



Chartered  
Insurance  
Institute

# J07

## Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

October 2017 Examination Guide

### SPECIAL NOTICES

Candidates entered for the April 2018 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the question is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

## J07 – Supervision in a regulated environment

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## IMPORTANT GUIDANCE FOR CANDIDATES

This Examination Guide will help you understand how examiners assess candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for this examination.

### Before the examination

#### Study the syllabus carefully

This is available online at [www.cii.co.uk](http://www.cii.co.uk) or from Customer Service. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

#### Note the assumed knowledge

For the Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Certificate in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

#### Read widely

There are books specifically produced to support your studies that provide coverage of all the syllabus areas; however you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

#### Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can purchase copies of the most recent Examination Guides online at [www.cii.co.uk](http://www.cii.co.uk). CII members can download free copies of older Examination Guides online at [www.cii.co.uk/knowledge/](http://www.cii.co.uk/knowledge/).

**Know the structure of the examination**

- Assessment is by means of a two-hour written paper.
- The paper is made up of 15 short questions.
- **All** questions are compulsory.
- The paper will carry a total of 130 marks.
- Each question part will clearly show the maximum marks which can be earned.

**Read the Assessment information and Exam policies for candidates**

The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at [www.cii.co.uk/qualifications/assessment-information/introduction/](http://www.cii.co.uk/qualifications/assessment-information/introduction/). This is *essential reading* for all candidates. For further information contact Customer Service.

## In the examination

### The following will help:

#### Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

#### Take great care to answer the question that has been set

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

#### Tackling questions

Tackle the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

#### Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, *you should use 'bullet points' or short paragraphs*, since this allows you to communicate your thoughts in the most effective way in the least time. The model answers indicate what is acceptable for the different types of question.

**Calculators**

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 alphabetical or numerical data and/or formulae is prohibited.

You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

## EXAMINERS' COMMENTS

### Candidates overall performance:

This paper included a mix of knowledge and application questions and whilst some of the candidates performed very well, lack of preparation affected the overall results for some of the candidates in this cohort.

In some instances, for questions in multiple parts, the candidates did not provide the answers in the relevant sections.

Time management was a factor that has impacted some of the papers, with candidates not considering the number of marks allocated to a question as a guide in relation to the level of detail required.

### Question 1

In part (a) the question required candidates to identify five examples of competencies that a supervisor needed to demonstrate. Most candidates answered this question to a good standard.

Part (b) asked candidates for three benefits that a supervisor could bring to a business. However, not all candidates identified the regulatory benefit (i.e. help demonstrate compliance with regulatory rules).

### Question 2

Part (a) was generally well answered, with candidates providing a good range of examples to monitor advisers' performance.

In part (b) some candidates did not recognise that a more intensive approach is required in the early stages, with a less intensive approach taken if the required level of competence is attained.

### Question 3

In part (a) some of the candidates provided answers of a good standard. However, a proportion of the candidates were not able to apply Kotter's model for leading change methodology and therefore achieved few marks in this section.

In part (b) better prepared candidates answered this very well. However, some candidates did not correctly identify that the question required examples of pitfalls, rather than positive indicators of success.

#### **Question 4**

Part (a) required candidates to list four benefits of using phone calls and was generally well answered.

In part (b) most candidates explained barriers to the methods of communication referred to in part (a).

#### **Question 5**

In part (a) this one-mark question required identification of the conflict management strategy described in the case study. However, not all candidates were able to state that it was the 'compete' strategy.

Parts (b)(i) and (ii) required candidates to provide advantages and disadvantages of the "compete" strategy. However, this posed several challenges to some of candidates.

#### **Question 6**

Part (a) most candidates explained to a good standard the key benefits of using a job description as part of the recruitment process.

Parts (b)(i) and (ii) required candidates to identify job specific requirements and generic elements to be included in all person specification. Some candidates did not pay sufficient attention to detail and provided overlapping examples in both sections.

#### **Question 7**

In part (a) most candidates explained the key areas that a Statement of Professional Standing evidenced. However, some of the candidates did not identify that adherence to a code of ethics and a relevant level 4 qualification were essential.

Part (b) was focused on advisory activities that required specialist or higher-level qualifications and was generally well answered.

#### **Question 8**

Most candidates answered part (a) to a good standard, however part (b) which required drivers of training needs (for example, environmental and organisational drivers) and relevant examples proved challenging to most candidates.

