



CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

Global Financial Compliance

Effective from 1 October 2022

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Objective of the examination

The objective of the examination is to ensure that candidates have an introduction to international compliance.

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

- The International Regulatory Environment
- The Compliance Function
- Managing the Risk of Financial Crime
- Ethics, Integrity and Fairness
- Governance, Risk Management and Compliance

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** or **Understand**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **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

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 plus or minus 2.

Examination specification		
100 multiple choice questions		
Element number	Element	Questions
1	The International Regulatory Environment	20
2	The Compliance Function	24
3	Managing the Risk of Financial Crime	20
4	Ethics, Integrity and Fairness	19
5	Governance, Risk Management and Compliance	17
Total		100

Assessment Structure

A 2 hour examination of 100 multiple choice questions.

Candidates sitting the examination 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 International Regulatory Environment

- 1.1 Models of regulation
- 1.2 The international approach to regulation

Element 2 The Compliance Function

- 2.1 International best practice
- 2.2 The role of the compliance function within a firm
- 2.3 Managing regulatory relationships

Element 3 Managing the Risk of Financial Crime

- 3.1 Money laundering, terrorist financing and the standards required of firms
- 3.2 Practical implications
- 3.3 Policies, procedures and controls required of firms

Element 4 Ethics, Integrity and Fairness

- 4.1 Ethics
- 4.2 Market Integrity
- 4.3 Fair Conduct
- 4.4 Client Vulnerability
- 4.5 Environmental, Social and Governance (ESG)

Element 5 Governance, Risk Management and Compliance

- 5.1 Corporate governance
- 5.2 Key risk types, their application and impact on the compliance function

Element 1 The International Regulatory Environment

1.1 Models of regulation

On completion, the candidate should:

- 1.1.1 *understand* the objectives and benefits of regulation
- 1.1.2 *know* the interaction between law and regulation
- 1.1.3 *understand* the main differences between rule-based and principles-based approaches to financial regulation
- 1.1.4 *understand* models of self-regulation
- 1.1.5 *understand* the regulation of faith and ethical-based finance and the attendant regulatory implications
- 1.1.6 *understand* the purpose of the following:
 - Data Protection e.g. GDPR
 - Tax Reporting e.g. CRS, FATCA
 - Banking Reform e.g. ICB, Dodd-Frank
 - Market Integrity e.g. MiFID II, MiFIR, MAR, EMIR, PSD2, Sarbanes Oxley Act (2002), CSDR
 - Financial Crime e.g. UK Bribery Act (2010), FCPA, EMLD
- 1.1.7 *understand* how regulation operates in an exchange-traded environment
- 1.1.8 *understand* the key benefits of regulated market structures
 - Exchanges
 - Trading venues (multi-lateral trading facilities and organised trading facilities)
 - Systematic internalisers
- 1.1.9 *understand* how regulation applies to OTC derivative transactions
- 1.1.10 understand how regulators approach Fintech products
 - distributed ledger technology (DLT) and crypto assets
 - robo advice
 - artificial intelligence and big data

- regulator's expectations on the compliance function regarding fintech products

1.2 The international approach to regulation

On completion, the candidate should:

1.2.1 *know* the jurisdiction of different types of regulator

1.2.2 *understand* the role of international regulatory organisations

- Bank for International Settlements (BIS)
- Financial Stability Board (FSB)
- The International Organization of Securities Commissions (IOSCO)
- European regulatory bodies
 - The European System of Financial Supervision (ESFS)
 - European Supervisory Authorities (ESAs)
 - The European Systemic Risk Board (ESRB)
- Securities and Exchange Commission (SEC)

1.2.3 *know* the role that professional bodies play in relation to regulatory requirements

1.2.4 *understand* how international regulatory organisations aid the implementation of regulation in developing countries

1.2.5 *know* the three objectives of securities regulation as defined by IOSCO

1.2.6 *understand* how regulators implement their regulatory objectives

1.2.7 *understand* the different regulatory approaches

- Risk-based
- Rules-based
- Thematic
- Relationship-based
- Principles-based

1.2.8 *know* IOSCO's principles 1 to 8 relating to the Regulator

1.2.9 *know* regulators' enforcement powers

1.2.10 *understand* what types of activities and investment products are generally required to be regulated

