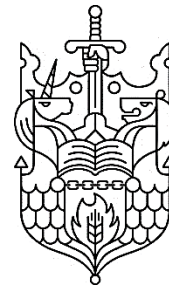


# J11



Chartered  
Insurance  
Institute

## Diploma in Financial Planning

### Unit J11 – Wrap and platform services

April 2018 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. A platform provider offers a direct to consumer (D2C) platform for non-advised clients.
- Compared to investing directly in collective funds from several different providers, state **ten** benefits to the client of using a D2C platform for their investment planning. (10)
2. Explain the main differences between legal and beneficial ownership of assets held on a platform. (8)
3. A financial adviser is recommending an existing client's ISA investment portfolio be transferred between platforms on an *in specie* basis. The portfolio contains a mix of collective funds.
- (a) Identify the main stages of the re-registration process. (6)
- (b) Identify the additional stages for any assets that cannot be transferred *in specie*. (4)
4. A financial adviser is constructing an investment portfolio on a platform for a new client. The adviser is selecting collective funds that offer multiple share classes.
- (a) Compare the main differences between retail and institutional share classes. (3)
- (b) Outline **two** reasons why a fund manager may use a platform to market the retail share class only for a particular collective fund, when the fund manager itself offers both the share classes stated in **part (a)** above. (2)
5. (a) State **five** main risks to a retail client of holding collective funds on a platform. (5)
- (b) State **five** ways in which the risks provided in your answer in **part (a)** above can be mitigated. (5)

6. A public-listed company is expanding its workplace platform to include non-pension functionality.

Identify **seven** platform features that would be of use to the **employees** in respect of their investment needs.

**(7)**

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

**QUESTIONS CONTINUE OVER THE PAGE**

**SECTION B**

**Attempt ALL questions**

7. An authorised advisory firm has previously used one fund supermarket-style platform for its clients. The firm is now considering the use of a wrap-style platform for the first time, both for some of its existing clients as well as prospective clients in the future.

The firm's client proposition is investment-orientated and it focuses upon clients with up to £100,000 to invest, using solely collective funds to meet both growth and income needs.

- (a) State the main areas of due diligence that the firm would perform on potential new platform providers, which are relevant to meeting the needs of its clients. **(16)**
- (b) State the main factors that the firm should consider at the business level when matching its choice of platform provider with the needs of its clients. **(14)**

8. XYZ is an established platform provider that is to embark on a significant upgrade program. The objectives are to ensure that the platform remains competitive in the market and to maintain the platform's suitability for financial advisers and their clients.

The upgrade program will involve changing technology providers as well as updating the platform's functionality. Feedback from financial advisers who are existing users has suggested that XYZ's cash account functionality is falling behind its competitors and needs to be expanded. In addition, the current platform does not offer a stochastic modelling tool.

XYZ anticipates that the program will take 12-18 months to complete and that its current platform offering will be unaffected during this period.

- (a) State the main areas of functionality for a platform's cash account that would be used by both the client and the adviser. (14)
- (b) Explain the main risks to both advisers and clients of a major upgrade program by a platform provider. (8)
- (c) State **four** benefits and **four** drawbacks of a stochastic modelling tool, if added to the XYZ platform for use with investment portfolios. (8)

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

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