#### **Question 9**

In part (a) most candidates provided a good range of examples regarding advantages and in part (b) disadvantages of accompanied visits.



**Question 10**

This question tested the knowledge of direct evidence in part (a), supported by examples of advantages and disadvantages in parts (b)(i) and (ii) and was generally answered to a good standard.

**Question 11**

Part (a) was generally well answered, with candidates briefly stating the mandatory actions that needed to be carried out at the initial contact stage with a client.

Part (b) posed a number of challenges, with some of the candidates not providing sufficient examples of actions to be completed at the fact-finding stage, for example ascertaining the investment objectives and the capacity for loss/attitude to risk.

**Question 12**

This question required candidates to describe the regulatory approach to verifying retail investors, in line with the Money Laundering Regulations and proved challenging. Some candidates did not describe the process to a good standard. For example, not all candidates identified that a risk-based approach was required, and firms had to undertake customer due diligence at the beginning of the client relationship and ensure that ongoing monitoring of the client relationship was also conducted.

**Question 13**

This eight-mark question required candidates to list key requirement for effective management information. Some candidates did not provide a sufficient range of examples.

**Question 14**

This question was challenging for most candidates, with better prepared candidates identifying the key areas covered by ISO 9000.

**Question 15**

This question required knowledge of the types of discrimination as defined by the Equality Act 2010. It was challenging for some of the candidates, who provided a limited range of examples.

# THE CHARTERED INSURANCE INSTITUTE



## J07

### Diploma in Financial Planning

#### Unit J07 – Supervision in a regulated environment

October 2017 examination

#### SPECIAL NOTICE

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

- 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 J07 – Supervision in a regulated environment

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 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.
- 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.**

**Attempt ALL questions**

**Time: 2 hours**

1. (a) Identify **five** competencies a supervisor must typically be required to demonstrate. (5)  
(b) State **three** benefits a supervisor brings to a business. (3)
  
2. Abdul is a supervisor for a team of competent and pre-competent advisers.  
(a) Identify **six** methods Abdul can use to monitor his advisers' performance. (6)  
(b) Describe briefly the enhanced level of direct supervision Abdul needs to apply to his pre-competent advisers. (3)
  
3. You are part of a change project that has chosen to use Kotter's model for leading change methodology. You have already established a sense of urgency and formed a powerful guiding coalition.  
(a) Identify the next **six** steps to be taken as part of this change management methodology. (6)  
(b) Describe **one** likely pitfall to be overcome at each step, identified in your answer for **part (a)** above. (6)
  
4. (a) List **four** key advantages of using phone calls as a form of communication. (4)  
(b) Explain briefly **four** key barriers that are particularly applicable to this form of communication. (4)
  
5. Diane is working with Chloe on a project, which will lead to a significant increased workload for Chloe and her team. Diane has decided to adopt a position that purely satisfies her own needs and has instructed Chloe to implement the change without further debate.  
(a) State the Thomas-Kilmann conflict management strategy that Diane is using. (1)  
(b) (i) Identify **three** advantages of this strategy (3)  
(ii) Identify **three** disadvantages of this strategy. (3)

6. David is currently putting together a job description and person specification for an experienced financial adviser role covering a wide geographical area.
- (a) Explain briefly the key benefits of having a job description to the recruitment process. (2)
  - (b) (i) Identify **three** essential job specific requirements that need to be included in the person specification. (3)
  - (ii) Identify **six** elements that should be included in all person specifications. (6)
7. Patrick is a financial adviser and has applied for a Statement of Professional Standing (SPS) and aims in the longer term to be a specialist financial adviser.
- (a) Explain briefly the key areas that the SPS evidences. (4)
  - (b) State **five** advisory activities that require specialist or higher level qualifications before Patrick is able to provide advice in these areas to his customers. (5)
8. (a) State the key requirements a regulated firm must consider in order for a training needs analysis (TNA) to be compliant with regulatory guidance. (4)
- (b) List **three** drivers for training needs **and** provide a relevant example for each driver identified. (6)
9. (a) State **five advantages** of completing an observation on an accompanied visit. (5)
- (b) State **four disadvantages** of using an observation on an accompanied visit. (4)

