

swedsec

# Advisers

PROFICIENCY REQUIREMENTS LICENSING EXAMINATION

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# Introduction

## Background

Swedsec's purpose is to create a high level of proficiency and regulatory compliance among employees on the securities market by demanding licensing, as well as compliance as a condition for continued licensing. Swedsec's vision is to maintain a high level of confidence in the securities market. A prerequisite for such confidence is that personnel working on the securities market possess adequate knowledge and skills to carry out their duties. The licensing requirement covers various categories of employees with various work duties and roles at companies affiliated to Swedsec.

## Target group

Proficiency requirements as regards the licensing examination for advisers have primarily been determined based on the knowledge which should be demanded of professional categories engaged in the provision of investment advice and insurance mediation to private individuals and companies regarding life insurance with a savings element. More information about the target group is available in Swedsec's Rules and Regulations, Chapter 3, section 1, category B.

The proficiency requirements constitute a basic level of knowledge which must be possessed by licence holders in the target group, irrespective of work duties and roles. An employee's function and role may result in the employee requiring more detailed and/or additional knowledge, over and above that 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 sections (subject areas), subsections, and checkpoints. A checkpoint specifies what the licence holder is expected to master within a given relatively small field of knowledge. Every single item in the licensing examination is directly linked to a checkpoint in this document.

The proficiency requirements are intended to function as a support when developing relevant syllabuses and also to serve as a basis when setting examination questions. In addition, they are designed to give an overview of what is expected of a licence holder. It is the task of each professional training provider to interpret the proficiency requirements and develop a relevant and instructive course based on such interpretation.

## Changes to proficiency requirements

The applicable proficiency requirements are available on [www.Swedsec.se](http://www.Swedsec.se). A review is conducted annually and as required. Changes to proficiency requirements are published on [www.swedsec.se](http://www.swedsec.se) after a decision has been taken. It is the responsibility of each individual professional training provider to stay abreast of the most recent version.

## Structure of the proficiency requirements

The sections included in the licensing examination for advisers are:

1. Products and the handling of client transactions
2. Economics and finances
3. Ethics and rules and regulations

#### 4. Pensions and insurance

The section 'Ethics and rules and regulations' covers knowledge of the rules applicable to the operations as well as ethical issues such as privacy, maintaining a distance from impermissible activities, and deciding what may be appropriate. In contrast to the area of rules and regulations, the ethics area is not suitable in all respects for a proficiency examination based essentially on questions with multiple-choice answers. Therefore, as a supplement to the examination the annual proficiency update will normally include ethics/practical cases where the licence holder is given the opportunity to discuss and take decisions regarding ethical issues and the dilemma, where there is not always any obvious right or wrong answer.

## Examination structure

The adviser licence examination consists of 110 standard questions. All standard questions have undergone thorough quality control in terms of facts, quality, and language. In addition, all questions have been trialled and analysed using statistical methods. Testing takes place by including ten as yet unapproved questions from each section, the answers to which do not influence the final score. The candidates' answers to these questions will be stored for statistical analysis and, following careful assessment, may thereafter be included in tests as ordinary questions. It is not evident from the test which questions are standard and which are being trialled. The candidate thus answers a total of 120 questions, 110 of which determine the candidate's score. To pass the licensing examination, a candidate must have an overall score of at least 70% correct answers.

## Cognitive levels, weight and size

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

Level	Definition
Recall (R)	A candidate is required to recognise and remember concepts, definitions, and facts.
Comprehend (C)	A candidate is required to understand and be able to explain various connections and contexts.
Apply (A)	A candidate is required to be able to apply, for instance, formulae, rules, statutes, and methods

For each checkpoint, there is a mark defining the cognitive level that the candidate must achieve regarding the knowledge in question. The level is denoted by the initial letter in the name of the level: R, C, or A. The cognitive levels are interrelated and closely connected. If, for instance, a checkpoint refers to the cognitive level Apply, it is thus assumed that if a licence holder is able to apply a certain knowledge, he or she must also understand it, be able to explain it, and recall it. If more than one cognitive level is marked, this means that the checkpoint contains elements on other cognitive levels.

The matrices for each checkpoint state the checkpoint's size and weight. A large checkpoint contains more extensive proficiency requirements, and consequently the licensing examination probably contains more questions on such checkpoints. A checkpoint may be weighted as 1 or 2, where weight 2 indicates the higher weight, which also affects the number of questions in the licensing examination.

# Section 1 – Products and handling of client transactions

Section 1 addresses knowledge regarding various types of saving, financial instruments and asset management from a broad perspective. In practice, this means basic knowledge about most financial instruments, as well as relatively detailed knowledge regarding the most common types of savings for retail clients. The section also includes knowledge regarding trading in, and administration of, clients' financial instruments from a broad perspective.

## The finance market's function and players

### The players and their function on the retail market

The licence holder must understand the functions of banks, fund management companies, insurance companies and investment firms as regards the savings and pensions of retail customers.

Checkpoint	Weight	Size	Cognitive level
The players and their function on the retail market	1	Small	C

## Banking business and bank savings

### Banking business and bank savings

The licence holder must understand the various interest calculation models applied in conjunction with bank savings with respect to the interest day base, i.e. how the time/interest rate period can be calculated, the factors which primarily affect bank interest rates and prime rates, conditions of the banking market, and the risk associated with bank savings. Furthermore, the licence holder must understand basic concepts relating to banking business and bank savings.

### Custody of securities and funds

The licence holder must be familiar with the common types of custody of securities and how they function. In addition, the licence holder must understand which types of securities can be held in which types of custody, the differences between the various types of custody in terms of tax rules, any costs, who is entitled to hold an Investment Savings Account (Sw. Investeringssparkonto, ISK) and the types of securities which it may be appropriate or inappropriate to hold in safekeeping in each type of custody. The types of custody referred to are:

- securities accounts
- Investment Savings Accounts (ISK)
- fund accounts
- custody accounts
- endowment policies

With respect to custody of shares, the licence holder must know what each type of custody entails as regards the right to participate at shareholders' meetings and the way in which an application to attend a shareholders' meeting must be made in practice in the case of holdings on a securities account, Investment Savings Account or custody account.

Checkpoint	Weight	Size	Cognitive level	
Banking business and bank savings	2	Large	C	
Custody of securities and funds	2	Large	R	C

## Fixed income instruments

### Money market instruments

The licence holder must understand the most common types of money market instruments such as treasury bills and various types of fixed rate certificates on offer.

### Bonds

The licence holder must understand what a bond is, the purpose in issuing a bond, and which rights, possibilities and risks are associated with a bond holding. The licence holder must understand which different type of bonds are issued on the Swedish bond market, such as government bonds, housing bonds and corporate bonds.

The licence holder must be familiar with what characterises green, social, and sustainable bonds and how they differ from traditional bonds, as well as why such instruments are issued.

The licence holder must be familiar with what characterises a sustainability-linked bond and how it differs from green, social, and sustainable bonds.

Checkpoint	Weight	Size	Cognitive level	
Money market instruments	2	Small	C	
Bonds	2	Large	C	

## Shares and share-related instruments

### Shares

The licence holder must understand the difference between ordinary shares and preference shares and between Class A and Class B shares.

The licence holder must be familiar with

- subscription rights and convertible instruments;
- the pricing of such instruments;
- and when (from an investor perspective) it is appropriate to exercise such rights attached to the instrument.

The licence holder must understand the way in which a new issue, split, reverse split and share buyback can affect the share capital, number of outstanding shares and the share price.

