



CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

International Certificate in Wealth and Investment Management

Effective from 21 May 2017

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Objective of the examination

The objective of the examination is to provide a test of competence for individuals engaged in private client asset management (discretionary portfolio management) and fund management.

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** or **be able to calculate**. These words indicate the different levels of skill to be tested.

- **know** requires the candidate to recall information such as facts, rules and principles
- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** requires the candidate to be able to use formulae to perform calculations

Where a learning objective refers to **main** or **basic**, this signifies that the candidate needs to be aware of the topic's key principles rather than possessing an in-depth grasp of the topic.

As this examination has a practical bias, candidates will be tested on topical investment issues detailed in the syllabus. Some topics may also be examined through the use of diagrams, charts and other pictorial representations and in the case of the accounting and investment analysis sections via a basic set of company accounts.

Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (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. However, the number of questions tested in each element should not change by more than two.

Examination specification		
100 multiple choice questions		
Element number	Element	Questions
1	The Financial Services Industry	15
2	Industry Regulation	9
3	Asset Classes	9
4	Collective Investments	8
5	Fiduciary Relationships	19
6	Investment Analysis	10
7	Investment Management	15
8	Lifetime Financial Provision	15
Total		100

Assessment Structure

Assessment is a 2 hour examination of 100 multiple choice questions.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% 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 The Financial Services Industry

- 1.1 The Purpose and Structure of the Financial Services Industry
- 1.2 Macroeconomic Theory
- 1.3 Microeconomic Theory
- 1.4 Financial markets

Element 2 Industry Regulation

- 2.1 Financial Services Regulation
- 2.2 Financial crime
- 2.3 Corporate Governance

Element 3 Asset Classes

- 3.1 Cash
- 3.2 Bonds
- 3.3 Property
- 3.4 Equities
- 3.5 Derivatives
- 3.6 Commodities

Element 4 Collective Investments

- 4.1 Investment funds
- 4.2 Other investment vehicles

Element 5 Fiduciary Relationships

- 5.1 Fiduciary Duties
- 5.2 Advising Clients
- 5.3 Determining client needs
- 5.4 Taxation

Element 6 Investment Analysis

- 6.1 Statistics
- 6.2 Financial Mathematics
- 6.3 Fundamental and Technical Analysis
- 6.4 Yields and Ratios
- 6.5 Valuation

Element 7 Investment Management

- 7.1 Risk and Return

7.2 Portfolio Construction Theories

7.3 Investment Strategies

7.4 Performance Measurement

Element 8 Lifetime Financial Provision

8.1 Retirement planning

8.2 Protection planning

8.3 Estate planning, trusts and foundations

Element 1 The Financial Services Industry

1.1 The Purpose and Structure of the Financial Services Industry

On completion, the candidate should:

1.1.1 *know* the function of the financial services industry in the economy

- transferring funds between individuals, businesses and government
- risk management

1.1.2 *know* the role of the main institutions/organisations

- retail banks
- investment banks
- pension funds
- fund managers
- wealth managers
- custodians
- global custodians

1.1.3 *understand* the roles of the following:

- wealth managers
- private banks
- platforms

1.2 Macroeconomic Theory

On completion, the candidate should:

1.2.1 *know* how national income is determined, composed and measured in both an open and closed economy

- Gross Domestic Product
- Gross National Product

1.2.2 *know* the stages of the economic cycle

1.2.3 *understand* the composition of the balance of payments and the factors behind and benefits of international trade and capital flows

- Current account
- Imports
- Exports
- Effect of low opportunity cost producers

1.2.4 *know* the nature, determination and measurement of the money supply and the factors that affect it

- reserve requirements
- discount rate
- Government bond issues

1.2.5 *understand* the role of central banks and of the major G8 central banks

1.2.6 *understand* the role, basis and framework within which monetary and fiscal policies operate;

- Government spending
- Government borrowing
- Private sector investment
- Private sector spending
- Taxation
- Interest rates
- Inflation
- Currency revaluation / exchange rates / purchasing power parity
- Quantitative easing

