



Chartered
Insurance
Institute

J11

Diploma in Financial Planning

Unit J11 – Wrap and Platform Services

April 2018 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 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.

J11 – Wrap and Platform Services

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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 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. CII members can download free copies of older Examination Guides online at www.cii.co.uk/knowledge.

Know the structure of the examination

Assessment is by means of a two-hour written paper in two sections. All questions are compulsory:

Section A consists of six compulsory short answer questions, worth a total of 50 marks.

Section B consists of two essay questions worth a total of 60 marks. These questions require you to carry out a variety of tasks, usually based on the information provided.

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. 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 three 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.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

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:

Overall, candidates performed adequately and above expectation in this sitting.

Compared to the preceding sitting in October 2017, candidates performed slightly better. The question paper offered candidates the opportunity to demonstrate their knowledge through the testing of an appropriate spread of content from across the syllabus, with the comprehensive nature of the marking scheme, particularly in Section B, presenting good candidates with the opportunity to score well. However, candidates did not perform well in question 7(b), consequently missing out on many potential marks.

One syllabus area was tested for the first time – question 7(b) – and other technical areas were revisited – question 2, question 3 – having previously been tested. It was pleasing to see that candidate performance in question 3 improved notably compared to the previous time this area was tested, although performance in question 2 was not up to the required standard.

Evaluating overall candidate performance, two observations can be highlighted;

Overall, candidates performed less well in question 7(b). This was not offset by good performance in question 7(a).

The level of knowledge across the syllabus was good but in the more detailed areas, e.g. question 8(c) was less evident. Other questions around the operation/administrative of platforms – question 3, question 6 and question 8(a) – were well received by candidates.

Many candidates still have a tendency to reproduce model answers from previous Exam Guides in the Section B questions as well as to duplicate their answers within specific question parts, i.e. state the same answer several times.

It was welcome to see that candidates' exam technique continues to improve, with more frequent use of succinct answers with the use of bullet/number points to align their answers with the available marks as indicated by the question totals.

Question 1

Candidates performed well on this question, with the majority scoring well.

Those candidates who did not perform well generally were not aligned with the requirements of the question, e.g. their answers were the benefits/features to an authorised firm and not to a D2C client. Those candidates who performed well scored from across the majority of the available marks.

Question 2

Candidates performed less well on this question, those candidates who did not score well gave answers that were too vague and not focused.

Question 3

Candidates performed well on this question, with the majority of candidates scoring quite highly.

Question 4

Candidates performed less well on this question. It was disappointing that candidates did not perform better on this question, as part (a) has been tested previously on several occasions during the two year sunset period. In part (b) performance was not as good as in part (a) with candidates seemingly not able to consider a question testing a perspective other than that of an adviser.

Question 5

Candidates performed adequately on this question, with the majority scoring around half marks.

Those candidates who performed less well did not answer the requirements of the question, e.g. in part (a) they stated general risks and not those relating to collective funds on a platform. As part (b) was based upon the application of the answer to part (a), it followed that those who did not score well in part (a) could not score well in part (b).

Candidates scored from across the majority of the available marks.

Question 6

Candidates performed very well on this question. Candidates who did not perform well generally did not follow the requirements of the question, e.g. stating features and/or benefits to an employer as well as stating multiple types of employee benefits as a list.

Candidates scored from across the available marks.

Question 7

Candidates performed adequately on this question overall. Candidates performed less well in part (b), where the majority of candidates scored only 1-2 marks. In part (b) too many candidates' answers were not aligned with the requirements of the question part. Several candidates simply duplicated their answer to part (a) in the hope it might score some marks.

Question (b) was a syllabus area that was tested for the first time, although it is given considerable and prominent coverage in the study text and is central to the subject. It seems likely that candidates were not expecting this area to be tested, although those candidates who had undertaken robust revision did score well from the available marks.

It was surprising to see performance in part (a) not offset this, as due diligence is tested regularly as it represents core knowledge of the subject.

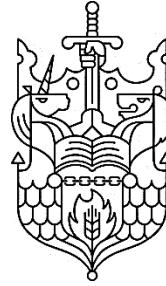
Question 8

Candidates performed adequately on this question overall, with the majority of the candidates scoring well.

Candidates performed well in part (a), with most candidates scoring highly from across the available marks.

Candidates performed well in part (b), with most candidates demonstrating a good knowledge of this area. Candidates scored from across the available marks.

Candidates performed adequately in part (c). The area of platform tools has been tested previously with better candidate performance and it is likely that the specific focus of part (c) on a particular tool – rather than the risks of relying upon tools in general – was the reason. There was some hedging by candidates who stated the same point as both a benefit and a drawback. There was also inconsistent exam technique demonstrated where candidates stated, say, 4 benefits but only, say, 2 drawbacks and so did not score highly as a result.



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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

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

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 ten of the following:

- Ease of access.
- Time saving (less paperwork/admin).
- Does not miss out on/have to act on corporate actions.
- Consolidated/in one place.
- Lower charges/no adviser charge.
- Increased understanding/knowledge/guidance/education.
- Flexible income/more income options.
- Model portfolios/do not have to do asset allocation.
- Tax tool/tax voucher.
- Wider fund range than accessible individually/in one place.
- Access to tools.

Model answer for Question 2

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

Legal ownership

- Platform/nominee is legal owner.
- Assets registered in platform/nominee name.
- Assets held on trust/safeguarding/protect if platform fails/ringfenced.
- Has to pay beneficial owner what they are due.
- Assets held on consolidated/aggregated basis.
- Has voting rights/shareholder perks.

Beneficial ownership

- Client is beneficial owner.
- Beneficial ownership has economic benefit/right to income/equitable interest in assets.
- Entitled to gains.
- Liable to losses on assets.
- Liable for personal taxation.
- Used when legal ownership not possible.

