Module Title: Financial Regulation and Ethics  
Level: Four  
Time Allowed: Two hours plus 15 minutes reading time. Students must not commence answering the questions until the reading time has ended.

Instructions to students:

- Enter your student number not your name on all answer books.
- During the 15 minutes reading time, students are permitted to make notes on the examination paper but not on the answer book. Students should begin answering the questions after the reading time has ended.
- Answer all questions in Section A and one question in Section B.

Instructions for Section A:

- Answer all the questions by circling your chosen answer on the exam paper.

Instructions for Section B:

- Enter your student number not your name on all answer books.
- Answer each question in a separate answer book; label each answer book clearly with the number of the question you are answering.
- Students are not permitted to remove this examination paper from the examination room. For all purposes the examination paper remains the property of The University of Northampton.
- Insert your student number in the space below:

- **Student Number**.................................

<table>
<thead>
<tr>
<th>No. of Pages</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Questions</td>
<td>53</td>
</tr>
</tbody>
</table>
Section A

Answer all questions by circling your chosen answer on the examination paper.

1. Select the statement below which most appropriately describes the style of regulation introduced by the Financial Services and Markets Act 2000.
   a. Self-regulation within a statutory framework
   b. Reactive enforcement of consumer protection provisions
   c. Regulation by industry-leg voluntary codes
   d. Statutory regulation

2. Which of the following best describes the operation of monetary policy?
   a. Taking measures to achieve the goal of full employment
   b. Setting tax rates and levels of welfare benefits
   c. Managing public borrowing and public spending
   d. Adjusting interest rates in line with an inflation target

3. The control of interest rates as a means of managing the economy is a key element of:
   a. Fiscal policy
   b. Monetary policy
   c. Industrial policy
   d. Keynesian policy

4. Which of the following is part of the role of the Bank of England?
   a. Regulation of the UK insurance sector
   b. Supervision of recognised clearing houses
   c. Appointing the Chairman of the Financial Conduct Authority
   d. Setting appropriate inflation targets for the UK

5. The most important target of the Monetary Policy Committee of the Bank of England in setting interest rates is the:
   a. rate of money supply growth
   b. rate of consumer price inflation
   c. pound/euro exchange rate
   d. pound/US dollar exchange rate

6. What is or are the typical methods by which a public company raises long term capital?
   a. Shares only
   b. Debentures only
   c. Bonds only
   d. Shares and bonds
7. The main requirement to assess whether a client can afford payments on a mortgage loan product rests with the:
   a. client  
   b. intermediary  
   c. lender  
   d. regulator

8. A bank account can be described as paying a positive real rate of return when it pays interest that is:
   a. above 0%  
   b. in excess of charges levied  
   c. in excess of the rate of inflation  
   d. higher than in the previous year

9. ‘Means tested’ benefits are benefits which are:
   a. assessed on the basis of a person’s income or capital  
   b. assessed on the basis of a person’s National Insurance record  
   c. payable only to non-tax payers  
   d. payable only while the recipient is unemployed and seeking a job

10. In retirement, someone is most likely to have as their main financial priority:
    a. maintaining standard of living  
    b. reduced tax liabilities  
    c. increasing savings  
    d. income protection

11. The quoted ‘Annual Percentage Rate’ (APR) of a mortgage takes into account:
    a. interest charged  
    b. interest, deposit and costs  
    c. interest, costs and fees  
    d. interest charged and capital repaid

12. Which of the following is not an advantage of an ISA mortgage?
    a. Tax relief on contributions  
    b. Tax-free payout  
    c. Possibility of benefiting from stock market growth  
    d. Dividends free of capital gains tax
13. Brenda is deemed not to have capacity to contract. This could be because:

a. she is under 18 years old
b. she has just given power of attorney to someone else
c. she is over 75 years old
d. she is acting as a trustee

