

Unit 8: Financial Services Regulation and Professional Integrity

Student Workbook

Unit 8

Unit Aim: Understand the importance of acting responsibly within the financial services sector.

Relevance of this unit to the course:
This unit builds on unit 1 by considering that a fundamental element of the financial services sector is ensuring all practices are ethical and responsible. The content of this unit will have applications to features of financial assets explored in units 3 to 7.

Learning Objective	Learning Outcomes	Chapter Section
8.1.1	Know the UK regulatory environment and the role of the government and regulatory authorities	1
8.1.2	Understand the need for regulation and the authorisation of firms	1
8.1.3	Know the CISI's code of conduct	6
8.1.4	Understand the key principles of professional integrity and ethical behaviour in financial services	1 and 6
8.2.1	Know what money laundering is, the stages involved and the related financial offenses	2
8.2.2	Know how firms / individuals can be exploited as vehicles for financial crime: • fraud • cybercrime • terrorist financing • bribery	2
8.3.1	Know the offenses that constitute insider dealing and market abuse and the instruments covered	3
8.4.1	Know the impact of the Data Protection Act 2018 of firms' activities	4
8.5.1	Know the requirements for handling customer complaints including the role of the Financial Ombudsman Service	5
8.5.2	Know the circumstances under which the Financial Services Compensation Scheme pays compensation and the compensation payable for investment and deposit claims	4

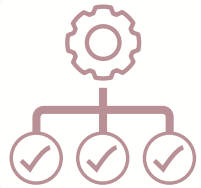
How to use this student workbook

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.



CISI TV

Gain an understanding of the world of regulation by watching this exciting video that prepares those taking the Level 3 Introduction to Securities and Investment qualification. In this instalment, Catherine Levy, Chartered FCSI, discusses all things regulation.



Introduction – What are your thoughts?

Having watched the CISI TV video about regulation and using your own knowledge, **note down** your ideas around the following:

1. What is meant by the term "regulations"?

2. Why do they exist?

3. Why are regulations important for the financial services industry?



Learning Outcome 8.1 – Financial Services Regulation

8.1.1: Understand the UK regulatory environment and the role of the government and regulatory authorities

8.1.2: Understand the need for regulation and the authorisation of firms

8.1.3: Know the CISI's code of Conduct

8.1.4: Understand the key principles of professional integrity and ethical behaviour in financial services

The role of the government and regulatory authorities

Using chapter 8 of the course workbook, answer the following questions:

1. Why is there a need for financial regulation?
2. What role does the government play?
3. What role do regulatory bodies play?
4. What are the main purposes of regulation?
5. What are the objectives and benefits of regulation?

The UK regulatory environment – Who regulates what?

Using your knowledge of the regulatory parties involved in financial regulation, **identify** which body is responsible for the following activities. **Place** a "tick" in the right box.

Responsible for…	Financial Policy Committee (FPC)	Prudential Regulation Authority (PRA)	Financial Conduct Authority (FCA)
1. The regulation of significant individual firms e.g. insurers	◯	◯	◯
2. Regulating standards of conduct in retail markets	◯	◯	◯
3. Protecting consumers	◯	◯	◯
4. The stability and resilience of the financial system	◯	◯	◯
5. Enhancing the integrity of the UK financial system	◯	◯	◯
6. Promoting the safety of authorised firms	◯	◯	◯
7. Taking action to reduce financial risks and protect the UK financial systems	◯	◯	◯
8. The supervision of securities settlement systems	◯	◯	◯
9. Helping to maintain competitive markets	◯	◯	◯
10. Supervising trading infrastructures of retail markets	◯	◯	◯

Further your knowledge – Approved Persons Regime

Log onto the CISI learning platform and in the Professional Refresher section complete the Approved Persons Regime module. This examines the basis of the approved persons regime, the fit and proper test and the components of fitness and propriety, controlled functions, the Code of Practice for approved persons, the Principles for approved persons, and key regulatory developments.



Authorisation

The Financial Services and Markets Act 2000 (FSMA) makes it an offense for a firm to provide financial services in the UK without being authorised to do so.

