

Retail Advice and Regulation

Assignment 1 Notes

*(Part 1 – Financial Services Regulation)
Recommended Time: 3 hours*

1. **Explain the impact of the Financial Services Act 2012 on the role of the Bank of England in connection with financial services and contrast it with the role of the Financial Conduct Authority (FCA).**

10 marks

Answer should include:

- A brief explanation of the role of the Bank of England prior to 1 April 2013 and the role of the Financial Services Authority (FSA).
- An explanation of the revised structure effective from 1 April 2013.
- The role of each body, including the three operational objectives of the FCA and the Bank's two core purposes as well as the role of the Prudential Regulation Authority (PRA).
- Mention of the Retail Distribution Review and the Memorandum of Understanding.

As only 10 marks are available answers need to be concise and broadly an equal split between the two elements of the question.

(The relevant section of the Study Manual is Part 1, Chapter 1.2 and 1.3)

10 marks

2. **Outline the features of the FCA's risk based approach to supervision.**

15 marks

Answer should include coverage of the FCA's three pillar approach:

- Firm supervision framework
- Event driven work
- Thematic work.

Given that 15 marks are available 4-5 marks are available for each part.

(The relevant section of the Study Manual is Part 1, Chapter 3.5)

15 marks

3. **Explain the features of a typical complaints procedure that meets the Financial Conduct Authority's (FCA's) requirements.**

10 marks

Explanation should include the definition of a complaint and the features:

- Eligibility
- Acknowledgement/communications
- Response
- Appeals
- Records

A couple of marks approximately for each.

(The relevant section of the Study Manual is Part 1, Chapter 1.9.)

10 marks

4. **Identify and explain the European Directives that are most relevant to regulated activities in financial services.**

15 marks

Full answers should include mention and explanation of the following directives:

- Markets in Financial Instruments Directive (MiFID)
- Insurance Mediation Directive (IMD)
- Capital Requirements Directive
- Money Laundering Directives

Each of these is covered in the relevant section of the study manual and in more than sufficient depth for the purposes of this question. As only 15 marks are available 3-4 marks are available for each.

(The relevant section of the Study Manual is Part 1, Chapter 2.2.)

15 marks

5. **Explain the process of money laundering and the relevant legislation that addresses this financial crime.**

5 marks

Answer should cover:

- Placement
- Layering
- Integration

The relevant legislation, including the Proceeds of Crime Act 2002, is covered in the study manual.

(The relevant section of the Study Manual is Part 1, Chapter 4.5.)

5 marks

6. **Outline the duties of firms in connection with money laundering.**

10 marks

Answer should include coverage of:

- Risk assessment
- Customer due diligence and enhanced due diligence
- Monitoring
- Procedures and processes.

Relevant examples would help.

(The relevant section of the Study Manual is Part 1, Chapter 4.5.)

10 marks

7. **Describe with examples, the difference between regulated activities and controlled functions. Answers should highlight any implications for dual regulated firms.**

15 marks

Include the following points:

There are numerous regulated activities and controlled functions carried out by regulated firms. Fit and proper, approved persons can carry out controlled functions. Answers should mention exclusions and exemptions.

The split between PRA and FCA in these areas should also be identified.

Examples should be included to illustrate this answer.

(The relevant section of the Study Manual is Part 1, Chapter 4.1 and 4.2)

15 marks

8. **Explain the role of the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR) in the regulation of pension arrangements.**

20 marks

As 20 marks are available a full explanation is required that covers:

- The difference between work place and retail pensions
- The division of responsibility between TPR and FCA
- The Memorandum of Understanding between the two bodies
- Relevant legislation
- Any changes between the role of the Financial Services Authority and FCA
- Brief mention of proposed or discussed future changes could be relevant for a full answer

(The relevant section of the Study Manual is Part 1, Chapter 1.2 and 1.5)

20 marks