



The Syllabus of BFAA Licenses

BFAA guide for affiliated companies on MIFID II and IDD compliance for staff proficiency requirements

Investment Advisor – IA (based on MIFID II)

Investment Information Provider – IIP (based on MIFID II)

Investment Insurance Advisor – IIA (based on IDD)

Life Insurance Advisor – LIA (based on IDD)

Non-Life Insurance Advisor – NLIA (based on IDD)

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Introduction

This is the Syllabus for **two** license exams based on MIFID II (Markets in Financial Instruments Directive) and **three** license exams based on IDD (Insurance Distribution Directive) proficiency requirements. The Syllabus was created by the BFAA Review Board, a group of Subject Matter Experts in Investments, Insurance and Law.

By using this Syllabus, the BFAA affiliated companies can prepare for training and examination. BFAA provides the license candidates additionally the workbooks and the mock tests.

Background

The BFAA – the Baltic Financial Advisors Association is a non-profit organisation established jointly by the Latvian, Lithuanian and Estonian Banking Associations for operating a qualification 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 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 question in the licensing examination is directly linked to a Knowledge Item. It is the task of each professional training provider and the affiliated company to interpret the proficiency requirements and develop a relevant and instructive course based on the interpretation.

About exams

BFAA exams are taking place in Estonian, Latvian and Lithuanian languages and are computer-based. Questions in BFAA exams are multiple-choice, where only one answer of 4 alternatives is correct. One correct answer will give one point, one incorrect answer will give 0 points.

Investment Advisor and Investment Insurance Advisors' tests consist of 80 questions Investment Information Provider, Life Insurance Advisor and Non-Life Insurance Advisor tests consist of 60 questions. Licence candidate must answer all questions.

MiFID related tests are taken in authorised testing premises; IDD related tests are open book tests and can be taken in candidate's workplace.

	Investment Advisor IA	Investment Information Provider IIP	Investment Insurance Advisor IIA	Life Insurance Advisor LIA	Non-Life Insurance Advisor NLIA
Number of questions in a single test	80	60	80	60	60
Test Duration	2 h	1 h 30 min	1 h 36 min	1 h 10 min	1 h 10 min
Minimum Passing Score	70%				

To suit target group, as BFAA affiliated companies distributes whole range of insurance products, BFAA also provides test packages, i.e. combine several single tests. It helps affiliated companies and their employees efficiently plan their time.

	Insurance Advisor IIA / LIA / NLIA	Life Risk and Non-Life Insurance Advisor LIA / NLIA
Number of questions in a test package	100	75
Test Duration	2 h	1 h 30 min
Minimum Passing Score	70%	

Structure of BFAA tests

Category	Chapter	IA %	IIP %	IIA %	LIA %	NLIA %	
1. Financial Competency	1.1. Macroeconomic Environment 1.2. Financial Markets 1.3. Insurance Market 1.4. Financial Basics 1.5. Risk and Return	10-20					
2. Ethics and Regulation	2.1. Code of Ethics 2.2. Regulation of Investments 2.3. Regulation of Insurance	15-25	25-35	15-25	35-45		
3. Investment Services	3.1. Investment Advice 3.2. Portfolio Management 3.3. Other Investment Services 3.4. Ancillary Investment Services	20-30	10-20	5-15	-	-	
4. Non-collective Financial Instruments	4.1. Deposits 4.2. Bonds 4.3. Equity 4.4. Derivatives	15-25	10-20	0-10	-	-	
5. Collective Financial Instruments	5.1. Characteristics of Funds 5.2. Investment Funds 5.3. Pension System	20-30	10-20	5-15	0-10	-	
6. Insurance Products	6.1. Non-Life Insurance Products 6.2. Life Insurance Products	-	-	30-45	35-50	35-50	