1.2.7 *know* how inflation/deflation and unemployment are determined, measured and their inter-relationship

1.2.8 *know* the concept of nominal and real returns

1.3 Microeconomic Theory

On completion, the candidate should:

1.3.1 *understand* how price is determined and the interaction of supply and demand

- supply curve
- demand curve
- reasons for shifts in curves
- elasticity of demand
- change in price
- change in demand

1.3.2 *understand* the theory of the firm:

- profit maximisation
- short and long run costs
- increasing and diminishing returns to factors
- economies and diseconomies of scale

1.3.3 *understand* firm and industry behaviour under:

- perfect competition
- perfect free market
- monopoly
- oligopoly

1.4 Financial markets

On completion, the candidate should:

1.4.1 *know* the main characteristics of order driven markets and quote driven markets and the differences between principal trading and agent trading and On Exchange and Over the Counter

1.4.2 *know* the key steps in settling a trade

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

- currency quotes

- settlement

Element 2 Industry Regulation

2.1 Financial Services Regulation

On completion, the candidate should:

2.1.1 *know* the primary function of the following bodies in the regulation of the financial services industry:

- Securities and Exchange Commission (SEC)
- Financial Conduct Authority (FCA)
- European Union (EU)
- International Organisation of Securities Commissions (IOSCO)
- Securities and Commodities Authority (SCA)

2.2 Financial crime

On completion, the candidate should:

2.2.1 *understand* the role of the Financial Action Task Force

2.2.2 *know* the main offences associated with money laundering and the regulatory obligations of financial services firms

2.2.3 *know* the stages of money laundering

2.2.4 *know* the client identity procedures

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

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

2.3 Corporate Governance

On completion, the candidate should:

2.3.1 *know* the origins and nature of Corporate Governance

2.3.2 *know* the Corporate Governance mechanisms available to stakeholders to exercise their rights

2.3.3 *understand* the areas of weakness and lessons learned from the global financial crises of 2007/9

Element 3 Asset Classes

3.1 Cash

On completion, the candidate should:

3.1.1 *know* the role of money as a financial asset

- Cash deposit
- Money market instruments
- Money market funds

3.2 Bonds

On completion, the candidate should:

3.2.1 *know* the key features of bonds – risk, interest rate, repayment, trading, nominal value and market price, coupon, credit rating

3.2.2 *understand* yields – running yields, yields to redemption, capital returns, volatility and risk, yield curves

3.3 Property

On completion, the candidate should:

3.3.1 *know* the key features of property investment

- Direct Property
- Property funds
- Real Estate Investment Trusts (REITS)
- Property Authorised Investment Funds (PAIFS)

3.4 Equities

On completion, the candidate should:

3.4.1 *understand* the following types of equity and equity related investments

- Types of share – ordinary, common, preference, other
- American and Global Depositary Receipts
- Warrants and covered warrants

3.4.2 *understand* the benefits of holding shares

- Dividends
- Subscription rights
- Voting rights

3.4.3 *know* the main mandatory and optional corporate actions

- Bonus/scrip
- Consolidation
- Final redemption
- Subdivision/stock splits
- Warrant exercise
- Rights issues
- Open offers

3.5 Derivatives

On completion, the candidate should:

3.5.1 *know* the following characteristics of Futures:

- Definitions
- Key features
- Terminology

3.5.2 *know* the following characteristics of Options:

- Definition
- Types (Calls & Puts)

- Terminology

3.6 Commodities

On completion, the candidate should:

3.6.1 *understand* the main features of commodity markets, and how the physical characteristics, supply and demand, and storage and transportation issues influence prices:

- Agricultural
- Metals
- Energy

Element 4 Collective Investments

4.1 Investment funds

On completion, the candidate should:

4.1.1 *understand* the benefits of collective investment

4.1.2 *know* the purpose and principal features of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) in European markets

4.1.3 *know* the characteristics of types of investment products:

- Authorised funds and unauthorised funds
- Open-ended funds
- Closed-ended investment companies

4.1.4 *know* the basic characteristics of Exchange traded funds and how they are traded