### New issues and share dividends

The licence holder must be familiar with the general process for new issues of share-related instruments of listed companies and the elements that a shareholder must take into consideration in connection with such new issues. The licence holder must be able to apply the aspects that an investment firm must be able to perform on behalf of clients in connection with such new issues. The licence holder must be familiar with the differences in administrative

procedures depending on whether the shares are directly registered (securities account and investment savings account) or nominee-registered (securities custody account) at EuroClear Sweden or are linked to an endowment policy.

- The licence holder must understand
- who proposes and who decides upon share dividends;
- what is meant by record date, and its importance in connection with dividends; and
- when the dividend is normally paid out.

In addition, the licence holder must know how and when a decision regarding a share dividend affects the share price.

### Public tender offers

The licence holder must be familiar with the way in which an offer procedure is carried out. The licence holder must thereby, among other things, be familiar with the most important information requirements as well as the various deadlines which apply in connection with a public tender offer. The licence holder must also be familiar with what is meant by a squeeze out and when such procedure may be relevant.

### Duty of disclosure to the stock market

The licence holder must know

- that listed companies are obliged to publicly disclose inside information; and
- where companies' published information is available.

The licence holder must be generally familiar with the rules regarding notifications of securities transactions by persons discharging managerial responsibilities to the Swedish Financial Supervisory Authority, the so-called insider list.

Checkpoint	Weight	Size	Cognitive level		
Shares	2	Large	C		
New issues and share dividends	2	Large	R	C	A
Public tender offers	1	Small	R		
Duty of disclosure to the stock market	2	Small	R		

## Structured investments

### Structured investments

The licence holder must understand the structure of the most common structured investments such as capital-protected investments, market investments and also leveraged investments such as warrants, mini futures and leverage certificates. The licence holder must be familiar with the different risks associated with investments, particularly issuer risk and liquidity risk as well as risks such as market risk. The licence holder must generally understand how the structure of the different investments, for example the occurrence of capital protection, barriers, coupons or leverage, affect both possibilities of return as well as risks. The licence holder must also be familiar with the costs that are associated with each product and how these can affect the return. The licence holder must also know that several of the products are classified as complex, and the effects thereof in an advisory situation.

Checkpoint	Weight	Size	Cognitive level	
Structured products	2	Large	R	C

## Funds

### Fund saving

The licence holder must know what a fund is, what distinguishes a fund from individual securities, how funds are structured, and which rights are associated with fund ownership. The licence holder must also know the basic differences in terms of the fund's structure between a UCITS fund and a non-UCITS fund.

### Equity funds

The licence holder must understand the structure and terms and conditions of equity funds, and the risks associated with them. The licence holder must also understand the conditions under which it is appropriate for a client to invest in different types of equities funds, such as global funds, geographically more limited funds (region/country) and sector funds, in terms of risk and potential return. equity funds.

### Exchange-traded funds (ETFs) and tracker funds

The licence holder must understand the structure of exchange traded funds (ETFs) and tracker funds and how they are traded as well as what distinguishes them from actively managed funds.

### Fixed income funds

The licence holder must understand the structure and terms and conditions of various types of fixed income funds available based on credit risk, and understand their structure, terms and the risks associated with them. The licence holder must also understand the conditions under which it is appropriate for a client to invest in fixed income funds.

### Mixed funds and generation funds

The licence holder must understand the structure, terms and risks associated with different types of mixed funds. The licence holder must also understand under which conditions it is appropriate for a client to invest in mixed funds. In addition, the licence holder must understand the structure, terms and risks associated with so-called generation funds, and the conditions under which it is appropriate for a client to invest in generation funds.

### Hedge funds and alternative investment funds

The licence holder must understand other types of funds on the market in terms of their structure, terms and conditions, and risks associated with them. In particular, the licence holder must be familiar with the characteristics of the most common types of hedge funds.

### Fund fees

The licence holder must understand the various fee concepts associated with funds, e.g. annual fee and management fee, and how any performance-based fees are calculated. In addition, the licence holder must understand the way in which the so-called Norman-amount is determined. The licence holder must understand how fees affect return over time, and the fact that returns are always shown minus deducted fees. With respect to UCITS funds, the licence holder must also know what information the fund management company is required to provide as regards the fees charged on each individual client's fund units, and the frequency with which such information must be provided.



## Practical handling of funds and fund trading

The licence holder must understand and be able to explain how a fund's NAV (Net Asset Value), i.e. fund unit value, is calculated. The licence holder must also understand and be able to explain details of a fund's trading information, i.e. what stop times, trading day purchases and sales mean in practice, and when a purchase or sale is seen on the client's account.

## Guidelines regarding fund management companies' sustainability work

The licence holder must be familiar with the purpose of the rules regarding fund management companies' information and reporting of their sustainability work. In addition, the licence holder must understand the best-known concepts such as SRI, SDG, CSR, ESG and PRI, and their use in such reports.

## Various ways to take sustainability into consideration in investments

The licence holder must be familiar with the most common methods that fund managers can use for conducting sustainability work, e.g. the exclusion of investments from the portfolio, choosing sustainable investments and endeavours to influence the company through active participation at shareholder meetings, in dialogues, or via other forums. The licence holder must also be familiar with the concept of "transition" and how it can be applied in respect of sustainable investments.

## Information regarding sustainability in funds

The licence holder must be aware of where it is possible to obtain information about the sustainability work in the fund management that is conducted, e.g. in the funds' information brochures, through the Sustainability Profile or via service providers such as Morningstar.

The licence holder must be familiar with the disclosure regulation (SFDR), its purpose, and which types of financial products and services are covered. The licence holder must be familiar with the disclosure regulation's definition of financial products which (1) promote environmental or social characteristics in accordance with Article 8 (known as light green) or (2) have sustainable investment as their objective in accordance with Article 9 (known as dark green), as well as how the requirements for client information differ between the various categories of funds.

Checkpoint	Weight	Size	Cognitive level	
Fund saving	2	Large	R	
Equity funds	2	Large	C	
Exchange traded funds (ETFs) and tracker funds	1	Small	C	
Fixed income funds	2	Large	C	
Mixed funds and generation funds	2	Large	C	
Hedge funds and other alternative investment funds	2	Small	C	
Fund fees	2	Large	R	C
Practical handling of funds and fund trading	2	Large	C	
Guidelines regarding fund management companies' sustainability work	2	Large	R	C
Methods for fund management sustainability work	2	Small	R	
Information regarding sustainability in funds	2	Small	R	

# Trading in financial instruments

## Trading on the equities market

The licence holder must be familiar with the way in which trading in listed shares is conducted, i.e. that all trading in shares must, according to the main rule, take place on a marketplace or through a so-called systematic internaliser, that the marketplaces impose requirements regarding disclosure of information by companies, etc. through a listing agreement and on trading participants through so-called trading rules and that the marketplaces monitor the trading and the disclosure of information by companies. The licence holder must be familiar with the way in which requirements regarding listing and prospectuses differ depending on whether a company is listed on a Swedish regulated market or on a Swedish MTF platform.

## Trading in complex products

The licence holder must be familiar with the role of market makers in trading in complex instruments, e.g. equity index-linked bonds, exchange traded certificates, exchange traded fund units, and warrants.

## Trading on the fixed income market (outside the interbank market)

The licence holder must be familiar with how trading is conducted in bonds and other fixed income instruments on the markets on which such instruments can be traded by private individuals.

## Order execution

The licence holder must understand that an undertaking which executes a client order must take all necessary measures to achieve the best possible result for the client, and what this entails in practice.

