



Chartered
Insurance
Institute

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

October 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 2018/2019, 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. Describe the main challenges faced by a platform of launching a Direct-to-Consumer (D2C) proposition. (9)

2. Describe what actions a platform should take in order to facilitate compliance with the Markets in Financial Instruments Directive (MiFID II) regulations, when administering discretionary managed portfolios. (6)

3. (a) Describe briefly the role of a platform software developer. (5)
(b) Describe briefly the role of a platform delivery provider. (5)

4. (a) Describe the **five** key elements of client money processing activities that a platform must undertake. (5)
(b) State **four** potential risks to a client if the client money processing activities identified in **part (a)** above are not followed. (4)

5. State the benefits to a financial adviser and their clients of adviser charging being facilitated through a platform. (8)

6. State **four** benefits and **four** drawbacks to an authorised firm of independent financial advisers of using a single platform for all of its clients. (8)

Total marks available for this section: 50

SECTION B**Attempt ALL questions**

7. An authorised advisory firm has recently purchased the client bank of a sole trader independent financial adviser who has retired. The client bank consists mainly of clients aged 55 and above, who are approaching and in retirement. These clients hold portfolios of collective funds held within various stocks and shares ISA and self-invested personal pension (SIPP) products, with an average portfolio value of £200,000.

The clients draw both natural and fixed levels of income on different frequencies, including capped and flexi-access drawdown from the SIPPs, based upon their individual needs. The retiring adviser did not use any platform and only reviewed the clients' portfolio on an occasional basis.

The authorised advisory firm already used two platforms for its existing clients but as a result of the purchase, the firm is looking to migrate the new client bank onto a new platform that specifically caters for the income needs of these clients. In addition, the firm wants to build an advice proposition around the needs of the client bank, focused upon annual reviews.

- (a) Identify the main areas of due diligence that the firm would perform on potential platforms, which are relevant to the needs of the client bank. **(15)**
- (b) State the main benefits to the firm of using a platform to conduct annual reviews for the newly-acquired client bank. **(10)**
- (c) Describe the taxation implications of one of the firm's clients taking a withdrawal from their platform SIPP, via uncrystallised fund pension lump sum (UFPLS). **(5)**

QUESTIONS CONTINUE OVER THE PAGE

8. An independent financial adviser currently uses a platform to deliver the firm's investment proposition to its client base. The investment proposition is based around a number of model portfolios containing collective funds. The average client investment in the model portfolios is £120,000, split between growth and income strategies.

As part of its development, the firm wants to add a discretionary investment manager (DIM) service to its investment proposition, which would be managed by a third party investment manager. The firm intends to market this service to its higher net worth clients, to offer them greater investment choice. The service will likely be offered at a minimum level of £250,000.

The investment proposition will include a rebalancing service for the higher net worth clients and the firm is looking into the benefits and drawbacks of relying upon the DIM to provide this.

- (a) State **twelve** considerations an independent financial adviser should take into account when selecting a third party DIM service for use on a platform. (12)
- (b) State **six** benefits and **six** drawbacks to the firm of the DIM offering a rebalancing service to the client group on a platform. (12)
- (c) State **six** benefits, to the independent financial adviser, of outsourcing this client group's investments to a DIM for use on a platform. (6)

Total marks available for this section: 60

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