

Chartered
Insurance
Institute

J07

Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

October 2019 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2020 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. 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 obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

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/. This is *essential reading* for all candidates.

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.

EXAMINER COMMENTS

Candidates' overall performance:

The paper included a mix of knowledge and application questions and whilst some of the candidates performed very well, a perceived lack of preparation hindered the overall results for some of them. Candidates are reminded to ensure they read the questions carefully before answering them. They should also ensure they allow sufficient time to answer them in accordance with the marks which are available.

Question 1

This question tasked candidates with stating seven Key Performance Indicators (KPIs) used by regulated firms to monitor the performance of their supervisors. Candidates struggled with providing good quality responses.

Question 2

This question asked candidates to explain how a supervisor has a direct impact on the personal development and performance of the advisers in their team, requiring an element of application. Candidates did not perform well in this question.

Question 3

This is a common management theory with very distinct learnable differences. Some candidates performed well but many gave the underlying assumptions from their experiences of bad managers and good managers without sufficient reference to the study text.

Question 4

The stages of a two-way communication process are very clear and well covered in the textbook. Many candidates quoted types of communication which attracted zero marks, some a generic process which attracted limited marks. Those who achieved highly knew the process well.

Question 5

Unfortunately, some candidates appear to have a limited idea of competency-based interviews acquired from being interviewed. This rarely reflected the good practice and true intentions of the competency-based interview process as documented in the textbook and did not result in a good overall performance for this question.

Question 6

In part (a) candidates were asked to state three fit and proper requirements for advisers, this a recall question and candidates appeared to perform not so well.

In part (b) candidates were tasked with providing the key information about a firm the Financial Conduct Authority considers when assessing the fitness and propriety of an adviser. Many candidates missed that this question related to the key information about the firm rather than the adviser and therefore did not perform well.

Question 7

This was a well answered question with candidates demonstrating a good knowledge of Kolb's Learning Cycle and were able to apply it to the scenarios presented.

Question 8

This question asked candidates to state other methods of off-the-job training that Hamish could undertake. Candidates seemed to solely rely on work-based experience and hence attained limited marks rather than being able to take the theoretical approach that was required.

Question 9

This was answered well with candidates identifying PESOS as the appropriate coaching model and being able to explain it adequately.

Question 10

This question tasked candidates with explaining the key requirements of a suitability report, a central concept to financial advice and candidates performed reasonably well.

Question 11

The two parts required candidates to differentiate between mandatory and desirable actions. Many candidates were unable to make this distinction and seemed to be brainstorming ideas rather than stating the actions based on previously learnt material.

Some candidates confused the actions with the contents of a suitability report.

Question 12

This was generally a very well answered question, it asked candidates to explain the elements of the annual appraisal process.

Question 13

This was a well answered question, but it was still disappointing that more candidates were unable to accumulate more marks.

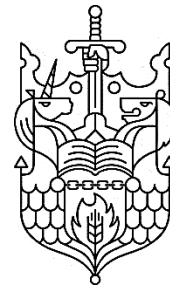
Question 14

This question asked candidates to explain the key concepts of Total Quality Management, candidates performed less well in this question.

Question 15

Candidates generally performed well in this question that asked candidates to state the steps of the ACAS Code of Practice regarding the disciplinary process.

J07



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Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

October 2019 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. State **seven** Key Performance Indicators (KPIs) used by regulated firms to monitor the performance of their supervisors. (7)

2. Explain briefly how a supervisor has a direct impact on the personal development and performance of the advisers in their team. (4)

3. McGregor Theory X and Theory Y assumes that leadership is influenced by the underlying assumptions we make about people.

Explain briefly **five** assumptions that are made about human nature for:
 - (a) Theory X. (5)
 - (b) Theory Y. (5)

4. State the **six** stages of a two-way communication process. (6)

5. State and explain briefly **four** key features of a competency-based interview. (8)

6. (a) State the **three** fit and proper requirements for advisers. (3)

(b) State the key information about the firm the Financial Conduct Authority considers when assessing the fitness and propriety of an adviser. (3)