BFAA Syllabus

1. Financial Competency

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
1.1. Macroeconomic Environment	1.1.1. Macroeconomic Figures	Understand impact of business cycle and economic figures (GDP, unemployment, inflation, exchange rates and balance of payment) on value of financial instruments	C	R	C	R	R
	1.1.2. Fiscal and Monetary Policy	Remember the role of central banks (ECB) and the instruments at their disposal for carrying out monetary policy	R	R	R	-	-
1.2. Financial Markets	1.2.1. Foreign Exchange Markets	Know the role of foreign exchange markets in the global economy and know their relationship with other financial markets, especially derivatives and bond markets	R	-	-	-	-
	1.2.2. Bond Markets	Understand the dual role of bond markets as being a source of capital for companies, governments and other organisations and providing investment opportunities for investors	C	C	-	-	-
		Know the main participants of bond markets and recall the properties of bonds as an asset class	R	R	-	-	-
		Distinguish between bond and equity markets in terms of size, scope and investment amounts	C	R	-	-	-
	1.2.3. Equity Markets	Understand the dual role of equity markets as being a source of capital for companies and providing investment opportunities for investors	C	C	R	-	-
		Know the main participants of equity markets and recall the properties of equities as an asset class	R	R	-	-	-
	1.2.4. Derivatives Markets	Understand the role of derivatives markets in risk and investment management	C	-	-	-	-
		Recall the basic derivatives instruments and the functions they perform	R	-	-	-	-
		Know the main participants in derivatives markets and distinguish between derivatives and other financial assets	R	-	-	-	-
	1.3. Insurance Market	1.3.1. Insurance Types	Distinguish between insurance of sums and insurance of losses; describe what types of risks can be insured and the types of risks that cannot be insured	-	-	C	C
Differentiate between life and non-life insurance covers and products			-	-	C	C	C
Know the concept of ancillary risk			-	-	R	R	R
Understand advantages and disadvantages of direct investments and investing into insurance based investment product			C	-	C	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level					
			IA	IIP	IIA	LIA	NLIA	
		Understand different types of annuities and their features	-	-	C	R	-	
		Understand what factors and how influence annuity price	-	-	C	-	-	
	1.3.2. Social Security	Know the main principles of state-run social security system	-	-	R	R	R	
		Recall the main types of social guarantees, such as the disability, health and occupational guarantee	-	-	R	R	R	
		Recall the responsible institutions or parties providing the disability, health and occupational guarantees	-	-	R	R	R	
		Know, in which circumstances which social guarantees are available, and what are the benefits therefrom	-	-	R	R	R	
	1.3.3. Insurance Market Participants	Describe the insurance market and the main groups involved: policy holders, intermediaries, insurers (locally registered and cross-border services providers), reinsurers	-	-	R	R	R	
		Understand relationships between policy holders, intermediaries and insurance companies and different distribution channels	-	-	C	C	C	
		Understand the main features of intermediaries in insurance market and distinguish clearly between brokers (representative of customers) and agents (representatives of insurance companies)	-	-	C	C	C	
		Understand the main functions and responsibilities of underwriters and claims staff	-	-	-	-	R	
		Know the role of Financial Supervisory Authority in the authorisation, supervision and regulation of insurers and intermediaries	-	-	R	R	R	
		Explain why some lines of insurance are compulsory (like MTPL)	-	-	-	-	C	
		Know what biometric risks are and what covers are offered in the market	-	-	R	R	-	
		Know of the role of the Insurance protection fund as the guarantee for the insured - natural persons (<i>for Latvian tests only</i>)	-	-	R	R	R	
		1.4. Financial Basics	1.4.1. Interest Concepts	Understand the concepts of simple interest, compound interest, nominal interest, inflation-linked interest, and understand in which situations each measurement can be used	A	C	A	A
	1.4.2. Time Value of Money		Understand the concepts of present value, future value and terminal value	A	C	C	C	-
	1.4.3. Company Financial Information		Understand the main aspects of finance of insurance companies: such as written and earned premiums, claims paid and technical provisions	-	-	C	C	C

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
1.5. Risk and Return	1.5.1. Types of Risks	Know the different types of risks, such as market risk, price/rate risk, interest rate risk, reinvestment risk, currency risk, credit risk, liquidity risk, operational risk, tax risk; understand, in general terms, how these different types of risks can affect the client’s investments	R	R	R	-	-
	1.5.2. The Components of Returns	Understand the concepts of cash returns, percentage returns, average returns, variability of return and how they are calculated	C	R	R	R	R

