

Chartered  
Insurance  
Institute

# J07

## Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

April 2019 Examination Guide

### SPECIAL NOTICES

Candidates entered for the October 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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**Published July 2019**

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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](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.

#### 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 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/](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.

**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, a lack of preparation affected the overall results for some of the candidates in this cohort.

### Question 1

This question required three examples of the key features of indirect supervision in part (a) and three methods of indirect supervision in part (b). Whilst most candidates answered part (a) to a good standard, part (b) proved challenging for some candidates.

### Question 2

This question required knowledge and application of the Herzberg's hygiene and motivation factors. Not all candidates were able to provide examples of motivators in part (a), however in part (b), most candidates were able to discuss the impact of the hygiene factors.

### Question 3

This question required an explanation of the consumer awareness rules that authorised firms needed to follow, although answered well, in some instances the candidates discussed the complaint handling process.

Part (b) of the question was generally answered to a good standard, with most candidates displaying a very good knowledge of the key complaints data that needed to be submitted via the GABRIEL portal.

### Question 4

Part (a) required candidates to provide examples of key factors that determined that a person was employed, rather than self-employed and was generally answered to a fair standard.

Part (b) proved challenging for some candidates, who did not identify the characteristics of an employed adviser.

### Question 5

Part (a) proved challenging to some of the candidates, who did not follow the requirements of the question closely enough and focused their answer on the process required to attain competence.

In part (b), some candidates provided a limited answer regarding the role of a Training and Competence scheme in assisting supervisors to fulfil their duties.

### **Question 6**

Most candidates defined a training needs analysis, however some of the candidates did not clearly identify the differences between organisational and individual training needs in part (b)(i), and this had a knock-on effect on the examples provided in part (b)(ii).

### **Question 7**

Most candidates identified the benefits of documenting a structured development plan in part (a), however in part (b), the level of detail regarding the stages of a structured development plan varied.

### **Question 8**

Most candidates were able to discuss how the call monitoring system was used and state the purpose of observation aids.

### **Question 9**

Part (a) was generally well answered, however part (b) proved challenging to some candidates, with a relatively low number stating the purpose of conduct rules for staff performing a 'significant harm' function.

### **Question 10**

This question required knowledge of sensitive personal data and it was generally answered to a good standard in part (a), however in part (b), not all candidates identified the requirements that companies must follow to ensure that individuals understood how their data was processed.

### **Question 11**

Most candidates were able to answer parts (a) and (b) to a good standard, in relation to corporate and individual objectives. Part (c) was the key differentiator, with few candidates explaining to a good standard the purpose of Corporate Social Responsibility in relation to business strategy.

### **Question 12**

Most candidates provided a good range of examples of key performance indicators for a financial advisor.

### **Question 13**

This question tested knowledge of relevant management information items and was generally addressed to a good standard.



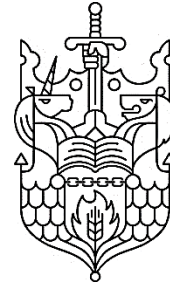
**Question 14**

This question tested knowledge and application of the unsatisfactory performance and relevant management intervention. Part (a) was generally well answered, however in part (b) not all candidates articulated examples of types of management intervention used to deal with unsatisfactory performance.

**Question 15**

This question tested knowledge of grounds for dismissal deemed to be automatically unfair, however it proved challenging for a large number of candidates.

# J07



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## Diploma in Financial Planning

### Unit J07 – Supervision in a regulated environment

April 2019 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) State **three** key features of indirect supervision. (3)  
(b) Outline **three** methods of indirect supervision. (3)
  
2. With reference to Herzberg's hygiene and motivation factors:  
(a) State **six** motivators. (6)  
(b) Define hygiene factors and explain briefly their impact on job satisfaction. (3)
  
3. (a) Explain the consumer awareness rules that must be followed by authorised firms, in relation to complaints handling. (6)  
(b) State the information authorised firms must report through the GABRIEL online reporting system, **excluding** the total number of complaints broken down by categories. (5)
  
4. John has been offered a role as a financial adviser by Auden plc, an independent financial advisory firm.  
(a) State the key factors that determine whether John is an employee. (7)  
(b) State **three** characteristics an employed adviser may typically demonstrate. (3)
  
5. (a) Explain **four** key areas that a firm should consider when designing a Training & Competence (T&C) scheme, **other than** supervision and record keeping procedures. (8)  
(b) State **three** ways in which a Training & Competence scheme assists supervisors to fulfil their duties. (3)

