

## J11

### Diploma in Financial Planning

#### Unit J11 – Wrap and platform services

October 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 2017/2018, 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 **eight** ways in which a platform could assist a financial adviser when preparing recommendations for an investment portfolio for a new retail client. (8)

2. A financial adviser is discussing a platform with a new retail client. The adviser is considering the use of a stocks and shares ISA and self-invested personal pension (SIPP) tax wrapper as part of the client's investment and retirement planning.

State **eight** charges and levies that could be paid by the client within the ISA and SIPP wrappers on the platform, **excluding** taxes. (8)

3. Identify **eight** main differences of non-advised platform business models compared to advised platform business models. (8)

4. An existing platform provider is planning a significant software upgrade that will include a change of technology provider.

State the **main** areas of due diligence that an authorised advisory firm would undertake in respect of platform technology factors only. (8)

5. In respect of a platform service provider:

(a) state the **four** regulatory permissions; (4)

(b) identify **one** controlled function for **each** regulatory permission given in your answer in **part (a)** above. (4)

6. A medium-sized business is considering offering a workplace platform to its staff for the first time.

Outline the main employee features that the platform could provide, **excluding** retirement planning. (10)

**Total marks available for this section: 50**

## SECTION B

## Attempt ALL questions

7. A firm of independent financial advisers currently uses a platform for the majority of its clients. The firm wants to develop its client proposition to include a discretionary fund management (DFM) service for its higher net worth client group. The firm intends to market this service via a second platform provider.

The higher net worth (HNW) client group has an average portfolio value of £450,000, which mainly consists of collective funds and is focused upon income generation. This client group does not trade frequently and the majority of these clients are deemed to have a low to medium attitude to risk.

- (a) Identify **ten** main areas of due diligence, relevant to the needs of the HNW client group only, that the IFA firm would perform on the potential second platform provider. (10)
- (b) List **ten** main benefits to the HNW client group of holding their portfolios on a platform. (10)
- (c) Outline the main risks to the HNW client group of using a DFM service via a platform. (10)

QUESTIONS CONTINUE OVER THE PAGE

8. Having undertaken due diligence upon a shortlist of potential platforms, an authorised advisory firm has chosen XYZ Wrap as the main platform to support the delivery of the firm's advice proposition.

The average client investment portfolio is valued at £180,000 and consists of a range of equity, fixed interest and commercial property collective funds. These funds are referenced against a variety of benchmarks that were set at the establishment of each client's portfolio but have not been reviewed subsequently. Some clients are invested for growth and others for income.

Overall, the clients trade with varying frequencies and the firm is keen to use the new platform to help engage more with clients on regular rebalancing as part of its annual review process.

The firm has communicated its intentions to the client group and some clients have asked for more information on how they can buy and sell funds when on the new platform.

- (a) Outline **six** objectives of the rebalancing process. (6)
- (b) Explain the main factors that the firm should consider when rebalancing the clients' investment portfolios on XYZ Wrap. (14)
- (c) Explain briefly the main stages of the transactional services process when buying and selling funds on XYZ Wrap. (10)

**Total marks available for this section: 60**



