

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

October 2015 examination

SPECIAL NOTICES

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

All questions in this paper are based on English law and practice applicable in the tax year 2015/2016, unless stated otherwise in the question, and should be answered accordingly.

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. State **nine** main **administrative** benefits to a financial adviser of using a platform as part of the financial advice process. (9)

2. Explain briefly, in respect of their operations within a platform, the functions of:
 - (a) the custodian; (6)
 - (b) the nominee. (4)

3.
 - (a) State **six** main risks specific to holding assets on a platform to which a retail client may be exposed. (6)
 - (b) State the **three** main Financial Services Compensation Scheme standard compensation limits for different client assets held on a platform. (3)

4. Compare the differences in charging structures between a fund supermarket-style platform and a wrap-style platform for existing pre-retail distribution review business. (6)

5. A financial adviser firm currently uses a wrap-style platform. The firm has decided to use a third party discretionary fund management (DFM) service on the platform.

State the main regulatory issues that the firm should consider in respect of the DFM service. (9)

6. A large employer is assessing a workplace platform for its staff. Excluding pensions, describe **seven** main features of a workplace platform that would assist the **employer**. (7)

Total marks available for this section: 50

SECTION B

Attempt ALL questions

7. A financial adviser firm is looking to use a platform for the first time. Its client base has an average total asset value of £75,000 consisting of life, investment and pension policies that have been taken out over many years. The average client trades infrequently and does not have regular contact with their adviser.
- (a) Explain the main benefits to the **client** of a platform compared to directly held funds and policies. (20)
- (b) The firm wants to improve engagement with its clients. Describe how a platform would help the **firm** to achieve this objective. (10)
8. A firm of independent financial advisers is currently using two fund supermarket-style platforms for some of its clients. Following a client segmentation exercise, the firm has identified a group of clients for whom a move to a wrap-style platform may be suitable. This client group has an average investment portfolio of £350,000 that includes direct equities and collective funds. A proportion of the clients actively trade equities on a regular basis.
- (a) Identify the main areas that the firm would assess when undertaking due diligence on the new platform. (18)
- (b) Explain the relevant areas that should be included in a suitability report where the firm is recommending the move from the existing fund supermarket-style platform to the new wrap-style platform. (12)

Total marks available for this section: 60

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