14. In life assurance, what will normally be the part of the contract which constitutes the ‘offer’?

a. An insurer’s acknowledgement of receipt of a proposal form
b. An advertisement in an insurer’s shop window
c. A postal offer of life assurance with a free gift
d. A completed proposal form

15. If a client knowingly furnishes incorrect information on an insurance policy application, which legal requirement has been breached?

a. Mens rea
b. Caveat emptor
c. Uberrimae fidei
d. Agency

16. If one of two joint tenants dies, the property will automatically:

a. belong to the estate of the deceased
b. be inherited by any children
c. be held in trust until the death of the survivor
d. belong to the survivor

17. Once a bankruptcy order is in place, which of the following items may a bankrupt not retain possession of?

a. The tools of his trade
b. His furniture
c. His car, used for domestic purposes
d. His clothing

18. How was the duty of care expected of trustees described in Speight v Gaunt (1883)?

a. That of a competent administrator looking after another person’s affairs
b. That of a cautious administrator looking after another person’s affairs
c. That of a successful businessman acting on his own behalf
d. That of a prudent businessman acting on his own behalf
19. Which one of the following statements concerning the Regulatory Decisions Committee is correct?

   a. All members of the committee are FCA employees
   b. It is separate from the management of the FCA
   c. It is funded by the government
   d. It is a statutory body

20. Who has responsibility for the corporate governance of a regulated firm?

   a. The regulatory authority
   b. The shareholders of the firm
   c. The board and senior management of the firm
   d. The compliance function in the firm

21. Which of the following is the best definition of passporting?

   a. An authorised EEA firm passporting its authorisation into a Member State
   b. An EU firm passporting its authorisation into a Member State
   c. A FATF firm passporting its authorisation into a Member State
   d. An EEA firm opening a subsidiary in a Member State, having notified the regulator

22. MiFID applies to investment activities in relation to all of the following financial instruments except:

   a. commodity derivatives
   b. freight rate derivatives
   c. currencies
   d. money market instruments

23. Payment systems are regulated by the:

   a. Financial Conduct Authority
   b. Bank of England
   c. Payment Systems Regulator
   d. Competition and Markets Authority

24. The Consumer Credit Register is operated by the:

   a. Financial Conduct Authority
   b. Office of Fair Trading
   c. Information Commissioner’s Office
   d. Competition and Markets Authority
25. The European Market Infrastructure Regulation (EMIR) comprises a set of standards for all of the following, except:

a. trade repositories  
b. central counterparties  
c. equities settlement systems  
d. over-the-counter derivatives

26. Which of the following actions is the regulator not generally empowered to take?

a. Enter a firm’s premises without notice  
b. Interview any director, partner or employee of the firm, whether they are an approved person or not  
c. Remove documents from a firm’s business premises  
d. Monitor any firm on a periodic basis

27. What is the maximum fine which the Financial Conduct Authority can levy?

a. £100,000  
b. £500,000  
c. £1,000,000  
d. Unlimited

28. What is the maximum penalty in a Magistrates’ Court for conducting unauthorised investment business?

a. Six months’ imprisonment or a fine of £5,000  
b. Six months’ imprisonment and a fine of £5,000  
c. Six months’ imprisonment or an unlimited fine  
d. Six months’ imprisonment and an unlimited fine

29. A disqualification notice preventing an individual from working for an investment business is issued by:

a. The Financial Conduct Authority  
b. HM Treasury  
c. The Department for Business, Innovation and Skills  
d. The National Crime Agency

30. Which of the following notices allow a firm or approved person to appeal to the Upper Tribunal?

a. Warning notice only  
b. Decision notice and supervisory notice only  
c. Decision notice and final notice only  
d. Decision notice only
31. What is the best description of market abuse?
   a. A civil offence
   b. A criminal offence
   c. A criminal offence with a civil standard of proof
   d. A breach of contract

32. The FCA has the power to prosecute through the criminal courts, for a number of offences, except:
   a. misleading the regulator
   b. insider dealing
   c. market abuse
   d. breaches of money laundering regulations