1. What does it mean if a firm is authorised by the FCA?

2. What does it mean if a firm is dual-regulated?

3. How does the FCA assess whether a firm should be authorised?

4. Summarise the PRA's Fundamental Rules and the FCA Principles for Business

Consumer Duty

To help you understand more about Consumer Duty, **watch** the suggested webinars or **listen** to the FCA Consumer Duty podcasts exploring the new legislation.



https://www.youtube.com/watch?v=XZPqbuHcq_I

https://www.youtube.com/watch?v=0niqMNZdrUQ

https://www.youtube.com/watch?v=vj0gaRC3gCQ – CISI



FCA links

Authorisation and Consumer Duty

Consumer Support Outcome

Consumer Understanding Outcome

Products and Services Outcome

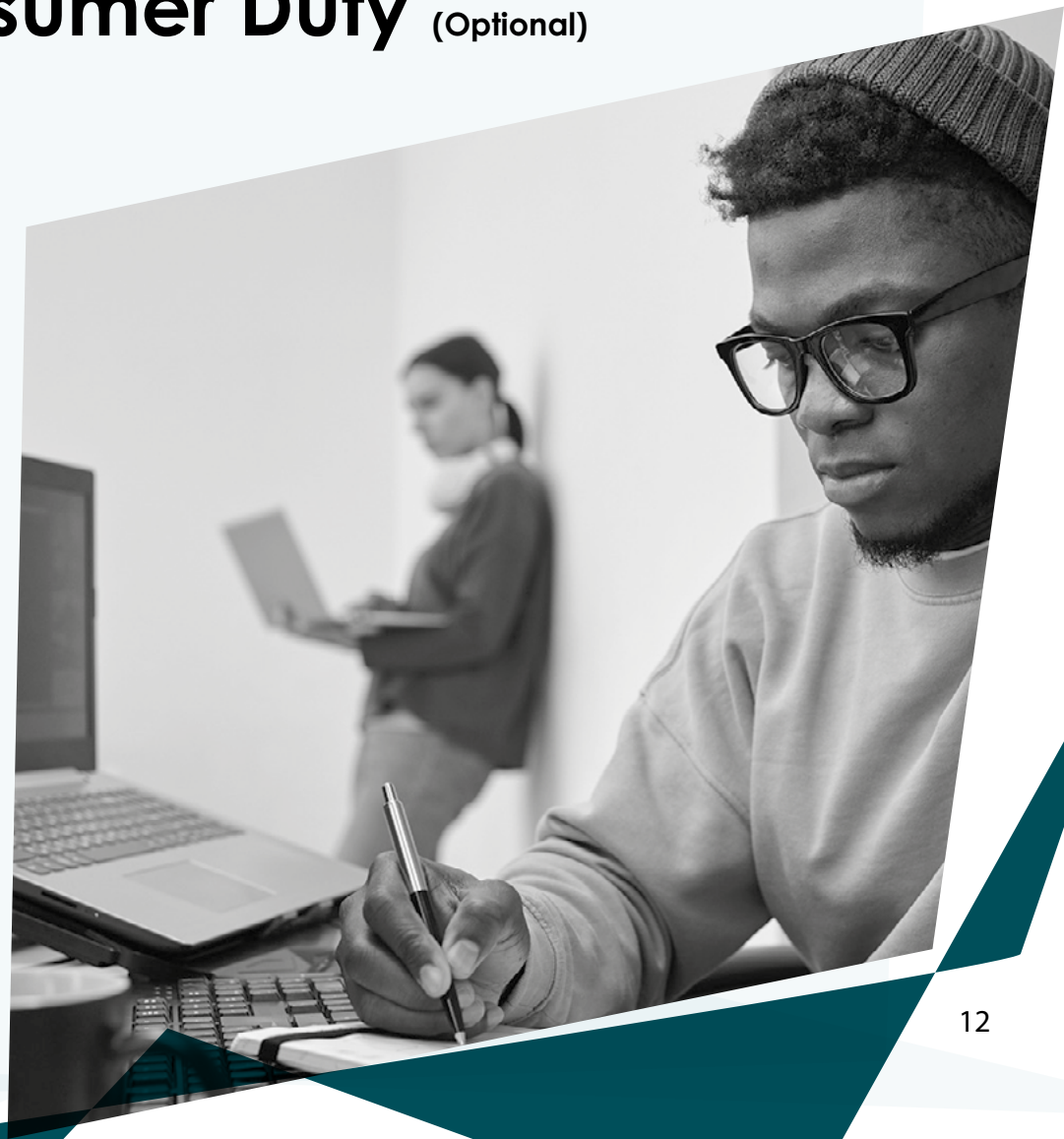
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Further your knowledge – The Consumer Duty (Optional)

Log onto the CISI learning platform and in the Professional Refresher section complete the following:

Consumer Duty Module (1 hour) – This module examines the scope, obligations and outcomes of the Consumer Duty

Consumer Duty Micromodule (6 mins) – An introductory video which covers the Consumer Duty



There is a wide variety of videos on CISI TV discussing the implementation and impact of Consumer Duty. A simple search will reveal these.