6. (a) Explain briefly what a training needs analysis is. (2)
- (b) (i) State the differences between organisational and individual training needs. (2)
- (ii) Provide **two** examples of organisational and individual factors that have an impact on training needs. (2)
7. Lisa has arranged a meeting with a member of her team to discuss development needs.
- (a) List **two** benefits of documenting the structured development plan. (2)
- (b) Outline **seven** stages of a structured development plan. (7)
8. Leah works in a call centre and is subject to call monitoring.
- (a) Explain briefly how the call monitoring system will be used by Leah's employer. (5)
- (b) State the purpose of observation aids. (3)
9. (a) State **five** principles that staff performing a 'significant harm' function must adhere to. (5)
- (b) State the purpose of the conduct rules for staff performing a 'significant harm' function. (3)
10. (a) List **seven** examples of sensitive personal data. (7)
- (b) State **two** requirements companies must follow to ensure that individuals understand how their data is processed. (2)
11. (a) State the **three** main areas of focus for corporate objectives. (3)
- (b) State the **four** main areas of focus for individual objectives. (4)
- (c) Explain the purpose of Corporate Social Responsibility (CSR) in relation to business strategy. (3)

- 12.** List **six** performance-related key performance indicators (KPIs) for a financial adviser. (6)
- 13.** The Director of a small financial services practice receives detailed management information (MI) which only covers company income and compliance.
- (a) Explain briefly the limitations of this approach. (2)
- (b) State **six** other types of MI the Director should receive. (6)
- 14.** (a) Define unsatisfactory performance. (2)
- (b) Provide **two** examples of unsatisfactory adviser performance. (2)
- (c) List and describe the **four** types of management intervention used to deal with unsatisfactory performance. (8)
- 15.** List **seven** grounds for dismissal that would be deemed automatically unfair, **excluding** sex, age and trade union membership. (7)

**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)
- Continuing supervision.
  - Competent/experienced adviser.
  - Passed formal assessment.
- (b)
- Use of Key Performance Indicator (KPI) information.
  - Fact-find sampling/case checking.
  - Infrequent/reduced client observations.

**Model answer for Question 2**

- (a)
- Achievement.
  - Recognition.
  - Work itself.
  - Responsibility.
  - Advancement.
  - Growth.
- (b)
- Hygiene factors related to the conditions under which the job is performed.
  - Having more of them does not led to greater satisfaction/motivation.
  - The absence of hygiene factors may lead to dissatisfaction/grievance.

**Model answer for Question 3**

- (a)
- Publish summary details of their internal process of dealing with complaints promptly and fairly.
  - Refer eligible complainants to this summary.
  - In writing at the point of sale;
  - or after.
  - Provide summary details to eligible complaints;
  - on request/when acknowledging a complaint.
- (b) *Candidates would have gained full marks for any five of the following:*
- Number of complaints resolved within three working days.
  - Number of complaints resolved within four to eight weeks of receipt.
  - Number of complaints resolved more than eight weeks after receipt.
  - Number of complaints upheld.
  - Number of complaints outstanding at the beginning of the reporting period.
  - The amount of redress paid by the firm.

**Model answer for Question 4**

- (a)
- Contract of service.
  - John works mainly for Auden plc/primary role.
  - Auden plc has the right to control his duties/how they are performed/performance.
  - John works set hours.
  - Receives regular pay and holiday pay/employee rights.
  - John is provided with equipment.
  - John is expected to carry out tasks personally.
- (b)
- A need for security.
  - Loyalty to the organisation.
  - Happier in a servicing culture.

**Model answer for Question 5**

- (a) *Candidates would have gained full marks for any eight of the following:*
- **Coverage/scope of the scheme -**
  - What job functions/roles will be covered by it.
  - **Standards of performance required -**
  - Capable of being measured/clear definitions of what competence is.
  - **Qualifications -**
  - Required for certain roles.
  - **Testing of knowledge/assessment of competence -**
  - Ongoing/Continuing Professional Development (CPD)/failure policy/training needs.
  - **Auditing requirements/continuous improvement/ongoing -**
  - Monitoring to ensure effectiveness of scheme/compliance with scheme.
- (b)
- Provision of clear guidance on how supervisors should fulfil their duties/what is expected.
  - Setting KPIs for supervisors.
  - Establishing appropriate spans of control for supervisors.

**Model answer for Question 6**

- (a)
- The ongoing;
  - and systematic identification of training needs.
- (b)
- (i)
- Organisational training needs arise from factors affecting the business as a whole.
  - Individual training needs are specific/tailored to one person and not others.
- (ii)
- Achievement of Investors in People (IIP)/introduction of a new computer system/a new appraisal system/new regulation.
  - Individual performance figures/test results/observation outcomes/KPI scores/sales performance against target/new skill.



**Model answer for Question 7**

- (a)
- Provides a record of what has been agreed/who is responsible/why.
  - Meets regulatory requirements.
- (b) *Candidates would have gained full marks for any seven of the following:*
- Identify individual development needs for a particular behavioural competency.
  - Provide suggested methods of improving performance.
  - Link training and development to the specific competency.
  - Agree the development activity with the individual.
  - Record on the training and development plan.
  - Ensure plan is implemented/evaluated.
  - Remedy shortfalls/undertake reassessment.
  - Transfer learning to job.

