

AF6

Advanced Diploma in Financial Planning

Unit AF6 – Senior management and supervision

April 2014 examination

SPECIAL NOTICES

Candidates are expected to be aware of the FCA 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.
- **Your answers will be marked in accordance with the following weighting:**
 - Your knowledge and understanding of the subject area, including the accuracy and completeness of your facts. This has a mark weighting of 40%.
 - The way that you analysed or examined the subject area. This has a mark weighting of 40%.
 - The way that you structured your answer – is the information arranged logically? Is the reasoning sound. This has a mark weighting of 10%.
 - Evidence that you have used relevant industry examples and/or undertaken further reading to support your answer. This has a mark weighting of 10%.
- **It is recommended that you spend 15 minutes reading and planning your answer to case study 1 and 75 minutes answering it, and that you spend 10 minutes reading and planning your answers to case study 2 and 3 and thirty five minutes answering each of these.**
- 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.

SECTION A

This question is compulsory and carries 80 marks

To gain maximum marks you should include relevant examples and evidence of further reading in your answer

Case study 1

You are a director of a large firm, only offering investment solutions to clients. The firm has around eighty advisers nationally in the UK, operating from home based and local office locations. Advice is provided on a face-to-face basis with no online services. Treating Customers Fairly (TCF) principles are monitored by five regional supervisors through two KPIs; 'file completion' and 'complaints'. There is no collation of data for senior management and no written escalation policy.

You are keen to expand the business, either through the firm's existing strategy of only offering investment solutions, or through offering other services to clients. You have decided to undertake a strategic analysis of the company using the Ansoff matrix and the Political, Economic, Social and Technological (PEST) business planning tools to consider and develop the available options. Given the need to expand your business you also need to consider the suitability of the current TCF measures for your future business model.

Question

Prepare a report for the Board which:

- Uses the Ansoff matrix and PEST model to analyse the business; and as a direct result identify potential options for expanding the business and the associated implications.
- Identifies the TCF outcomes which the firm should aspire to and how these link to the Financial Conduct Authority's Principles for Businesses, and why they are important.
- Comments on the suitability of the existing Management Information measures, suggesting additional measures, with reasons, that would enhance the information available to the Senior Management.

(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**

**To gain maximum marks you should include relevant examples and evidence of further
reading in your answer**

Case study 2

You are the Chief Risk Officer of a national IFA. The firm has implemented a post-Retail Distribution Review (RDR) 'contingent' charging structure, where the client fee is directly linked to the value of transactions that the firm arranges. The resulting fee for the deal equates to the commission that would have been earned prior to RDR. Advisers are remunerated based upon the level of fees earned from their clients.

You are aware that the Financial Conduct Authority (FCA) has prioritised for investigation post-RDR charging structures that closely reflect pre-RDR commission business models. However, the Board wish to retain the current contingent charging structure.

Question

Write a report for the Board that:

- Evaluates the implications of the post-RDR charging structure the organisation has chosen to use against the principles underlying the current Regulatory regime.
- States reasons why the FCA may be concerned.
- Recommends measures and controls the firm could take to mitigate the risks and conflicts arising from the current charging and remuneration structure.
- Outlines an approach to training that will assist advisers to effectively promote to clients the firm's contingent charging structure.

(40)

Case study 3

You are the Sales and Marketing Director of an independent financial advice subsidiary of a retail banking group.

Over the last 18 months, the main focus for supervisor and adviser training and development has been on achieving RDR qualifications and understanding a new point of sales system.

Circumstantial evidence and customer feedback leads you to think that during this time supervisory practices have become directive and purely compliance led. As a result of which adviser customer focus has deteriorated from its previously very high levels. You know it is essential to establish the full extent of the problem and then take action to reverse this trend at the earliest opportunity.

Question

Write a report for the Managing Director that will:

- Show how you will identify the actions you need to take.
- State and explain the actions to be taken.
- Describe the benefits of implementing the actions you intend to take.

(40)

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