The licence holder must be aware

- that the undertaking's guidelines for execution of client orders must state the manner in which client orders are executed and the trading venues which the undertaking uses; and
- that the undertaking must be able, upon request by the client, to demonstrate that the client's order has been executed in accordance with the guidelines.

Checkpoint	Weight	Size	Cognitive level
Trading on the equities market	2	Large	R
Trading in complex products	2	Small	R
Trading on the fixed income market (outside the interbank market)	1	Small	R
Order execution rules	2	Small	R

## Section 2 – Economics and finances

Section 2 focuses on the issue of how best to select investment portfolios tailored to the circumstances and needs of different clients. This work requires that the licence holder be well acquainted with the concepts of anticipated return, risk and risk appetite, and understand the risk characteristics of portfolios of financial assets. The licence holder must also be proficient in the principles relating to the valuation of financial instruments, understand the opportunities and limitations of diversification, and be able to analyse the client's private financial circumstances and attitude to risk taking. A degree of knowledge regarding macroeconomic concepts, connections and methods is also necessary for a deeper understanding of return and risk as regards different investment alternatives.

### Macroeconomic concepts

#### Basic concepts

The licence holder must be familiar with the definition of the following macroeconomic measurements: gross national product, consumption, public expenditure, investments, balance of trade and inflation.

#### Economic growth, business cycles and inflation

The licence holder must understand what is meant by macroeconomic growth and business cycles. The licence holder must understand features that normally characterise a boom economy or an economy in recession in terms of GNP growth and rate of inflation. The licence holder must understand what is meant by stabilisation policy measures and the aims of such measures.

#### Monetary policy and central banks

The licence holder must understand what is meant by monetary policy measures and be familiar with the instruments at the disposal of a central bank for conducting active monetary policy. The licence holder must understand how monetary policy measures affect macroeconomic growth. The licence holder must be familiar with the monetary policy objectives of the Central Bank of Sweden.

#### Finance policy

The licence holder must understand what is meant by finance policy measures. The licence holder must understand the fundamental concept behind stabilisation policy.

#### The open economy

The licence holder must understand the difference between a floating and fixed exchange rate and must understand what depreciation or appreciation of the domestic currency means for the exchange rate.

Checkpoint	Weight	Size	Cognitive level
Basic concepts	2	Small	R
Economic growth, business cycles and inflation	2	Large	C
Monetary policy and central banks	2	Large	R C
Finance policy	2	Large	C
The open economy	2	Small	C

# Valuation of financial instruments

## Interest concepts

The licence holder must understand how to calculate simple interest, compound interest, nominal interest, and inflation-linked interest. The licence holder must understand the concept of present value.

## Valuation principles as regards bonds

The licence holder must understand the valuation of bonds without default risk and how prices are affected by changes in the coupon rate, internal rate (yield) and term to maturity. The licence holder must also understand what is meant by a bond's credit spread, and how changes in the spread affect the price of bonds with a default risk. The licence holder must understand what is meant by a bond's duration, and how this measurement can be used to measure the bond's interest rate risk. The licence holder must also understand how bonds with credit risk are valued, what is meant by such a bond's credit spread and how changes in that spread affect the price of bonds with credit risk.

## Valuation principles as regards shares

The licence holder must understand how shares can be valued based on discounted dividends or cash flows. The licence holder must understand how the measurements P/E ratio and net asset value are calculated and how they can be used in pricing comparisons between different shares.

Checkpoint	Weight	Size	Cognitive level
Interest concepts	2	Small	C
Valuation principles as regards bonds	1	Large	C
Valuation principles as regards shares	2	Small	C

# Derivative instruments

## Standardised derivative instruments

The licence holder must be familiar with the most common types of underlying assets to which traded instruments in the nature of futures and option contracts are linked. The licence holder must understand what an option is, the risks and opportunities associated with trading in options, and be familiar with the basic option positions (buying or selling a call option, buying or selling a put option). The licence holder must understand why the different positions are taken, i.e. what type of anticipated outcome is created in each position, and understand the risks associated with the individual positions. In addition, the licence holder must know what a futures contract is, the difference between a forward contract and a futures contract, the difference between a long and short position in a futures contract, and the risks that a futures transaction entails for the buyer (long position) and seller (short position).

Checkpoint	Weight	Size	Cognitive level
Standardised derivative instruments	1	Large	R C

## Risk and return

### The components of return

The licence holder must know how the total return on a financial instrument can be divided up into the components price/rate profit and price/rate loss, as well as return.

### Spread measurement

The licence holder must understand what is meant by volatility, that volatility is measured in the form of standard deviation, and the way in which standard deviation can be used to quantify the concept of risk if one assumes that yields follow a statistically normal allocation.

### Anticipated return, realised return and risk

The licence holder must understand the concept of anticipated return, the difference between anticipated return and realised return, and the way in which this difference reflects the concept of risk.

### Market risk

The licence holder must understand the concept of market risk and its various components: price risk, interest rate risk, reinvestment risk, and currency risk. The licence holder must also understand, in general terms, how these different types of risks can affect the client's investments.

### Other types of risks and risk measurement

The licence holder must be familiar with the definitions of the concepts of credit risk, liquidity risk and operational risk. The licence holder must also understand, on a general level, how these different types of risks can affect the client's investments. The licence holder must also understand the two commonly occurring alternative risk measurements, namely maximum drawdown (largest fall from top to bottom) and shortfall (the risk that the return goal will not be achieved). The licence holder must understand how these are calculated, understand how they differ from the standard deviation measurement, and understand how they can be used in specific investment situations.

Checkpoint	Weight	Size	Cognitive level	
The components of return	2	Small	R	C
Spread measurement	2	Small		C
Anticipated return, realised return and risk	2	Small		C
Market risk	2	Large	R	C
Other types of risk and risk measurement	2	Large	R	C

## The fundamentals of portfolio theory

### Covariance (correlation)

The correlation between different assets in a securities portfolio is crucial for the total risk in the portfolio. The licence holder must understand the concept of correlation coefficient and understand the purport of a perfect positive, perfect negative correlation between the returns on two assets. The licence holder must understand how the risk (measured as standard deviation) in a portfolio comprising two different types of assets is determined by

the correlation between the two assets. The licence holder must also understand, in general terms, how the risk in a portfolio comprising many different assets depends on the size of the correlation coefficients between the assets.

### **Diversification and risk spread**

The licence holder must understand the way in which diversification of types of assets and/or geographic markets can reduce the total risk in a portfolio. The licence holder must also understand that there are limits as to how much the portfolio risk can be reduced through diversification and, in this context, be familiar with the difference between diversifiable (company-specific) and non-diversifiable (systematic) risk.

### **The efficient frontier**

The licence holder must understand what is meant by the efficient frontier in a portfolio context. The licence holder must understand how the balance between risk and anticipated return as regards different securities portfolios can be illustrated using the efficient frontier. The licence holder must understand the way in which an investor's attitude towards risk determines the investor's choice of different risk-filled portfolios on the efficient frontier and the investor's optimal allocation between risk-free and risk-filled saving.

### **CAPM and anticipated return**

The licence holder must be familiar with the Capital Asset Pricing Model (CAPM) and how it is used to calculate a share's anticipated return (return requirement) by using the share's beta value, the risk-free interest rate and the stock market's anticipated risk premium.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>	
Covariance (correlation)	2	Small	C	
Diversification and risk spread	2	Large	R	C
The efficient frontier	2	Large	R	C
CAPM and anticipated return	2	Large	R	

## **Evaluation of portfolios and funds**

### **Traditional evaluation tools**

The licence holder must understand the Jensen's Alfa and Sharpe ratio evaluation tools and be familiar with the situations in which each measurement should be used. The licence holder should be able to apply this knowledge when comparing between portfolios or funds.

