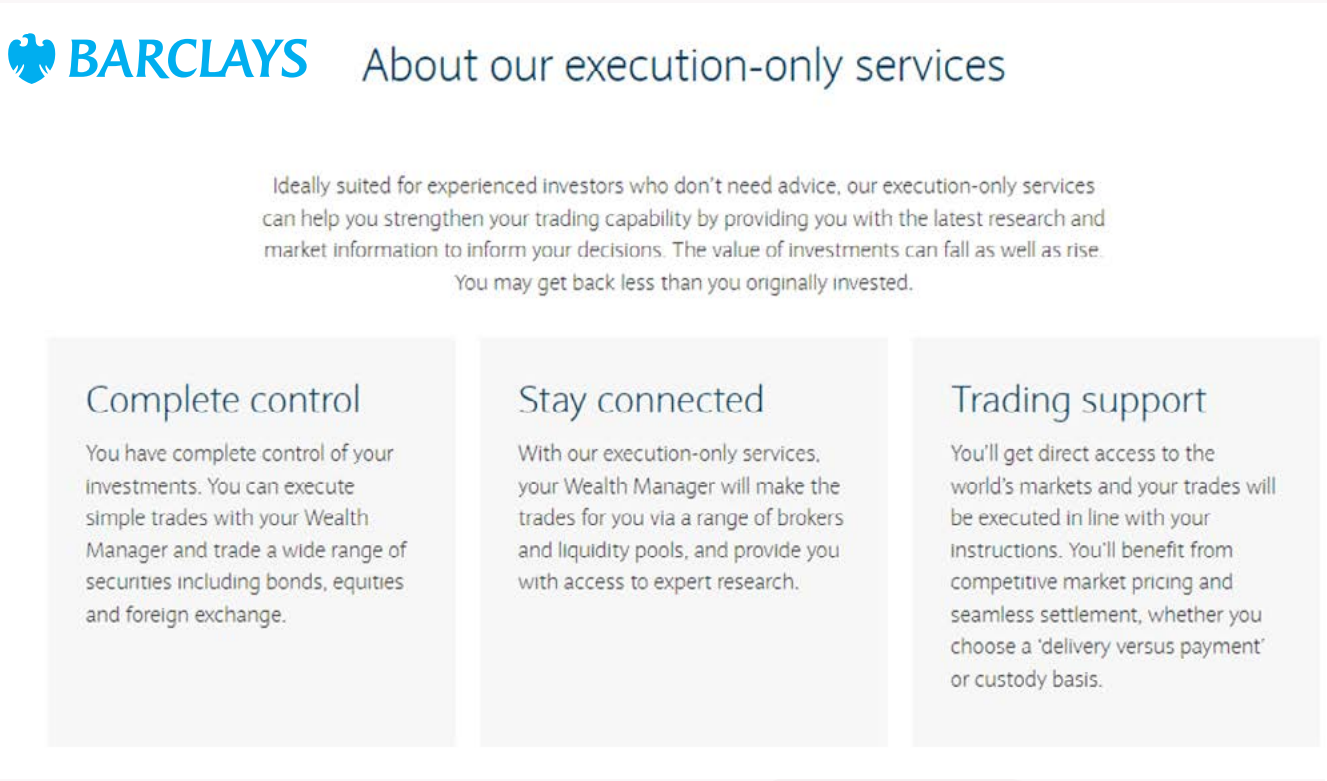


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Execution – only services

Take a look at this advert for execution-only services at Barclays.

What are the potential benefits and implications of execution-only services for customers?



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Robo-Advice

Watch Vanguard's video explaining robo-advice.

1. What are the benefits for consumers of using robo-advisers?



2. In your opinion, what might be the drawbacks of using a robo-adviser?

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Module Learning Outcome 1.1.4

Understand Fintech and Environmental, Social and Governance (ESG)

Fintech

To introduce you to fintech, watch the micromodule (7 mins) on the professional refresher section of the CISI learning platform to help you understand how it impacts on the financial services industry.



Fintech – True or False?

Read the section on fintech in chapter 1 of your course workbook and **decide** whether the statements are true or false.

