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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

Learner Name	
ID Number	
Organisation	

FORMATIVE ASSESSMENT: LEARNER WORK FILE VERSION 1

Unit Standard Title: **Demonstrate knowledge and understanding of risk in a financial services environment**

Unit Standard No: **119997**

Unit Standard Credits: **5**

NQF Level: **5**

Mark information:

Specific Outcome/Section	1	2	3	4	5	Total	%	C / NYC
Maximum marks	11	16	15	16	15	73	100	

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Formative Activities

Section 1: 11 marks

Activity 1

In your own words, explain the concept of risk in financial services. (2)

Activity 2

What does 'risk appetite' mean? (2)

Activity 3

List at least 2 factors that influence the level of risk of a financial product and explain why. (2 x 2 = 4)

Activity 4

Explain the term 'probability'. Make use of a historical financial example to substantiate your answer. (3)

Section 2: 16 marks**Activity 5**

Complete the table below by indicating the inherent risk in each of the different asset classes. (4)

	Bank Deposit	Bonds	Equity	Endowments
Term	Short term	Medium term	Medium to long term	Minimum 5 years
Risk				

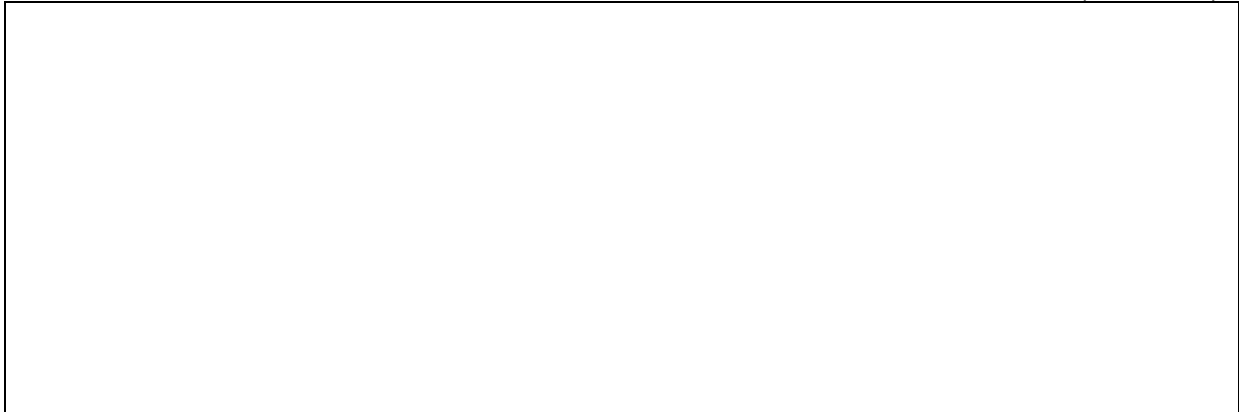
Activity 6

Explain the concept 'financial market' and give a local and international example thereof. (6)

Activity 7

Name and explain at least 3 economic factors that can influence financial markets.

(3 x 2 = 6)

