



Chartered  
Insurance  
Institute

# J07

## Diploma in Financial Planning

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

**October 2020 Examination Guide**

### **SPECIAL NOTICES**

**Candidates entered for the March 2021 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

### Contents

Important guidance for candidates.....	3
Examiner comments.....	7
Question paper.....	10
Model answers.....	14
Test specification .....	19

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## IMPORTANT GUIDANCE FOR CANDIDATES

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. 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). 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.

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.

#### 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](http://www.cii.co.uk).

**Know the structure of the examination**

- Assessment is by means of a two-hour online exam.
- The online exam is made up of 15 short questions.
- **All** questions are compulsory.
- The exam will carry a total of 130 marks.

**Appreciate the standard of the examination**

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

**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.

## 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.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Candidates will **not** lose marks due to poor spelling or grammar.

**Calculators**

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.

## EXAMINERS' COMMENTS

### Candidates' overall performance:

There was a big variance in candidates' performance on this paper. Some candidates appeared well prepared and scored reasonably well and some did not perform so well.

The questions candidates appeared to struggle with in particular were both those which required recall of specific models or frameworks, or those which asked candidates to apply their knowledge to a specific scenario and make decisions or comparisons.

### Question 1

This question was generally answered to a high standard by most candidates. The question required recall of the key activities a supervisor undertakes to supervise their team. Some candidates provided more answers than the maximum marks available, which contributed to the strong performance, but may have impacted the time available to them later in the paper.

### Question 2

In part (a) although some candidates performed well on this question part, it posed challenges to some of the candidates. The question tested a specific model (Kotter) and the responses clearly highlighted candidates who had understood the model and those who did not demonstrate understanding.

Part (b) tested application of two specific management models and some candidates found it challenging.

### Question 3

This question required candidates to list and provide examples of barriers to effective communication. It was generally well answered.

### Question 4

This question required candidates to state the company specific requirements of a financial adviser's induction plan. Some candidates instead focused on the role specific requirements, and therefore did not address its requirements closely enough. Overall candidates performed moderately well.

### Question 5

Part (a)(i) asked candidates to recall the Continuing Professional Development requirements for a financial adviser. It was generally well answered, although many candidates did not articulate that Continuing Professional Development must be relevant to an individual's role.

In part (a)(ii) candidates did not generally perform well in this part of the question, which required tested regulatory knowledge in relation to Training and Competence requirements.

In part (b) candidates performed slightly better in this part of the question, about the benefits of a Statement of Professional Standing.

**Question 6**

Part (a) required candidates to state the benefits of a training needs analysis for an employee. Candidates performed moderately, although few achieved maximum marks. Few candidates identified that a Training Needs Analysis contributed towards efficient management of a training schedule.

Part (b) required candidates to focus on the benefits to the business and was slightly less well answered than part (a). Some candidates repeated answers across parts (a) and (b).

**Question 7**

Candidates generally performed reasonably well in part (a), which required them to identify the elements of a structured development plan for an individual.

Part (b) required evidence of application, asking candidates to explain how development plans can help a business meet its objectives. The less well-prepared candidates found this challenging.

**Question 8**

Candidates generally performed moderately well in part (a). Most were able to correctly define coaching and counselling, although few candidates articulated that both coaching and counselling were support mechanisms for staff.

Part (b) required recollection of the three stages of counselling, as defined by Michael Reddy. It was generally well answered.

**Question 9**

This question required candidates to state key areas that must be covered by a financial adviser when presenting recommendations to a client. Many candidates included in their answer areas which were desirable rather than mandatory. Overall, candidates performed fairly well.

**Question 10**

Candidates generally performed well in this part (a), which required them to explain the pre-appointment steps required to make observed calls as effective as possible. Few candidates identified that the benefits of the observation should be explained to the adviser.

Part (b) asked for the same information post-appointment. It was better answered than part (a).

**Question 11**

Candidates performed poorly in this question. The question tested a career management model, and many candidates did not appear to have fully revised this section.



**Question 12**

Candidates scored well in part (a), which required them to state the difference between inputs and outputs.

Candidates performed fairly well in part (b) which required them to list KPIs for a financial adviser. Not all candidates were able to articulate a wide range of KPIs, for example income/fees generated was seldom mentioned by candidates.

**Question 13**

Part (a) required candidates to state the benefits of exception reports.

Part (b) was also reasonably well answered. Some candidates did not identify that a red persistency indicator requires immediate action.

**Question 14**

Part (a) asked candidates to explain the benefits of the ISO22222 standard. It was generally not well answered. Many candidates correctly identified the scope of the ISO22222 but did not articulate clearly the other pertinent details.

Part (b) required an explanation of the benefits of BS8453 standard and it was generally answered to a poor standard.

**Question 15**

Overall, in part (a), candidates did not perform particularly well. It tasked them with identifying the type of misconduct and actions for a given scenario. Many candidates thought the misconduct to be more serious than the scenario suggested.

Part (b) proved challenging for candidates, it related to steps to be taken in the event of serious misconduct. Some candidates listed multiple types of misconduct and actions, rather than deciding which were most likely to be appropriate.

