

Chartered
Insurance
Institute

J07

Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

October 2018 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2019 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 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.
- 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.

EXAMINERS' COMMENTS

Candidates' overall performance:

The paper included a mix of knowledge and application questions and whilst some of the candidates performed very well, some candidates seemed to lack preparation which affected the overall results.

Time management was a factor that may have impacted some of the papers, with candidates not considering the number of marks allocated to a question as a guide in relation to the level of detail required.

Question 1

Part (a) required a brief explanation of the role of an overseer. Most candidates answered this question to a good standard.

Part (b) asked for details of the main exceptions from the Training and Competence rules that apply to overseers. Most candidates identified that full appropriate qualification requirement did not apply.

Question 2

In part (a) the question required application of the Hersey and Blanchard situational leadership model and posed a number of challenges for candidates to identify the most appropriate leadership style for the given scenario.

Part (b) also posed challenges, with some of the candidates not recognising the best approach to support the chosen management style.

Question 3

In part (a) some of the candidates provided answers of a good standard, however a proportion of the candidates did not identify and explain the relevant organisational barriers and therefore achieved low marks in this section.

In part (b) the better prepared candidates answered this question very well, however some of the candidates did not provide relevant recommendations in this section.

Question 4

This question required candidates to explain four strategies in relation to Thomas-Killman Conflict model and it was generally answered to a very good standard.

Question 5

This question required brief details of the key information collected as part of the application process for an approved person. It posed a number of challenges for some candidates, who provided insufficient examples, for example in respect of employment history and qualifications/knowledge.

Question 6

Most candidates provided a selection of examples of advantages and disadvantages of business conferences.

Question 7

Some candidates did not follow the question requirements closely and did not provide sufficient examples of relevant benefits of methods to validate learning as a result of sales skills training.

Question 8

Part (a) of this question required the identification of an approach to use to improve an adviser's performance levels, where the coaching approach was not previously successful. This influenced the standard of the responses provide in part (b), which built on part (a).

Question 9

Part (a) was generally well answered, however part (b) proved challenging to some of the candidates, with a relatively low number of relevant examples of desirable actions.

Question 10

This question required application of the due diligence requirements, linked to the requirements of the Money Laundering Directive 2017 (implementing the Fourth Money Laundering Directive in the UK). It was generally answered to a good standard in part (a), however in part (b), not all candidates acknowledged that there was an increased risk exposure to corruption and money laundering respectively.

Question 11

Most candidates were able to explain a selection of the key elements of effective management information.

Question 12

Part (a) of this question required examples of relevant activities to develop individuals with high potential and it was generally well answered, however part (b) posed a number of challenges in relation to the four steps of talent management.

Question 13

This question tested knowledge of the ISO 22222 in Personal Financial Planning and it introduced a number of challenges for the candidates in part (a), who required an explanation of the purpose. Part (b) was generally answered to a good standard.

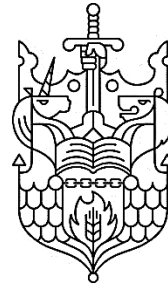
Question 14

This question tested knowledge and application of the actions to be taken in the event of a fraud. Part (a) was generally well answered, however in part (b) not all candidates articulated the key actions and facts required as part of an investigation.

Question 15

This question tested knowledge of the Human Rights Act and its application in the workplace, however it was challenging for a large number of candidates.

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Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

October 2018 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. (a) Explain briefly the role of an overseer. (2)
- (b) State and explain briefly the main exceptions from the Training and Competence rules that apply to overseers. (5)
2. Lisa is an experienced advisor, with a very good track record of performance and customer service. Her performance has deteriorated and Javeen, her manager, does not think that additional training would be valuable. Javeen intends to work with Lisa to identify the reasons for her underperformance and get her to take the lead in addressing them.
- (a) Identify and describe briefly the appropriate management style within the Hersey and Blanchard situational leadership model. (3)
- (b) Give **four** examples of approaches that Javeen could use to effectively apply the chosen management style. (4)
3. The Chief Executive Officer (CEO) of Raeburn plc has proposed an ambitious change agenda, which includes significant changes to the business strategy.
- (a) List and explain **four** organisational barriers the CEO will face when undertaking this. (8)
- (b) Provide **three** brief recommendations to address individual barriers to change. (3)
4. Avoidance is one strategy in the Thomas-Kilmann Conflict Mode Instrument.
- Explain briefly the other **four** strategies. (8)
5. List and explain briefly the key information that a firm must collect as part of an application process for an approved person. *Your answer should not include reference to fitness and propriety requirements.* (10)