### **Active risk, tracking error and information ratio**

The licence holder must be familiar with the concept of active risk and the related tracking error and information ratio measurements and the situations in which they are commonly used.

### **Benchmark indices**

The licence holder must be familiar with the difference between a price index and a return index and the most common types of benchmark indices used on the Swedish fund market, such as SIX Portfolio Return Index and MSCI World Index. The licence holder must be familiar with the sustainability-focused ESG index and understand the restrictions that this entails for a fund which follows this index.

## Rating of funds

The licence holder must be familiar with Morningstar's rating of funds and understand how the rating classifications are allocated.

Checkpoint	Weight	Size	Cognitive level	
Traditional evaluation tools	2	Large	C	A
Active risk, tracking error and information ratio	2	Small	R	
Benchmark indices	2	Small	R	C
Rating of funds	2	Small	R	C

## Personal finances

### Wealth and disposable income available for savings

The licence holder must be familiar with the Swedish Consumer Agency's cost of living guidelines, understand how to draw up a domestic budget, and be able to apply this knowledge when calculating the client's disposable income available for savings and investment. The licence holder must also understand how to carry out an assets and liabilities analysis in order to arrive at the client's net wealth.

### Investment horizon and savings objectives

The licence holder must understand which investment horizons are appropriate for different savings objectives, for example savings to create a buffer for contingencies, saving towards a specific objective, and pension saving. The licence holder must understand how the investment horizon affects anticipated return and risk. The licence holder must be able to apply this knowledge in practical advisory situations.

### Analysis of the client's attitude to risk

The licence holder must understand the difference between a client's ability to bear risk, i.e. to withstand losses (risk-bearing capacity or risk capacity) and the same client's willingness to take a risk (risk tolerance, risk taking or risk appetite). The licence holder must know how, using different methods, it is possible to obtain an approximate understanding of the client's risk tolerance in practice. The licence holder must be familiar, in general terms, with typical characteristics of clients with low, medium-high and high risk tolerance.

### Portfolio recommendations for different risk levels

The licence holder must understand how the forecast investment possibilities that include a forward-looking efficient frontier can be combined with any given client's attitude to risk, in order to arrive at an appropriate portfolio choice tailored specifically to that client. The licence holder must be able to apply such knowledge in practical advisory situations connected to the client's investment horizon and risk tolerance. The licence holder must also understand the ways in which different types of restrictions, e.g. an unwillingness to diversify the portfolio or an express desire to seek as high return as possible at any price, affects the customer's choice of portfolio in terms of return or risk, or both.

### Economic psychology and financial advice

Classic portfolio theory assumes that investors act rationally when making their decisions. It is assumed that investors always seek the highest possible anticipated return for each given risk level, that standard deviation represents an appropriate measurement of risk, and that the investor's attitude towards risk does not depend on, e.g. wealth or how successful they have been with investments in the past. However, results within the area of

economic psychology, or behavioural finance as it is sometimes called, indicate that these assumptions are insufficient to understand the individual's behaviour. Therefore, the licence holder must know what is meant by the concepts of loss aversion, overconfidence, mental accounting, confirmation bias and anchoring. In addition, the licence holder must understand how these psychological mechanisms can affect the discussion when providing advice and the types of wrong decisions to which they might lead. The licence holder must also understand that all of these psychological aspects affect not only the clients but also the adviser personally, which may lead to unintentional wrong assessments in an advisory situation.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>		
Wealth and disposable income available for savings	2	Large	R	C	A
Investment horizon and savings objectives	2	Large		C	A
Analysis of the client's attitude to risk	2	Large	R	C	
Portfolio recommendations for different risk levels	2	Large		C	A
Economic psychology and financial advice	2	Large	R	C	



# Section 3 - Ethics and rules and regulations

Section 3 covers detailed knowledge of how investment advisory services are to be performed. In addition, the section includes proficiency in the basic rules and regulations concerning the securities market, and which a licence holder requires as a frame of reference in his or her work. The topics within the section are relatively independent of each other. A common feature of many topics is, however, that from a broader perspective they are aimed at maintaining the health of, and public confidence in, the securities market. The area also includes rules regarding family law and taxation.

## Investment advice

### The concepts of investment advice and provision of information

The licence holder must be able to distinguish between investment advice and the provision of information, such as general advice or marketing.

### Requirements regarding the adviser's expertise

The licence holder must be familiar with

- the requirements imposed regarding the adviser's expertise; and
- how the adviser's employer must ensure that advisers possess requisite expertise.

### Requirements regarding information about the provision of advice

The licence holder must know that, before investment advice is provided, a client must receive information as to whether or not

- the advice is independent (and what is meant by the independent provision of advice);
- whether the provision of advice is based on a general or more limited analysis of various financial instruments;
- to what extent the advice is provided based on instruments are issued by the advising company itself or by entirely external providers;
- and whether the undertaking will regularly assess the suitability of the instruments it has recommended.

### Obtaining information from the client

In order to be able to provide suitable advice, the licence holder must be able to explain the rules that the adviser is required to obtain information about the client's

- knowledge and experience;
- financial circumstances;
- objectives with the investments; and
- sustainability preferences.

The licence holder must understand how to act if the client chooses not to provide, or provides only parts of, requested information.

### Requirement that the advice is fitting for the client

The licence holder must be able to apply the rule that the adviser may only provide advice which is fitting for the client, i.e. that the advice which is provided can be linked to – and is suitable based on – the information that the adviser has obtained about the client.

## **Requirements regarding written statement of fitness**

The licence holder must understand

- the rules regarding the obligation to provide the client with a written statement of fitness;
- when and how such written statement is to be provided; and
- what it must contain.

## **Appropriateness assessments**

The licence holder must be able to apply the appropriateness assessment rules, i.e. know when an appropriateness assessment is required and what it comprises, including when a financial instrument must or may be regarded as non-complex.

## **Client categories**

The licence holder must understand

- the various client categories set forth in the Securities Market Act; and
- be familiar with the practical significance of client categorisation as regards advice, appropriateness assessments and information to the clients.

## **Investment fraud**

The licence holder must recognise

- the accepted warning signs of investment fraud; and
- know where the client can obtain more information about investment fraud on the Swedish Financial Supervisory Authority's website, in the companies register and on the Swedish Financial Supervisory Authority's warning list.

The licence holder must understand and be able to apply how to act upon suspicion that a client has received or accepted an offer which may be suspected as constituting investment fraud.

## **Conditions for advice regarding sustainability, e.g. laws and rules, taxonomy**

- The licence holder must understand the best-known sustainability and finance abbreviations, such as SDG, ESG, and PRI.
- The licence holder must be familiar with the purpose of the Paris Accords and the pace of implementation.
- The licence holder must be familiar with the EU's green taxonomy and its purpose, scope, and limits, i.e. which types of companies and industries are covered at present and in the future.
- The licence holder must be familiar with the disclosure regulation (SFDR), its purpose, and which types of financial products and services are covered.

