



Chartered
Insurance
Institute

J07

Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

March 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the June 2021 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

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. 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.

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.

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.

Know the structure of the examination

- Assessment is by means of a two-hour online exam.
- The online exam is made up of 15 short questions.
- **All** questions are compulsory.
- The exam will carry a total of 130 marks.

Appreciate the standard of the examination

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

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 '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.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Candidates will **not** lose marks due to poor spelling or grammar.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.

EXAMINERS' COMMENTS

Candidates' overall performance:

This paper included a mix of application and knowledge questions, testing all relevant learning outcomes and requiring candidates to evidence breadth and depth of knowledge.

This was the second online sitting of this paper and in some instances, the responses provided by candidates were very brief, which limited the level of application that was evidenced and consequently the total number of marks that could be awarded.

Question 1

This question required candidates to identify the key activities a supervisor undertakes within a financial services firm. Overall candidates did not perform well in this area; few of them identified the requirement to ensure that customers were treated fairly and in line with the appropriate standards of service required.

Question 2

Part (a) required a brief explanation of why direct supervision was usually more appropriate for pre-competent advisors than indirect supervision. This proved challenging to some candidates who did not explain that direct supervision was required until the adviser has achieved competency.

Part (b) required candidates to state three situations in which direct supervision is appropriate for competent advisers. This was generally well answered.

Question 3

The question tested a specific model (Myers Briggs) and was generally answered to a good standard by candidates, although some of them did not include an adequate description of the four scales. Well prepared candidates scored well on this question.

Question 4

Part (a) tested understanding of the complaints process. It was answered moderately well, although few candidates identified that the outcome of the complaint could be confirmed through a summary resolution communication.

Part (b) tested the criteria that must be met to resolve complaints informally. Some candidates did not articulate that the formal response letter or acceptance letter did not need to be in writing.

Question 5

This question required candidates to state the information items that needed to be included in the statement of employment particulars. Overall candidates performed well, although in some instances they incorrectly focused their answer on the features of a role specification rather than the statement of employment particulars.

Question 6

Part (a) required candidates to state how competence was defined by the Financial Conduct Authority. Some of the candidates found this area challenging and limited their response to the skills, knowledge and expertise requirements.

Part (b) required candidates to identify the key areas that must be included in a firm's Training and Competence Scheme. Some candidates provided brief answers that did not fully address the question requirements.

Question 7

This question required knowledge of the recruitment process in a financial services firm. Whilst some of the candidates were able to address this question based on their work experience in relation to vetting and referencing, others did not provide a comprehensive response to achieve high marks.

Question 8

This question required candidates to apply their knowledge of the Honey and Mumford theory of learning styles and provide examples of training and learning activities. Some candidates provided insufficient or incorrect examples, the better prepared candidates evidenced strong understanding of the learning styles.

Question 9

Part (a) required candidates to briefly explain three benefits of training validation and was answered reasonably well, with the better answers detailing the requirement to evidence that money spent on training was justified by the results achieved.

Part (b) required candidates to identify principal methods of validating sales skills training and was generally addressed well.

Part (c) tested the principal methods of validating knowledge training. It was generally well answered, however relatively few candidates identified that suitability reports are a key method of validating knowledge training.

Question 10

Candidates generally performed moderately well on this question that required them to explain the key features of effective feedback.

Question 11

Part (a) required candidates to state eight mandatory actions a financial adviser must undertake when presenting investment recommendations to a client. This question part was answered to a good standard, although some candidates did include areas that were desirable rather than mandatory, that should have been included in part (b).

Part (b) asked candidates to state three desirable actions a financial adviser should undertake and candidates found this area challenging, providing examples of mandatory actions rather than desirable actions.

Question 12

Part (a) tested knowledge of the principal rights under the General Data Protection Regulation (GDPR) provisions. This posed challenges to candidates and was not addressed to a good standard.

Part (b) tested understanding of the requirements in relation to customers giving consent to receive marketing material and to be contacted by a financial services firm. This was not addressed to a good standard.

Part (c) required candidates to evidence the consequences for firms failing to comply with the provisions of GDPR. It was better answered than part (a) and part (b).

Question 13

This question required candidates to state and explain briefly each of the key stages of business planning. Some candidates found this challenging and, in some instances, they did not include an adequate description of the three stages. The better prepared candidates evidenced understanding of the stages of business planning and relevant staff that needed to be involved.

Question 14

This question required candidates to state and explain briefly the key areas of management information (MI) a supervisor requires to effectively manage a team. This posed challenges to some of the candidates, who did not identify key MI, such as income levels, range of advice, or persistency.

Question 15

This tested knowledge of workplace discrimination. This question was generally addressed to a good standard, however some candidates provided examples of general discrimination rather than specific types of workplace discrimination.

Unit J07 – Supervision in a regulated environment

Instructions to candidates

Read the instructions below before answering any questions

All questions in this examination 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. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **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.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- Tax tables are provided at the right-hand side of the interface.
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off.**
- Please familiarise yourself with **all** questions before starting the exam.