6. (a) Explain briefly the role of business conferences as a method of communication. (2)
- (b) (i) State **three** advantages of business conferences. (3)
- (ii) State **three** disadvantages of business conferences. (3)
7. State **two** appropriate methods to validate the learning that has taken place as the result of sales skills training and explain briefly **two** advantages of **each**. (6)
8. Lesia has been coaching her advisers to improve their performance levels. One of her team is having personal problems and the coaching approach has not been successful.
- (a) State an alternative approach Lesia could use. (1)
- (b) (i) Outline a **three** step process for effectively implementing the alternative approach identified in your answer to **part (a)** above. (3)
- (ii) Explain the key skills required for this approach. (5)
9. (a) State **three** mandatory actions that must be demonstrated by an adviser at the initial contact stages with a client. (3)
- (b) State **seven** desirable actions that must be demonstrated by an adviser at the initial contact stages with a client. (7)
10. Hans has moved to the UK recently, having resigned from his position six months ago as a member of the Danish Parliament.
- (a) Explain briefly the verification requirements that a financial adviser must undertake prior to investing any money for Hans. (6)
- (b) State the risks associated with doing business with Hans. (2)

- 11.** Explain briefly the key elements of effective management information. (7)
- 12.** For individuals identified by firms as having high potential:
- (a)** state **four** examples of appropriate activities to develop them; (4)
 - (b)** list the **four** steps of talent management. (4)
- 13.** **(a)** Explain briefly the purpose of ISO 22222. (6)
- (b)** List the **four** planning skill areas that advisers need to demonstrate competence in to achieve ISO 22222 accreditation. (4)
- 14.** Chris is suspected of committing fraud against his company and the matter requires immediate detailed investigation.
- (a)** List the **three** options Chris's manager has with regard to Chris's ongoing employment status. (3)
 - (b)** **(i)** Explain briefly the key actions required as part of the investigation. (2)
 - (ii)** State **six** facts to be established as part of the investigation. (6)
- 15.** **(a)** List the fundamental human rights contained in the Human Rights Act 1998. (4)
- (b)** List and explain briefly **three** rights that employers must consider to comply with this legislation. (6)

October 2018 Examination - J07 Supervision in a regulated environment

Syllabus learning outcomes being examined

1.	1.	Understand the characteristics and role of a supervisor
2.	1.	Understand the characteristics and role of a supervisor
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.	3.	Understand how communication is made effective and be able to describe a range of communication methods.
7.	5.	Understand how learning takes place.
8.	6.	Understand the coaching, counselling and assessing processes and the roles within them.
9.	7.	Understand the role of compliance in the sales process.
10.	7.	Understand the role of compliance in the sales process.
11.	8.	Understand the setting and measuring of objectives.
12.	8.	Understand the setting and measuring of objectives.
13.	9.	Understand management information and quality standards.
14.	10.	Understand relevant legislation in connection with employment, performance management and termination of employment.
15.	10.	Understand relevant legislation in connection with employment, performance management and termination of employment.

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

- (a)
- Oversees specified administration functions in a life office/daily/on a day to day basis.
 - Examples include administrative functions in relation to managing investments/contracts of insurance/Safeguarding client monies/collective investments.
- (b)
- The full appropriate qualification requirement does not apply.
 - Overseers do not need to complete the advisory modules of a qualification.
 - Demonstrating advisory skills/overseers do not need to have advisory skills.
 - Overseers are exempt from the timescales rule to attain qualifications.
 - Coaching and assessment guidance/this does not apply to overseers.

Model answer for Question 2

- (a)
- Delegate.
 - Low on relationship/hands off approach/indirect supervision.
 - Low on task/monitor performance discreetly.
- (b) *Candidates would have gained full marks for any four of the following:*
- Personal Leadership**
- Encourage autonomy and self-appraisal.
 - 1-2-1 meetings/roleplays.
 - Provide input to the plans initiated by Lisa.
 - Indirect supervision.
 - Delegate tasks.

Model answer for Question 3

- (a)
- Structural inertia;
 - tendency towards stability.
 - Social norms;
 - some of the staff may fear a threat to their power position.
 - Previous experience;
 - staff who went through a negative experience previously may receive proposals badly.
 - Expectations;
 - the actual or perceived costs may be a barrier to risk.
- (b) *Candidates would have gained full marks for any three of the following:*
- Formulate clear goals for employees.
 - Be clear how the goals could be achieved.
 - Provide clear information/regular communication about the planned changes.
 - Be clear about allocation of responsibilities after the proposed changes.
 - Evaluate the changes and their success/regular updates.