Perhaps you could start by watching Implementing consumer duty: where should firms be? followed by Consumer Duty – The beginning of the journey and finally The impact of consumer duty.

Vulnerable Customers

Vulnerable customers may be less able to represent their own interests and are more likely to suffer harm than the average consumer.

Log onto the CISI learning platform and in the Professional Refresher section complete the following:

Vulnerable Customers module (1 hr) – In this module you will consider how vulnerable customers and financial planners interact in a way that demonstrates the best interest for the client.



CISI TV **(Optional)**

There is a clear crossover between client vulnerability and consumer duty, ensuring that higher and clearer standards of consumer protection are delivered by all financial services.

In this video Graham Duffy discusses the impact on older clients where there is greater possibility of harm, especially if they have a care need. Graham is joined by Jane Finnerty of SOLLA (Society of Later Life Advisers) who specialises in the financial wellbeing of those in later life.



[Client vulnerability and the crossover with Consumer Duty]

CISI Code of Conduct and the key principles of professional integrity and ethical behaviour

To help understand the CISI's Code of Conduct (8.1.3) and the key principles of professional integrity and ethical behaviour (8.1.4), watch the 11 short videos on the CISI YouTube Channel and answer the following questions:

1. How does the Code of Conduct help practitioners?

2. Why is it important to review the Code of Conduct and keep it relevant and up to date?

3. What does ethics and integrity mean to The CISI?

4. What ethical dilemmas do financial advisers face?

CISI Code of Conduct – Principles

Read the CISI Code of Conduct Principles and **summarise** them in your own words. **Explain** how the principles support both practitioners and clients. Use pages 173 and 174 in the course workbook to help.

1. Principle – Personal Accountability

2. Principle – Client Focus

3. Principle – Conflict of Interest

4. Principle – Respect for Market Participants

CISI Code of Conduct – Principles Continued...

Read the CISI Code of Conduct Principles and **summarise** them in your own words. **Explain** how the principles support both practitioners and clients. Use pages 173 and 174 in the course workbook to help.

5. Principle – Professional Development

6. Principle – Aware of Capabilities

7. Principle – Respect Others and the Environment

8. Principle – Speak Up & Listen Up

The key principles of professional integrity and ethical behaviour

1. What are the 4 elements that build ethical practices?

2. The FCA's Conduct Rules are designed to raise overall conduct standards in the financial services industry. Summarise the 6 rules below.

3. What additional Conduct Rules must Senior Managers also adhere to?

Further your knowledge – Integrity and Ethics (Optional)

Log onto the CISI learning platform and in the Professional Refresher section complete the following:

Integrity and ethics essentials module (45 mins) – This module examines integrity, ethics and conduct, and why they are important in the context of financial services.

Integrity and ethics module (1hr 15mins) – This module provides an understanding of ethical behaviour, ethics in finance, the importance of trust and an analysis of compliance versus ethics.





Module Learning Outcome 8.2 – Financial crime

8.2.1: Understand what money laundering is, the stages involved and the related financial offenses

8.2.2: Know how firms / individuals can be exploited as vehicles for financial crime:

- fraud
- cybercrime
- terrorist financing
- bribery

Financial crime

Log onto the CISI learning platform and in the Professional Refresher section, complete the following:

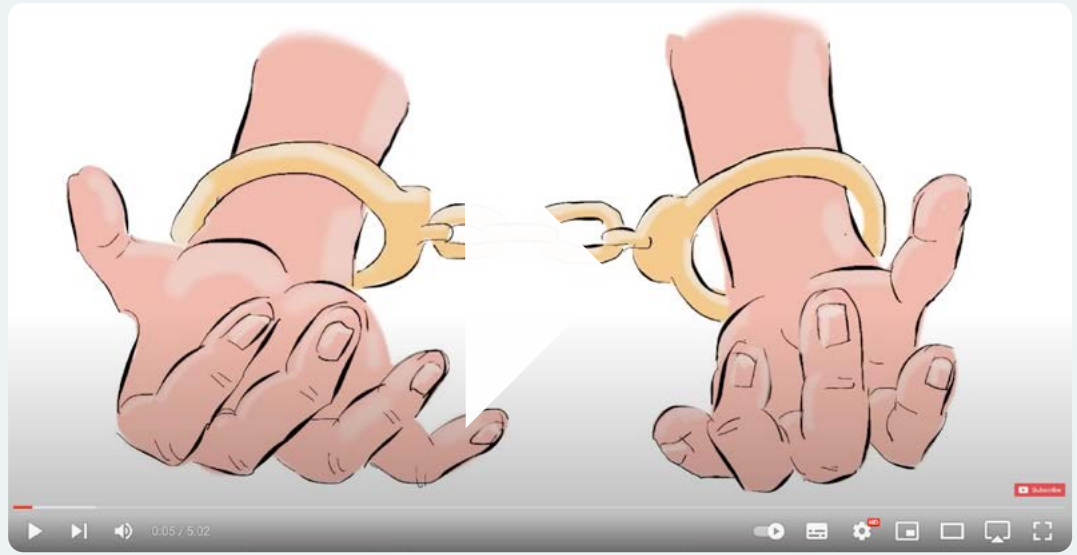
Financial Crime Micromodule (7 mins). This video covers the main types of financial crime.

Anti-Money Laundering Micromodule (6 mins). This video covers the key aspects of anti-money laundering.



Money Laundering

Watch the video explaining money laundering and **answer** the questions that follow.



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Money Laundering

1. Define money laundering

2. List 3 different ways that money can be laundered

3. **Complete** the 3 stages of a money laundering operation below…

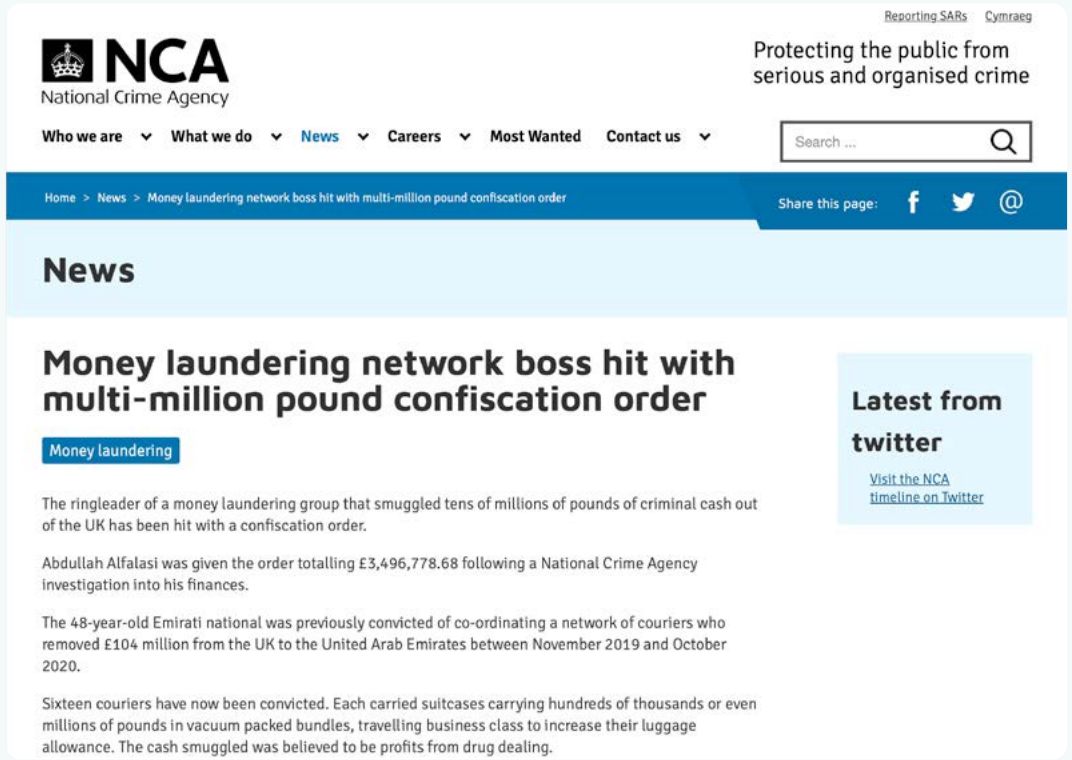
Money Laundering

4. What are some of the signs that highlight that money laundering is taking place?

5. As a financial adviser, what policies and processes could you put in place to ensure these types of crimes are reported and managed appropriately?