7. State and explain briefly which stage of Kolb's Learning cycle the following people prefer:
- (a) Ade likes to get involved in things and to learn on the job. (2)
 - (b) Yesim likes to review previous experiences. (2)
 - (c) Eva likes to pull together a wide range of ideas. (2)
 - (d) Stephen uses the learning points from previous experiences to decide the approach he would take in similar situations. (2)
8. Hamish attended a training course to improve his protection sales skills. He would like to undertake additional training to consolidate and build on what he learned from the course.
- State **four** other methods of off-the-job training that Hamish could undertake and explain briefly **two** advantages of each method. (12)
9. Samad is an inexperienced adviser who is struggling with his sales performance and therefore needs a directive form of coaching.
- State the most suitable coaching model and explain briefly the key steps of this model. (11)
10. (a) Explain the key requirements of a suitability report. (8)
- (b) State when the suitability report must be sent following a personal pension recommendation. (2)
11. (a) State **five mandatory actions** that must be demonstrated by an adviser at the pre-call stage of the sales process. (5)
- (b) State **five desirable actions** that should be demonstrated by an adviser at the pre-call stage of the sales process. (5)
12. List and explain briefly the **three** elements of the annual appraisal process. (9)

- 13.** Rania, a supervisor at a retail investment firm, is reviewing her team's performance.
- (a)** Explain briefly the purpose of Rania using a balanced scorecard. **(3)**
 - (b)** State **three** measures, other than those related to customers, that typically appear in a balanced scorecard. **(3)**
 - (c)** State **four** indicators relating to customers that Rania could use to measure her team's performance as part of a balanced scorecard. **(4)**
- 14.** Explain the key concepts of Total Quality Management (TQM). **(11)**
- 15.** State and explain briefly the first **four** steps of the ACAS Code of Practice regarding the disciplinary process. **(8)**

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 seven of the following:

- Staff retention/turnover/motivation.
- Number of advisers reaching/not reaching/time taken to reach competence.
- Identification of adviser training needs.
- Types/range/CPD hours/training used.
- Performance of advisers/targets and outcomes achieved/team profitability.
- Number/range of observed visits.
- Quality of record keeping.
- Number/quality of file checks.

Model answer for Question 2

- Identify development needs/undertake (Training Need Analysis) TNA/discuss Personal development.
- Provide support for training needs/address needs.
- Create a development plan/encourage/motivate.
- Match personal development and business needs.

Model answer for Question 3

(a) Theory X

- Work is inherently distasteful/people dislike work and will avoid if possible.
- Most people are not ambitious/have little desire for responsibility/would prefer to be directed/told what to do.
- People have little capacity for creativity in solving organisational problems.
- People are motivated by using anxiety and their security.
- People need to be closely controlled and coerced to achieve goals.

(b) Theory Y

- Work is as natural as play/enjoyable.
- Self-control is often indispensable in achieving organisational goals.
- Most people have the creativity for solving organisational issues.
- Staff will get satisfaction from the completion of tasks in that it will fulfil their needs for self-esteem and self-actualisation.
- People can be self-directed and creative at work if properly motivated.

Model answer for Question 4

- Sender decides on content/information.
- Sender encodes message.
- Transmission of message.
- Receiver decodes message.
- Receiver interprets message.

Model answer for Question 5

- Interview questions based on competencies identified for that job;
- provides evidence of competence for a specific role.
- Asks candidates to state how they have dealt with real situations;
- reduces opportunity for candidate to bluff/fabricate responses.
- Probing questions/establish the depth of experience and impact on business and others;
- previous behaviour is an indicator of future performance/real life.
- Same questions asked to all candidates;
- ensures consistency/compliance with discrimination legislation.

Model answer for Question 6

- (a)
- Honesty, integrity and reputation.
 - Competence and capability.
 - Financial soundness.
- (b)
- Activities of the firm.
 - Permissions held by firm.
 - Markets in which the firm operates.

Model answer for Question 7

- (a)
- Concrete Experience.
 - As Ade prefers to learn from direct experience.
- (b)
- Reflective Observation.
 - As Yesim prefers to learn from observing.
- (c)
- Abstract Conceptualisation.
 - As Eva prefers to learn by making links/drawing conclusions between what happened and what they already know.
- (d)
- Active Experimentation.
 - As Stephen prefers to learn by planning what they will do in the future/apply learning.

Model answer for Question 8

Candidates would have gained full marks for three of the following:

- **Conferences**
- Can be motivational through bringing people together.
- Can deliver information to large numbers at same time.
- Can be used to recognised and reward success.

Candidates would have gained full marks for the following:

- **Studying for exams/Knowledge tests**
- Can be tailored to provide specific knowledge to enable candidate to pass the exam.
- Can provide access to a subject matter expert.

Candidates would have gained full marks for three of the following:

- **Distance learning/eLearning**
- Training can be done at individual's own pace in environment they choose.
- Self-assessment exercises can be used to help with monitoring progress.
- Particularly good for technical and procedural training.