1.2.11 *understand* the requirements regulation places on firms

- Minimum entry standards
- Initial and ongoing capital and other prudential requirements
- Requirement to establish an internal compliance function
- Conduct of Business

1.2.12 *understand* how regulators facilitate and regulate cross border business

- Specific legislation
- Memoranda of Understanding between individual regulators
- Regulatory colleges
- Recognition of third countries

1.2.13 *understand* what regulations apply to a firm with international branches and subsidiaries

- Contractual agreements between regulators
- Home / Host

1.2.14 *understand* the challenge of conducting business whilst meeting the regulatory expectations and approach of multiple regulatory bodies

- International
- Domestic

Element 2 The Compliance Function

2.1 International best practice

On completion, the candidate should:

- 2.1.1 *understand* the fundamental systems and controls a firm should implement in order to conduct its business in line with international regulatory standards
- 2.1.2 *understand* BIS principle 6 and the requirement for adequate resources
- 2.1.3 *understand* the practical applications of a formalised document of compliance policies and procedures
 - Compliance manual
- 2.1.4 *understand* how an effective compliance function can add value to a business
- 2.1.5 *know* how to produce and implement an effective compliance programme
- 2.1.6 *understand* how regulatory requirements should be integrated into operating systems, policies and procedures
- 2.1.7 *know* the difference between regulations and internal policies and procedures
- 2.1.8 *understand* the potential regulatory implications of business strategies
 - Outsourcing and oversight
 - Capital requirements
 - Variation of permissions
 - Control framework
- 2.1.9 *know* how to prepare an effective compliance report for management
- 2.1.10 *know* what basic information compliance officers should have access to

2.2 The role of the compliance function within a firm

On completion, the candidate should:

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- 2.2.1 *understand* the responsibilities and accountabilities of management and staff for compliance with regulations
- 2.2.2 *understand* how to monitor whether a business is in compliance with regulations and internal policies and procedures
- 2.2.3 *understand* the risks associated with non-compliance for firms and the financial services industry
- 2.2.4 *understand* BIS principle 5 relating to the independence of the compliance function and senior management accountability
- 2.2.5 *understand* the relationship between compliance and other departments including 'three lines of defence'
- 2.2.6 *understand* the role compliance has in training and maintaining competence and awareness
- Educating staff on compliance issues
 - Acting as a contact point for compliance queries from staff members
 - Providing written guidance to staff
- 2.2.7 *understand* how to monitor an individual's compliance with regulations and internal policies and procedures
- 2.2.8 *understand* the range of potential outcomes to remedy non-compliance by an individual within a firm
- Training and development activities
 - Internal disciplinary measures
 - External regulatory sanction
 - Legal avenues
- 2.2.9 *understand* the role compliance plays in new business development
- Due diligence
 - Risk assessment
 - Scope of regulation and approval
 - Highlighting material changes in the nature of existing relationships
 - Assessing and reporting potential reputational risks

2.2.10 *understand* the purpose of a compliance monitoring programme

- Risk-based
- Reporting
- Planned

2.2.11 *understand* the key considerations in developing a compliance monitoring programme

2.2.12 *understand* how to conduct an effective compliance monitoring programme

- Working papers
- Minute meetings with senior management
- Management responses
- Risk mitigation plans

2.3 Managing regulatory relationships

On completion, the candidate should:

- 2.3.1 *understand* the relationship between the firm and regulator
- 2.3.2 *understand* how an effective regulatory relationship can be of strategic importance to a firm
- Advocating opinion
 - Involvement in consultation
 - Drafting regulatory responses
 - Making representations and applications
 - Obtaining effective guidance
- 2.3.3 *understand* what to do if your firm is the subject of a regulatory or law enforcement visit
- Scheduled
 - Unscheduled (“Dawn raid”)
- 2.3.4 *understand* what to do if a regulatory breach occurs
- 2.3.5 *know* what types of information must be disseminated to whom in the event of a regulatory breach
- 2.3.6 *know* what information may be disseminated and what should remain confidential if financial crime is suspected or detected
- 2.3.7 *know* what types of information should remain confidential in the normal course of business

