

AF6

Advanced Diploma in Financial Planning

Unit AF6 – Senior management and supervision

April 2016 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

Raeburn plc, a large financial services regulated firm, is acquiring Morgan, a small IFA firm which provides financial planning services to high net worth individuals. Raeburn plc does not have an IFA section and its advisers provide simplified advice. They have a centralised risk and compliance department. Morgan has been using the services of a network, in relation to:

- carrying out anti-money laundering/Know Your Customer checks;
- second line supervision in relation to Training and Competence (e.g. file checks);
- dealing with compliance-related queries.

Post acquisition, it is proposed that a number of functions will be integrated. This means that Morgan will no longer use the services of the network, but rely on the centralised risk and compliance services of Raeburn plc.

Question

Draft a report to the Board of Raeburn plc which identifies and assesses:

- the key risks to Raeburn plc and its customers from the acquisition;
- the consequences if the risks identified materialise;
- any likely impact on customers.

In your report, briefly outline the FCA Handbook regulatory requirements and make recommendations to mitigate the risks identified in your report.

(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

Auden is a subsidiary of a large regulated financial services firm. Following an internal review it has been identified that Auden has:

- been operating without a defined competence policy for senior management;
- inadequate segregation of duties at board level.

Question

Identify and assess the risks of the current situation and recommend suitable action to address the above. Comment upon corporate governance requirements, including the benefits of having a competence policy.

(40)

Case study 3

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

- Leadership is focused on business performance rather than Treating Customers Fairly.
- Leaders in the organisation are not aware of how leadership styles influence the culture and behaviour.

The Chief Executive Officer has asked for an explanation of how emotional intelligence impacts on leadership.

Question

Prepare a paper for the Board which:

- comments on the regulatory and leadership issues identified;
- assesses the benefits of different styles of leadership, and comments on the potential benefits of an understanding of emotional intelligence;
- recommends **three** actions that the firm should take to mitigate the risks and issues identified above.

(40)

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