Checkpoint	Weight	Size	Cognitive level	
The concepts of investment advice and provision of information	2	Small	C	
Requirements regarding the adviser's expertise	2	Small	R	
Requirements regarding information about the provision of advice	2	Large	R	
Obtaining information from the client	2	Small	A	
Requirement that the advice is fitting for the client	2	Large	A	
Requirements regarding a written statement of fitness	2	Small	C	
Appropriateness assessments	2	Small	A	
Client categories	2	Small	C	
Investment fraud	2	Small	R	C
Conditions for advice regarding sustainability, e.g. laws and rules, taxonomy	2	Large	R	C

## Basic ethics on the securities market

### Basic ethical values and reporting of the company's violations of regulations

The licence holder must understand the main content of Guidance on ethical guidelines at investment firms (dated 18 June 2013) issued by the Swedish Securities Markets Association, i.e. what is meant by acting in accordance with an ethical standard; the concept of improper transactions; and how side-line work and other secondary activities are to be addressed. The licence holder must also understand how he or she is required to act upon discovering any irregularities within the company. The licence holder must also be familiar with the regulations concerning whistleblowing.

### Undertakings' sustainability work

The licence holder must know how to find information about an undertaking's sustainability work in the undertaking's published sustainability report and that in the EU, sustainability reporting is mandatory for large companies.

The licence holder must be familiar with the term "double materiality" and the purpose of conducting a materiality analysis. The licence holder must be familiar with how climate risks can be taken into account in share valuation.

The licence holder must be aware that various types of ESG ratings are an information source for sustainable asset management and be familiar with which organisations provide them.

Checkpoint	Weight	Size	Cognitive level	
Basic ethical values and reporting of the undertaking's violations of regulations	2	Small	C	
Undertakings' sustainability work	2	Small	R	

## The Swedish Financial Supervisory Authority and Swedsec

### The Swedish Financial Supervisory Authority

The licence holder must be familiar with the work of the Swedish Financial Supervisory Authority and its possibilities to impose sanctions.

## Swedsec's rules and regulations

The licence holder must understand which persons are subject to Swedsec's rules and regulations; the rights and obligations of affiliated companies and licence holders resulting from the rules and regulations; the sanctions which may be imposed on licence holders and affiliated companies.

Checkpoint	Weight	Size	Cognitive level
The Swedish Financial Supervisory Authority	2	Small	R
Swedsec's rules and regulations	2	Small	C

## Information to clients

### Information to clients upon provision of investment services

The licence holder must understand the most important rules regarding the information that an institution must provide to a client before an investment service is performed, e.g.

- a description of the relevant financial instruments and the risks associated with them;
- information regarding the institution's prices and fees; and
- information regarding the institution's guidelines on best execution of orders and conflicts of interest.

### Information about costs and charges

The licence holder must be familiar with the requirements to inform the client about costs and charges. The licence holder must know

- what the information must include;
- that the information must be structured such that the client is able to understand the total cost and how it affects the return;
- that the information must be provided before a service is provided to the client; and
- that the information must thereafter be provided regularly, at least annually.

### Key investor information documents

The licence holder must be familiar with the general rules regarding key investor information documents with respect to funds and PRIIP (packaged retail investment and insurance-based investment products) and the type of customers and products covered by the rules. The licence holder must also be familiar with which information must be stated in the key investor information document. The licence holder must also understand the difference between key investment information documents, marketing materials, product sheets and other information produced for products. In addition, the licence holder must understand how and when different types of information must be presented to the client.

Checkpoint	Weight	Size	Cognitive level
Information to clients upon provision of investment services	2	Small	C
Information about costs and charges	2	Large	R
Key investor information documents	2	Large	R C

# Conflicts of interest

## Conflicts of interest

The licence holder must be able to apply

- the rules that investment firms must protect their clients' interests; and
- the most important rules regarding the management of conflicts of interest, i.e. that
  - the institution must have in place instructions and routines for managing conflicts of interest;
  - conflicts of interests must be identified;
  - a Chinese wall may be required with respect to different operations with conflicting interests; and
  - the clients must obtain information about conflicts of interest.

The licence holder must understand the most important situations when conflicts of interest arise.

## Incentives

The licence holder must know when a securities institution may pay or receive third-party remuneration/incentives and what is required in order for such to be permitted, i.e. that

- the remuneration must be structured to enhance the quality of the service;
- the remuneration may not detrimentally affect the institution's conditions for acting in the interests of the client;
- the client must obtain information about the remuneration before any service is provided.

The licence holder must know when a securities institution may not pay or receive third party remuneration, i.e. in conjunction with the provision of investment advice based on independent grounds and in conjunction with portfolio management.

## Rules regarding securities transactions by employees and related parties

The licence holder must be able to apply the rules regarding securities transactions at investment firms and fund management companies by employees and related parties.

## Analyses and investment recommendations

The licence holder must be familiar with

- what is meant by an investment recommendation;
- the basic purport of requirements that information must be presented objectively and that conflicts of interest must be reported; and
- what is meant by an investment recommendation being independent or not.

Checkpoint	Weight	Size	Cognitive level
Conflicts of interest	2	Large	C A
Incentives	2	Large	R
Rules regarding securities transactions by employees and related parties	2	Small	A
Analyses and investment recommendations	2	Small	

# Money laundering and terrorist financing

## Client due diligence, etc.

Sufficient knowledge about the customers is a prerequisite for companies' possibilities to prevent and impede the operations from being exploited for money laundering or terrorist financing and to be able to report suspected activities and transactions.

The licence holder must be able to apply the measures that must be taken to obtain customer due diligence, i.e. information about the client which must be compiled (including identification, beneficial owner and the purpose and nature of the commercial relations).

The licence holder must understand

- which situations require that client due diligence measures be taken;
- situations in which simplified or enhanced client due diligence measures may/must be taken;
- the consequences of failing to achieve sufficient knowledge about the client;
- the obligation to review transactions and report suspected transactions to the Financial Intelligence Unit (Sw. Finanspolisen)
- the purpose of the money laundering rules.

Checkpoint	Weight	Size	Cognitive level	
Client due diligence, etc.	2	Large	C	A

# Bribery and corruption

## Rules regarding bribery and corruption

The licence holder must be able to apply the basic rules prohibiting bribery and corruption. This requires that the licence holder understands the necessary connection to the exercise of duties or performance of a service by the employee/service provider in order for the issue of corruption to arise; the circumstances which are decisive as to whether a benefit is improper, and which benefits are always considered improper.

Checkpoint	Weight	Size	Cognitive level	
Rules regarding bribery and corruption	2	Small	C	A

# Market abuse

## Market abuse offences and the reporting obligation

The licence holder must be familiar with the main features of the definitions of insider information and market manipulation and the prohibition on market abuse; cf. the Market Abuse Regulation (EU no 596/2014, see Articles 7-10, 12, 14 and 15) as well as Chapters 2 and 3 of the Market Abuse on the Securities Market (Penalties) Act

(2016:1307). The licence holder must understand the meaning of the reporting obligation that is applicable pursuant to Article 16 of the Market Abuse Regulation.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>
The crime of market abuse and the reporting obligation	2	Large	C

## **Family law**

### **Powers of attorney and authority**

The licence holder must be able to apply fundamental rules regarding powers of attorney, i.e. who is the grantor of a power of attorney and who is the grantee; what is required in order for a power of attorney to be valid; the ways in which a power of attorney can be issued; how a power of attorney is terminated or revoked, and the difference between ostensible authority and actual authority.

The licence holder must also understand what an enduring power of attorney is, the formal requirements applicable to an enduring power of attorney, what it can cover, when it enters into force and when it can be revoked. The licence holder must understand what relative's authority entails.