2. Ethics and Regulation

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
2.1. Code of Ethics	2.1.1. BFAA Code of Ethics	Understand the importance of ethics in protecting the integrity of financial markets and preserving trust in the investment profession and the financial services industry. Distinguish between ethical conduct as outlined in the BFAA Code of Ethics and legally acceptable conduct as permitted by laws and regulations	C	C	C	C	C
	2.1.2. Application of BFAA Code of Ethics	Identify positive and negative indicators of ethical behaviour in non-complex scenarios	A	A	A	A	A
2.2. Regulation of Investments	2.2.1. Principles of Regulation on The European Level	Understand the concept and principles of bribery and corruption and the code of business conduct	C	C	-	-	-
		Understand what is market abuse and how it is defined	C	C	-	-	-
		Understand the importance of the ‘know your customer’ principle and the obligation of the service provider not to provide services without that information	A	A	-	-	-
		Understand what is inside information and what is the consequence of non-authorised usage of inside information	C	C	-	-	-
		Understand what market manipulation is, how it is possible to detect it and the obligation to report	A	A	-	-	-
	2.2.2. Anti-Money Laundering Law	Understand the key stages of money laundering	C	C	-	-	-
		Understand what terrorism financing is	C	C	-	-	-
		Understand the obligation to report any suspicious transactions and the obligation not to inform the customer	A	A	-	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	2.2.3. Obligations of The Investment Services Provider	Understand what possible conflicts of interests within an investment company in relation to different investment services are; know about how inducements, remuneration and incentive structures are potential conflict of interest situations	C	C	-	-	-
		Know what best execution (most favourable execution for the client) means	R	R	-	-	-
		Understand about the documentation (pre-trade) and reporting (regular and transaction reporting) obligations towards the investor	C	C	-	-	-
		Know the service provider's obligation regarding safekeeping clients' assets (money and securities)	R	R	-	-	-
		Understand the obligation of the service provider to assess the knowledge and experience of the client (appropriateness and suitability assessment)	A	C	-	-	-
		Know the service provider's obligation to categorise its clients before providing investment services (non-professional client, professional client, eligible counterparty)	R	R	-	-	-
		Know the role of the Guarantee Fund, what assets are covered and not covered by the fund, and what are thresholds	R	R	-	-	-
		Know the service provider's obligation to deal with client complaints (to refer clients to settlement institutions if not solved by the service provider)	R	R	-	-	-
	2.2.4. The Number and Importance of Supervisory Bodies	Know the role of local supervisory authorities	R	R	-	-	-
2.3. Regulation of Insurance	2.3.1. Assessing of Insurance Customer Needs	Describe the principle of insurable interest and explain when the insurable interest needs to exist	-	-	C	C	C
		Describe the procedures relating to quotations, proposal forms, policies, certificates and their significance	-	-	A	A	A
		Explain the relevance of premiums payment for a valid cover and consequences of non-payment	-	-	A	A	A
		Comprehend that the obligation of assessing the client's demands and needs prior the conclusion of the contract entails obtaining information from the client on his demands, needs and purposes for choosing the particular insurance product	-	-	A	A	A
		Comprehend that the obligation to provide an advice entails providing the client with personalised recommendation explaining why the particular insurance product would best meet the client's demands and needs	-	-	A	A	A