4.2 Other investment vehicles

On completion, the candidate should:

4.2.1 *know* the characteristics and application of Structured investments

4.2.2 *know* the characteristics and application of Hedge funds

4.2.3 *know* the characteristics and application of Absolute Return Funds

4.2.4 *know* the characteristics and application of Private equity

4.2.5 *know* the characteristics and application of Commodity funds

4.2.6 *know* the characteristics and application of Sukuk investments

Element 5 Fiduciary Relationships

5.1 Fiduciary Duties

On completion, the candidate should:

5.1.1 *know* when fiduciary responsibilities arise and the main duties and responsibilities of a financial adviser

5.1.2 *know* the definition of 'client's best interest' and the implications of this rule for a financial adviser

5.1.3 *know* the extent of an adviser's duty to disclose material information about a recommended investment

5.1.4 *understand* the concept of a 'conflict of interest' and of its significance when giving client advice

5.1.5 *know* the importance of transparency relating to indirect and direct cost of services

5.1.6 *know* the fiduciary responsibilities of intermediaries

5.2 Advising Clients

On completion, the candidate should:

5.2.1 *understand* client categorisation

5.2.2 *understand* terms of business and client agreements

5.2.3 *understand* the status of advisers and status disclosure to customers

5.2.4 *understand* the 'know your customer' rules and its impact on investment planning

5.2.5 *understand* the suitability and appropriateness of advice

5.2.6 *know* the meaning of execution-only sales

5.2.7 *know* the requirement for disclosure of charges and commission

5.2.8 *know* the requirement for cooling off and cancellation

5.2.9 *know* the requirement for product disclosure

5.3 Determining client needs

On completion, the candidate should:

5.3.1 *understand* the key stages in investment planning and determining investment objectives and strategy

5.3.2 *understand* how to assess a client's risk tolerance, capacity for loss, investment experience and the impact of these factors on the selection of suitable investment products

5.3.3 *understand* how investment strategy and product selection are influenced by:

- Ethical preferences
- Liquidity requirements
- Time horizons and stage of life
- Tax status

5.4 Taxation

On completion, the candidate should:

5.4.1 *understand* the application of the main business taxes:

- Business tax
- Transaction Tax (e.g. Stamp duty reserve tax)
- Tax on sales

5.4.2 *understand* the direct and indirect taxes as they apply to individuals:

- Tax on income
- Tax on capital gains
- Estate tax
- Transaction tax (Stamp duty)
- Tax on sales

5.4.3 *know* the principles of withholding tax

- types of income subject to WHT
- relief through double taxation agreements
- deducted at source

5.4.4 *know* the principles of double taxation relief (DTR)

5.4.5 *know* the implications of FATCA and other relevant legislation

Element 6 Investment Analysis

6.1 Statistics

On completion, the candidate should:

6.1.1 *understand* the following:

- arithmetic mean
- geometric mean
- median
- mode

(this may be examined by use of a simple calculation)

6.1.2 *understand* the measures of dispersion:

- variance (sample/population)
- standard deviation (sample/population)
- range

(this may be examined by use of a simple calculation)

6.1.3 *understand* the correlation and covariance between two variables and the interpretation of the data

6.2 Financial Mathematics

On completion, the candidate should:

6.2.1 *be able to calculate* the present and future value of:

- lump sums
- regular payments
- annuities
- perpetuities

6.2.2 *be able to calculate* and interpret the data for:

- simple interest
- compound interest

6.3 Fundamental and Technical Analysis

On completion, the candidate should:

6.3.1 *know* the difference between fundamental and technical analysis

- primary objectives
- quantitative techniques
- charts
- primary movements
- secondary movements
- tertiary movements

6.4 Yields and Ratios

On completion, the candidate should:

6.4.1 *understand* the purpose of the following key ratios:

- Return on capital employed (ROCE)
- Asset turnover
- Net profit margin
- Gross profit margin

6.4.2 *understand* the purpose of the following gearing ratios:

- Financial gearing
- Interest cover

6.4.3 *understand* the purpose of the following liquidity ratios:

- Working capital (current) ratio
- Liquidity ratio (acid test)
- Cash ratio
- Z score analysis

6.4.4 *understand* the purpose of the following investors' ratios:

- Earnings per share (EPS)
- Earnings before interest, tax, depreciation, and amortisation (EBITDA)
- Earnings before interest and tax (EBIT)
- Historic and prospective price earnings ratios (PERs)
- Dividend yields
- Dividend cover
- Price to book

6.5 Valuation

On completion, the candidate should:

6.5.1 *know* the basic concept behind shareholder value models:

- Economic Value Added (EVA)
- Market Value Added (MVA)
- Gordon's Growth model

Element 7 Investment Management

7.1 Risk and Return

On completion, the candidate should:

7.1.1 *understand* the time value of money

7.1.2 *understand* the varying investment returns from the main different asset classes – ‘risk-free’ rates of return and the risk premium

7.1.3 *understand* how risk is measured – volatility, the significance of standard deviation as a measure of volatility, the importance and limitations of past performance data

7.1.4 *understand* the measurement of total return and the significance of beta and alpha

7.2 Portfolio Construction Theories

On completion, the candidate should:

7.2.1 *know* the main principles of Modern Portfolio Theory (MPT) and the Efficient Markets Hypothesis (EMH):

7.2.2 *understand* the assumptions underlying the construction of the Capital Asset Pricing Model (CAPM) and its limitations

7.2.3 *know* the main principles behind Arbitrage Pricing Theory (APT)

7.2.4 *understand* the concepts of behavioural finance:

- key properties
- heuristics
- prospect theory
- cognitive illustrations

7.3 Investment Strategies

On completion, the candidate should:

7.3.1 *understand* the main equity strategies:

- active/passive/core-satellite investment
- top-down/bottom-up investment styles

7.3.2 *understand* bond strategies

7.3.3 *understand* the use of different asset classes within a portfolio

7.3.4 *understand* the use of funds as part of an investment strategy

7.4 Performance Measurement

On completion, the candidate should:

- 7.4.1 *understand* how benchmarking can be used to measure performance
- 7.4.2 *understand* the use of performance attribution techniques
- 7.4.3 *understand* the terms money weighted and time weighted return
- 7.4.4 *Understand* the concepts of the following ratios:
 - Sharpe
 - R-squared
 - Maximum drawdown
 - Standard deviation

Element 8 Lifetime Financial Provision

8.1 Retirement planning

On completion, the candidate should:

- 8.1.1 *understand* the impact of intended retirement age on retirement planning
- 8.1.2 *know* the types of retirement planning products, associated risks and suitability criteria and methods of identifying and reviewing
- 8.1.3 *be able to calculate* the financial needs for retirement
- 8.1.4 *know* the elements to be included in a recommendation report to clients

8.2 Protection planning

On completion, the candidate should:

- 8.2.1 *know* the main areas in need of protection:
 - family and personal protection

- mortgage
- long term care
- business protection

8.2.2 *understand* the need for assessing priorities in life and health protection – individual and family priorities

8.2.3 *understand* the requirement for prioritising protection needs

8.2.4 *understand* how to quantify protection needs

8.2.5 *know* the basic principles of life assurance:

- Types
- proposers
- lives assured
- single and joint life policies

8.2.6 *know* the main product features of:

- critical illness insurance
- accident and sickness protection
- medical insurance
- long term care protection

8.2.7 *know* the main product features of business insurance protection:

- key person
- shareholder
- partnership

8.2.8 *understand* the factors to be considered when identifying suitable protection product solutions and when selecting product providers

8.2.9 *know* the elements to be included in a recommendation report to clients

8.3 Estate planning, trusts and foundations

On completion, the candidate should:

8.3.1 *understand* the key concepts in estate planning:

- assessment of the estate
- power of attorney
- execution of a will
- inheritance tax
- life assurance

8.3.2 *know* the uses of trusts and the types of trust available

8.3.3 *know* the uses of offshore trusts

8.3.4 *know* the uses of offshore foundations