### **Property relationships and rules governing the division of estate property**

The licence holder must understand basic concepts such as matrimonial property and separate property and how such property is divided up in the event of divorce and death. The licence holder must understand the basic concepts in corresponding rules applicable to live-in partnerships, i.e. when a residence is covered by the division of property rules in the Live-in Partnerships Act and the manner in which division of property in a live-in partnership takes place in the event of separation and death.

### **Inheritance rules including wills**

The licence holder must understand the statutory inheritance rules, i.e. who inherits in family relations involving spouses, children in common, children from a different relationship, and live-in partners. The licence holder must also be familiar with the extent to which it is possible to deviate from the statutory inheritance rules through a will, be familiar with the formal requirements for a will, and be familiar with the relationship between the designation of a beneficiary and the inheritance rules. The licence holder must also be familiar with the principles governing separation of property in the case of inheritance and divorce and how savings in endowment policies and investment savings accounts are affected.

### **Gifts**

The licence holder must understand how a gift becomes valid and the relationship between gifts and inheritance. The licence holder must understand basic concepts such as donor, donee and intentions to grant a gift.

### **Representatives for minors and others**

The licence holder must understand who represents a minor and the restrictions in place regarding the right of parents to invest in financial instruments, etc. on behalf of their children, e.g. amount restrictions and the role of the Chief Guardian. The licence holder must be familiar with what a relative is entitled or not entitled to do on the basis of the rules regarding a relative's right to act without a power of attorney. In addition, the licence holder must understand the rules regarding an adult for whom a legal representative has been appointed and the restrictions in place regarding legal representatives, among other things in conjunction with investments in financial instruments on behalf of the adult. Finally, the licence holder must know who may represent a decedent's estate.

Checkpoint	Weight	Size	Cognitive level	
Powers of attorney and authority	2	Large	C	A
Property relationships and rules governing the division of matrimonial property	2	Large	R	C
Inheritance rules including wills	2	Large	R	C
Gifts	2	Small	C	
Representative for minors and others	2	Large	R	C

## Tax issues

### Income from employment and tax calculation rules

The licence holder must understand how income from employment is taxed and how the tax is calculated for a person who is a taxpayer in Sweden.

### Income from capital and tax calculation rules for private individuals

The licence holder must be able to apply the rules in conjunction with calculation of tax on income from capital in respect of private individuals who are taxed in Sweden. In addition, the licence holder must understand how tax on income from employment is affected by a capital deficit and the extent to which set off may take place between different types of assets.

### Taxation on direct savings in shares and funds

The licence holder must understand the rules regarding the calculation of profit and loss with respect to shares and funds and how flat rate income for funds is calculated and taxed. The licence holder must also understand the differences in taxation when a security is listed or unlisted, and what is required in order for a security to be deemed listed.

### Tax rules regarding Investment Savings Accounts (ISA) (Sw. Investeringsparkonto, ISK)

The licence holder must be able to apply the way in which securities are taxed within the scope of ISAs and how flat rate income is calculated and taxed. The licence holder must also be able to apply the rules governing the transfer of securities to an investment savings account and the closure of an investment savings account.

### Taxation when domiciled abroad

The licence holder must be familiar with when a person is liable or not to taxation in Sweden. The licence holder must be familiar with the concepts of domicile, permanent stay, and significant connection. The licence holder must be familiar with the consequences of whether or not a person has unlimited tax liability and be familiar with the functioning of special income tax for residents abroad (Sw. SINK skatt). The licence holder must be familiar with taxation on dividends (withholding tax), the so-called ten-year rule. In addition, the licence holder must be familiar with the effect on tax of any double taxation treaty.

### Review and exchanges of information with other countries

The licence holder must be familiar with a possibility for a review of an already filed a tax return in accordance with the Tax Procedure Act. The licence holder must also be aware of the fact that Sweden has agreements with most countries regarding exchanges of information, and automatic disclosure of information.



## Taxation of capital assets in business operations

Securities owned by legal entities and which are not trading stock assets constitute capital assets. Taxation upon divestment of capital assets in business operations is essentially in accordance with the rules regarding capital for the various types of securities; however, there are certain provisions that apply solely to business operations and for legal entities, for example the rule that losses on capital investments may only be set off against gains on capital investments (Sw. aktiefällan) and deduction of costs in conjunction with asset management. The licence holder must understand and be able to explain these provisions.

Checkpoint	Weight	Size	Cognitive level	
Income from employment and tax calculation rules	2	Small	C	
Income from capital and tax calculation rules	2	Large	C	A
Taxation on direct savings in shares and funds	2	Small	C	
Tax rules regarding Individual Savings Accounts (ISAs)	2	Large	A	
Taxation when domiciled abroad	2	Large	R	
Review and exchange of information with other countries	1	Small	R	
Taxation of capital assets in business operations	1	Small	C	

## Duty of confidentiality

### Duty of confidentiality

The licence holder must be able to apply the duty of confidentiality (secrecy) rules applicable to employees and service providers at financial undertakings.

The licence holder must know that a person who, without authority, violates the confidentiality rules may

- be subject to employment law sanctions;
- be convicted of the offence of violation of confidentiality (however, not employees/service providers of credit institutions); and
- may be subject to sanctions imposed by Swedsec, if the person is a licence holder.

The licence holder must know that the financial undertaking may

- be obliged to pay damages to the client; and
- incur sanctions imposed by the Swedish Financial Supervisory Authority.

## Complaints management

### Complaints management and filing of complaints

The licence holder must understand how complaints must be handled at financial undertakings. The licence holder must be familiar with the different roles of the Swedish Consumers' Banking and Finance Bureau, the Swedish Consumers' Insurance Bureau, the National Board for Consumer Complaints and courts of general jurisdiction regarding handling of complaints and information about practice.

Checkpoint	Weight	Size	Cognitive level	
Complaints management and filing of complaints	2	Small	R	C

## Deposit insurance and investor compensation

### Deposit insurance and investor compensation

The licence holder must understand when deposit insurance or investor compensation is triggered.

The licence holder must be familiar with

- the amount limits under the deposit insurance scheme and investor compensation scheme;
- which accounts/assets are covered by the schemes;
- the client's right to exclude her/his financial instruments from the bankruptcy estate (applies to investor compensation; only general knowledge is required);
- which authority administers the deposit insurance and investor compensation schemes.

Checkpoint	Weight	Size	Cognitive level	
Deposit insurance and investor compensation	2	Small	R	C

## General Data Protection Regulation

### The General Data Protection Regulation (GDPR)

The licence holder must be familiar with the General Data Protection Regulation and its purpose and be familiar with the lawful grounds for processing of personal data, what is meant by sensitive personal data, and the rights of the data subject.

Checkpoint	Weight	Size	Cognitive level	
The General Date Protection Regulation, GDPR	2	Small	R	

## Section 4 – Pensions and insurance

The proficiency requirements include a requirement that the licence holder be familiar with the structure of the pension system and the pension's various constituent elements. In addition, the licence holder must be proficient in other statutory and contractual insurance schemes and be familiar with other types of insurance saving schemes. The licence holder must also be proficient in the basic rules governing insurance business and insurance contracts, as well as tax issues related to pensions and insurance. In addition, the licence holder must be proficient in the rules surrounding insurance distribution by insurance distributors.

### Pensions

#### The pension system

The licence holder must understand the structure of the pension system and the various pension components – State pension, occupational pension and private pension savings.