Chapter	Measurement Point	Knowledge Item	Cognitive level				
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		Differentiate between the provision of an advice (personalised recommendation) and an advice on the basis of fair and personal analysis	-	-	A	A	-
	2.3.2. Conflicts of Interest	Explain what “conflicts of interest” means	-	-	C	C	C
		Understand the situations where conflicts of interest typically arise	-	-	C	C	C
		Know and explain the information about "conflicts of interest" to be provided before signing the insurance contract	-	-	A	A	A
		Know the manner in which to communicate the information on conflicts of interest	-	-	A	A	A
	2.3.3. Data Protection Law	Understand the key principles of personal data processing (such as confidentiality, proportionality)	-	-	C	C	C
		Distinguish between data processing for different purposes (contract, marketing, statutory)	-	-	C	C	C
		Explain to the client his rights as data subject and how the personal data will be processed	-	-	A	R	R
		Know about the applicable sanctions and powers of the enforcement authority in cases of violation of data protection rules	-	-	R	R	R
	2.3.4. Consumer Protection Law	Comprehend the general conditions of contracting with consumers; for instance that the conditions of the contracts must be fair: clear and discussed in advance	-	-	C	C	C
		Understand the main unfair terms of the agreements defined by the legal acts	-	-	C	C	C
		Recall the main definitions of consumer protection law, such as the “consumer” and “distance contract”	-	-	C	C	C
		Be aware of the specific rules applicable to distance insurance contracts; for instance: the minimum information to be provided prior to the conclusion of such contract and the consumer’s right of withdrawal	-	-	R	R	R
		Be aware of powers of the consumer rights protection authority in cases of consumers rights violation	-	-	R	R	R
	2.3.5. Claims Handling	Describe requirements of a valid claim	-	-	R	R	R
		Explain why a claim may be invalid or only partially met	-	-	R	R	R
		Describe the insurer’s duties after a claim and know when the insurer is obliged to take decision concerning payment of the insurance indemnity and when the insurer is obliged to make payment of the insurance indemnity	-	-	R	R	C

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
		Explain the ways in which a claim can be settled - repair, replacement, reinstatement, cash payment	-	-	-	-	R
		Describe documentary evidence needed in relation to claims	-	-	R	R	R
	2.3.6. Complaint Handling	Know the need for effective complaints-handling procedures	-	-	R	R	R
		Describe the mechanisms for dispute resolution available for insureds and insurers and the role of each instance of dispute resolution	-	-	R	R	R
	2.3.7. Anti-Money Laundering Law	Know the concepts of 'proceeds derived from criminal activity', 'financing of terrorism', 'politically exposed person' and 'ultimate beneficiary'	-	-	R	R	-
		Comprehend the purpose of AML rules and the sanctions imposed for the breach of these rules	-	-	C	C	-
		Recall the rules on client identification and the rules of client due diligence, and understand whether simplified or full client due diligence is necessary	-	-	A	A	-
		Recall the criteria of suspicious and unusual transactions and understand when to report such transactions, and when to refrain from carrying out such transactions	-	-	C	C	-
		Be aware of the prohibition of informing the client that client's transaction has been notified to the authorities as unusual or suspicious	-	-	R	R	-