- 10.**     **(a)**    Explain what is meant by direct evidence in relation to the assessment of advisers. **(2)**
- (b) (i)**    State **three advantages** of using direct evidence. **(3)**
- (ii)**   State **two disadvantages** of using indirect evidence. **(2)**
- 
- 11.**     **(a)**    State **three** mandatory actions that must be demonstrated by an adviser at the initial contact stage with a client. **(3)**
- (b)**    State **five** mandatory actions that must be demonstrated by an adviser at the fact-find completion stage. **(5)**
- 
- 12.**     Explain the regulatory requirements in relation to verifying retail investors, in line with the Money Laundering Regulations 2007. **(7)**
- 
- 13.**     List **eight** key requirements for effective management information, aligned to Treating Customers Fairly regulatory expectations. **(8)**
- 
- 14.**     State the **five** key areas covered by ISO 9000. **(5)**
- 
- 15.**     Explain briefly **six** types of discrimination as defined by the Equality Act 2010, other than direct discrimination. **(12)**

**October 2017 Examination - J07 The tax and legal aspects of business**

**Syllabus learning outcomes being examined**

1.	1.	Understand the characteristics and role of a supervisor.
2.	2.	Understand different leadership and behavioural models.
3.	3.	Understand how communication is made effective and be able to describe a range of communication methods.
4.	3.	Understand how communication is made effective and be able to describe a range of communication methods.
5.	4.	Understand the legal and regulatory aspects of recruitment, training and competence.
6.	4.	Understand the legal and regulatory aspects of recruitment, training and competence.
7.	5.	Understand how learning takes place.
8.	5.	Understand how learning takes place.
9.	6.	Understand the coaching, counselling and assessing processes and the roles within them.
10.	7.	Understand the role of compliance in the sales process.
11.	7.	Understand the role of compliance in the sales process.
12.	8.	Understand the setting and measuring of objectives.
13.	9.	Understand management information and quality standards.
14.	10.	Understand relevant legislation in connection with employment, performance management and termination of employment.
15.	10.	Understand relevant legislation in connection with employment, performance management and termination of employment.

**NOTE ON MODEL ANSWERS**

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

**Model answer for Question 1**

*Candidates would have gained full marks for any five of the following:*

- (a)
- Role plays/observed meetings.
  - Key performance indicators/sales/persistency.
  - File reviews/checks.
  - One-to-ones/appraisals.
  - Knowledge tests/continuing professional development/exams.
  - Customer satisfaction questionnaires/mystery shopping/complaints.
- (b)
- Enhance investor protection.
  - Help demonstrate compliance with the Financial Conduct Authority rules/Treating Customers Fairly.
  - Contribute to the effective running of a business/Develop staff/coaching/training.

**Model answer for Question 2**

- (a)
- Testing/qualifications/Continuing Professional Development.
  - File checks.
  - Observed meetings/Role plays.
  - 1-2-1s/performance review meetings/appraisals.
  - Customer satisfaction surveys/complaints.
  - Monitoring Key Performance Indicators.
- (b)
- More frequent role plays/observed meetings/knowledge tests/CPD/1-2-1/file reviews.
  - More intensive in the early stages.
  - If competence is displayed less intensive.



**Model answer for Question 3**

- (a)
- Create a vision.
  - Communicate the vision.
  - Empower others to act on the vision.
  - Plan for and create short-term wins.
  - Consolidate improvement and produce more change/build on success.
  - Institutionalise new approaches/embed new processes.
- (b)
- Presenting a vision that is too complicated or vague.
  - Under-communicating the vision/behaving in ways which oppose the vision.
  - Failing to remove powerful individuals who resist the change.
  - Leaving short-term successes to chance/fail to score successes early enough.
  - Declaring victory too soon/allowing resisters to convince 'troops' that the war has been won.
  - Not creating new social norms and shared values consistent with the changes/promoting people into leadership positions who don't personify the new approach.

**Model answer for Question 4**

- (a)
- Quick.
  - Cheap.
  - Informal.
  - Two-way communication/instant feedback.
- (b) *Candidates would have gained full marks for any four of the following:*
- Clarity of message/accent/verbal skills.
  - Wording/terminology/jargon.
  - Message interpretation due to cultural differences/perceptual selectivity or filtering of the verbal communication.
  - Environmental factors/background noise
  - Personal differences/psychological noise.

**Model answer for Question 5**

- (a)
  - Compete.

