

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

April 2013 examination

SPECIAL NOTICES

Candidates are expected to be aware of the FSA regulation and guidance regarding wraps and platforms.

All questions in this paper are based on English law and practice applicable in the tax year 2012/2013, unless stated otherwise in the question, and should be answered accordingly.

Candidates should answer based on the legislative position immediately BEFORE the 2013 budget.

Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide 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.**

Unit J11 – Wrap and platform services

Instructions to candidates

Read the instructions below before answering any questions

- **Two hours** are allowed for this paper which consists of short answer questions and two essay questions carrying a total of 110 marks.
- Section A: 50 marks
- Section B: 60 marks
- 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.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page and leave six lines blank after each question part.

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.

SECTION A**Attempt ALL questions**

1. A financial adviser is recommending the use of a platform to a new client for their existing investments.
List the main **client benefits** that the financial adviser would outline to them. (10)
2. List **eight** costs or charges that a client may incur when using a wrap-style platform. (8)
3. State the main risks relating to a discretionary fund management service that a financial adviser should explain to a client when recommending the service on a platform. (8)
4. Following a client segmentation exercise, an authorised advisory firm plans to offer a direct to consumer execution-only platform to some of its client base.
Describe the key regulatory issues that the **firm** should consider before they proceed. (6)
5. An open ended investment company (OEIC) issues accumulation and income shares.
(a) List the main types of share class for this OEIC that can be held on a platform. (3)
(b) Identify the main **differences** between the share classes listed in part (a) above. (7)
6. XXZ Ltd is a medium-sized company that employs 150 people. Having read about corporate wraps, the directors of XXZ Ltd have asked their financial adviser to explain how a corporate wrap could be used to assist with retirement planning for their employees.
Describe the **main benefits** of a corporate wrap to the **employees** of XXZ Ltd in respect of their retirement planning. (8)

Total marks available for this section: 50

SECTION B**Attempt ALL questions**

7. A financial adviser has gained a new client with a wide range of directly held existing life, pension and investment plans. The client has not taken an active interest in his financial arrangements to date but has said that he would like to be more involved in buying and selling assets within his pension and investment portfolios.
- (a) Explain the **main benefits** to the **client** of a wrap-style platform. (15)
- (b) Explain the main administration **benefits** to the **firm** of a wrap-style platform. (15)
8. An authorised firm of financial advisers has been using a fund supermarket platform to administer the investment portfolios of its clients. The platform receives both unit and cash rebates from fund providers.
- (a) List the **main considerations** that the **firm** should be aware of if it wishes to continue using this model once the proposed changes to fund rebates come into force. (12)
- (b) State the **main factors** that may affect the **firm** and/or its **clients**, if the firm decides that it will switch from a fund supermarket style model to a wrap-style model, (18)

Total marks available for this section: 60

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