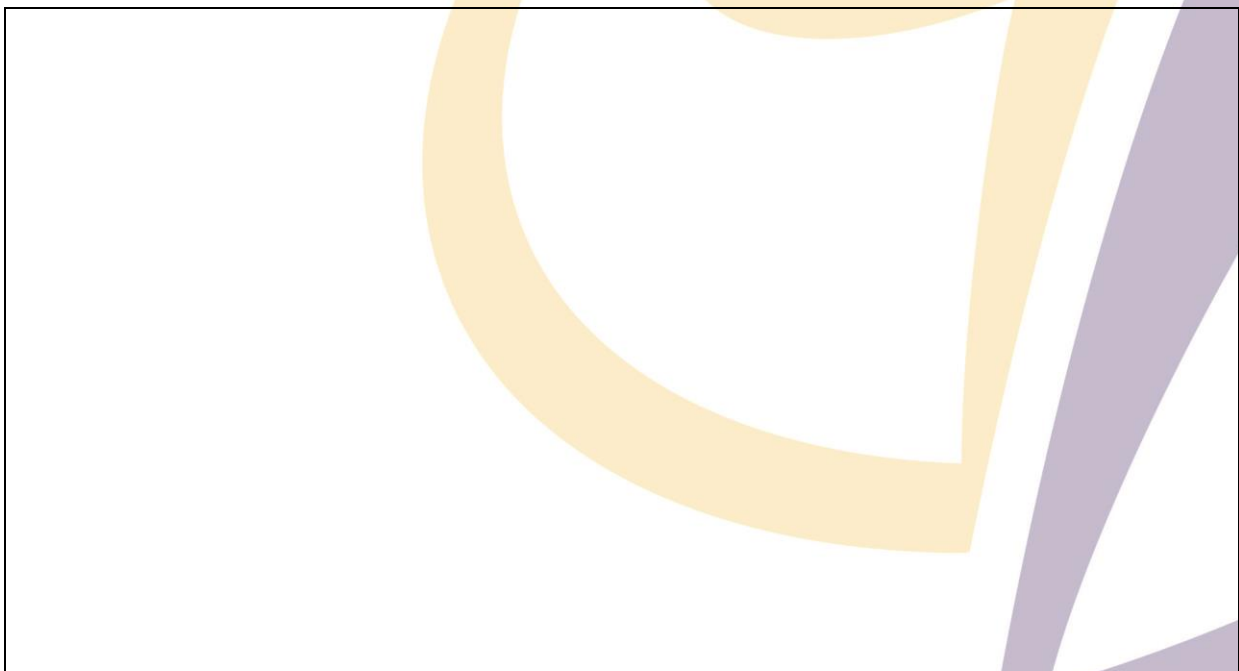
**Section 3: 15 marks****Activity 8**

Conduct extensive research and write a report highlighting the following:

- The global economic issues that affect investment markets
- The global political issues that affect investment markets
- The global environmental issues that affect investment markets
- Health related issues that affect investment markets

Also indicate how each of the above issues will impact on the South African investor. You can use the above criteria as headings for each section of your report. Your report should consist of at least 2 pages.

(15)

