



Chartered
Insurance
Institute

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

October 2020 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 2020/2021, 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** features of a platform that would benefit an advised client with an income-producing investment portfolio, compared to investing directly in collective funds from different providers. (10)

2. (a) State the Financial Conduct Authority's definition of a platform service. (5)
- (b) State the **four** main regulatory permissions that are relevant to a platform provider. *You should exclude the controlled functions (CF) from your answer.* (4)

3. (a) Identify the **five** main investment-related risks to a retail client of using a platform. (5)
- (b) State **five** ways in which the risks provided in your answer to **part (a)** above can be reduced by a financial adviser. (5)

4. An authorised advisory firm of independent financial advisers currently uses a single platform for all of its clients but is considering using an additional platform(s).

State **three** benefits and **three** drawbacks to the firm of using more than one platform. (6)

5. Describe briefly the main stages of the re-registration process, where a collective fund is being migrated between two different providers and the fund is available on both providers' platforms. (7)

6. A medium-sized private company currently operates a workplace platform to fulfil its auto-enrolment obligations. In response to interest from its workforce, the company is now considering expanding the platform's functionality to include investment products.

Identify **eight** features that would benefit the **employees**, in respect of investment planning only. (8)

Total marks available for this section: 50

SECTION B

Attempt ALL questions

7. Andrés, aged 46, is employed on a salary of £60,000 per annum. He has recently received a £75,000 inheritance and wants to use this capital to help meet his retirement needs.

Previously, Andrés has managed his own financial arrangements but he is now considering using a financial adviser for the first time. He has recently met with a financial adviser who has explained that his firm uses a platform as part of its advice proposition.

Andrés has a workplace pension but only contributes the contractual minimum. He is now thinking about paying more into a pension, either on a regular basis or by using some of the inheritance. Andrés also has an investment portfolio currently valued at £40,000. The portfolio consists of different collective funds which he has invested in over the years.

The financial adviser has highlighted the potential benefits of consolidating the different holdings onto the platform. As part of an investment strategy for the future, the financial adviser has also explained that a discretionary investment management (DIM) service could be a suitable product, although Andrés thinks this could be too complex for his needs.

The financial adviser is assessing which tax wrapper would be most suitable as part of formulating recommendations for Andrés.

- (a) State **four** benefits and **four** drawbacks of using a personal pension as a long-term investment vehicle for Andrés' retirement planning, compared to a stocks and shares ISA. (8)
- (b) State **ten** features of a platform that could help the firm when conducting its annual client review as part of its on-going advice proposition. (10)
- (c) Identify **six** main factors that an authorised advisory firm would consider when undertaking due diligence on potential third party DIM providers for use on a platform. (6)
- (d) Identify **six** specific risks of using a DIM service on a platform. (6)

QUESTIONS CONTINUE OVER THE PAGE

8. Rania, aged 66, is about to retire. She will receive state and occupational pensions totalling £14,000 per annum, but has a target income of £25,000 per annum and hopes to generate the £11,000 per annum difference from her existing investment portfolio. This portfolio is currently valued at £350,000 and consists of a mix of collective funds and FTSE-350 listed direct equities. The collective funds are invested in income units in UK fixed-interest and UK equity funds, and the direct equities are all dividend paying.

At present, Rania has no financial adviser and her portfolio is administered on a D2C platform. She is considering using a financial adviser in the future as she is concerned about how to generate her target retirement income and how to access all the information required to complete a self-assessment tax return each year.

- (a) Identify **nine** pieces of legacy data and historical information that would be accessible via the platform's transaction history function. (9)
- (b) Outline **ten** main risks to Rania of using the D2C platform's tools as part of her retirement income planning. (10)
- (c) State **five** reasons why a fund management group would offer retail and institutional share classes of the same fund on a platform. (5)
- (d) Identify **six** costs and charges that Rania is likely to pay on her D2C platform. *You should exclude taxes and levies from your answer.* (6)

Total marks available for this section: 60