(b)(i) *Candidates would have gained full marks for any three of the following:*

**Advantages:**

- Asserts the position.
- Imposes decisions that are vital.
- Can be quick.
- People know where they stand.

(b)(ii) *Candidates would have gained full marks for any three of the following:*

**Disadvantages:**

- Reduces cooperation.
- May increase conflict.
- Makes other people resentful.
- Assumes Diane's position is correct.

**Model answer for Question 6**

*Candidates would have gained full marks for any six of the following:*

- (a)
  - Allows candidate to determine what the job involves/clarifies the duties expected of the candidate.
  - Identifies the candidates training needs.
  - Can form the basis of a job advert.
- (b)(i)
  - Level 4 qualified/CF8.
  - Advisory experience/competent adviser.
  - Driving licence.
- (b)(ii) *Candidates would have gained full marks for any six of the following:*
- Physical make-up/appearance.
  - Qualifications.
  - General intelligence.
  - Special aptitudes.
  - Interests.
  - Disposition/attitude to others/e.g. flexibility.
  - Circumstances.

**Model answer for Question 7**

- (a)**
  - Adherence to a code of ethics.
  - Meeting the FCA Statement of Principles and Code of Practice for Approved Persons/fit and proper.
  - Level 4 qualified.
  - Keeping the knowledge up to date by undertaking appropriate CPD.
  
- (b)**
  - Pension transfers and opt outs.
  - Broker fund adviser.
  - Equity release/home reversion.
  - Mortgages.
  - Long-term care.

**Model answer for Question 8**

- (a)**
  - Assess training needs at the outset.
  - Assess training needs on a regular basis (including a change in role).
  - Provide support to address the needs.
  - Ensure effectiveness of training.
  
- (b)**
  - Environmental.
  - Regulatory/tax/legislative changes.
  - Organisational.
  - Appraisal system/new accreditation/IT system/processes.
  - Individual.
  - Individual performance issues/exam results.

**Model answer for Question 9**

- (a)**
  - Assess both knowledge and skills.
  - Validate transfer of learning to the job.
  - Real life scenario/real time.
  - Identify and address any other training needs quickly.
  - Builds relationship between individual and supervisor.
  
- (b)**
  - Time consuming/lengthy process.
  - Depend on skill of the supervisor.
  - May not observe the behaviour you want to assess.
  - Individual may not behave as they would normally do e.g. tension/stress.

**Model answer for Question 10**

- (a)
  - Seen with you own eyes.
  - Directly supports what you are looking for.
  
- (b)(i)
  - Reliable evidence.
  - Less evidence required.
  - Less need to interpret.
  
- (b)(ii)
  - Less reliable as not directly observed.
  - May need to interpret/draw conclusions.

**Model answer for Question 11**

- (a)
  - Client agreement/terms of business letter presented.
  - Advisers status explained/explain if restricted or independent advice/level of advice.
  - Issue combined initial disclosure document (CIDD)/CIDD or Services and costs document.
  
- (b)
  - Financial position/assets and liabilities/savings and investments.
  - Investment objectives.
  - Capacity for loss/Attitude to risk.
  - Client's experience.
  - Income and expenditure.

**Model answer for Question 12**

- (a)
  - Risk based approach.
  - Undertake customer due diligence;
  - which involves verifying the identity of the customer;
  - and intended nature of the business relationship.
  - Enhanced due diligence may be applied;
  - when dealing with a Politically Exposed Person/customer who is not present at a face to face meeting.
  - Conduct ongoing monitoring of the client relationship.

**Model answer for Question 13**

- (b)
- Accuracy.
  - Relevance.
  - Timeliness.
  - Clear.
  - Cost effective.
  - Meets regulatory requirements/Treating Customers Fairly.
  - Acted upon.
  - Recorded.

**Model answer for Question 14**

- Defined organisational structure.
- Internal quality audits.
- Defined/well designed processes.
- Management review.
- Formal training systems.

**Model answer for Question 15**

- Indirect discrimination.
- A condition which disadvantages certain groups.
- Discrimination by association.
- Due to association with person with protected characteristic.
- Perception discrimination.
- Because others think an individual possesses a protected characteristic.
- Harassment.
- Unwanted conduct related to protected characteristic.
- Harassment by a third party.
- Unwanted conduct related to protected characteristic by a person who is not your employee.
- Victimisation.
- Treating someone badly because they have made a complaint or grievance under the Equality Act.