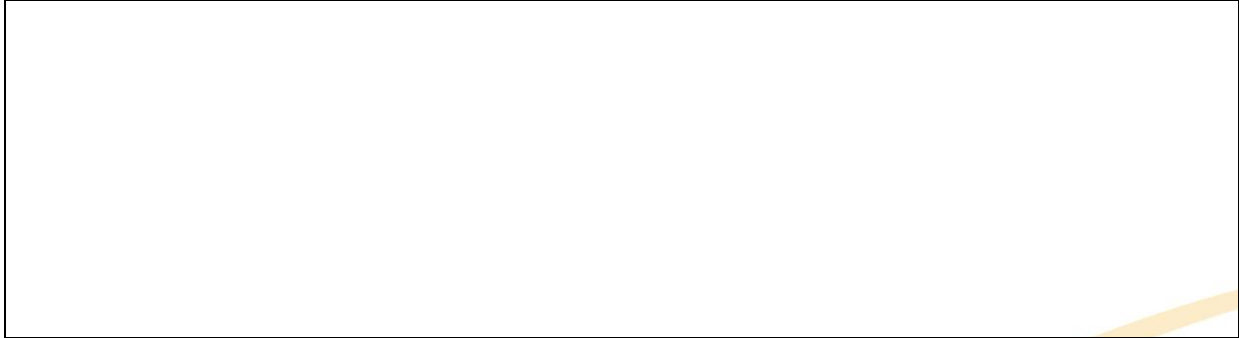






Section 4: 16 marks**Activity 9**

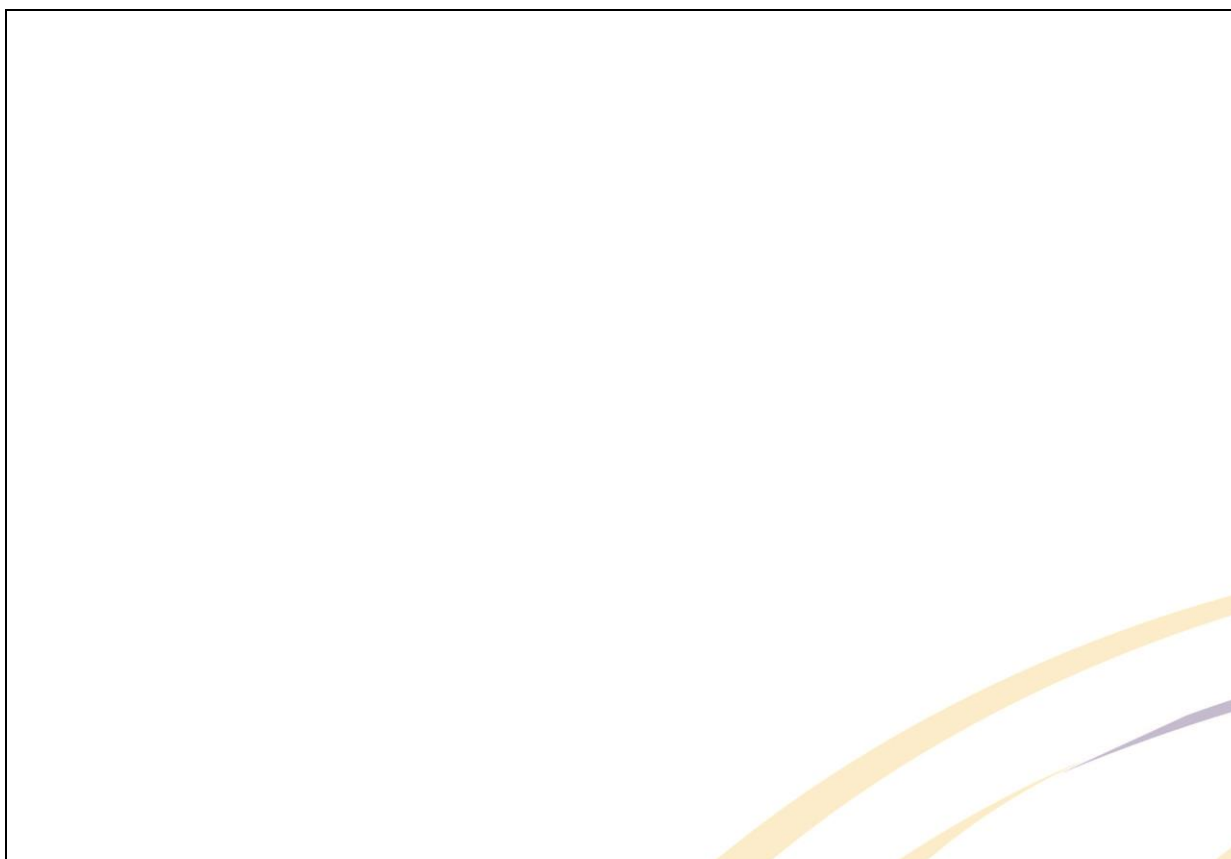
Briefly explain what kind of information you would require to develop a group investor profile and mention why each type of information is needed. (4)

**Activity 10**

Compile an investor profile for one of your clients. Indicate what information you took into account before drawing up the investor profile. Match the investor profile to available investment options suitable to the investor's profile. Use the following as headings in your answer:

- Questions asked to the potential investor in order to compile a profile
 - Investor's profile
 - Proposed investment options for the investor based on his profile
 - Motivation for the proposed investment options
- (12)



**Section 5: 15 marks****Activity 11**

Complete the table below with regards to the volatility of each financial option listed (risk, return and liquidity). (12)

	Bank Deposit	Bonds	Equity	Endowments
Potential Return				
Risk				

	Bank Deposit	Bonds	Equity	Endowments
Liquidity				

Activity 12

What, in your opinion, is the most suitable option to reduce risk in investments? (1)

Activity 13

List 2 consequences of making poor investment decisions or recommendations. (2)



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SOUTH AFRICAN QUALIFICATIONS AUTHORITY

REGISTERED UNIT STANDARD:

Demonstrate knowledge and understanding of risk in a Financial Services environment

SAQA US ID	UNIT STANDARD TITLE
119997	Demonstrate knowledge and understanding of risk in a Financial Services environment
ORIGINATOR	ORIGINATING PROVIDER
SGB Insurance and Investment	

QUALITY ASSURING BODY				
-				
FIELD			SUBFIELD	
Field 03 - Business, Commerce and Management Studies			Finance, Economics and Accounting	
ABET BAND	UNIT STANDARD TYPE	OLD NQF LEVEL	NEW NQF LEVEL	CREDITS
Undefined	Regular	Level 5	New Level Assignment Pend.	5
REGISTRATION STATUS		REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER
Reregistered		2009-07-01	2012-06-30	SAQA 0480/09
LAST DATE FOR ENROLMENT		LAST DATE FOR ACHIEVEMENT		
2013-06-30		2016-06-30		

In all of the tables in this document, both the old and the new NQF Levels are shown. In the text (purpose statements, qualification rules, etc), any reference to NQF Levels are to the old levels unless specifically stated otherwise.

