

AF6

Advanced Diploma in Financial Planning

Unit AF6 – Senior management and supervision

October 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 answer to each case study, 2 and 3, and 35 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 the Chief Risk Officer of a large regulated firm which has twelve branches across the UK and a head office with a functional organisation structure.

Jane, a newly appointed managing director, who has extensive business governance experience but limited experience of the financial services market and its regulation, has suggested that the firm should consider a significant re-organisation. Jane thinks that a divisional based organisation structure would be more appropriate for a large firm and this will also enable a more effective business control and risk management methodology.

Question

Prepare a report for the Managing Director that:

- explains the organisation's current operating structure;
- compares and evaluates this in relation to a divisional organisation structure.

The report must include specific references to:

- the Financial Conduct Authority's (FCA's) and Prudential Regulation Authority's (PRA's) relevant regulatory requirements;
- the appropriate FCA management controls and controlled functions;
- the implications of the FCA Systems and Controls rules and guidance;
- an effective risk management strategy.

(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 Operations Director of a large regulated firm with the objective of creating a new wealth management subsidiary.

You have been tasked with writing a report for the Board of the parent company setting out the subsidiary's governance requirements.

Question

Prepare a report for the Board which:

- outlines the relevance of the UK Corporate Governance Code;
- examines the composition and responsibilities of the Board of Directors;
- explains the core competencies of the Board of Directors.

(40)

Case study 3

'The financial services industry has the "narrowest of windows" to make cultural change stick before the economy recovers and memories of the financial crisis fade', says FCA chief executive Martin Wheatley.

The FCA's serious concern is that economic recovery may bring so much investor pressure for growth that the essential link to culture and ethics is forgotten.

Question

In the light of the comments above, you have been asked by your chairman to prepare a paper to describe how cultural change can be achieved within a regulated firm, in short-time frames, while continuing to meet investor pressure.

Prepare a paper for your chairman that:

- identifies FCA Treating Customers Fairly requirements, regarding culture and cultural change;
- explains ways in which behaviours influence culture in organisations;
- assesses the relevant leadership models which enable the promotion and oversight of cultural change.

(40)

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