**Model answer for Question 8**

- (a)
- A percentage of calls are sampled;
  - to identify behaviour that may lead to complaints;
  - and training needs.
  - Can use the material to resolve complaints/misunderstandings.
  - Helps firms demonstrate fair treatment.
- (b)
- Sets out required behaviours.
  - Scoring/rating mechanism/consistency.
  - Record of observation/documentated.

**Model answer for Question 9**

- (a)
- Act with integrity.
  - Act with due skill, care and diligence.
  - Be open with Financial Conduct Authority (FCA)/Prudential Regulation Authority (PRA)/regulator.
  - Pay due regard to the interests of customers and treat them fairly.
  - Observe proper standards of market conduct.
- (b)
- Make individuals accountable for their actions.
  - Give regulators scope to take action.
  - Where individuals have fallen short of the standard expected.

**Model answer for Question 10**

(a) *Candidates would have gained full marks for any seven of the following:*

- Racial/ethnic origin.
- Political opinions.
- Religious/similar beliefs.
- Trade union membership.
- Physical/mental condition/disability/health.
- Sex life/orientation.
- Commission of offence/alleged offence.
- Proceedings for offence/alleged offence.

(b) *Candidates would have gained full marks for any two of the following:*

- Individuals aware of intended purpose.
- Individual given details which are reasonably fair.
- Requisite level of consent is obtained.

**Model answer for Question 11**

(a) 

- The markets in which the firm will operate/market share.
- The quality of the service to be provided.
- Attitude to customers and staff.

(b) 

- Financial.
- Quality.
- Fair outcome for customers.
- Personal learning and growth/development.

(c) 

- Establishing a company's green credentials and carbon footprint/sustainability.
- Ensuring they have good community relations and are able to manage their reputation.
- Being a good Corporate citizen/reputation management.

**Model answer for Question 12**

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

- Income performance/fees generated.
- Activity/observations.
- Complaints.
- Conversion rates.
- File quality results/suitability letters.
- Provision of agreed service levels.
- Client satisfaction.
- Persistency/cancellation/not taken ups (NTUs).
- Range of advice/business mix.

**Model answer for Question 13**

- (a)
- This is not providing a full/balanced/holistic picture of company performance/profitability.
  - At the highest level it is important to also collect data on company costs/customer satisfaction.
- (b) *Candidates would have gained full marks for any six of the following:*
- Product mix/range of advice;
  - execution only numbers.
  - Referrals/repeat business.
  - Activity levels/conversion rates/new business.
  - Complaints.
  - Staff turnover/staff retention.
  - Expenses/costs.

**Model answer for Question 14**

- (a)
- Persistent/regular/ongoing failure;
  - to reach the standards set by an organisation.
- (b) *Candidates would have gained full marks for any two of the following:*
- Fee/sales targets/KPIs e.g. persistency levels etc.
  - Quality of advice documentation targets.
  - Observed call standards.
- (c)
- **Motivational** -
  - Praise, encourage, provide challenge as reward for good behaviour.
  - **Training** -
  - Upskill to build skills and confidence.
  - **Behavioural** -
  - Change person's unsuitable behaviour through warnings/sanctions/disciplinary.
  - **Continuing Professional Development (CPD)** -
  - Ensure that structured/tailored CPD activities takes place.

**Model answer for Question 15**

- Pregnancy.
- Refusal to carry out dangerous work/health and safety grounds.
- If there is nothing wrong with the performance.
- Exercising/trying to exercise a statutory employment right/minimum notice/paternity leave.
- If the employer cannot show that the reason for retirement is not fair under employment law.
- Refusing to give up holiday entitlement.
- Exercising rights as a part-time worker.

**April 2019 Examination - J07 Supervision in a regulated environment**

Question Number	Syllabus learning outcomes being examined	
1.	1.6	Understand the characteristics and role of a supervisor: Direct and indirect supervision
2.	2.4	Leadership and behavioural models: Key motivational models
3.	3.5, 3.6	Communication: Complaints handling
4.	4.2	Employment contracts
5.	4.6	Understand the legal and regulatory aspects of recruitment, training and competence: The content of the T&C scheme
6.	5.2	Training needs analysis
7.	5.4	Understand how learning takes place: Training validation
8.	6.3; 6.4	Understand the coaching, counselling and assessing processes and the roles within them: Assessment
9.	7.2	The sales process – review of the regulatory position
10.	7.4	Financial crime prevention and data protection requirements
11.	8.1; 8.5	Understand the setting and measuring of objectives: Corporate and individual objectives
12.	8.2	Understand the setting and measuring of objectives. Key performance indicators
13.	9.1	Understand management information and quality standards.
14.	10.2	Understand relevant legislation in connection with employment, performance management and termination of employment: Unsatisfactory performance
15.	10.4	Understand relevant legislation in connection with employment, performance management and termination of employment: Terminations and appeal procedures.