



**J07**

**THE CHARTERED INSURANCE INSTITUTE**

**WEDNESDAY 21 APRIL 2010**

**DIPLOMA IN FINANCIAL PLANNING  
J07 – SUPERVISION IN A REGULATED ENVIRONMENT**

**SPECIAL NOTICE**

**Candidates are expected to be aware of the FSA rules and guidance regarding training and competence, conduct of business and complaints handling as contained within the relevant sourcebooks.**

**INSTRUCTIONS**

- **Two hours are allowed for this paper.**
- **Read the instructions overleaf carefully before answering any questions.**
- Fill in the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper but you must **not** write your name, candidate number, PIN or any other identification **anywhere** on this question paper.
- The answer book and this question paper **must both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

THE CHARTERED INSURANCE INSTITUTE  
© The Examinations Department, CII, 20 Aldermanbury, London EC2V 7HY

**THE CHARTERED INSURANCE INSTITUTE**

**J07 – Supervision in a regulated environment**

**CANDIDATE INSTRUCTIONS**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

Two hours are allowed for this paper.

The paper consists of 15 short answer questions and carries a total of 130 marks.

Read carefully the questions and information provided. You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.

Any rough notes made in your answer book must be crossed through before you hand it in.

Answer each question on a new page and leave six lines blank after each question part.

**Please ensure that you understand the Special Notice printed in the box on the front page.**

*Subject to providing sufficient detail, you are advised to be as brief and concise as possible, using note format and short sentences on separate lines wherever possible.*

**Attempt ALL questions**

**Time: 2 hours**

1. In addition to coaching, assessment skills and technical knowledge, many employers require the supervisor of a financial adviser to demonstrate specific competencies.
  - (a) State what is meant by the term ‘competencies’. (1)
  - (b) List **ten** key competencies a supervisor would be expected to demonstrate. (10)
  
2. You are the supervisor of a team of advisers. Following a check of case files for one of your advisers, you have identified that his suitability reports are not linking his recommendations to the customer’s objectives. In addition, the file notes fail to specify in sufficient detail the customer’s objectives. The result is that the files do not evidence the suitability of the adviser’s recommendations.

The adviser has undergone remedial training and is now on a period of close supervision.

State **three** on job activities that might typically be undertaken by the supervisor, and for **each** activity, briefly explain why this would be appropriate during this period of close supervision. (6)
  
3. Bruce Tuckman identified five stages of team development.

State the **five** stages, and for **each** stage give a brief description. (10)
  
4. A supervisor in a firm has a number of advisers that have been made redundant due to the market downturn. Business generally is down and the remaining advisers in the team are struggling to reach targets.

Linking your answer to Maslow:

  - (a) explain why the advisers may not be performing to their full potential; (3)
  - (b) state the actions the supervisor could take which would make a difference in the scenario above. (3)

5. (a) There are four styles of team meeting. State the most appropriate style for the following situations:
- (i) crisis management; (1)
  - (ii) training on a new product; (1)
  - (iii) brainstorming for ideas. (1)
- (b) State **four** other purposes for which a team meeting might be used. (4)
6. Each financial institution must provide a report to the Financial Services Authority (FSA) twice yearly in respect of complaints received from eligible complainants. Apart from the amount of redress paid by the firm, list the other information that must be provided. (6)
7. When assessing risk, ‘impact’ and ‘probability’ are two measures used.
- (a) Identify the **four** risk management strategies and for **each** of these, state the relationship between impact and probability. (8)
  - (b) Explain how a supervisor could supervise a team of advisers using risk based management. (4)
8. A supervisor has identified a training need for one of the advisers in his team and has undertaken an appropriate training activity.
- (a) Give reasons why it is good practice to validate the outcome of the training. (4)
  - (b) State **three** methods of validating skills. (3)
  - (c) State **three** methods of validating knowledge. (3)

9. A supervisor of a team of advisers has decided to hold a team meeting to brainstorm ideas for increasing business in group pensions.

The supervisor has decided to employ De Bono's six thinking hats at a team meeting and has explained the concept to the team.

- (a) State the **five** main benefits of using De Bono's method. (5)
- (b) During the meeting the supervisor 'wears' the following hats. For each colour hat, state the behaviours the supervisor would demonstrate:
- (i) white;
  - (ii) green;
  - (iii) yellow;
  - (iv) black;
  - (v) red;
  - (vi) blue. (6)

10. PESOS (Prepare, Explain, Show, Observe, Supervise) is a coaching framework.

In the 'Prepare' stage, state the considerations the supervisor of the individual to be coached should take into account to ensure the coaching is effective. (5)

11. In respect of clients classified as 'Retail' under the Financial Services Authority (FSA) rules, FSA Conduct of Business Sourcebook (COBS) states the areas of client information a firm must obtain before making a personal recommendation for designated investments.

- (a) State these required areas. (5)
- (b) If the client were classified as 'Professional' rather than 'Retail', state how your answer in (a) above would be different. (1)
- (c) State the measures a firm might put in place to ensure their financial advisers fulfil the FSA requirements relating to assessing suitability. (6)

12. A supervisor is explaining to a new member of their team the importance of the Money Laundering Regulations 2007 when meeting new customers.
- (a) (i) Explain what is meant by Customer Due Diligence (CDD). (4)
  - (a) (ii) In terms of timing, state when CDD must be undertaken. (2)
  - (b) (i) Explain what is meant by Politically Exposed Persons (PEPs). (2)
  - (b) (ii) Explain why more care needs to be taken over due diligence for PEPs. (2)
13. Competency based development is specifically used to develop an individual by the use of competencies.
- (a) Define competency based development. (1)
  - (b) Explain the process a supervisor would follow to develop an individual using this approach. (6)
14. A supervisor has been asked to prepare a presentation to the managing director on the importance and benefits of the firm achieving Investors in People (IIP).
- (a) List the key principles of IIP. (5)
  - (b) State **two** benefits to a customer of the firm achieving IIP. (2)
15. You are a supervisor of a team of advisers and need to deal with underperformance issues.
- (a) Explain what is meant by ‘unsatisfactory performance’. (2)
  - (b) List and explain the **four** types of management intervention that can be used to correct unsatisfactory performance. (8)