3. Investment Services

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
3.1. Investment Advice	3.1.1. Provision of Investment Advice	Understand the content of the service: provision of investment advice (i.e. personal recommendation); and how the suitability of the client is assessed	A	C	-	-	-
		Understand investment objectives, constraints, liquidity; explain the relationship between investment horizon and investment risk; explain the selection of a suitable investment strategy	A	C	-	-	-
	3.1.2. Behavioural Finance	Know the basics of behavioural finance	R	-	-	-	-
	3.1.3. Limits of Predictive Forecasting	Be able to advise on the difference between past performance and future results; explain the limited predictive power of financial forecasts	A	A	C	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
3.2. Portfolio Management	3.2.1. Content of Portfolio Management Service	Understand the content of portfolio management service (to individuals and to institutions) and if investment advice is related, then suitability assessment obligations	C	C	-	-	-
		Understand the portfolio perspective and steps in the basic portfolio management process: identifying objectives and constraints, drafting an investment policy statement, forming capital market expectations, evaluating strategic asset allocation, monitoring and rebalancing	A	-	-	-	-
	3.2.2. Portfolio Formation Theory and Portfolio Efficiency	Understand the concepts of efficient portfolios, the measures of risk (variance and standard deviation), measures of return (realized, expected, annualized), beta value and CAPM	C	-	-	-	-
	3.2.3. Portfolio Construction	Understand the concept and the difference of active versus passive management (indexing)	A	-	C	-	-
		Define the portfolio of two different types of assets. Understand the concepts of diversification for reducing portfolio risk, portfolio covariance and correlation	C	-	C	-	-
		Be able to compare differently composed investment portfolios from risk and return perspective	-	-	A	-	-
	3.2.4. Evaluation of Performance	Understand and explain risk and return metrics of investment portfolios (including investment and pension funds): Sharpe ratio, SRRI, standard deviation, alpha, beta, tracking error, information ratio, absolute and annualised returns. Understand the impact of Short or Long-term Investment Returns	A	-	C	-	-
		Be able to do a comparison of investment results versus benchmarks or versus peers	A	R	R	-	-
3.3. Other Investment Services	3.3.1. Reception and Transmission of Orders Related to Securities	Understand the content of the service: reception and transmission of orders related to securities, understand what kind of different venues are used and the obligation of the service provider to assess appropriateness	C	C	-	-	-
	3.3.2. Execution of Orders	Understand what is the content of the service: execution of orders; understand the obligation of the service provider to assess appropriateness (complex and non-complex instruments)	C	C	-	-	-
	3.3.3. Dealing in Securities on Own Account	Know the content of the service: dealing in securities on own account	R	R	-	-	-
	3.3.4. Underwriting Financial Instruments	Know the content of the service: underwriting of financial instruments	R	R	-	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	3.3.5. Placing Financial Instruments Without a Firm Commitment Basis	Know the content of the service: placing financial instruments without a firm commitment basis	R	R	-	-	-
	3.3.6. Operation of an MTF	Know the content of the service: operation of an MTF	R	R	-	-	-
	3.3.7. Operation of an OTF	Know the content of the service: operation of an OTF	R	R	-	-	-
3.4. Ancillary Investment Services	3.4.1. Safekeeping and Administration of Securities	Know the content of the service: custody and depository services, securities accounts, investment account, central depository regime	R	R	-	-	-
	3.4.2. Granting Credit or a Loan to an Investor	Know the content of the service: granting credit or a loan to an investor (backed by portfolio)	R	R	-	-	-
	3.4.3. Investment Research and Financial Analysis or Other Forms of General Recommendation	Know the content of the service: investment research and financial analysis or other forms of general recommendation (buy, sell, hold)	R	R	-	-	-
	3.4.4. Advice to Undertakings on Capital Structure, Industrial Strategy and Related Matters	Know the content of the service: advice to undertakings on capital structure, industrial strategy and related matters	R	R	-	-	-
	3.4.5. Foreign Exchange Services Where These Are Connected to The Provision of Investment Services	Know the content of the service: foreign exchange services where these are connected to the provision of investment services	R	R	-	-	-

4. Non-collective Financial Instruments

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
4.1. Deposits	4.1.1. Characteristics of Deposits	Know main characteristics of deposits (consumer protection scheme, usual terms, interest calculation methods)	-	-	R	-	-
	4.1.2. Structured Deposits	Remember the main characteristics of a structured deposit (level of principal protection, maturity, link between the underlying return and the return of the deposit), the risk involved in the structured deposit (price risk, liquidity risk, counterparty risk)	R	R	R	-	-
4.2. Bonds	4.2.1. Characteristics of Bonds	Remember the definition of the main characteristics of a bond (coupon, redemption, nominal value, subordination)	R	R	R	-	-
	4.2.2. Types of Bonds	Know the definition and characteristics of different bonds: issuer (Government, corporate), level of security (unsecured, subordinate), redemption provisions. Understand the impact on the risk of the bond	R	R	R	-	-
	4.2.3. Credit Ratings	Know the role of credit ratings and the meaning of different credit ratings (Moody's, Standard & Poor's, Fitch Ratings)	R	R	R	-	-
	4.2.4. Advantages and Disadvantages of Investing in Bonds	Understand the return and risk characteristics of investing in bonds.	C	R	C	-	-
4.3. Equity	4.3.1. Types of Equity Securities	Understand types, key characteristics, and benefits of holding: ordinary (common) and preferred shares, ADRs, GDRs	C	C	-	-	-
	4.3.2. Sources of Returns for Equity Investments	Understand the sources of returns for equity investments: change in valuation, dividend income	C	C	C	-	-
	4.3.3. Trading and Settlement in Equity Markets	Understand the key features of trading in equity (stock) market: 1) difference between primary market and secondary market; 2) types of orders; 3) settlement conventions; 4) the concept of DVP.	A	A	-	-	-
	4.3.4. Risks in Equity Markets	Understand the concepts of market risk, counterparty/settlement risk, company-specific risk, industry risk, macroeconomic risk, regulatory risk, systemic risk, reputational risk	C	R	C	-	-
	4.3.5. Types and Uses of Equity Indices	Know key characteristics, similarities and differences between various types of indices: price return and total return indices; price-weighted, market cap-weighted and equal-weighted indices. Understand the use of ethical indices	R	R	R	-	-
	4.3.6. Corporate Actions	Understand corporate actions: dividends, mergers and acquisitions, AGMs and voting, stock splits, reverse stock splits, rights offers	C	R	-	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	4.3.7. Basic Metrics and Principles of Equity Valuation	Understand and be able to apply basic metrics of equity valuation: price/earnings, price/book, EPS, EBITDA, dividend yield	A	R	-	-	-
4.4. Derivatives	4.4.1. Forwards	Understand the following about forward contracts: key features, risks, terminology, main users; and use in currency and other financial instrument trading	C	-	-	-	-
	4.4.2. Futures	Understand the following about future contracts: key features, risks, terminology, general tax implications, costs, main users and use in hedging and speculation	C	-	-	-	-
		Distinguish between futures and forwards in terms of trading, settlement, and main users	R	-	-	-	-
	4.4.3. Options	Understand the following about options: key features, types (call and put), risks, terminology, general tax implications, costs, main users and purpose	C	-	-	-	-
		Distinguish options from forwards, futures and swaps in terms of their features, purpose and main users	R	-	-	-	-
	4.4.4. Swaps	Understand the following about swaps: key features, risks, terminology, main users and use in interest rate risk management	C	-	-	-	-

