



# International Certificate in Wealth and Investment Management

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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](http://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.

<b>Examination specification</b>		
<b>100 multiple choice questions</b>		
<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	The Financial Services Sector	4
2	Industry Regulation	5
3	Asset Classes and Financial Markets	14
4	Collective Investments	7
5	Economics and Investment Analysis	21
6	Investment Management	15
7	Investment Advice	21
8	Lifetime Financial Provision	13
<b>Total</b>		<b>100</b>

## 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 Sector**

- 1.1 The Purpose and Structure of the Financial Services Sector

### **Element 2 Industry Regulation**

- 2.1 Financial Services Regulation
- 2.2 Financial crime

### **Element 3 Asset Classes and Financial Markets**

- 3.1 Cash and near cash
- 3.2 Foreign Exchange Market
- 3.3 Bonds
- 3.4 Property
- 3.5 Equities
- 3.6 Derivatives
- 3.7 Commodities
- 3.8 Digital Assets
- 3.9 Operations

### **Element 4 Collective Investments**

- 4.1 Investment funds
- 4.2 Other investment vehicles

### **Element 5 Economics and Investment Analysis**

- 5.1 Macroeconomic Theory
- 5.2 Microeconomic Theory
- 5.3 Statistics
- 5.4 Financial Mathematics
- 5.5 Fundamental and Technical Analysis
- 5.6 Yields and Ratios
- 5.7 Valuation

### **Element 6 Investment Management**

- 6.1 Risk and Return
- 6.2 Portfolio Construction Theories
- 6.3 Investment Strategies
- 6.4 Performance Measurement

**Element 7 Investment Advice**

- 7.1 Advising Clients
- 7.2 Determining client needs
- 7.3 Taxation
- 7.4 Risk & Client Suitability
- 7.5 Planning, Recommendations and Review

**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 Sector**

### **1.1 The Purpose and Structure of the Financial Services Sector**

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* activities associated with:

- wholesale financial markets
- retail financial markets

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

- retail banks
- investment banks
- pension funds
- fund managers

1.1.4 *know* activities associated with

- custodians

1.1.5 *understand* the roles of investment management and financial planning in the wealth management sector

- investment managers
- financial planners
- private banks
- platforms
- using interest rate parity formula

## **Element 2 Industry Regulation**

### **2.1 Financial Services Regulation**

On completion, the candidate should:

2.1.1 *know* the objectives and benefits of regulation; the main differences between rules based and principles based approaches to financial regulation; the role of the main international regulator organisations; and how regulations are implemented at a national level; importance of ethical standards

### **2.2. Financial crime**

On completion, the candidate should:

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

2.2.2 *know* the main offences associated with money laundering and terrorist financing 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* what constitutes market abuse

2.2.6 *know* activities generally considered to constitute insider dealing



## **Element 3    Asset Classes and Financial Markets**

### **3.1    Cash and near cash**

On completion, the candidate should:

3.1.1 *know* the key features of cash and near cash assets

- Interest rates (including negative interest rates)
- Cash deposit
- Money market instruments
- Money market funds

### **3.2    Foreign Exchange Market**

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

- currency quotes
- settlement

3.2.2 *be able to* calculate a forward exchange rate using interest rate parity formula

### **3.3    Bonds**

On completion, the candidate should:

3.3.1 *know* the key features of bonds – risk, interest rate (including negative interest rates), repayment, trading, nominal value and market price, coupon, credit rating

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

### **3.4 Property**

On completion, the candidate should:

3.4.1 *know* the key features of property investment

- Direct Property
- Property funds
- Real Estate Investment Trusts (REITS)

### **3.5 Equities**

On completion, the candidate should:

3.5.1 *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

3.5.2 *know* the benefits of holding shares

- Dividends
- Subscription rights
- Voting rights

3.5.3 *know* the main characteristics of order driven markets and quote driven markets

3.5.4 *know* the differences between principal trading and agency trading

3.5.4 *know* the implication of trading:

- On Exchange
- Over the Counter (OTC)

### **3.6 Derivatives**

On completion, the candidate should:

3.6.1 *know* the following characteristics of Futures:

- Definitions
- Key features
- Terminology

3.6.2 *know* the following characteristics of Options:

- Definition
- Types (Calls & Puts)
- Terminology

### **3.7 Commodities**

On completion, the candidate should:

