
The Preliminary Baltic Syllabus of BFAA Licenses

Investment Advisor – IA (According to MIFID 2)

Investment Information Provider – IIP (According to MIFID 2)

Investment Insurance Advisor – IIA (According to IDD)

Non-Life Insurance Advisor – NLIA (According to IDD)

Life Insurance Advisor – LIA (According to IDD)

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Introduction

This is the preliminary high level Syllabus for five license exams according to MIFID 2 and IDD proficiency requirements. The Syllabus was created by the BFAA Review Board, a group of Subject Matter Experts in Investments, Insurance and Law, and approved by the BFAA Management Board.

BFAA exams will take place in Estonian, Latvian and Lithuanian languages and are computer-based. To ensure successful examinations, the candidates will be provided the BFAA Textbook, which will be published in September 2017. This preliminary Syllabus is subject to change due to changes in regulations and internal matters. Licensing will begin in the fourth quarter of 2017.

Background

The BFAA – the Baltic Financial Advisors Association is a non-profit organisation established jointly by the Latvian, Lithuanian and Estonian Banking Associations for creating and operating a qualification and licensing system for individuals who provide investment advice and/or mediate insurance products in institutions affiliated with the BFAA (Affiliates). Our purpose is to give our affiliated companies the confidence that their personnel licensed by BFAA possess adequate knowledge and skills to carry out their duties; therefore, our examinations are valid and reliable, yet practical.

Target group

The proficiency requirements constitute a basic level of knowledge that license holders must possess, depending on their role. An employee's function and role may result in the employee requiring more detailed and/or additional knowledge, over and above what is covered by these proficiency requirements. It is the responsibility of the affiliated company to assess what is sufficient based on the employee's work duties.

Structure and function of the proficiency requirements

The proficiency requirements are divided into Categories, Chapters, Measurement Points and Knowledge Items. A Knowledge Item specifies what the license holder is expected to master.

Examples

- Category 1. Financial Competency
- Chapter 1.1. Macroeconomic Environment
- Measurement Point 1.1.1. Macroeconomic Figures
- Knowledge Item Understand the impact of a business cycle and economic figures (GDP; unemployment; inflation; exchange rates and balance of payment) on the value of financial instruments

Cognitive level

The cognitive levels are aimed at defining the degree of complexity of the questions.

- ✓ **Recall (R)** A candidate is required to recognise and remember concepts, definitions, and facts.
- ✓ **Comprehend (C)** A candidate is required to understand and explain various connections and contexts.
- ✓ **Apply (A)** A candidate is required to apply, for instance, formulas, rules, statutes, and methods.

Every single question in the licensing examination is directly linked to a Knowledge Item.

Please note that the detailed knowledge items with respective cognitive levels are available for our affiliated companies only.

If you have any questions, please contact us directly,

Sincerely,

Marge Tooming-Pullisaar
CEO

Structure of BFAA tests by license, %

Topic	Content	Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
1. Financial Competency	1.1. Macroeconomic Environment	15-20%	15-20%	15-20%	15-20%	15-20%
	1.2. Financial Markets					
	1.3. Insurance Market					
	1.4. Financial Basics					
	1.5. Risk and Return					
2. Ethics and Regulation	2.1. Code of Ethics	15-25%	20-30%	25-35%	25-35%	15-25%
	2.2. Regulation for Investments					
	2.3. Regulation for Insurance					
3. Investment Services	3.1. Investment Advice	20-30%	10-20%	n.a.	n.a.	5-15%
	3.2. Portfolio Management					
	3.3. Other Investment Services					
	3.4. Ancillary Investment Services					
4. Non-collective Financial Instruments	4.1. Deposits	15-25%	15-25%	n.a.	n.a.	5-15%
	4.2. Bonds					
	4.3. Equity					
	4.4. Derivatives					
5. Collective Financial Instruments	5.1. Characteristics of Funds	20-30%	15-25%	n.a.	0-10%	10-20%
	5.2. Investment Funds					
	5.3. Pension System					
6. Insurance Products	6.1. Non-life Insurance	n.a.	n.a.	45-55%	35-45%	25-35%
	6.2. Life Insurance					