Money Laundering

In the UK, The National crime Agency is responsible for protecting the public against serious and organised crime, including money laundering. National Crime Agency website includes information about the latest money laundering news and the work that is being done to prevent cybercrime, fraud and other financial crimes. Take a look at some of these stories to enhance your understanding of financial crime.



Further your knowledge – Anti-Money Laundering

Log onto the CISI learning platform and in the Professional Refresher section, complete the following:

Anti-money laundering essentials (1hr 15mins) – This module examines the basics of money laundering including examples of the crime, how to identify red flags and react to suspected cases.

Anti-money laundering module (2hrs) – This module examines anti-money legislation and regulation in the UK, the role of the money laundering reporting officer and the sanctions/penalties that can be imposed.



Fraud

Read chapter 8 in the course workbook on fraud and identify the differences between **identify** fraud and identity theft.

Identity fraud	Identity theft

Fraud

As a financial adviser, what information and documents should you request to help detect and prevent identity theft?



Cybercrime

1. Using the section on cybercrime in chapter 8 of the course workbook, **explain** the difference between

a) Advanced cybercrime (or high tech crime)

b) Cyber-enabled crime

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Cybercrime

2. Using the online BBC cybercrime news section, summarise some of the most recent threats to UK consumers and businesses.

3. As a financial adviser, what advice would you give your clients around protecting themselves when online?

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Fraud and Cybercrime

UK Finance reports on the methods being used, scale and the impact of fraud and cybercrime across the UK. What are the biggest threats currently to UK consumers?



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Further your knowledge – Cybercrime

Log onto the CISI learning platform and in the Professional Refresher section, complete the cybercrime module. This module explores hacking, denial of service attacks, new technologies and security concerns, as well as the definitions and legislation related to cybercrime.

CISI TV

Watch the video with leading experts in cybercrime discussing the impact of a cyber attack, how to manage resources after an attack as well as establishing a policy and conducting a risk assessment.

[Ability to bounce back after a cyber attack]



Bribery

Read the information about UK bribery cases and explain the issues and consequences in each case.

Former MoD official jailed for taking £70k in kickbacks following SFO investigation

12 April, 2024 | News Releases

The Serious Fraud Office (SFO) has secured an 30-month prison sentence and a £123,000 confiscation order for Jeffrey Cook, a former Ministry of Defence (MoD) official. This follows his conviction for misconduct in public office for taking secret payments in exchange for commissioning work from offshore consultants.

An SFO investigation found he received over £70,000 worth of payments and gifts, comprising £44,000 in cash and two cars. Mr Cook received the kickbacks while employed at the MoD and seconded to UK defence contractor Paradigm.

Mr Cook's sentencing caps a complex investigation and prosecution by the UK's leading agency for tackling complex fraud, bribery and corruption, which also saw the successful prosecution of GPT Special Project Management Ltd which pleaded guilty to corruption in 2021 and paid a penalty of nearly £30 million.

Director of the Serious Fraud Office, Nick Ephgrave QPM, said:

"I am proud of my team for their determination and tenacity in prosecuting a complex case of corruption involving the defence industry.

"Today's sentencing demonstrates the Serious Fraud Office's ability to hold individuals to account, particularly when their actions undermine trust in our institutions."

What's the issue?

What were the consequences?

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Bribery

Read the two news reports about bribery in football.

What did they do wrong?

What were the consequences?

Barnsley Football Club coach sentenced for bribery

17 January 2020



Tommy Wright was sentenced to 12 months suspended for a year

Ex-footballer Delroy Facey jailed after match fixing trial

29 April 2015



Delroy Facey played for clubs including Bolton Wanderers, Hull City and West Bromwich Albion

Bribery

After reading about these cases, read about bribery in chapter 8 of the course workbook and answer the following:

1. What is bribery?

2. People who work in the financial services sector may be considered at risk of being bribed. Why might this be and what could you do to prevent this happening?

Films on Financial Crime

To understand how financial crime impacted the US markets, watch these movies / documentaries. You can also research these events online to find out more.

Enron: Smartest Guys in the Room

A documentary about the Enron corporation, its faulty and corrupt business practices, and how they led to its fall. Great documentary on how Enron was basically a CHEAT machine (California power black outs and deliberate electricity price hikes to make profits) and more shockingly, how they were helped by government (Bush administration, surprised?) and accounting firm Arthur Andersen.

