

AF6

Advanced Diploma in Financial Planning

Unit AF6 – Senior management and supervision

April 2013 examination

SPECIAL NOTICES

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

- Three 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 AF6 – Senior management and supervision

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
 - Section A: 80 marks
 - Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question 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.
- Answer each question on a new page and leave six lines blank after each question part.

SECTION A

This question is compulsory and carries 80 marks

Case study 1

You are the Chief Risk Officer of a large regulated financial services company. The company has grown over the years to the point where the firm's in-house designed policy administration system is no longer capable of further expansion without significant investment. For the past few years, there has been a series of updates added on to the system as policies have changed and been given extra functions. As the company continues to grow through acquisition, increasing numbers of policies and policy holders have put significant strain on the existing system. This has led to increased costs, administrative errors and market disadvantage.

The options open to the organisation were:

- to make a significant financial investment in upgrading the current in-house system;
- to install an 'off-the-shelf system' to provide long term flexibility, but which will require significant investment both financially and in expertise to help develop and support the new system;
- to outsource the policy administration system and its associated operational functions to a multi-national specialist provider.

The Board has decided to proceed with the outsourcing option and you have determined that a formal notification of the change should be made to the Regulator.

Question

Prepare a paper for the Regulator which analyses the benefits and risks of outsourcing for the organisation. Your paper should examine the roles and responsibilities required in order to achieve effective governance of the outsourcing arrangement and justify why this option presents an acceptable level of risk.

(80)

Section B questions can be found on pages 6 - 7

SECTION B

**Both questions in this section are compulsory
and carry an overall total of 80 marks**

Case study 2

You are applying for a role which holds a significant influence function.

Under the Statements of Principle for Approved Persons, the Statement of Principle 5 states:
'An approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function is organised so that it can be controlled effectively'.

'Failing to take reasonable steps', could include failing to review the competence, knowledge, skills and performance of staff and to assess their suitability to fulfil their duties, despite evidence that their performance might be unacceptable.

The role for which you are applying is a management role, with key staff reporting to you, but the application documents stress strongly that the successful candidate will demonstrate leadership qualities, as well as being a manager.

Question

Prepare a report to be sent to the interviewing panel. This report should explain the actions you would take to review the competence, knowledge, skills and performance of staff and identify how you would demonstrate leadership behaviours, rather than just those of a manager.

(40)

Case study 3

You are a senior manager in a large regulated financial services company. The Board has been made aware of research which identifies links between employee engagement and people risk. Key members of the Risk Committee have indicated that they are interested in the introduction of a Professional Development Policy (sometimes called a Management Development Policy or Career Development Policy).

Question

Prepare a report to the Risk Committee evaluating how a Professional Development Policy can support employee engagement and mitigate people risk. **(40)**