Model answer for Question 4

- **Accommodate**
- Accept a position that meets the other persons concerns/the expense of their own expectations/doing a favour/appeasing someone.
- **Compete**
- Adopt a position that satisfies their own needs/or that of other person/win/lose/imposing a decision.
- **Collaborate**
- A solution that suits all/both parties/proposal strengthened but taking on elements of other persons ideas.
- **Compromise**
- All/both parties give up part of their position/either get quite what they want/trades concessions.

Model answer for Question 5

- Employment history;
- five years; explanation of gaps.
- Qualifications/knowledge;
- the firm will need to test the knowledge/assessment/evidence.
- Authorisation;
- details of previous controlled functions held/SPS certificate.
- References;
- employment and or personal.
- Debts;
- financial Standing/County Court judgments/bankruptcy/credit check.

Model answer for Question 6

- (a)
- Large meetings.
 - Organised as motivational events/inform of a company's plans/product launch.
- (b)
- (i)
- Motivation by bringing colleagues together.
 - Deliver messages to wide audience.
 - Provide rewards for success.
- (ii)
- Expensive/time consuming.
 - Too big for; to have delegate participation/checking understanding.
 - Cannot be tailored to individual needs.

Model answer for Question 7

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

- **Observed Visits/accompanied calls;**
- witness behaviours/knowledge and skills/validate transfer of learning/real life/direct evidence;
- training needs can be identified quickly/immediate action can be taken.
- Builds relationship with supervisor.

- **Role Plays.**
- Can be tailored/can focus on learnt skill/allow skills to be observed.
- Can be arranged quickly.
- Feedback can be immediate/can be repeated until standard met.

- **Client feedback/sampling/customer care call/mystery shopping/ questionnaire.**
- can provide a wide range of views.
- Independent view/realistic view.
- Observed Visits/accompanied calls.

Model answer for Question 8

- (a)
 - Counselling.
- (b)
 - (i)
 - Gain understanding.
 - Be challenging.
 - Provide resourcing.
 - (ii)
 - Listening.
 - Empathy.
 - Tolerance.
 - Questioning.
 - Ability to summarise.

Model answer for Question 9

- (a)
 - Client agreement/Terms of Business letter.
 - Adviser status/independent or restricted.
 - Combined initial disclosure document/services and costs disclosure document.
- (b) *Candidates would have gained full marks for any seven of the following:*
 - Smart appearance.
 - Positive.
 - Rapport built early.
 - Adviser explained their role.
 - Agenda for the meeting was set.
 - Benefits of services were explained.
 - Client confidentiality explained/GDPR requirements met.
 - Business card was provided.
 - Smart appearance.

Model answer for Question 10

- (a)
 - Establish that Hans is a politically exposed person.
 - Enhanced due diligence must be applied.
 - Must check name/identity;
 - and address.
 - Source of wealth/source of funds/business relationship/additional verification.
 - Ongoing monitoring of the business relationship also needs to be carried out.
- (b)
 - Money laundering risk.
 - Corruption/bribery risk.

Model answer for Question 11

- Accurate.
- Relevant.
- Timely/up to date.
- Clear.
- Cost Effective.
- Acted Upon.
- Recorded

Model answer for Question 12

- (a)
- Coaching.
 - Mentoring.
 - Projects.
 - Job rotation/secondment/shadowing.
- (b)
- Identification.
 - Development.
 - Retention.
 - Deployment.

Model answer for Question 13

- (a)
- Codifies best practice/common standards/ standardised/defined standards.
 - Specifies ethical behaviour.
 - Sets competence/experience requirements/expectations/advisory credentials.
 - Expansion of financial planning services.
 - Greater consumer confidence.
 - Consistent delivery of service.
- (b)
- Protection planning.
 - Estate planning.
 - Retirement planning.
 - Investment planning.

Model answer for Question 14

- (a)
 - Suspension.
 - Demotion.
 - Transfer.

- (b)
 - (i)
 - Investigate/gather evidence.
 - Different people should undertake the investigation to those involved in the disciplinary hearing.

 - (ii)
 - Circumstances/details of what happened.
 - Consequences of the breach/impact on client.
 - Employee's job/experience/length of service.
 - Disciplinary record/any previous incidents.
 - Any previous training/counselling.
 - Mitigating circumstances/health/domestic problems.

Model answer for Question 15

- (a)
 - Be safe and protected from harm/safety/security.
 - Be treated fairly and with dignity.
 - Live the life you choose/freely.
 - Take an active part in your community/wider society.

- (b)
 - Right to privacy.
 - Restricts monitoring of communications.
 - Right to join a trade union.
 - Employees cannot be discriminated if they join a trade union.
 - Prohibition of discrimination.
 - Employees cannot be treated less favourably because their race etc/protected groups.

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