Big Short: Christian Bale, Steve Carrell and Ryan Gosling

In 2006-2007 a group of investors bet against the US mortgage market. In their research, they discover how flawed and corrupt the market is. Movie which retells the great 2008 mortgage backed securities scam but told from the angle of those who knew this would happen. Usually when you know something epically bad will happen, you just short the losers - hence the title!

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Module Learning Outcome 8.3 – Insider Dealing and Market Abuse

8.3.1: Know the offenses that constitute insider dealing and market abuse and the instruments covered

Insider dealing

Watch the video about insider dealing and **read** the section about insider dealing in your course workbook.

1. **Define** insider dealing

2. **Explain** why it is an offense

3. **List** the instruments that are covered by insider dealing in the Criminal Justice Act

4. Read the case about former Goldman analyst found guilty of insider trading and fraud.

a) What activities was he involved in?

b) What were the consequences of his actions?

Market abuse behaviours

Market abuse may arise in circumstances where financial investors have been unreasonably disadvantaged, directly or indirectly, by others who behave unlawfully. Take a look at the following actions and decide whether the behaviour is insider dealing, unlawful disclosure or market manipulation. Place an "tick" in the correct box.

Market abuse behaviours	Insider dealing	Unlawful disclosure of inside information	Market manipulation
1. Telling your family to buy shares in a specific company because you know information about it	◯	◯	◯
2. Using deception to affect the price of bonds	◯	◯	◯
3. Giving false signals about the price of shares	◯	◯	◯
4. A person buying shares because they have been given information about the price to their advantage	◯	◯	◯
5. Selling bonds because you have been given information about their price	◯	◯	◯

Further your knowledge – Financial crime

Log onto the CISI learning platform and in the Professional Refresher section complete the Financial Crime module (1.5 hrs). This module focuses on insider dealing, market abuse, money laundering, terrorist finance and financial sanctions.

Watch the video from the compliance forum on CISI TV about market abuse key areas and future focus.





Module Learning Outcome 8.4 – Data Protection

8.4.1: Understand the impact of the Data Protection Act 2018 on firms' activities

The Data Protection Act 2018

Read the government's summary of The Data Protection Act 2018 and the section about data protection in chapter 8 of the course workbook.

Watch the Data Protection Act training video from ICO and **list** all of the data breaches that appear

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The Data Protection Act 2018

Using the video and the course workbook, **summarise** the 8 principles of GDPR below.

1.

2.

3.

4.

5.

6.

7.

8.

The Data Protection Act 2018

Using your own knowledge, **discuss** how consumers can protect their own data.

For more information about The Data protection Act and GDPR, the ICO has a number of training videos and resources.

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Data Protection essentials (Optional)

Log onto the CISI learning platform and in the Professional Refresher section complete the Data Protection Essentials module (1hr 15mins). This module considers the challenge of data protection, what it means and how we can all contribute towards it.



Data Protection Act 2018 – True or False?

Decide whether the following statements are true or false.

	True	False
1. GDPR stands for General Data Protection Regulation	◯	◯
2. Personal data can be processed, collected, recorded, stored, or disposed of without following data protection legislation	◯	◯
3. Organisations are not legally responsible for notifying the Information Commissioner's Office (ICO) about processing personal information.	◯	◯
4. Personal data should be kept for as long as possible, even if it is no longer necessary for processing purposes.	◯	◯
5. In case of a data breach, organisations are not obliged to report data breaches to the relevant supervisory authority or affected individuals.	◯	◯

Further your knowledge – GDPR (Optional)

Log onto the CISI learning platform and in the Professional Refresher section complete the following:

GDPR Micromodule (6 mins) – This video provides an overview of the GDPR.

GDPR module (1.5hrs) – This module sets out what organisations need to do to protect the personal information they hold under GDPR and examines how GDPR provides individuals with rights in respect of their personal information held by organisations.

Information Security and Data Protection (Optional)

Log onto the CISI learning platform and in the Professional Refresher section complete the Information Security and Data Protection module (1.5hrs). This module explores the regulatory framework, latest cybercrime developments, lessons to be learned from high profile cases and key identity issues.





Module Learning Outcome 8.5 – Complaints and Compensation

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 and the compensation payable for investment and deposit claims

Complaints

The FCA requires authorised firms to deal with complaints from eligible complainants promptly and fairly. Using the section about complaints in the course workbook, what should be included in a complaints procedure if a client raises a complaint?