## Unit J07 – Supervision in a regulated environment

### Instructions to candidates

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

All questions in this examination are based on English law and practice applicable in the tax year 2020/2021, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

- **Please write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- **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.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- The tax tables are provided on the right-hand side of the interface.
- For each answer, please type in the full question number you are answering e.g. **1a in the correct corresponding answer box.**
- Ensure you answer each question in the relevant answer box.
- If required, have you shown your ID during the ID check? If not, show it to the camera now please.
- If required, did you show the edge of your screen with a mirror during the room scan? If not, use a mirror to show it now please.
- If you have blank paper for notes, if required did you show both sides to the camera? If not, show both sides to the camera now please.
- Please familiarise yourself with **all** questions before starting the exam.

**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 the key activities a supervisor undertakes to supervise their team. (8)
  
2. (a) Identify the **eight** steps of Kotter's change model. (8)  
(b) Outline the main advantages of Kotter's change model approach, when compared to Kurt Lewin's change model. (3)
  
3. List **four** barriers to effective communication, which cannot be controlled directly by the sender and provide an example of **each**. (8)
  
4. State the company specific requirements that need to be included in an induction plan for a financial adviser. (10)
  
5. Bal is an independent financial adviser; he frequently sells general insurance products.
  - (a) (i) State the minimum Continuous Professional Development (CPD) requirements that Bal must complete on an annual basis. (4)  
(ii) List **three** areas that the Financial Conduct Authority Training and Competence Handbook recommends when planning relevant CPD activities. (3)
  - (b) Explain the benefits of Bal holding a Statement of Professional Standing. (4)
  
6. State the benefits of undertaking a training needs analysis for:
  - (a) an employee; (3)
  - (b) a business. (3)

7. (a) Identify **four** key elements of a structured development plan framework for an individual. (4)
- (b) Explain briefly how structured development plans for employees can help a business meet its corporate objectives. (6)
8. (a) Compare and contrast coaching and counselling. (3)
- (b) List and explain briefly the **three** stages of counselling, in accordance with the Michael Reddy model. (6)
9. State **six** key areas that must be covered by a financial adviser when presenting recommendations to a client. (6)
10. Melissa is a supervisor of a team of financial advisers and is planning to observe client appointments to identify areas of development for her team.
- Explain the steps that are required to make the observations as effective as possible for;
- (a) pre-appointment; (6)
- (b) post-appointment. (4)
11. List and explain briefly **five** components of career management as identified by the Chartered Institute of Personnel and Development. (10)
12. (a) State the difference between inputs and outputs. (2)
- (b) List **six** key performance indicators for a financial adviser. (6)
13. (a) State the benefits of exception reports. (5)
- (b) Explain briefly the relevance of a red persistency indicator in relation to the performance of a financial adviser. (2)

- 14.** Explain the benefits of the following quality standards:
- (a)** ISO 22222. **(4)**
  - (b)** BS 8453. **(4)**
- 15.** Identify the type of misconduct that has occurred and state the actions a line manager could take for each of the scenarios below.
- (a)** Waseem was found removing a box of pens from the stationery cupboard, placing them in his bag and leaving the building. **(4)**
  - (b)** Astrid returned to work late from lunch, she was verbally abusive towards her boss when challenged as to whether she had consumed alcohol. **(4)**

**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 eight of the following:*

- Coaching.
- File reviews.
- Performance management/appraisals.
- Observed calls/role plays.
- Feedback.
- Modelling best practice/being a role model.
- Briefings/team meetings.
- One-to-one meetings.
- Training/Training Needs Analysis.
- Reviews of Key Performance Indicators and Management Information.

**Model answer for Question 2**

- (a)
- Establish a sense of urgency.
  - Form a guiding coalition.
  - Create a vision.
  - Communicate the vision.
  - Empower others to act.
  - Plan for and create short term wins.
  - Consolidate improvements/produce more change.
  - Institutionalise new approaches.
- (b)
- Recognises interdependencies between factors.
  - Does not assume that the start and end points are periods of stability.
  - Allows time for changes to embed/change progresses through each stage.

**Model answer for Question 3**

- How the message is interpreted.
- Language used/dialect/jargon/abbreviations.
- Environmental factors/technology issues.
- Background noise/psychological noise.
- Information overload.
- The need to categorise and sift information.
- Personal differences.
- Between two people/caused by organisational culture.
- Impact of a disability.
- Example of a disability.

#### Model answer for Question 4

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

- Understand the key elements of the job.
- Show organisational fit.
- Explain supervisory arrangements.
- Introduce other staff.
- Office rules/pay/bonus/holiday/hours of work.
- Organisation information/departments/products/services.
- Culture and values.
- Policies and procedures.
- Health and safety.
- Trade unions.
- Welfare, benefits and facilities.
- Training e.g. anti-money laundering and complaint handling.

#### Model answer for Question 5

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

- (a) (i)
  - 35 hours per 12 months in total
  - of relevant Continuing Professional Development (CPD)
  - of which 21 hours must be structured
  - 15 hours must cover Insurance Distribution Directive (IDD) areas
  - IDD CPD can be structured or unstructured.
  
