

## AF6

### Advanced Diploma in Financial Planning

#### Unit AF6 – Senior management and supervision

October 2015 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 Managing Director of a small IFA firm that utilises the outsource services of a network.

The specific outsourced services are as follows:

- Paraplanning (research and suitability letters).
- Compliance file quality checking.
- Money laundering checks.
- Dealing with compliance queries from IFAs.

In recent months, there has been an unacceptable delay in the production of suitability letters and a recent external audit has highlighted that the outsource file checking did not identify all regulatory issues.

**Question**

Draft a report for the Board that evaluates the positive and negative implications of outsourcing the compliance and paraplanning functions. The report should specifically cover the impact on the following and how they might be effectively managed:

- the regulatory requirements of outsourcing;
- the risks to the firm and the customers from outsourcing these functions;
- the supervisory approach and any further controls that you would implement to mitigate the above risks of outsourcing;
- the approach to communication with the outsource partner and what measures can be implemented to monitor the service it provides.

**(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 have been appointed as a senior executive director on the Board of a regulated financial services organisation. You have attended several board meetings and your concerns are as follows:

- There is insufficient compliance management information and analysis from the Chief Risk Officer.
- There is as a result insufficient awareness of risk at Board level.
- There is inadequate segregation of duties between the Chairman and the Chief Executive Officer.

### Question

Write a paper for the Board which sets out:

- the regulatory responsibilities of the Board;
- at least **three** key recommendations, giving your reasons, to address your concerns above.

**(40)**

### Case study 3

You work for an external consultant and have been asked to review the culture of a regulatory financial services advisory firm. Your initial findings can be summarised as follows:

- Lack of development opportunities for advisers and supervisors.
- An autocratic leadership style in the customer facing functions which could result in inappropriate advice behaviours.
- No published ethical code of business conduct.

### Question

Prepare a paper for presentation to the Board which:

- comments on the regulatory and management issues identified;
- evaluates the potential risks arising from your findings;
- recommends at least **three** actions that the firm should take to mitigate the issues identified above.

**(40)**

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