#### State pension

The licence holder must understand how the state pension system is structured, how it is financed, as well as the different rules applicable depending on the client's year of birth. The licence holder must understand that the state pension primarily comprises pension from income and premium pension. In particular, the licence holder must understand how the premium pension works and be familiar with the Swedish Fund Selection Agency and its mandate. The licence holder must know that certain individuals are entitled to an income pension supplement. The licence holder must also be familiar with the concepts of supplementary pension (which affects those born 1938-1953) and the concept of guaranteed pension and that it provides a basic protection for those who had little or no income from work. The licence holder must know that certain "guideline ages" (riktålder) have been decided upon for pension and what this entails regarding the right to receive state pension.

#### Occupational pensions under collective agreements

The licence holder must understand how the largest collective agreements (ITP, SAF-LO, KAP-KL/AKAP-KL and PA03/PA16) function with respect to the right to occupational pension. Accordingly, the licence holder must understand what decisions employees covered by a collective agreement must take into account order to influence their final occupational pension. The licence holder must also understand the difference between defined-contribution and defined-benefit occupational pensions and the Swedish concept of 'tiotaggare', i.e. that employees with income in excess of 10 price base amounts may reach agreement with their employer regarding an alternative pension solution. The licence holder must also understand the role and duties of so-called pension choice centres and be able to provide examples of pension choice centres, such as Collectum and Fora.

#### Other occupational pensions

The licence holder must understand the purport of a person not being covered by any collective agreement and what, in such case, should be borne in mind as regards both business owners and individuals. In addition, the licence holder must understand the alternatives available as regards pensions not linked to collective agreements, and how they function, e.g. voluntarily agreed occupational pensions and pensions which are unilaterally promised by the employer. The licence holder must also understand what is meant by direct pension and 'salary swap' (whereby an employee forgoes a portion of gross salary in exchange for a benefit).

## Private pension saving schemes

The licence holder must understand the rules concerning private pension savings, which target groups can obtain deductible savings in the form of pension insurance or individual pension savings, and which must rely on non-deductible savings in investment savings accounts or endowment policies.

## Safeguarding of pensions

The licence holder must be familiar with the different ways in which a pension commitment can be safeguarded, i.e. through special reporting of pension obligations, pension insurance and pension foundations, and the differences between these three difference forms.

Checkpoint	Weight	Size	Cognitive level	
The pension system	2	Small		C
State pension	2	Large	R	C
Occupational pensions under collective agreements	2	Large		C
Other occupational pensions	2	Large		C
Private pension saving schemes	2	Large		C
Safeguarding of pensions	1	Small	R	

## Statutory/state insurance in addition to pension

The licence holder must understand and be familiar with the benefits payable under the social insurance system, in addition to old-age pension.

### Statutory insurance in the case of illness and parenthood

The licence holder must understand how the social insurance system is structured and functions in the case of illness and parenthood.

### Statutory insurance in the case of death

The licence holder must be aware that there are different rights to benefits within the state pension system upon the death of a relative:

- Children may be entitled to children's pension and survivor's benefit;
- A surviving spouse/registered partner and, in certain cases live-in partner, may be entitled to adjustment pension.
- A surviving widow may be entitled to widow's pension.

### Statutory insurance in the case of work injury

The licence holder must be familiar with what work injury insurance entails and what and who is covered by it.

Checkpoints	Weight	Size	Cognitive level	
Statutory insurance in the case of illness and parenthood	2	Small		C
Statutory insurance in the case of death	2	Small	R	
Statutory insurance in the case of work injury	1	Small	R	

# Contractual or privately issued insurance

## Insurance concepts

The licence holder must understand the concepts of policyholder, insured, beneficiary, personal insurance and property insurance, and that these are, in turn, divided into collectively contracted insurance, group insurance and individual insurance.

## Collectively contracted insurance

The licence holder must understand that collective agreements, in addition to providing an entitlement to occupational pension, generally also provide the employees covered with a right to other types of insurance cover, e.g. in the event of illness and death. The licence holder must be familiar with the fact that non-collectively agreed insurance, which is issued in the form of individual insurance or group insurance, may also grant corresponding rights to cover in the event of illness and death.

## Group insurance

The licence holder must understand what group insurance is; that group insurance is available as both life and non-life cover; the way in which group insurance is offered and taken out; and the insurance cover usually provided under group insurance. The licence holder must also be familiar with the difference between mandatory and voluntary group insurance and what this means for the client.

## Individual insurance for business owners

The licence holder must understand what individual insurance for business owners is; that it is available in the form of both company insurance (such as liability insurance or property insurance) as well as individual personal insurance (such as life insurance, sickness insurance or accident insurance for business owners), and which insurance cover a business owner may need (such as burglary insurance and partnership insurance) as a supplement to statutory state insurance.

## Individual insurance for employees

The licence holder must be familiar with individual insurance for employees and what insurance cover specific individuals may need as a supplement, particularly if they are not covered by any collectively agreed insurance or any other employer-financed insurance cover.

Checkpoint	Weight	Size	Cognitive level	
Insurance concepts	2	Large		C
Collectively agreed insurance	2	Large	R	C
Group insurance	2	Small	R	C
Individual insurance for business owners	1	Small		C
Individual insurance for employees	1	Small	R	

# Insurance savings products

## Different types of insurance as savings products

The licence holder must understand that both pension insurance and endowment insurance can function as a savings product. The licence holder must also understand that both pension insurance and endowment insurance can be purchased either as traditional insurance (with a guaranteed insurance benefit) or as unit-linked insurance/custody account insurance (which does not involve any guarantee). The licence holder must understand how these different types of insurance work, the differences between them and the advantages and disadvantages of each savings product.

## Fees charged on insurance savings products

The licence holder must understand how fees are charged on insurance savings products and the effect thereof in terms of, e.g. return, risk and lock-in. The licence holder must understand how the interest rate environment affects the possibility for return in traditional insurance and how it can affect unit-linked insurance policies with a lower risk in the investments.

## Guarantees

A higher guarantee increases the insurance-technical liability, which reduces the scope for bonuses. The insurance company needs to allocate more capital to safe investment alternatives. Thus more capital is required in environments which generate lower returns. This results in lower bonuses on the policy. A licence holder must understand how a higher outcome guarantee reduces the risk of bonuses.

Checkpoint	Weight	Size	Cognitive level
Different types of insurance as savings products	2	Large	C
Fees charged on insurance savings products	2	Small	C
Guarantees	2	Small	C

# Life insurance

## Solvency and funding

The licence holder must understand the concepts of solvency and funding and the importance of good solvency in order that the insurance company can honour its obligations and the importance of good funding so that the insurance company can generate bonuses.

## Bonuses and inheritance gains

The licence holder must understand the concepts of allocated, conditional and distributed bonus. The licence holder must understand the meaning of inheritance gains.

## Policy surrender and right of transfer

The licence holder must understand the concepts of surrender and right of transfer and be familiar with the applicable statutory rules governing surrender and transfer. In addition, the licence holder must understand how the possibilities of surrender or transfer of an insurance policy differ depending on the type of insurance involved and depending on other factors, such as whether the insurance is a paid-up policy, i.e. does not require payment

of premiums or is being disbursed. The licence holder must understand what a transfer of insurance means from a financial perspective (i.e. fees and possible impact on guarantees, etc.) and from an insurance perspective. The latter refers to the fact that one consequence of transferring the capital may be that the policyholder forfeits risk insurance cover with the issuing insurance company (for example, sickness insurance) and is unable to procure new, corresponding cover with the recipient insurance company due to the latter company's health rules.