5. Collective Financial Instruments

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
5.1. Characteristics of Funds	5.1.1. Benefits of Using Collective Financial Instruments	Understand and explain the benefits of using investment and pension funds: diversification, access to a variety of markets, lower minimum investment size, regulatory supervision, standardised legal structure	A	C	C	-	-
	5.1.2. Fees and Costs of Funds	Know the costs and fees related to investment and pension funds: transactions costs, custody fees, fund management fees (fixed and performance fees), subscription and redemption fees, Total expense ratio	A	A	C	-	-
5.2. Investment Funds	5.2.1. Types of Funds by Asset Class	Understand and explain the key features of money market, fixed income, equity, commodity funds	A	C	C	-	-
	5.2.2. Alternative Investment Funds	Understand and explain key features of hedge funds, private equity funds, real estate funds – their legal framework, liquidity constraints, frequency of valuation, limitations on trading in fund units	C	-	R	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	5.2.3. Legal Structure of Investment Funds	Know and explain key features of various fund legal structures: open-ended funds, closed-ended funds, UCITS, SICAV, SIF, AIF	A	-	-	-	-
	5.2.4. Types of Funds' Share Classes	Understand the differences between accumulating and distributing share classes, retail and institutional share classes	C	C	-	-	-
	5.2.5. Tax treatment for Investment funds	Understand and explain taxes on dividends, interest rates and on capital gains	A	A	-	-	-
	5.2.6. Trading of Fund Units	Know and explain the process of trading fund units: service providers, order placement, pricing (NAV), confirmation, settlement cycle, trading deadlines	A	A	R	-	-
5.3. Pension System	5.3.1. Pension System Setup, Long-Term Purpose and Participants' Needs	Understand the concept of pension pillars (Defined contributions, Pay-as-you-go vs Funded). Understand how the Pillar 2&3 system function	C	-	C	C	-
		Understand the long-term value of participation in a pension system and sources of income at retirement	C	-	C	C	-
		Understand the socioeconomic and demographic factors (e.g. ageing, birth rate, emigration), which influence a pension system (and how)	C	-	C	C	-
	5.3.2. The 1 st Pension Pillar	Understand how the state pension system is structured, how it is financed	C	-	R	R	-
		Understand the general rules how a retirement pension is calculated, and which factors influence the size of the retirement pension	C	-	C	C	-
		Understand how retirement pension from the 1st Pension Pillar is influenced due to participation in the 2nd Pension Pillar	A	-	R	-	-
	5.3.3. The 2 nd Pension Pillar	Explain contribution levels into the 2nd Pension Pillar	A	-	-	-	-
		Understand the differences between available pension funds in the market (pension fund groups, investment strategy and investment risk levels) including pension fund selection and switching principles (life-cycle approach)	C	-	-	-	-
		Understand the pay-out principles (Lump sum pay-outs, Periodical pay-outs, Annuities) and key requirements (conditions), when it is mandatory to acquire (apply) one of it	C	-	-	-	-
		Be able to evaluate clients' needs for the 3rd Pension Pillar	A	-	-	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	5.3.4. The 3 rd Pension Pillar	Understand the differences between 3rd Pension Pillar products in the market and compare them: a) 3rd Pension Pillar funds (investment strategies, investment risk levels) including pension fund selection and switching principles (life-cycle approach); b) Unit-linked insurance for pension accumulation; c) Describe a 3rd Pension Pillar contract (3rd Pillar Pension Fund and Unit-linked insurance for pension accumulation) fees and compare it with the competitors.	A	-	-	-	-
		Understand tax implications: a) Tax benefits during the accumulation phase (premiums paid); b) Tax withdrawals in case of partial withdrawals, termination or end of contract.	A	-	-	-	-
	5.3.5. Cross-Border Opportunities	Understand the possibilities of moving pension savings from one country to another	R	-	-	-	-