The Financial Ombudsman Service (FOS)

Take a look at the Financial Ombudsman Service website and **research** the following questions:

1. What is the role of the Financial Ombudsman Service in the UK financial services industry?

2. What types of financial products and services do they cover?

3. Read the case study about Meena on the FOS website. As a financial adviser how could you have managed this situation so that it didn't end up as a complaint.

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The Financial Services Compensation Scheme (FSCS)

Take a look at The Financial Services Compensation Scheme website and watch the short video on the home page. **Research** the following questions:

1. What is the role of the FSCS in the UK financial services industry?

2. What financial products and services does the FSCS cover?

3. What are the maximum levels of compensation customers can receive for bank deposits and investments?

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Further your knowledge – Customer Complaints Procedures

Log onto the CISI learning platform and in the Professional Refresher section complete the Customer Complaints Procedures module (45 mins). This module provides an understanding of eligible complainants, record keeping, reporting requirements, the timescales involved as well as information about awards paid out by the FOS.



End of Unit 8
Multiple Choice Assessment

Test your knowledge

1. What is the maximum award the Financial Ombudsman Service can make?

- A. £250,000
- B. £100,000
- C. There is no maximum
- D. £150,000

2. Which ONE of the following statements MOST accurately describes behaviour which constitutes a market abuse offence?

- A. Behaviour based on public information
- B. Behaviour likely to aid market transparency
- C. Behaviour which results in financial benefit to a regular market user
- D. Behaviour regarded by a regular user as likely to distort the market

Test your knowledge

3. To whom should an employee report any suspicious money laundering transactions to?

- A. Compliance Officer
- B. Bank of England
- C. Money Laundering Reporting Officer
- D. Serious Organised Crime Agency

4. In order to receive authorisation in the UK, all new firms must:

- A. Employ individuals who are authorised persons
- B. Meet the controlled functions
- C. Meet the threshold conditions
- D. Be approved by the PRA and FC

Test your knowledge

5. Which of the following is NOT a FCA requirement of employees handling customer complaints in a financial services firm;

- A. They must have the authority to settle the complaint
- B. They must have been directly related or involved with the customer before the complaint was made
- C. They must offer fair compensation
- D. They must have sufficient competence

6. The Data Protection Principles place what particular responsibility on firms retaining personal data?

- A. To not keep it for longer than is necessary for its purpose
- B. To not keep it for longer than 12 months
- C. To keep it for a minimum of 6 years
- D. To keep it indefinitely

Test your knowledge

7. When can a claim be made from the Financial Services Compensation Scheme?

- A. If a firm refuses to pay losses set out in a claim
- B. Once a firm is in default
- C. Prior to the liquidation of a firm
- D. Any time an investor incurs a loss

8. Which ONE of the following is NOT a requirement of the Money Laundering Regulations?

- A. Identification procedures for verifying new clients
- B. Internal reporting of suspicions to the MLRO
- C. Periodic training of staff in money laundering procedures
- D. Establish if property arises from an overseas activity that is illegal outside the UK

Test your knowledge

9. Which is the middle stage of the three stage money laundering process?

- A. Integration
- B. Placement
- C. Investing
- D. Layering

10. If a retail investor has an unresolved complaint against an authorised firm, who can they request deal with it?

- A. Financial Ombudsman Service
- B. Financial Services and Market Tribunal
- C. Financial Services Regulatory Decisions Committee
- D. Financial Services Compensation Scheme

Test your knowledge

11. Which ONE of the following is one of the main considerations for a fit and proper assessment of an authorised person?

- A. Experience performing the role in another jurisdiction
- B. Financial soundness
- C. Number of personal recommendations
- D. Number of clients

12. Under the insider dealing legislation in the Criminal Justice Act, all the following instruments fall within the definition of securities, EXCEPT:

- A. Bonds
- B. Warrants
- C.Shares
- D. Commodities

Test your knowledge

13. Which ONE of the following is a Data Protection Principle under the Data Protection Act?

- A. Personal data shall be fairly and lawfully processed
- B. Personal data shall be freely transferred to other countries
- C. Personal data shall be kept for a minimum of 10 years
- D. Personal data shall be processed for any purpose

14. Dealing based on which ONE of the following sources of information would constitute an offence of insider dealing?

- A. Historic information on a takeover printed in a newspaper
- B. General information that a company is doing well
- C. Published information of a profits warning by a company
- D. Information which, if made public, could significantly affect the share price