Preliminary BFAA Syllabus

1. Financial Competency

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
1.1. Macroeconomic Environment	1.1.1. Macroeconomic Figures	Baltic	y	y	y	y	y
1.1. Macroeconomic Environment	1.1.2. Monetary Policy	Baltic	y	y			y
1.2. Financial Markets	1.2.1. Foreign Exchange Markets	Baltic	y				
1.2. Financial Markets	1.2.2. Bond Markets	Baltic	y	y			
1.2. Financial Markets	1.2.3. Equity Markets	Baltic	y	y	y	y	y
1.2. Financial Markets	1.2.4. Derivatives Markets	Baltic	y				
1.3. Insurance Market	1.3.1. Insurance Types	Baltic	y		y	y	y
1.3. Insurance Market	1.3.2. Social Security	Baltic			y	y	y
1.3. Insurance Market	1.3.3. Insurance Market	Baltic			y	y	y
1.3. Insurance Market	1.3.3. Insurance Market	Local			y	y	y
1.4. Financial Basics	1.4.1. Interest Concepts	Baltic	y	y	y	y	y
1.4. Financial Basics	1.4.2. Time Value of Money	Baltic	y	y	y	y	y
1.4. Financial Basics	1.4.3. Company Financial Information	Baltic	y	y	y	y	y
1.5. Risk and Return	1.5.1. Types of Risks	Baltic	y	y			y
1.5. Risk and Return	1.5.2. The Components of Returns	Baltic	y	y	y	y	y

2. Ethics and Regulation

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
2.1. Code of Ethics	2.1.1. BFAA Code of Ethics	Baltic	y	y	y	y	y
2.1. Code of Ethics	2.1.2. Application of BFAA Code of Ethics	Baltic	y	y	y	y	y
2.2. Regulation of Investments	2.2.1. Principles of Regulation on the European Level	Local	y	y			
2.2. Regulation of Investments	2.2.1. Principles of Regulation on the European Level	Baltic	y	y			
2.2. Regulation of Investments	2.2.2. Anti-money laundering law	Baltic	y	y			
2.2. Regulation of Investments	2.2.3. Obligations of the Investment Services Provider	Baltic	y	y			
2.2. Regulation of Investments	2.2.4. The Number and Importance of Supervisory Bodies	Local	y	y			
2.3. Regulation of Insurance	2.3.1. Assessing Insurance Customer Needs	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.2. Conflicts of interest	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.3. Data protection law	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.4. Consumer protection law	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.5. Claims handling	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.6. Complaint handling	Baltic			y	y	y
2.3. Regulation of Insurance	2.3.6. Complaint handling	Local			y	y	y
2.3. Regulation of Insurance	2.3.7. Anti-money laundering law	Baltic				y	y
2.3. Regulation of Insurance	2.3.8. Civil law (TBR)	Baltic			y	y	y

3. Investment Services

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
3.1. Investment Advice	3.1.1. Provision of investment advice	Baltic	y	y			
3.1. Investment Advice	3.1.2. Behavioural finance	Baltic	y	y			
3.1. Investment Advice	3.1.3. Limits of predictive forecasting	Baltic	y	y		y	y
3.2. Portfolio Management	3.2.1. Content of portfolio management service	Baltic	y	y			
3.2. Portfolio Management	3.2.2. Portfolio formation theory and portfolio efficiency	Baltic	y				
3.2. Portfolio Management	3.2.3. Portfolio construction	Baltic	y	y			y
3.2. Portfolio Management	3.2.4. Evaluation of performance	Baltic	y				y
3.3. Other Investment Services	3.3.1. Reception and transmission of orders related to securities	Baltic	y	y			
3.3. Other Investment Services	3.3.2. Execution of orders	Baltic	y	y			
3.3. Other Investment Services	3.3.3. Dealing in securities on own account	Baltic	y	y			
3.3. Other Investment Services	3.3.4. Underwriting financial instruments	Baltic	y	y			
3.3. Other Investment Services	3.3.5. Placing financial instruments without a firm commitment basis	Baltic	y	y			
3.3. Other Investment Services	3.3.6. Operation of an MTF	Baltic	y	y			
3.3. Other Investment Services	3.3.7. Operation of an OTF	Baltic	y	y			
3.4. Ancillary Investment Services	3.4.1. Safekeeping and administration of securities	Baltic	y	y			
3.4. Ancillary Investment Services	3.4.2. Granting credit or a loan to an investor	Baltic	y	y			
3.4. Ancillary Investment Services	3.4.3. Preparing or providing recommendations on investment and financial analysis	Baltic	y	y			
3.4. Ancillary Investment Services	3.4.4. Advice to businesses on capital structure, industrial strategy and related matters	Baltic	y	y			
3.4. Ancillary Investment Services	3.4.5. Foreign exchange services where these are connected to the provision of investment services	Baltic	y	y			