33. Which of the following are specified investments?
   a. Warrants, building society deposit accounts
   b. Warrants, building society deposit accounts, commercial property
   c. Residential property, building society deposit accounts, commercial property
   d. Residential property, commercial property

34. If an adviser carries out unauthorised regulated activities, what are the civil consequences?
   a. The contract is void
   b. The contract is void from the date of prosecution of the advisor
   c. The contract is voidable at the discretion of a court
   d. The contract is voidable at the option of the client

35. Which of the following is not a specified investment under FSMA 2000?
   a. Income protection insurance policy (unit linked)
   b. National savings & investments premium bonds
   c. Convertible term policy
   d. Low cost endowment policy

36. Which of the following are not exempt from regulatory authorisation?
   a. Local government authorities
   b. Self-employed appointed representatives
   c. National savings & investments
   d. Firms of chartered accountants recommending the purchase of specific investments
37. Which of the following would not be a disciplinary offence for an approved person?

a. Reporting their firm to the regulator for a breach of a rule
b. A failure to comply with a requirement of a personal account notice
c. Provision of false information to the regulator
d. A failure to comply with the Proceeds of Crime Act 2002

38. Who has the statutory responsibility to a client when advice is given or a product is sold?

a. The financial adviser
b. The Compliance Officer
c. The Sales Director
d. The Financial Conduct Authority

39. The Financial Services Compensation Scheme is funded by:

a. a compulsory levy on authorised firms
b. voluntary subscriptions by financial services firms
c. the Government
d. a charge levied on clients’ policies or accounts

40. Which of the following would be classified as undertaking designated investment business?

a. A trustee of a charitable trust
b. The operator of an employee share scheme
c. A family member overseeing the state of a deceased person
d. The operator of a stakeholder pension scheme

41. Diversification is a method used in investment. It has the objective of:

a. increasing return
b. avoiding inflation
c. reducing risk
d. saving transaction costs

42. Which of the following rules will apply to the firm’s relationship with eligible counterparties:

a. client agreements
b. appropriateness
c. best execution
d. client categorisation
43. Which need not be included in a direct offer financial promotion?
   a. List of execution venues  
   b. Nature of services provided  
   c. Charges and remuneration  
   d. Arrangements for holding client assets

44. The firm is not required to assess appropriateness when executing client orders in:
   a. units in a collective investment scheme  
   b. derivatives  
   c. warrants  
   d. unlisted shares

45. Which of the following financial promotions can be approved by an authorised firm?
   a. Web cam conference  
   b. Newspaper advertisement  
   c. Phone call  
   d. Email correspondence

46. Which of the following is not one of the Principles of Businesses?
   a. Clients’ assets  
   b. Integrity  
   c. Polarisation  
   d. Financial prudence

47. To whom do the Principles of Business apply?
   a. All authorised firms only  
   b. All member firms of Designated Professional Bodies only  
   c. All Recognised Investment Exchange member firms only  
   d. All customers receiving retail financial advice only

48. Which of the following is not explicitly mentioned in the regulators’ eleven Principles for Business:
   a. skill, care and diligence  
   b. relations with regulators  
   c. unreasonable charging  
   d. conflicts of interest
49. Which of the following would not describe one of someone’s duties as an agent?

   a. Exercising skill and care
   b. Delegating responsibilities
   c. Acting in good faith
   d. Obeying instructions

50. How is the role of ethics in an organisational context most accurately described?

   a. Compliance with regulatory requirements
   b. Moral principles to guide behaviour
   c. Avoidance of loss of reputation
   d. Asserting human rights in the workplace
Section B

Answer one out of three questions.

Question 51

A fundamental tenant of the FCA’s approach to regulation is that authorised firms should treat their customer’s fairly. Discuss. (25 marks)

Question 52

When giving advice, an advisor is obligated to cater his advice to their customer’s needs. Discuss. (25 marks)

Question 53

Describe a financial firm’s Money Laundering obligations. (25 marks)