### **Pension payments**

The licence holder must understand the earliest date when pension can be taken out and how the rules governing pension payments may differ between the state pension, occupational pension and private pension. The licence holder must also understand the concepts of deferred and early pension payments and the effects, or possible effects, of deferred or early payment.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>
Solvency and funding	2	Small	C
Bonuses and inheritance gains	2	Small	C
Surrender and right of transfer	2	Large	R C
Pension payments	2	Large	C

## **Rules and regulations concerning insurance**

### **Insurance business/insurance providers**

The licence holder must be aware of the fact that insurance businesses may be conducted in accordance with different rules and regulations and that insurance contracts can thus be signed with insurance companies that are governed by the Insurance Business Act (Sw. FRL): i.e. insurance companies, insurance associations and mutual insurance companies, or by the Occupational Pension Companies Act (Sw. LTF), i.e. occupational pension companies, occupational pension associations, and mutual occupational pension companies. The licence holder must be aware of the differences between an insurance company which distributes dividends and mutual insurance companies, and that there are insurance companies that are operated in accordance with mutual principles, referred to as hybrid companies.

### **The Insurance Contracts Act**

The licence holder must understand the main rules in the Insurance Contracts Act (2005:104), such as how insurance contracts are entered into; requirements regarding the provision of information to the client before and after entry into the insurance contract as well as regularly during the term of the insurance, the requirements governing valid designation of beneficiaries; what happens – in terms of limitation of liability – if the client provides the insurance company with incorrect information; how and when an insurance contract can be terminated; that there may be an entitlement to post-termination cover for a limited period of time (Sw. efterskydd) or to continuation insurance when group insurance no longer applies (Sw. fortsättningsförsäkring); and the licence holder must also be aware that there are rules regarding the relationship to creditors, and the main features of such rules. The licence holder must also understand how entitlement qualification periods work.

### **Distance selling of insurance**

The licence holder must be familiar with the main features of the special rules governing distance selling of insurance and selling outside commercial premises, and that after such sales the consumers are entitled to specific information and are entitled to cancel. 'Main features' means when the Act is applicable, what is meant by selling outside commercial premises, distance agreements, consumer and trade, the authority possessed by the trader's

representative, what is meant by a contract term being disadvantageous for the client compared with the Act, and the special rules governing telephone selling.

Checkpoint	Weight	Size	Cognitive level	
The Insurance Business Act	2	Small	R	
The Insurance Contracts Act	2	Large	R	C
Distance selling of insurance	1	Small	R	

## Insurance distribution

### The concepts of insurance distribution and insurance mediation

The licence holder must be familiar with the concepts of insurance distribution and insurance mediation and the purport thereof. The licence holder must be familiar with when the Act is to be applied and in respect of whom. The licence holder must be familiar with the key definitions in the Act. The licence holder must be familiar with which permits and registrations and insurance distributor must or may hold. The licence holder must be familiar with the scope of liability insurance is required by the Act and what liability in damages may arise pursuant to the Act.

### Generally accepted insurance distribution practice

The licence holder must understand what is meant by the concept of generally accepted insurance distribution practice and that, first and foremost, it means that a person who provides advice about, or sells, insurance must give due consideration to the interest of the client and must otherwise act honourably, fairly and professionally.

### Information requirements and rules of conduct for insurance distributors

The licence holder must be familiar with the obligation of insurance distributors to always meet the client's requirements and needs on questions regarding insurance cover ("needs assessment"), irrespective of whether or not advice is provided, as well as the obligation to provide the client with objective and clear information regarding insurance products.

### Compensation in conjunction with insurance distribution

The licence holder must be familiar with the requirements imposed to be able to receive and retain compensation from any party other than the client. The licence holder must be familiar with the rules governing the provision of compensation to employees.

### Cross-selling and product tying

The licence holder must be familiar with when cross-selling and product tying are permitted as well as disclosure requirements in respect thereof.

### Impartial and personal analysis

The licence holder must be familiar with what is meant by impartial and personal analysis as well as the consequences and purport of the term.

### Special requirements upon provision of advice regarding insurance

The licence holder must understand

- that all provision of advice regarding insurance must be adapted based on to the type of customer and the product's complexity;



- that the customer must be provided with a personal recommendation with an explanation as to why a particular product best meets the customer's requirements and needs (fitness declaration);
- that there are requirements to document advisory occasions and to provide the documentation to the customer; and
- the further requirements that are additional upon distribution of insurance-based investment products and certain pension insurance policies. This primarily related to enhanced requirements for handling conflicts of interest, such as more exacting requirements that compensation to and from third parties shall be permitted, as well as requirements to provide sustainability information.

### **Additional requirements in connection with distribution of investment products and certain pension insurance policies**

The licence holder must understand the additional requirements that apply in connection with distribution of insurance-based investment products (IBIPs) and certain pension insurance policies (pension insurance as unit-linked insurance or custody account insurance). In such context, it is central to have an understanding of the enhanced requirements that apply as regards the distributor's handling of conflicts of interest, such as higher standards in order for remuneration to and from third parties to be allowed, as well as requirements to provide sustainability disclosures.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>
The concepts of insurance distribution and insurance mediation	2	Large	R
Generally accepted insurance distribution practice	2	Small	C
Information requirements and code of conduct for insurance distributors	2	Small	R
Compensation in conjunction with insurance distribution	2	Small	R
Cross-selling and product tying	1	Small	R
Impartial and personal analysis	2	Small	R
Special requirements upon provision of advice regarding insurance	2	Large	C
Additional requirements in connection with distribution of investment products and certain pension insurance policies	2	Large	C

## **Tax rules and family law**

### **Taxation rules governing pension policies and endowment policies**

The licence holder must understand the taxation rules governing pension insurance policies and endowment policies and the differences between them. The licence holder must understand that it is the Income Tax Act which dictates what constitutes a pension insurance policy and the requirements applicable to an insurance policy in order for it to be designated as pension insurance.

#### **Yield tax**

The licence holder must be familiar with the concept of yield tax (Sw. avkastningskatt) and which parties are liable to pay yield tax. In addition, the licence holder must know how the tax is determined.

#### **Right of deduction**

The licence holder must understand the possibilities provided by tax legislation to make deductions in respect of premiums paid into a pension insurance policy and how deductions differ as regards private pension policies and occupational pensions. The licence holder must also be aware of the fact that sole traders who lack a right to occupational pension have a deductible entitlement with respect to payments to pension insurance and the size of

the right of deduction. The licence holder must understand the deduction rules regarding pension insurance purchased by traders in sole proprietorships and partnerships, as well as pension insurance purchased on behalf of employees, including the owner of a limited company. The licence holder must be familiar with the main rule and the supplementation rule, and how they work.

### **Foreign policies in Sweden and Swedish policies abroad**

The licence holder must be familiar with the fact that policies taken out abroad may be treated differently from a tax perspective than policies taken out in Sweden. The licence holder must also be familiar with the fact that, from a tax perspective Swedish policies may be treated differently abroad than they are in Sweden.

### **The treatment of policies upon division of marital property and inheritance distribution**

The Marriage Code and the Inheritance Code contain provisions governing the treatment of life insurance policies upon division of marital property and inheritance distribution. The licence holder must be able to apply the manner in which pension policies and endowment policies are treated in the event of the divorce or death of the policyholder.

<b>Checkpoint</b>	<b>Weight</b>	<b>Size</b>	<b>Cognitive level</b>	
Taxation rules governing pension policies and endowment policies	2	Large	C	
Yield tax	2	Small	R	
Right of deduction	2	Large	R	C
Foreign policies in Sweden	1	Small	R	
Swedish policies abroad	1	Small	R	
The treatment of policies upon division of marital property and inheritance distribution	2	Large		A