Candidates would have gained full marks for the following:

- **Case studies**
- Tests application of knowledge.
- Can be tailored to a trainee's specific training needs.

Model answer for Question 9

- PESOS.
- Prepare;
- set clear and agreed objectives, timescale and purpose.
- Explain;
- ensure understanding of concepts and skills.
- Show;
- provide a competent demonstration of skill.
- Observe;
- supervisor should provide feedback.
- Supervise/support;
- ensure skill transferred to workplace.

Model answer for Question 10

- (a) *Candidates would have gained full marks for any eight of the following:*
- Client's demands and needs.
 - Client's circumstances/know your customer.
 - Client's aims and objectives.
 - Explanation why the recommendation is suitable.
 - Explanation of features: term, costs, risks.
 - Explanation of disadvantages.
 - Alternative products discussed but rejected by the client.
 - Personalised/plain English.
 - Details of areas highlighted by adviser but not taken forward/reasons why.
 - Prescribed information for income drawdown.
- (b)
- No later than the 14th day/within two weeks.
 - After the contract is concluded.

Model answer for Question 11

- (a) *Candidates would have gained full marks for any five of the following:*
- Call at appropriate time of the day.
 - Name/company clearly stated/introduction.
 - State purpose of call.
 - Clarify client wants to continue.
 - Leave contact number.
 - End the call if requested.
- (b) *Candidates would have gained full marks for any five of the following:*
- Identify customer at start of call.
 - Clear speech/diction/tone.
 - End call in a positive way.
 - Send confirmation letter.
 - Sell benefits of meeting.
 - Status made clear.
 - If asked name any referrer.

Model answer for Question 12

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

- **Performance review**
- Review performance against objectives.
- Reasons for success/failure.
- Can be the basis for a training plan.

- **Review of potential development review**
- Review future prospects/suitability for promotion.
- Review training needs from a developmental perspective.

- **Reward review**
- Discussion of bonus/remuneration.
- Ideally separate from the stages above/may be detrimental to the previous two stages.

Model answer for Question 13

- (a)
- She can measure corporate and individual performance;
 - across a number of different areas/holistic;
 - on an ongoing basis.
- (b) *Candidates would have gained full marks for any three of the following:*
- Fair outcomes for customers.
 - Learning and growth achievements for staff.
 - Internal quality measures.
 - Financial performance.
- (c) *Candidates would have gained full marks for any four of the following:*
- Customer complaints.
 - Fact find completion/quality of advice.
 - Business spread/product range.
 - Persistency/cancellations.
 - File reviews.
 - Customer satisfaction survey outcomes/mystery shopping/feedback.
 - Achievement of agreed service levels.

Model answer for Question 14

- Customers are not only people outside of the organisation;
- internal and external customers/employees are suppliers and customers.
- Continuous improvement;
- is a permanent fixture/throughout the organisation.
- Quality built into processes/systems;
- everyone responsible for quality;
- quality out based on quality in.
- Complaints should never occur;
- because any possibility for error is engineered out.
- Ongoing preventative action.
- Collaborative management style.

Model answer for Question 15

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

- Establish the facts for each case;
 - investigate/review findings/allow e.g. of facts;
 - independent/different from disciplinary hearing.
- Inform the employee of the problem/time and date;
 - in writing/detail the alleged misconduct;
 - present evidence to allow defence to be prepared.
- Hold the meeting/hearing;
 - prior to action/allow time for preparation/decision notified;
 - right to be accompanied/both parties employee/employer set out case.
- Decide on appropriate action;
 - no action/written or final warning/gross misconduct;
 - disciplinary process still must be followed.

October 2019 Examination - J07 Supervision in a regulated environment

Question Number	Syllabus learning outcomes being examined	
1.	1.	Understand the characteristics and role of a supervisor: Direct and indirect supervision.
2.	1.	Understand the characteristics and role of a supervisor: Direct and indirect supervision.
3.	2.	Understand different leadership and behavioural models.
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: Training validation.
8.	5.	Understand how learning takes place: Training validation.
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.
	8.	Understand the setting and measuring of objectives.
11.	7.	Understand the setting and measuring of objectives: Corporate and individual objectives.
12.	8.	Understand the setting and measuring of objectives. Key performance indicators.
13.	8.	Understand the setting and measuring of objectives. Key performance indicators.
14.	9.	Understand management information and quality standards.
15.	10.	Understand relevant legislation in connection with employment, performance management and termination of employment: Terminations and appeal procedures.