	True	False
1. Fintech refers to the use of technology to enhance financial service offerings	○	○
2. Fintech can only be seen and used in our daily lives through internet banking	○	○
3. The emergence of Fintech has led global financial firms to rebrand themselves as purely technological companies	○	○
4. Fintech can be utilised by organisations for various purposes, including data collection and real-time pricing updates	○	○
5. The UK is considered a global leader in innovation in financial services	○	○

Further your knowledge

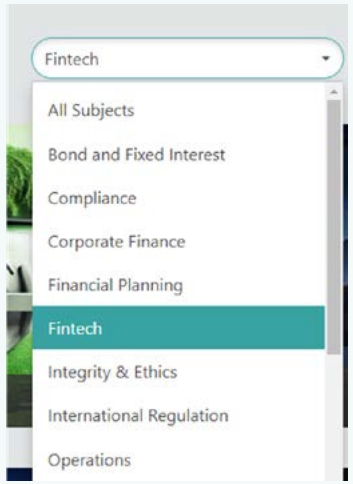
Complete the modules below which you can find on the CISI learning platform in the professional refresher section.

Fintech (1hr 30 mins) – This module examines the evolution of the fintech sector into its current form, and poses questions about its challenges ahead in the future.

Fintech and regulatory compliance (2hrs 15 mins) – This module explores applying regulatory compliance to fintech and examines the risks and issues and offers best practice approaches that can be applied when developing or implementing new technology.



Research the latest developments and trends in the UK fintech market. To help, use the CISI TV and search the "Fintech" themes. **Answer** the following questions.



1. What are the key considerations and challenges for the future of fintech organisations?
2. How can fintech benefit the consumer?
3. What might be the drawbacks for consumers using fintech?

Other suggested sites to help your research include: https://www.bankofengland.co.uk/research/fintech
https://www.uktech.news/fintech/uk-fintech-predictions-2024-20231220
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Environmental, Social and Governance (ESG) – True or False?

Read the section on ESG in chapter 1 of the course workbook about the emergence of ESG considerations and **determine** if the following statements are true or false.

	True	False
1. The emergence of a more conscious investor has contributed to the development of ESG considerations in the financial services sector	○	○
2. ESG factors are only used by investors to determine if an investment suits their objectives	○	○
3. Environmental factors include sustainability and climate change	○	○
4. Social factors include consumer protection and diversity	○	○
5. Governance factors include employee relations and management structures	○	○

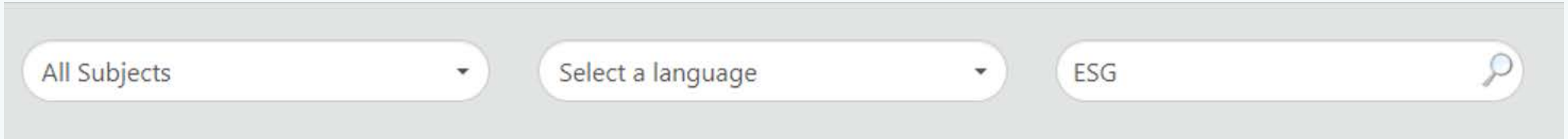
Environmental, Social and Governance (ESG)

Log into the CISI learning platform with your username and password.

Access the professional refresher micromodules section and watch the video about Environmental, Social and Governance investing



There's a large number of videos about ESG investment on CISI TV to help develop your knowledge around this theme. Use the search function to highlight these.



Start with watching Sustainable Finance: The world in 2023 or Integrating ESG standards into the investment process

Case Study – Misha's journey into ESG investments

Misha wants to build her investment portfolio but also wants her financial decisions to align with her values. She's aware of the traditional routes of investing but she is concerned about their environmental and social impact. She's keen to invest in things that contribute positively to society and the environment so she starts to research ESG choices.

She finds a platform that offers green bonds and socially responsible stocks but she remains unsure about it's sustainability and carbon footprint impact so she seeks advice from an Independent Financial Adviser who specialises in sustainable finance to ensure that her investment decisions are well-informed.



Case Study – Misha's journey into ESG investments

Using the course workbook and any other research, consider the following questions

1. What are the environmental and social factors that Misha might be concerned about?

2. What further steps could Misha take to educate herself about sustainable finance and ESG criteria before making investment decisions?

3. How could Misha assess whether her investment choices meet her needs?

Further your ESG knowledge

Log into the CISI learning platform with your username and password and access the professional refresher micromodules section.

