



Chartered
Insurance
Institute

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

October 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 2019/2020, 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** ways in which a platform can support a financial adviser in delivering a centralised investment proposition to their client bank. (10)

2. An advised platform offers functionality for clients to also transact on an execution only basis.

Identify the risks of this to the:
 - (a) client; (4)
 - (b) financial adviser. (4)

3. Describe the systems and controls that a platform should have in place to prevent money laundering and financial crime. (8)

4. A platform uses a third-party provider for their pension and ISA wrappers.
 - (a) State **four disadvantages** of using a third-party wrapper for an IFA using the platform. (4)
 - (b) Outline the Financial Services Compensation Scheme limits for collective investments held in an ISA wrapper. (3)

5. A company is looking to make a workplace ISA available to their employees, via a platform. The platform being considered has recently migrated its technology to a new provider and has encountered significant difficulties over the past 12 months.
 - (a) Explain the benefits, to the employees, of having this investment option available to them compared to holding it direct with a single fund manager. (6)
 - (b) Explain briefly **five** main risks a platform would potentially face after dealing with issues migrating its technology. (5)

6. State **six** transaction charges that might be applicable on platforms. (6)

Total marks available for this section: 50

SECTION B

Attempt ALL questions

7. An authorised advisory firm has been providing services to its clients for over 30 years and have provided independent financial advice to broadly the same clients throughout their time in the industry.

The firm has built-up a substantial client base of decumulation pension clients, many of which are now taking income. These clients are aged 55 and above, and are either in retirement or transitioning from working full time to part time.

The average pension portfolio holding stands at approximately £270,000.

The firm manages the majority of these clients on a single platform but has recently become concerned with the service provided by the platform provider. As a result, the firm are of the opinion that they should consider the option of adopting a new platform to move some, or possibly all, of their pension clients.

- (a) Identify **five** main business risks, within the authorised advisory firm, of adopting a new platform and for **each** risk explain briefly how it could be mitigated. (10)
- (b) State the pension withdrawal options and their associated tax treatment for these clients. (5)
- (c) Identify **seven** factors the firm should take into account when moving the pension clients, who are taking income, to the new platform. (7)
- (d) State **eight** of the main areas typically covered in a platform's terms and conditions. (8)

QUESTIONS CONTINUE OVER THE PAGE

8. Largeco, an authorised advisory firm, is about to purchase OxBow, a sole trader independent financial advice business, as the adviser is retiring.

OxBow's client group comprises mainly of younger high net worth (HNW) retail clients with growth-focused investment portfolios. The average portfolio value is £250,000 and consists of collective funds. These HNW clients actively manage their portfolios and switch frequently. OxBow has not used a platform for any of its client group.

Largeco uses a platform for its client base which is predominantly older clients with income-focused investment portfolios. Having analysed the needs of the OxBow client group, Largeco has decided to offer a second platform to these clients.

Largeco wants to develop a relationship with the new client group and is keen to use a platform to enhance the firm's client proposition.

- (a) Identify the main areas that Largeco should consider when undertaking due diligence on the potential new platform provider. (12)
- (b) State **eight** ways in which a platform could help increase engagement with the new client group. (8)
- (c) Outline the main benefits to the OxBow client group of using a platform compared to directly held funds. (10)

Total marks available for this section: 60