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

- Agricultural
- Metals
- Energy

### **3.8 Digital Assets**

On completion, the candidate should:

3.8.1 *know* the background, key features, and risks of digital assets

### **3.9 Operations**

On completion, the candidate should:

3.9.1 *know* the implications of holding:

- Dematerialised or registered investments
- Investments in bearer form

3.9.2 *know* aspects of trade settlement:

- Delivery verses payment
- The role of central counterparties

3.9.3 *know* the main mandatory and optional corporate actions

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

## **Element 4   Collective Investments**

### **4.1   Investment funds**

On completion, the candidate should:

4.1.1 *know* the benefits of collective investment

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

- Authorised funds and unauthorised funds
- Open-ended funds
- Closed-ended investment companies
- For example Undertakings for Collective Investment in Transferable Securities (UCITS) funds

4.1.3 *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 uses of Structured investments

4.2.2 *know* the characteristics and uses of Hedge funds

4.2.3 *know* the characteristics and uses of Private equity

4.2.4 *know* the characteristics and uses of Commodity funds

4.2.5 *know* the characteristics and uses of Sukuk investments

## **Element 5   Economics and Investment Analysis**

### **5.1   Macroeconomic Theory**

On completion, the candidate should:

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

- Gross Domestic Product
- Gross National Product

5.1.2 *know* the stages of the economic cycle

5.1.3 *know* the composition of the balance of payments and the factors behind and benefits of international trade and capital flows

- Current account
- Imports
- Exports

5.1.4 *know* the nature, determination and measurement of the money supply and the factors that affect it including Modern Monetary Theory (MMT)

5.1.5 *know* the role of central banks

5.1.6 *know* 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

5.1.7 *know* how inflation/deflation and unemployment statistics are determined

5.1.8 *know* the concept of nominal and real returns

## **5.2 Microeconomic Theory**

On completion, the candidate should:

5.2.1 *know* 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

5.2.2 *know* the theory of the firm:

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

5.2.3 *know* firm and industry behaviour under:

- perfect competition
- perfect free market
- monopoly
- oligopoly

## **5.3 Statistics**

On completion, the candidate should:

5.3.1 *Know* the following:

- arithmetic mean
- geometric mean
- median
- mode

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

5.3.2 *know* statistical measures of dispersion:

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

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

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

## **5.4 Financial Mathematics**

On completion, the candidate should:

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

- lump sums
- regular payments
- annuities
- perpetuities

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

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

- simple interest
- compound interest

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



## 5.5 Fundamental and Technical Analysis

On completion, the candidate should:

5.5.1 *know* the difference between fundamental and technical analysis

- primary objectives
- quantitative techniques
- charts (primary vs secondary vs tertiary movements)
- volume, momentum, moving averages and other indicators

## 5.6 Yields and Ratios

On completion, the candidate should:

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

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

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

- Financial gearing
- Interest cover

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

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

5.6.4 *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

## **5.7 Valuation**

On completion, the candidate should:

5.7.1 *know* the basic concept behind

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

## **Element 6 Investment Management**

### **6.1 Risk and Return**

On completion, the candidate should:

- 6.1.1 *understand* the time value of money
- 6.1.2 *understand* the varying investment returns from the main different asset classes – ‘risk-free’ rates of return and the risk premium
- 6.1.3 *understand* how risk is measured – volatility, the significance of standard deviation as a measure of volatility, the importance and limitations of past performance data
- 6.1.4 *understand* the measurement of total return and the significance of beta and alpha

### **6.2 Portfolio Construction Theories**

On completion, the candidate should:

- 6.2.1 *know* the main principles of Modern Portfolio Theory (MPT) and the Efficient Markets Hypothesis (EMH):
- 6.2.2 *understand* the assumptions underlying the construction of the Capital Asset Pricing Model (CAPM) and its limitations
- 6.2.3 *know* the main principles behind Arbitrage Pricing Theory (APT)
- 6.2.4 *know* the concepts of behavioural finance:
  - key properties
  - heuristics
  - prospect theory
  - cognitive illustrations

### **6.3 Investment Strategies**

On completion, the candidate should:

6.3.1 *understand* the main equity strategies:

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

6.3.2 *understand* the potential importance of ESG considerations

6.3.3 *understand* bond strategies

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

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

### **6.4 Performance Measurement**

On completion, the candidate should:

6.4.1 *understand* how benchmarking can be used to measure performance

6.4.2 *know* commonly used performance attribution techniques

6.4.3 *know* the concept of:

- money weighted rates of return
- time weighted rates of return

6.4.4 *know* the concept of measuring returns using:

- Sharpe ratio
- Sortino ratio
- Treynor ratio
- maximum drawdown

## **Element 7 Investment Advice**

### **7.1 Advising Clients**

On completion, the candidate should:

7.1.1 *know* generally accepted approaches to different categorisations of investment clients

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

7.1.3 *know* factors to consider when providing financial advice:

- 'Know Your Client' and suitability principles underpinning the fiduciary relationship
- the nature of the client relationship, confidentiality, trust and client protection
- the information required from clients and methods of obtaining it
- information about the firm or adviser
- monitoring and review of clients' circumstances
- additional requirements needed when advising on unregulated retail products

7.1.4 *know* services associated with firms providing:

- advice
- discretionary and advisory management
- execution only

7.1.5 *know* how wealth management services can be paid for:

- management fees
- transaction charges
- financial planning advice
- performance based fees
- fees dependent on the nature and frequency of service to be provided

7.1.6 *know* the concept of a 'conflict of interest' and of its significance when giving client advice

## **7.2 Determining client needs**

On completion, the candidate should:

7.2.1 *know* key stages in investment planning and determining investment objectives and strategy

7.2.2 *know* how investment strategy and product selection are influenced by:

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

7.2.3 *know* the purposes, merits and limitations of using questionnaires and interviews to elicit client information

7.2.4 *know* the main factors, resources and limitations shaping a client's current and desired financial circumstances:

- gather appropriate, relevant information about current and projected income, expenditure, debt and savings
- consider time horizons and the relative balance of growth versus income
- distinguish between what is essential and what is desirable, and prioritise accordingly
- agree clear, feasible, prioritised investment objectives

## **7.3 Taxation**

On completion, the candidate should:

7.3.1 *know* the application of the main business taxes:

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

- Tax on sales

7.3.2 *know* 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

7.3.3 *know* the principles of withholding tax

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

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

7.3.5 *know* the implications of domicile, residency status and location of assets

## **7.4 Risk & Client Suitability**

On completion, candidates should:

7.4.1 *know* 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

7.4.2 *be able to* analyse a profile of a client's risk exposure and appetite for risk, based on the following objective and subjective factors:

- level of wealth
- timescale
- commitments
- life cycle
- life goals
- investment objectives
- attitudes
- experiences
- knowledge
- capacity for loss

7.4.3 *know* the main considerations for investing in accordance with Sharia Law and other faith values and those that should be taken into account when investing for charities and trusts

7.4.4 *assess* affordability and suitability based on a range of factors including product provider quality, performance, risk, charges and client service

## **7.5 Planning, Recommendations and Review**

On completion, the candidate should:

7.5.1 *apply* a strategy and rationale that will meet the client's objectives:

- highlight the pertinent issues and priorities
- formulate a plan to deal with them
- offer proposals to achieve these objectives
- explain clearly the relative merits and drawbacks of each proposal and combination thereof
- agree a strategy that the client understands and accepts



7.5.2 *apply* an appropriate strategy that best meets the following criteria:

- client's financial objectives and priorities
- client's risk tolerance
- appropriate fees and charges
- portfolio turnover ratio (PTR)
- client suitability requirements
- adequate diversification and correlation benefits
- additional risk, timing and liquidity factors where asset accumulation and decumulation are relevant features

7.5.3 *understand* the factors which influence the way in which recommendations are presented and understand how to check clients' understanding of recommendations

7.5.4 *assess* the factors influencing the choice of benchmark and the basis for review

- portfolio's asset allocation
- risk/return profile
- alternative investments
- taxation
- peer groups
- maintenance of capital value

7.5.5 *know* the importance of regularly reviewing the client's financial position and the factors that may require changes:

- changes in client circumstances
- changes in the financial environment
- new products and services available
- administrative changes or difficulties
- investment-related changes (e.g. credit rating, corporate actions)
- portfolio rebalancing
- benchmark review

## **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 *know* 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 family investment vehicles

- trusts and the types of trust available
- offshore trusts
- offshore foundations
- investment companies

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