- (b) (ii)
  - Demonstrates that Bal adheres to a code of ethics and
  - meets the Financial Conduct Authority conduct rules, Statement of Principles and Code of Practice for Approved Persons
  - shows Bal is level 4 qualified and/name of suitable qualification.
  - has kept her knowledge up to date.

#### Model answer for Question 6

- (a)
  - Development is structured/plan/avoids knee jerk responses.
  - Development needs are identified/career progression/motivation.
  - Ensures training schedule is manageable.
  
- (b)
  - Systematic identification of needs/cost effective/thorough.
  - Process easier to manage.
  - Ensures linked to business plan/staff retention.

### Model answer for Question 7

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

- (a)
- Identification of the training/development needs/objectives of the plan/timescale for completion.
  - Learning methods to be used.
  - How outcomes will be reviewed/validated/transfer to the job.
  - Further training needs identified.
  - Consensus by both parties/agreement.
- (b)
- Improved staff morale.
  - If staff feel they are being developed they are more likely to have company loyalty/retention.
  - Improvement in individual's competencies;
  - can lead to an increase in business;
  - and a general improvement in persistency/complaints/Key Performance Indicators.
  - Meets regulatory requirements for adviser training.

### Model answer for Question 8

- (a)
- Both methods are designed to provide support to staff.
  - Coaching aims to help staff improve knowledge and skills.
  - Counselling is a set of techniques, skills and attitudes to help people manage their own problems/personal issues.
- (b)
- *Candidates would have gained full marks for any six of the following:*
  - Understanding.
  - The counsellor should gain an understanding on what the problem is.
  - Challenging.
  - The counsellor should get the individual to look at the problem in a different light/redefine the problem.
  - To identify the underlying issue.
  - Resourcing.
  - Encourage the individual find the solution.

### Model answer for Question 9

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

- Only remunerated by adviser charges.
- Ensure the client understand s the recommended products.
- Explain key features document, illustration, cost of advice, charges.
- Clients knows why the recommendation meets their need/risk profile
- The suitability report must include demands and needs.
- Explain cancellation rights.
- Complete anti-money laundering/due diligence/sanctions checks.
- Ongoing charges must be linked to an agreed level of service provision.



**Model answer for Question 10**

- (a) *Candidates would have gained full marks for any six of the following:*
- Sell the benefits of the observation/accompanied call to the adviser.
  - Ensure the adviser knows what is being assessed/ensure the adviser is aware of the standards expected.
  - Agree their roles within the process/how the supervisor will be introduced and when she will intervene.
  - Clarify the adviser's objectives.
  - Arrangements regarding the location and/or time.
  - Supervisor should explain to the adviser what will happen after the call/feedback.
  - Identify previous development needs to ensure these have been resolved.
  - Recommendations within the suitability report should be reviewed.
- (b)
- Ask adviser for their views.
  - Provide feedback with evidence.
  - Reconcile differences of opinion.
  - Agree development plan (if appropriate).

**Model answer for Question 11**

- Career planning/support activities.
- Individual identifies their goals.
- Career information/advice.
- Individual takes responsibility/career coaching.
- Developmental assignments.
- Cross functional moves/projects/secondments.
- Internal markets/job posting systems.
- Proactive job advertising.
- Specific initiatives/business plans.
- Succession planning/graduate schemes/talent management.

**Model answer for Question 12**

- (a)
- Inputs measure effort/activity put into the job;
  - outputs - results of the activity.
- (b)
- Number of sales/fact finds completed/advice taken up.
  - Income/fees generated/repeat advice.
  - Range of advice/multiple examples/product mix.
  - Complaints/service level/client satisfaction/mystery shopping.
  - Persistency/cases not taken up/cancellation
  - File quality.

**Model answer for Question 13**

- (a)
  - Highlight a problem/underperformance.
  - Identify trends.
  - Indicate a training need/differences in performance.
  - Recognise better than expected performance.
  - Save time/allow time to focus on solutions/cost-effective.
  -
- (b)
  - Potential/actual risk to the business.
  - Immediate action is required.

**Model answer for Question 14**

- (a)
  - Expansion of financial planning services to overseas markets.
  - Standardised common standards/review.
  - Greater consumer confidence.
  - Consistent delivery of service/process.
- (b)
  - Sets out best practice/establishes processes.
  - Independent audit.
  - Certification from an accredited body.
  - Meets suppliers quality standards.

**Model answer for Question 15**

- (a)
  - Minor misconduct.
  - Verbal reprimand.
  - For a one off/isolated incident.
  - (Example of) further action could be taken if behaviour continued.
- (b)
  - Serious misconduct.
  - First written warning.
  - Final written warning if behaviour reoccurs.
  - Could lead ultimately to dismissal.

October 2020 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.	4.	Understand the legal and regulatory aspects of recruitment, training and competence.
8.	5.	Understand how learning takes place: Training validation.
9.	5.	Understand how learning takes place: Training validation.
10.	6.	Understand the coaching, counselling and assessing processes and the roles within them.
11.	7.	Understand the setting and measuring of objectives: Corporate and individual objectives.
12.	7.	Understand the setting and measuring of objectives: Corporate and individual objectives.
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.