Model answer for Question 3

- (a)
- Transfer application sent to new platform provider.
 - Transfer application sent to existing/old platform by new platform provider.
 - Confirming *in specie* is available.
 - Existing platform informs fund manager/registrar.
 - Fund manager/registrar confirms new/transfer of ownership.
 - New platform reconciles holdings/funds.
- (b)
- Fund sold by existing platform.
 - Settlement proceeds sent to new platform
 - as cash.
 - New platform re-purchasing funds.

Model answer for Question 4

- (a)
- Retail share classes have lower minimum investment/institutional have higher minimum investment.
 - Retail shares more widely available/institutional shares less/not always available.
 - Retail share classes have higher Annual Management Charge (AMC)/institutional shares have lower AMC.
- (b) *Candidates would have gained full marks for any two of the following:*
- Demand unlikely to be sufficient/cost too high.
 - Desire to widen/diversify investor base.
 - Retail investors more loyal/manager wants long-term holders.
 - More profitable/higher AMC.

Model answer for Question 5

- (a)
- Failure of the platform.
 - Failure of the product/fund/Discretionary Fund Managers (DFM) provider/loss of investment.
 - Admin error/failure of best execution/technology failure.
 - Financial Services Compensation Scheme (FSCS) limits exceeded.
 - Access to high risk/unregulated collective investment schemes (UCIS) funds/unsuitable funds.
- (b)
- Limit amount in each fund/£50,000 FSCS protection.
 - Diversification of assets.
 - Due diligence.
 - Use of risk related tool.
 - Use of multiple platforms.

Model answer for Question 6

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

- Range of products/wrappers.
- Projection tools.
- Risk profiling tool.
- Portfolio/asset allocation tool.
- Tax calculator/planning tool.
- Deal direct/no need to go through employer/24/7 online access.
- Consolidated reporting/valuations.
- Guidance/helpline.
- Availability of regulated advice.
- Ability to transfer in non-pension assets.
- Ability to control payments.
- Sharesave facility.

Model answer for Question 7

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

- (a)
- *In specie* availability.
 - Costs if *in specie* not available.
 - Best execution/dealing policy.
 - Track record/history of bulk *in specie* re-registrations.
 - Ability to complete transfer without errors/delay.
 - Ability to maintain existing client income/flexible income.
 - Ability to maintain existing adviser charge.
 - Availability of other share classes for existing funds.
 - Range of tools.
 - Cash minimum balance/interest rate.
 - Basis for paying charges/income.
 - Support/training during transfer process.
 - Back office compatibility.
 - Suitability for each client/meet needs of individual clients.
 - Pre-funded switching/income payments.
 - Relationship with existing platform/conflict of interest.
 - Alignment with firm's proposition.
 - Is platform re-platforming?/technology status.
 - Financial strength/capital adequacy.
 - Regulatory history/fines/complaints.
- (b)
- Existing.
 - Prospective clients.
 - As a group.
 - An individual basis.
 - Can one platform meet all client needs?
 - Client segmentation/split into groups.
 - Will clients benefit/be better off?
 - Do costs outweigh benefits?
 - Is non-platform solution better?
 - What controls to prevent shoe-horning/churning?
 - How specific/detailed is firm's proposition?/back office gets mark.
 - Does proposition target one or more client groups?
 - Is firm prepared not to move some clients/groups to platform?
 - Suitability at individual client level.

Model answer for Question 8

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

- (a)**
- Receive new client money/investment.
 - Act as hub/move money between wrappers/auto ISA.
 - Receive income from investments.
 - Pay regular income to client.
 - Pay ad-hoc/one-off payments to client.
 - Receive tax reclaim.
 - Pay platform charge.
 - Pay fund/product charge/dealing fees.
 - Pay adviser charge.
 - Reconcile cash movements.
 - Show income/transaction history.
 - Hold cash following sale.
 - Hold cash pending re-purchase.
 - Hold cash as asset allocation.
 - Make payment to 3rd parties.
- (b)** *Candidates would have gained full marks for any eight of the following:*
- Loss of existing functionality.
 - Total loss of platform use during upgrade/downtime.
 - Loss of legacy data.
 - Requirement to re-key/re-enter data after upgrade.
 - Errors/mistakes in data/data breaches.
 - Client existing income/withdrawal interrupted.
 - Client unable to trade/invest.
 - Unable to communicate/incompatible with existing back office.
 - Time/cost of new functionality.
 - Increased charges.
 - Adviser/firms reputation.
 - Unable to withdraw funds.
- (c) Benefits**
- Comprehensive forecasting/number of scenarios.
 - Help client understand their goals/goals outcomes.
 - Shows alternate outcomes to meet goals.
 - Assist with asset allocation/portfolio construction.

Drawbacks

- Reliant upon assumptions/variables actually occurring.
- Reliant upon/influenced by input/output.
- Outcomes may not be attainable/realistic.
- May suggest funds not suitable for client's attitude to risk/capacity for loss.

April 2018 Examination – J11 Wrap and Platform Services	
Syllabus learning outcomes being examined	
1.	1. Explain the use of platforms in providing financial planning services.
2.	2. Explain the regulatory and legal context of platforms.
3.	4. Assess the appropriateness and operation of platforms in meeting client requirements.
4.	3. Explain the charging structures and costs for using platforms.
5.	2. Explain the regulatory and legal context of platforms.
6.	5. Explain the workplace platform proposition for pensions and other financial products and services.
7.	1. Explain the use of platforms in providing financial planning services. 4. Assess the appropriateness and operation of platforms in meeting client requirements.
8.	1. Explain the use of platforms in providing financial planning services. 4. Assess the appropriateness and operation of platforms in meeting client requirements.