

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

April 2017 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 2016/2017, unless stated otherwise in the question, and should be answered accordingly.

Candidates should answer based on the legislative position immediately BEFORE the 2017 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. State **eight** main platform features that an authorised advisory firm would use in the provision of initial investment advice to a retail client. (8)

2. Explain briefly the main functions performed by a custodian in respect of custody, dealing and settlement services. (12)

3. An authorised advisory firm has completed the migration of a group of its clients from a fund supermarket-style platform to a wrap-style platform.

Explain the main differences in how the firm can be remunerated under explicit charging, compared to pre-April 2016 implicit charging. (6)

4. State **eight** main risks to a financial adviser arising from the adviser's use of the tools on a platform in respect of an investment portfolio from which the client is drawing income. (8)

5. An authorised advisory firm is preparing a client recommendation for a platform as part of the transfer of an existing investment portfolio containing collective funds.

Outline the main areas that would relate specifically to the new platform only, within the firm's suitability report. (8)

6. A limited company employing 40 staff is considering using a workplace platform for the first time, as part of auto-enrolment.

Identify **eight** main areas of functionality on the platform that would assist the company with its auto-enrolment requirements. (8)

Total marks available for this section: 50

SECTION B

Attempt ALL questions

7. Iria, aged 59, has an investment portfolio valued at £250,000, which consists of collective investment funds, held within and outside a Stocks & Shares ISA, and is not currently on a platform.

Earlier in 2017, her husband, Paul, died aged 67, and the value of his self-invested personal pension (SIPP) passed to Iria. The SIPP is valued at £300,000 and consists of an equal mix of collective investment funds and direct equities. Paul also had a Stocks & Shares ISA valued at £50,000.

Iria plans to continue working part-time for the next few years and would like her capital to provide a variable income of up to £24,000 per annum, to top-up her irregular part-time earnings. Income flexibility is important to her and she wants to know that the income she receives is adjustable and payable when she wants.

Paul's SIPP and ISA are both on the same platform and Iria is considering whether she should transfer her investment portfolio onto the same platform.

Iria has asked her financial adviser to assess this platform's capability to meet her income need and whether a transfer to the platform may be suitable for her.

- (a) Describe the main factors that Iria's adviser would consider in respect of the provision of flexible income and withdrawals from both the investment and pension portfolios, from the platform. (16)
- (b) State the **seven** benefits and **seven** drawbacks to Iria of transferring her investment portfolio to the platform compared to holding the investments directly. (14)

QUESTIONS CONTINUE OVER THE PAGE

8. A platform provider used by a firm of independent financial advisers (IFA) has recently announced that it plans to withdraw from the UK market as it is not profitable for the provider. As a result, the IFA firm will have to undertake a 're-platforming' exercise to migrate a group of its clients onto a new platform.

The average client investment portfolio on the platform is £140,000 and consists of stocks & shares ISAs, collective investment funds and some direct equities. The portfolios are a mix of growth and income-focused strategies.

The IFA firm previously noticed that the existing platform was fined for a minor breach of client money and assets regulations as set out in the Client Assets Sourcebook (CASS). As a consequence, the firm wants to better understand how platforms handle client money.

- (a) Explain the main areas of due diligence specific to the 're-platforming' exercise **only** that the IFA firm should undertake. (12)
- (b) Outline the main risks to the **client** arising from the 're-platforming' exercise. (10)
- (c) Describe briefly the main stages of the client money processing. (8)

Total marks available for this section: 60