6. Insurance Products

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
6.1. Non-Life Insurance	6.1.1. Insurance Products	Describe the basic features and outline of a typical policy cover required by private individuals for: payment protection insurance	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for motor third party liability insurance	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for: motor own damage insurance	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for: home insurance (buildings and content)	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for: travel insurance	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for: personal accident	-	-	-	-	C
		Describe the basic features and outline of a typical policy cover required by private individuals for: health insurance	-	-	-	-	C
		Explain various types of customers in the insurance sector including their needs and demands	-	-	-	-	C

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	6.1.2. Assessing of Non-Life Insurance Customer Needs	Understand and explain the need for insurance and main risks the client is facing (depending on client life cycle and personal circumstances)	-	-	-	-	C
		Explain to the client the impact on his interests of deductibles, under-insurance and over-insurance, if such are prescribed in the insurance contract	-	-	-	-	C
		Know, when the provision of the Product Information Document is required and know the mandatory contents and the form of the document	-	-	-	-	R
	6.1.3. Insurance Contract Law	Explain how the policy can and must be adapted or terminated if something changes (identity information, insurable interest, increase/decrease of risk)	-	-	-	-	C
		Know the main rules governing insurance contracts and the main rights and obligations arising from insurance contracts for the involved parties	-	-	-	-	R
		Know the most significant definitions used in insurance contracts, such as the “policy holder”, “insured person” and “insured interest”	-	-	-	-	C
		Recall, which details are mandatory to be included in the contract (such as the insured risk, the insured object, insurance amount)	-	-	-	-	R
		Be aware of the client’s obligation of informing the insurer on all the aspects relevant for the conclusion of the insurance contract	-	-	-	-	C
		Comprehend the principles of the insurance contract coming into force, including the specifics applicable for distance contracts	-	-	-	-	C
		Comprehend the rules of termination of an insurance contract	-	-	-	-	C
		Be aware of the consequences if the client deceives the insurer or otherwise acts in bad faith in relation to the insurance contract	-	-	-	-	C
		Know and be able to clarify the general information to be provided before conclusion of the insurance contract	-	-	-	-	A
	6.1.4. Tax Law	Know the basics of income tax treatment on insurance indemnity	-	-	-	-	R
		Comprehend the tax treatment of the non-life insurance products, such as health or accident, purchased by individuals or businesses	-	-	-	-	C
		Know the basics of personal income tax treatment on premium payments for health or accident insurance	-	-	-	-	R
		Know the basics of VAT treatment on non-life insurance products and insurance intermediation services	-	-	-	-	R
		Be aware of the different VAT treatment with respect to the payment of indemnity for motor insurance to a VAT payer in case of payment of cash compensation or payment of repair services	-	-	-	-	R