To enhance your understanding of ESG investments, complete the Environmental, Social and Governance (ESG) Investing CPD module



Films on Finance

There are a number of great films about finance and the world of investments. Many of these are based on true accounts, though some might have been given the Hollywood glitz and glamour to bring these stories to life. To help give you some real life insights, we'll be recommending a number of films and/or documentaries at the end of each unit to support your learning.

Our top 2 movies for this unit are:

The Wolf of Wall Street: Leonardo DiCaprio

Based on the true story of Jordan Belfort, from his rise to a wealthy stock-broker living the high life to his fall involving crime, corruption and the federal government. This movie also shows how he laundered his money in Switzerland and all the partying and mega parties, even when he was being investigated.

Rogue Trader: Ewan McGregor and Anna Friel

The story of Nick Leeson, an ambitious investment broker who singlehandedly bankrupted one of the oldest and most important banks in Britain.

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Summary – Introduction to Financial Services

As we've established, Financial Services are the lifeblood of any modern economy and allow domestic and international activities to be carried our with security and confidence.

To consolidate all of this unit's key concepts, the role of the markets and much more, complete the Professional Refresher Introduction to Financial Service module on the CISI learning platform. To access this, you'll need your CISI username and password.



End of Unit 1
Multiple Choice Assessment

Test your knowledge

1. What is the term used to describe the process of building societies becoming companies in the late 1980s?

- Remutualisation
- Demutualisation
- Privatisation
- Nationalisation

2. Which UK organisation is highlighted as the largest single savings organization in the UK offering various savings products?

- National Savings & Investments
- Challenger Banks
- High Street Banks
- Nationwide Building Society

Test your knowledge

3. What distinguishes 'challenger banks' from traditional banks according to the text?

- They are government operated
- They have more community branches
- They focus on underserved areas
- They only offer current accounts

4. What is the largest financial market in terms of daily turnover?

- Equity markets
- Bond markets
- Foreign exchange markets
- Derivatives market

Test your knowledge

5. What are multi-lateral trading facilities (MTFs) in the financial services sector?

- Organisations that provide management services
- Systems that bring together parties interested in buying and selling shares and bonds
- Institutions that provide loans
- Markets where shares are traded

6. Robo-Advice is…

- Applying technology to the process of providing financial advice
- Advising businesses about the use of robotics in manufacturing
- Discussing financial products with an IFA
- A financial services professional body

Test your knowledge

7. What are custodian banks specialised in?

- ○ Providing financial planning services
- ○ Arranging finance for companies
- ○ Offering the safekeeping of equities and bonds
- ○ Advising investors on which securities to buy

8. What type of risks do insurance companies manage? Tick as many as you think

- ○ Life and travel risks
- ○ Loan defaults
- ○ Cybercrime
- ○ Exchange rate fluctuations

Test your knowledge

9. Which professional body represents the wealth management industry?

- Association of British Insurers (ABI)
- International Capital Market Association (ICMA)
- UK Finance
- Personal Investment Management and Financial Advice Association (PIMFA)

10. ESG stands for

- Economic, Social and Governance
- Environmental, Securities and Governance
- Environmental, Social and Grants
- Environmental, Social and Governance

Monitoring my progress – Unit 1

My multiple choice assessment mark is / 10

I am happy with the progress that I made on the multiple choice assessment

○ Yes ○ No

To improve my knowledge and understanding, I now need to….

1.

2.

3.

Need more help?

If you feel that your multiple choice score can be improved further, complete the end of unit 1 multiple choice questions in the course workbook.



Answers

Page 17

1 – Fund manager
2 – Third Party Administrator
3 – Custodian bank
4 – Pension funds
5 – Investment bank
6 – Stockbrokers

Page 18

7 – Insurance companies
8 – Retail bank / Building Society
9 – Industry trade and professional bodies
10 – Fund management
11 – Crowdfunders
12 – Platforms

Page 22

1. Retail
2. Professional
3. Professional
4. Professional
5. Retail
6. Retail

Page 25

1. Bond markets are smaller in size compared to equity markets. – FALSE
2. Electronic trading is becoming increasingly prevalent in the FX market – TRUE
3. Equity markets are also known as stock markets – TRUE
4. The New York Stock Exchange is the largest exchange in the world – TRUE
5. Lloyds of London is an insurance company – FALSE

Page 34

1. True
2. False
3. False
4. True
5. True

Page 37

1. True
2. False
3. True
4. True
5. True

Test your knowledge pages

1B
2A
3C
4C
5B
6A
7C
8A and B
9D
10D