Element 3 Managing the Risk of Financial Crime

3.1 Money laundering, terrorist financing and the standards required of firms

On completion, the candidate should:

- 3.1.1 *understand* the concept of money laundering and terrorist financing
- 3.1.2 *know* the stages of the money laundering process
- Placement
 - Layering
 - Integration
- 3.1.3 *know* the role of international agencies in combating money laundering and the financing of terrorism

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- United Nations Office on Drugs and Crime (UNODC)
- International Monetary Fund (IMF)
- World Bank

3.1.4 *know* the role of the Financial Actions Task Force (FATF) in combating money laundering and the terrorist financing

- Jurisdictions with strategic deficiencies
- The challenge of jurisdictional differences

3.1.5 *understand* the role of predicate offences in financial crime

- Fraud
- Embezzlement
- Bribery
- Corruption

3.1.6 *understand* how financial services firms may be utilised for financial crime

- Ponzi schemes
- Boiler rooms
- Money laundering
- Offshore trusts
- Beneficial ownership
- Cyber crime

3.1.7 *understand* how a firm or its representatives may collude in the propagation of financial crime

- Misstatement of financial circumstances
- Corporate fraud

3.1.8 *know* the concepts of facilitation of tax evasion and tax avoidance

3.1.9 *know* the concepts of dual criminality, extradition and mutual legal assistance

3.2 Practical implications

On completion, the candidate should:

3.2.1 *understand* how external financial crime issues may impact on a firm

- Reputational
- Systemically
- Counterparty risk
- Unreliable market valuations

3.2.2 *understand* how financial crime may directly impact a firm

- Theft of data
- Theft of assets

3.2.3 *understand* the responsibilities of directors and senior management in relation to anti-money laundering (AML), combating financial crime (CFC) and anti-corruption (AC) initiatives

3.2.4 *understand* the role of the Money Laundering Reporting Officer (or equivalent) in relation to financial crime

3.2.5 *understand* the implications of using a risk-based approach identifying money laundering

3.2.6 *know* the measures firms can adopt to inhibit the likelihood of financial crime

3.2.7 *know* the measures individuals can adopt to inhibit the likelihood of financial crime

3.2.8 *understand* the rationale behind sanctions screening

3.2.9 *understand* the purpose behind screening individuals

- Risk-based approach
- Politically Exposed Persons (PEPs)

3.3 Policies, procedures and controls required of firms

On completion, the candidate should:

3.3.1 *understand* the risks to a firm posed by its clients, products and delivery systems

- 3.3.2 *understand* the controls a firm should have in place to minimise its risk to fraud, money laundering and terrorist financing including a training programme
- 3.3.3 *know* the criteria for an effective suspicious transaction reporting system

Element 4 Ethics, Integrity and Fairness

4.1 Ethics

On completion, the candidate should:

- 4.1.1 *understand* how ethical principles relate to the financial services industry
- Regulatory standards
 - Professional codes of conduct
 - Internal codes of conduct
- 4.1.2 *understand* the impact of the following when applying an ethical approach within an organisational or team environment
- Self-interest
 - Fiduciary responsibilities
 - The role of the agent
 - The role of stakeholders
 - The role of the group or team
- 4.1.3 *understand* the advantage of ethical behaviours and decision-making over rule-based compliance
- 4.1.4 *understand* the importance of senior management leadership in developing and maintaining ethical standards
- 4.1.5 *know* how training programmes can be used to promote ethical decision making

4.2 Market Integrity

On completion, the candidate should:

- 4.2.1 *understand* the benefits of a fair and orderly market
- 4.2.2 *understand* the implications of false and misleading statements, behaviours and practices
- 4.2.3 *understand* what type of information may be deemed to be price sensitive non-public information
- 4.2.4 *understand* how individuals may legally possess price-sensitive non-public information
- 4.2.5 *know* what activities can constitute "insider dealing"
- 4.2.6 *understand* how systems and controls can minimise exposure to strategies and behaviours that might impair market integrity
 - Information barriers / "Chinese walls"
 - Insider lists (including watch and restricted lists)
 - Personal account dealing
 - Gifts and entertainment
 - Conflicts of interest policies
- 4.2.7 Understand the importance of whistleblowing for market integrity