4. Non-collective Financial Instruments

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
4.1. Deposits	4.1.1. Characteristics of deposits	Baltic					y
4.1. Deposits	4.1.2. Structured deposits	Baltic	y	y			y
4.2. Bonds	4.2.1. Characteristics of bonds	Baltic	y	y			y
4.2. Bonds	4.2.2. Types of bonds	Baltic	y	y			y
4.2. Bonds	4.2.3. Credit ratings	Baltic	y	y			y
4.2. Bonds	4.2.4. Advantages and disadvantages of investing in bonds	Baltic	y	y			y
4.3. Equity	4.3.1. Types of Equity Securities	Baltic	y	y			y
4.3. Equity	4.3.2. Sources of Returns for Equity Investments	Baltic	y	y			y
4.3. Equity	4.3.3. Trading and Settlement in Equity Markets	Baltic	y	y			y
4.3. Equity	4.3.4. Risks in Equity Markets	Baltic	y	y			y
4.3. Equity	4.3.5. Types and Uses of Equity Indices	Baltic	y	y			y
4.3. Equity	4.3.6. Corporate Actions	Baltic	y	y			
4.3. Equity	4.3.7. Basic Metrics and Principles of Equity Valuation	Baltic	y	y			
4.4. Derivatives	4.4.1. Forwards	Baltic	y				
4.4. Derivatives	4.4.2. Futures	Baltic	y				
4.4. Derivatives	4.4.3. Options	Baltic	y				
4.4. Derivatives	4.4.4. Swaps	Baltic	y				

5. Collective Financial Instruments

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
5.1. Characteristics of Funds	5.1.1. Benefits of Using Collective Financial Instruments	Baltic	y	y			y
5.1. Characteristics of Funds	5.1.2. Fees and Costs of Funds	Baltic	y	y			y
5.2. Investment Funds	5.2.1. Types of Funds by Asset Class	Baltic	y	y			y
5.2. Investment Funds	5.2.2. Alternative Investment Funds	Baltic	y	y			y
5.2. Investment Funds	5.2.3. Legal Structure of Investment Funds	Baltic	y	y			
5.2. Investment Funds	5.2.4. Types of Funds' Share Classes	Baltic	y	y			
5.2. Investment Funds	5.2.5. Tax treatment for Investment funds	Local	y	y			
5.2. Investment Funds	5.2.6. Trading Fund Units	Baltic	y	y			y
5.3. Pension System	5.3.1. Pension system setup, Long-Term Purpose and participants' needs	Baltic	y	y		y	y
5.3. Pension System	5.3.2. 1st Pension Pillar	Local	y	y		y	y
5.3. Pension System	5.3.3. 2nd Pension Pillar	Local	y	y			
5.3. Pension System	5.3.4. 3rd Pension Pillar	Baltic	y	y			
5.3. Pension System	5.3.5. Cross-Border Opportunities	Baltic	y	y			

6. Insurance Products

Chapter	Measurement Point	Country	Y - Applicable for a particular BFAA license				
			Investment Advisor	Investment Information Provider	Non-Life Insurance Advisor	Life Insurance Advisor	Investment Insurance Advisor
6.1. Non-life Insurance	6.1.1. Insurance products	Baltic			y		
6.1. Non-life Insurance	6.1.2. Assessing Non-Life Insurance Customer Needs	Baltic			y		
6.1. Non-life Insurance	6.1.3. Insurance Contract Law	Baltic			y		
6.1. Non-life Insurance	6.1.4. Tax law	Baltic			y		
6.1. Non-life Insurance	6.1.5. Claims handling	Baltic			y		
6.2. Life Insurance	6.2.1. Life insurance and savings products	Baltic				y	y
6.2. Life Insurance	6.2.2. Guarantees	Baltic				y	y
6.2. Life Insurance	6.2.3. Financial risks	Baltic					y
6.2. Life Insurance	6.2.4. Assessing Life Insurance Customer Needs	Baltic				y	y
6.2. Life Insurance	6.2.5. Insurance Contract Law	Baltic				y	y
6.2. Life Insurance	6.2.6 Conflicts of interest in Life insurance	Baltic				y	y
6.2. Life Insurance	6.2.7. Tax law	Baltic				y	y

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