Chapter	Measurement Point	Knowledge Item	Cognitive level					
			IA	IIP	IIA	LIA	NLIA	
	6.1.5. Claims Handling	Explain consequences of fraudulent claims and situations when the occurrence of insurance risk has been caused by the bad faith of a policyholder, insured person or a third party	-	-	-	-	C	
		Know the role of Motor Bureau in relation to claims	-	-	-	-	R	
		Explain the role salvage plays in claims settlement	-	-	-	-	C	
		Describe the means of claims recovery open to insurers	-	-	-	-	C	
6.2. Life Insurance	6.2.1. Life Insurance and Saving Products	Distinguish between insurance-based investment product and other life insurance products	-	-	A	A	-	
		Understand the concept of guaranteed interest rate of saving life insurance policy	-	-	C	R	-	
		Know typical fee structure of traditional life insurance contract with guaranteed interest rate	-	-	C	C	-	
		Know typical fee structure of universal life insurance contract	-	-	C	-	-	
		Know typical fee structure of unit-linked life insurance contract	-	-	C	-	-	
		Understand the purpose of profit participation feature	-	-	C	-	-	
	6.2.2. Guarantees	Know the risks that policy holder is exposed to having different types of life insurance contracts (Traditional, Universal, Unit-linked)	-	-	C	-	-	
		Understand the concept of net premium	-	-	C	C	-	
		Understand the benefits of life insurance products (Protection of surviving dependents, Income protection, Succession planning, Long-term care, Consistent saving)	-	-	C	C	-	
		Distinguish between guaranteed and non-guaranteed benefits	-	-	A	A	-	
	6.2.3. Financial Risks	Distinguish between guaranteed and non-guaranteed insurance premiums	-	-	A	A	-	
		Understand the investment value volatility concept	-	-	A	-	-	
	6.2.4. Assessing of Life Insurance Customer Needs	Understand how policy holder is exposed to financial risk having insurance-based investment contract	-	-	A	-	-	
		Understand that the information on the insurance product to be provided to the client must be objective, in comprehensible form and such as to allow the client to make an informed decision	-	-	A	A	-	
		Comprehend when to assess whether the insurance product is appropriate to the client, by asking the client to provide information on his knowledge and experience in the relevant investment field; and comprehend what to do if the product is not appropriate or the client does not provide this information	-	-	A	-	-	
			Understand, when the provision of the Key Information Document is required and know the mandatory contents and the form of the document	-	-	C	-	-

Chapter	Measurement Point	Knowledge Item	Cognitive level				
			IA	IIP	IIA	LIA	NLIA
	6.2.5. Insurance Contract Law	Understand the main rules governing insurance contracts and the main rights and obligations arising from insurance contracts for the involved parties	-	-	C	C	-
		Understand the most significant definitions used in insurance contracts, such as the “policy holder”, “insured person” and “repurchase amount”	-	-	C	C	-
		Recall, which details are mandatory to be included in the contract (such as the insured risk, the insured object, insurance amount)	-	-	R	R	-
		Be aware of the client’s obligation of informing the insurer on all the aspects relevant for the conclusion of the insurance contract	-	-	C	C	-
		Be aware of the consequences if the client deceives the insurer or otherwise acts in bad faith in relation to the insurance contract	-	-	C	C	-
		Understand the principles of the insurance contract coming into force, including the specifics applicable for distance contracts	-	-	C	C	-
		Understand the rules of termination of an insurance contract	-	-	C	C	-
		Be able to clarify the general information to be provided before conclusion of the insurance contract	-	-	A	A	-
	6.2.6. Conflicts of Interest in Life Insurance	Know when the general nature of sources of the conflicts of interest should be disclosed to the customer	-	-	R	R	-
		Have general knowledge on the policy of conflicts of interest	-	-	R	R	-
	6.2.7. Tax Law	Know the basics of income tax treatment on insurance indemnity	-	-	R	R	-
		Differentiate between the tax treatment of the life insurance products purchased by individuals or businesses	-	-	C	C	-
		Understand the basics of personal income tax treatment on premium payments for life insurance with savings	-	-	C	C	-
		Know the basics of VAT treatment on life insurance products and insurance intermediation services	-	-	R	R	-
		Know, in which cases capital gains are subject to personal income tax	-	-	R	-	-

