

## J11

### Diploma in Financial Planning

#### Unit J11 – Wrap and platform services

April 2016 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.

Candidates should answer based on the legislative position immediately BEFORE the 2016 budget.

#### 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. An authorised advisory firm currently uses two fund supermarket-style platforms. It is now looking to replace one of these with a new wrap-style platform and is undertaking due diligence on potential platform providers.
- List **ten** regulatory factors that the firm would assess as part of its due diligence. (10)
2. (a) State the Financial Conduct Authority's definition of a platform service. (4)
- (b) Outline the **four** main regulatory permissions that are relevant to a platform provider. (4)
3. Compared to a bundled charging structure, identify **three** client advantages and **three** client disadvantages of an unbundled charging structure for collective investment funds held on a platform. (6)
4. A retail client holds an investment portfolio consisting of collective investment funds and direct equities on a wrap-style platform.
- Excluding charges, list the main taxes and levies that could be paid by the client and platform provider. (8)
5. A retail client wishes to purchase a UK listed equity on his wrap-style platform.
- Explain briefly the main stages of the transactional service process. (10)
6. A company currently offers its workforce a defined contribution pension scheme that also fulfils its auto-enrolment obligations. The company is considering adding a workplace platform.
- In respect of retirement planning only, identify **eight** workplace platform features that would benefit the **employees**. (8)

Total marks available for this section: 50

## SECTION B

## Attempt ALL questions

7. An independent financial adviser has just taken on a new retail client Pamela, who is aged 57 and in good health. She was recently widowed following the death of her husband Nigel, aged 63. Pamela has a portfolio in her sole name valued at £200,000 that consists of collective investment funds and a Stocks and Shares ISA. Nigel's portfolio was in his sole name, is valued at £500,000 and consists of several uncrystallised personal pensions, collective investment funds, as well as some direct equities and a Stocks and Shares ISA. Pamela is the sole beneficiary of Nigel's estate.

Pamela has minimal income. She requires a net income of £30,000 per annum from her existing portfolio and the inherited assets over the medium to long term. All the assets need to be as tax-efficient as possible. The adviser has identified a suitable wrap-style platform as part of his likely recommendation.

- (a) Explain the main financial planning issues that the adviser would consider when discussing how to meet Pamela's needs before transferring any assets to the new wrap-style platform. (8)
- (b) Identify **eight** factors that could be used to maximise tax-efficiency for Pamela's existing portfolio and the inherited assets if held across different tax wrappers. (8)
- (c) State **seven** platform tools that would be available to the adviser on a wrap-style platform and list **one** main use for **each** tool that would be relevant to the client's need. (14)

8. An authorised advisory firm has identified that a fund supermarket-style platform is suitable for the development of its advice proposition. The firm's average client has an investment portfolio valued at £70,000 that consists of a wide variety of collective investment funds, currently held off-platform.

- (a) State the main administrative benefits to the **firm** of moving clients' assets onto a platform. (20)
- (b) Identify **ten** factors the firm would consider as good practice when setting the objectives for the use of a platform. (10)

Total marks available for this section: 60

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