



Chartered
Insurance
Institute

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

April 2019 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. State **ten** benefits to an authorised advisory firm of incorporating a platform into its overall financial advice proposition. (10)
2. Describe briefly the custody services undertaken by a platform's custodian. (8)
3. A retail client has £400,000 on a platform held in collective funds and direct equities. The assets are held within a stocks and shares ISA and a personal pension wrapper.
- State the main legal and regulatory safeguards that would help protect the client's assets. (10)
4. An authorised advisory firm is conducting due diligence on a potential new platform provider. The provider is going through a significant re-platforming project that involves changing to a new technology provider.
- Identify **eight** main due diligence factors that the advisory firm would focus upon that relate to the technology provider only. (8)
5. A platform provider is adding a Lifetime ISA (LISA) to its range of tax wrappers.
- State the main rules governing the contributions to and withdrawals from a LISA. (9)
6. A limited company employing 30 staff is about to start using a workplace platform to help comply with its workplace pension obligations.
- Identify **five** main areas of the auto-enrolment process in which the platform could help the company meets its obligations. (5)

Total marks available for this section: 50

SECTION B

Attempt ALL questions

7. Nailah has a portfolio of collective funds invested in different asset classes. The portfolio is currently valued at £160,000 and the funds are **not** currently held on a platform.

She has recently decided to reduce her working hours and wishes to start drawing an income stream of £6,000 per annum gross from her portfolio, to top her income up to its previous full-time level. She anticipates drawing the income for the long-term and will be reliant upon it to maintain her existing expenditure.

Nailah has met with a financial adviser who is considering the recommendation of a platform to help meet her needs. The adviser has also highlighted that the platform offers a tool designed to assist clients drawing a regular income.

- (a) Describe the main platform features that the adviser would consider when assessing suitability of a potential platform to meet Nailah's needs. (15)
- (b) List **seven** factors relevant to Nailah's needs that the adviser would consider when constructing an asset allocation to generate her required income. (7)
- (c) State **eight** main risks to the adviser and Nailah from the use of the platform's income tool. (8)

QUESTIONS CONTINUE OVER THE PAGE

8. Lukas, a higher rate taxpayer, is about to invest £300,000 into a new investment portfolio using a platform. The portfolio will consist of equity and fixed interest collective funds, held within a stocks and shares ISA, a general investment account and an onshore investment bond.

The recommendations have been made by Lukas's new independent financial adviser (IFA) and are based upon the portfolio being used to generate a regular income.

Following the retirement of his previous financial adviser, Lukas has approached the new IFA, who has prepared the recommendation. Lukas's previous adviser was remunerated from legacy trail commission. As a result, Lukas is not familiar with explicit adviser charging.

- (a) Describe the various income and withdrawal options that would be available to Lukas from each of the three wrappers on the platform and their tax treatment based on Lukas's tax status. (15)
- (b) State **five** ongoing fund charges that could be paid within the investments held by Lukas. (5)
- (c) Explain the **two** main ways in which Lukas can pay his new IFA, including how each operates. (10)

Total marks available for this section: 60