This unit standard replaces:

US ID	Unit Standard Title	Old NQF Level	New NQF Level	Credits	Replacement Status
12185	Demonstrate knowledge and understanding of risk in a financial services environment	Level 5	New Level Assignment Pend.	5	Complete

PURPOSE OF THE UNIT STANDARD

This Unit Standard is intended for learners who work in a financial services environment. It introduces basic concepts and principles of risk management but does not require the learner to give financial advice. It will be useful for, among others, Trustees of Retirement Funds and Medical Schemes, Underwriters, Claims Assessors, learners in tendering and pricing, Long-Term Insurance and Investment Intermediaries and learners in Collective Investment Management Companies.

The qualifying learner is capable of:

- Explaining the concept of risk in a financial services environment.
- Explaining the relationship between investment instruments and financial

markets.

- Demonstrating insight into current global economic issues.
- Developing a group investor profile.
- Applying the principles of risk to make a financial decision.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

Learners should be competent in Communication and Mathematical Literacy at NQF Level 4.

UNIT STANDARD RANGE

The typical scope of this Unit Standard is:

- Factors that influence the level of risk are timing, term, type of instrument and nature of the market.
- Investor profiles may refer to an individual or a group.

Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Explain the concept of risk in a financial services environment.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The concept of risk in financial services is explained in terms of appetite for risk.

ASSESSMENT CRITERION 2

The factors that influence the level of risk of a financial instrument or product are described with examples.

ASSESSMENT CRITERION 3

The concept of probability is explained using historical examples.

ASSESSMENT CRITERION 4

The importance of interpreting risk in relation to the investor or client is explained with examples.

SPECIFIC OUTCOME 2

Explain the relationship between investment instruments and the financial markets.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The inherent risk in the different asset classes and/or insurance products is explained with examples.

ASSESSMENT CRITERION 2

The concept of a financial market is explained with local and international examples.

ASSESSMENT CRITERION 3

The economic factors that can influence financial markets are named and an indication is given of how these can influence the investor to make an investment decision.

SPECIFIC OUTCOME 3

Demonstrate insight into current global economic issues.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

Global economic issues that affect investment markets are analysed and an indication is given of the probability that these will impact on the South African investor.

ASSESSMENT CRITERION 2

Global political issues that affect investment markets are analysed and an indication is given of the probability that these will impact on the South African investor.

ASSESSMENT CRITERION 3

Global environmental issues that affect investment markets are analysed and an indication is given of the probability that these will impact on the South African investor.

ASSESSMENT CRITERION 4

Health related issues that affect investment markets are analysed and an indication is given of the probability that these will impact on the South African investor.

SPECIFIC OUTCOME 4

Develop a group investor profile.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

The kind of information required to develop a group investor profile is listed and an

indication is given of why each item of information is required of an investor.

ASSESSMENT CRITERION 2

An investor profile is compiled based on the available information about the investor.

ASSESSMENT CRITERION 3

The investor profile is matched to available investment options.

SPECIFIC OUTCOME 5

Apply the principles of risk to make a financial decision.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The risk of a specific investment option is analysed and quantified in order to explain the consequences of the suggested investment option.

ASSESSMENT CRITERION 2

The level of volatility is explained for a specific financial option.

ASSESSMENT CRITERION 3

Possible options to reduce risk are explored and a strategy is developed that could reduce a specified risk.

ASSESSMENT CRITERION 4

Possible investment options are selected and presented to a potential client.

ASSESSMENT CRITERION 5

The consequences of making a poor investment decision or recommendation are explained with reference to the impact on future benefits and legislated accountability.

UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS

This Unit Standard will be internally assessed by the provider and moderated by a moderator registered by a relevant accredited ETQA or an ETQA that has a Memorandum of Understanding with the relevant accredited ETQA.

UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE

N/A

UNIT STANDARD DEVELOPMENTAL OUTCOME

N/A

UNIT STANDARD LINKAGES

N/A

Critical Cross-field Outcomes (CCFO):

UNIT STANDARD CCFO IDENTIFYING

Learners are able to assess a situation and make a decision about financial options and their accompanying risk.

UNIT STANDARD CCFO COLLECTING

Learner can collect, organise and evaluate information by demonstrating insight into global economic issues and in making an investment decision.

UNIT STANDARD CCFO COMMUNICATING

Learners are able to communicate effectively using visual, mathematics and language skills in calculating probability and explaining the risk attached to selected investment options.

UNIT STANDARD CCFO DEMONSTRATING

Learners are able to demonstrate an understanding of the world as a set of related systems by recognising the effect that global economic issues have on the South African investor.

UNIT STANDARD CCFO CONTRIBUTING

- Learners are able to develop entrepreneurial opportunities by selecting financial instruments that could be suitable for specific investors.
- Learners are able to participate as a responsible citizen in the life of local, national and global communities by making sound financial decisions.

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