4.3 Fair Conduct

On completion, the candidate should:

- 4.3.1 *understand* expected compliant standards of behaviour for firms and individuals
 - Honesty & fair treatment
 - Acting in best interest
- 4.3.2 *understand* how the concept of fairness impacts on financial services firms
- 4.3.3 *understand* legal concepts and considerations relevant to financial advice

4.3.4 *understand* the role senior management play in maintaining fair conduct

- Senior management responsibilities
- Management information
- Corporate culture

4.4 Client Vulnerability

On completion, the candidate should:

4.4.1 *understand* how associated but non-transactional activities impact on the firm

- Product design and marketing
- Financial promotions / advertising
- Client documentation
- Fair contracts

4.4.2 *understand* the factors to consider prior to entering into a transaction

- Client / Counterparty objectives
- Client / Counterparty risk profile
- Affordability
- Suitability of the investment

4.4.3 *understand* factors that should be considered at the point of sale

- Clear information
- Suitability of advice

4.4.4 *understand* post-sale factors that may impact on the firm

- Handling complaints in line with international standards
- Avenues of redress
- Expected and actual product performance

- Safeguarding customer money and assets
- Reporting requirements

4.5 Environmental, Social and Governance (ESG)

4.5.1 know what is meant by Environmental, Social and Governance (ESG)

4.5.2 know the main international ESG initiatives

- Task Force on Climate Related Financial Disclosures (TCFD)
- United Nations supported Principals for Responsible Investment (PRI)
- Sustainable Finance Disclosure Regulation (SFDR)

4.5.3 understand the importance of initiatives on

- climate
- Green finance
- Corporate social responsibilities

Element 5 Governance, Risk Management and Compliance

5.1 Corporate governance

On completion, the candidate should:

5.1.1 *understand* the objectives of corporate governance

5.1.2 *understand* the importance of senior management leadership, accountability and personal responsibility

5.1.3 *understand* the role of the compliance function in implementing and monitoring corporate governance standards

5.1.4 *know* the main corporate governance structures in UK / US and Europe

- Unitary board

- Two-tier structure

5.1.5 *understand* the impact of business and or management structures on the effective management of the compliance function

- Matrix structures
- Silo structures
- Maintaining independence

5.1.6 *understand* how auditing contributes to prudential corporate governance, accounting and reporting requirements

- Audit committees
- Internal audit
- External auditors

5.1.7 *know* the purpose and key elements of due diligence

- Identification
- Selection
- Fitness & Propriety

5.1.8 *understand* how an effective training programme can contribute to good corporate governance

5.1.9 *understand* the factors behind the formulation of the BIS Principles for enhancing corporate governance

5.1.10 *know* the BIS Principles for enhancing corporate governance

5.2 Key risk types, their application and impact on the compliance function

On completion, the candidate should:

5.2.1 *understand* the difference between risk and uncertainty

5.2.2 *know* the key external sources of business risk and their potential impact

- 5.2.3 *know* the key internal sources of business risk and their potential impact
- 5.2.4 *know* the components and practical application of an effective risk management process
- 5.2.5 *understand* how the impact of risks on a firm's business activities are assessed and managed including operational resilience
- 5.2.6 *understand* the key aims of the risk management function, the risk committee and their relationship with the Compliance department
- 5.2.7 *know* the BIS definition of "compliance risk"
- 5.2.8 *know* who BIS deem responsible for the management of compliance risk
- 5.2.9 *know* what measures BIS state should be undertaken to manage compliance risk
- Formalised document establishing the compliance function
 - Board approval
 - Annual review
- 5.2.10 *understand* how technology can be utilised to enhance compliance risk assessment
- 5.2.11 *understand* how technological changes impact regulatory risk
- Cyber crime
 - Fintech
 - Regtech
 - Cloud data hosting