Test your knowledge

15. According to the FCA and PRA, which of the following would be regarded as an 'eligible complainant'?

- A. An overseas financial services firm
- B. A collective investment scheme
- C. A pension fund
- D. An individual private investor

16. Which body has the power to make rules relating to handling customer complaints involving financial services?

- A. FSCS
- B. FSMA
- C. FOS
- D. POCA

Test your knowledge

17. Which of the following is NOT a characteristic of the Financial Ombudsman Service?

- A. Operates a dispute resolution scheme
- B. Offers an independent view
- C. A customer can refer to them when they are not happy about the way their complaint has been handled
- D. Their decisions are binding for the complainant but not the firm

18. Which of the following is not true about the offence of bribery under the Bribery Act 2010?

- A. If found guilty, an individuals could be sentenced to 10-years in prison
- B. A bribe has to involve cash or an actual payment exchanging hands
- C. The only defence for a corporate entity is that they can show adequate procedures were put in place to prevent bribery
- D. It includes bribery of a foreign public official to obtain or retain business or an advantage

Test your knowledge

19. Which of the following is not a role of the FCA;

- A. Investigating insider dealing
- B. Supervising investment exchanges
- C. Overseeing the FPC
- D. Monitoring firms' compliance with the Market Abuse Directive (MAD)

20. A dual-regulated firm is regulated by;

- A. The FCA and PRA
- B. The FSA and Bank of England
- C. The FCA and DMO
- D. The FSA and PRA

Monitoring my progress – Unit 8

My multiple choice assessment mark is / 20

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 8 multiple choice questions in the course workbook.



Answers

Page 8

1. PRA
2. FCA
3. FCA
4. FPC
5. FCA
6. PRA
7. FPC
8. PRA
9. FCA
10. FCA

Page 16

1. **How does the Code of conduct help practitioners?**
   Prompt thoughts around behaviour / appropriate advice
2. **Why is it important to review the Code of Conduct and keep it relevant and up to date?**

- Provides practitioners with relevant guidance
- Work together for public interest
- Client focus means it must be up to date
- Understand the boundaries
- Respect others
- Changing environment
- Changing working conditions
- Crypto – other forms of financial instruments
- Circumstances change
- Values change
- Reviewed every 3 years to ensure they are current and relevant

3. **What does ethics and integrity mean to the CISI?**

- Doing the right thing
- Performing in the public interest
- Relate to the values of the organisations
- Helps as a prompt
- Gives confidence, help and guidance to practitioners
- Ethics – morale code
- Integrity – decisions made truthfully and honestly

4. What ethical dilemmas do financial advisers face?

- Conflict of interest
- Desire for certainty
- Communications
- Difficulties in judgements in grey areas

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1. **What are the 4 elements that build ethical practices?**
   Open – is everyone whom your action or decision affects fully aware of it, or will they be made aware of it?
   Honest – does it comply with applicable law or regulation?
   Transparent – is it clear to all parties involved what is happening/will happen?
   Fair – is the transaction or decision fair to everyone involved in it or affected by it?
   A simple and often quoted test is whether you would be happy to appear in the media in connection with, or in justification of, the transaction or decision.

2. **The FCA's Conduct Rules are designed to raise overall conduct standards in the financial services industry. Summarise the 6 rules below.**
   Rule 1: You must act with integrity.
   Rule 2: You must act with due skill, care and diligence.
   Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
   Rule 4: You must pay due regard to the interests of customers and treat them fairly.
   Rule 5: You must observe proper standards of market conduct.

Answers

Rule 6: Consumer Duty - Following the publication of the FCA's Policy Statement, and final rules, on the Consumer Duty, the following changes come into effect from 31 July 2023 relating to the Conduct Rules: Individuals working for a firm who is subject to the 'Consumer Duty' requirements have a new Conduct Rule (Rule 6) for FCA only firms – as noted above.

3. **What additional Conduct Rules must Senior Managers also adhere to?**
   Senior managers must adhere to the Conduct Rules above and the following additional rules:

- You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
- You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.
- You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

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1 – unlawful disclosure
2 – market manipulation
3 – market manipulation
4 – insider dealing
5 – insider dealing

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

Test your knowledge

1D
2D
3C
4C
5B
6A
7B
8D
9D
10A
11B
12D
13A
14D
15D
16C
17D
18B
19C
20A