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. State the key activities a Supervisor undertakes within a financial services firm to ensure customer expectations are met. (6)

2. (a) Explain briefly why direct supervision is usually more appropriate for pre-competent advisers than indirect supervision. (3)

(b) State **three** situations in which direct supervision is appropriate for competent advisers. (3)

3. Identify and explain briefly the **four** scales used by the Myers Briggs Type Indicator to categorise an individual's behavioural preferences. (10)

4. Sophie received a complaint from a customer and resolved it the following business day.

(a) State how this can be confirmed to the customer and what details need to be included. (4)

(b) Explain briefly the criteria that must be met to resolve complaints informally. (3)

5. State the information that an employee **must** receive in their statement of employment particulars. (8)

6. (a) State how competence is defined by the Financial Conduct Authority. (3)

(b) State the key areas that must be included in a firm's Training and Competence Scheme. (6)

7. State the key areas that a financial services firm usually reviews as part of the recruitment process, when recruiting a financial adviser. (8)

8. Provide examples of training and learning activities that appeal to people with the following Honey and Mumford learning style preferences;
- (a) Activist. (3)
 - (b) Reflector. (3)
 - (c) Theorist. (3)
 - (d) Pragmatist. (3)
9. (a) Explain briefly **three** benefits of training validation. (3)
- (b) List **four** principal methods of validating sales skills training. (4)
- (c) List **four** principal methods of validating knowledge training. (4)
10. Explain the key features of effective feedback. (8)
11. When presenting investment recommendations to a client:
- (a) State **eight** mandatory actions a financial adviser must undertake. (8)
 - (b) State **three** desirable actions a financial adviser should undertake. (3)
12. Candice complained that she had received a large volume of marketing information from Luna plc, a financial services firm.
- (a) State the rights Candice can exercise, in accordance with the General Data Protection Regulation (GDPR) provisions. (2)
 - (b) State the principal requirements that a financial services firm must evidence, in relation to consent provided by a customer to be contacted by the firm and receive marketing material. (5)
 - (c) List the measures the Information Commissioner’s Office can take if firms do not comply with the provisions of GDPR. (2)
13. State and explain briefly each of the **three** stages of business planning. (10)
14. State and explain briefly the key areas of management information a supervisor must receive to enable them to effectively manage a team. (8)
15. List **seven** types of workplace discrimination. (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

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

- Ensuring that clients/customers are treated fairly.
- Set to the standards of service/production required/an example of.
- Identify the training needs within the organisation.
- Train/coach the employees in these activities.
- Monitor and assess how well the services are delivered/an example of.
- Determine shortfalls.
- Keep records.

Model answer for Question 2

- (a)
- Pre-competent advisers typically have less skills/knowledge and experience.
 - Direct supervision provides a closer level of supervision/more contact with supervisor.
 - Until the adviser has achieved competency/skills/knowledge and their experience improves.

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

- When beginning to advise in a new area.
- When they are underperforming/not meeting required competencies.
- Upon returning to work following a long absence e.g. maternity leave.
- When experiencing personal issues/additional support is required.

Model answer for Question 3

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

- Extroversion.
- Introversion.
- How we focus our energy.
- Sensing.
- Intuition.
- How we gather information.
- Thinking.
- Feeling.
- How we make decisions/process information.
- Judging.
- Perceiving.
- How we react to the world.

Model answer for Question 4

- (a)
- Summary resolution communication.
 - Explains the complaint.
 - How it was resolved/outcome.
 - Provides Financial Ombudsman Service referral rights.
- (b)
- The complaint must be resolved within three business/working days.
 - The complainant must accept the firm's response.
 - The formal response letter or acceptance letter does not need to be in writing.

Model answer for Question 5

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

- Name of employer.
- Title of job/brief description of duties.
- Rate of pay/payment intervals.
- Hours of work/holiday entitlements/sick pay.
- Employment start date/office location.
- Notice periods/probation period.
- Collective agreements/trade union.
- Pensions/benefits.
- Grievance process.

Model answer for Question 6

- (a)
- Skills/knowledge/expertise needed
 - for the discharge of the responsibilities allocated to them.
 - Good standard of ethical behaviour.
- (b)
- Qualifications.
 - Attaining/assessing Competence.
 - Maintaining Competence.
 - Supervision requirements for each category of staff.
 - Training Needs Analysis.
 - Record Keeping requirements.

Model answer for Question 7

- Employment history
- for the past six years.
- Gaps/allow examples: if an individual was unemployed, evidence would be requested from Department for Work and Pensions/travelling.
- Directorships held over the past 10 years.
- Qualifications/knowledge or examples of relevant qualifications/knowledge testing.
- Employment or personal references.
- Level of authorisation with a previous firm.
- Debts/County Court Judgement/Individual Voluntary Arrangement/bankruptcy.

Model answer for Question 8

- (a) Activist.
- New experiences/here and now/diverse/activities/role plays/business games.
 - Have a go/problem solving opportunities.
 - Being in the limelight/high profile tasks.
- (b) Reflector.
- Watching/thinking/listening/observing.
 - Preparing/reading/being given time to act.
 - Reviewing/analysing situations.
- (c) Theorist.
- Studying systems/models/concepts/theories/clear goals.
 - Time to explore ideas.
 - Question logic/check detail/well-argued ideas.
- (d) Pragmatists.
- Workplace/role relevant systems and activities.
 - Practical activities/solving real problems.
 - Shadowing/mentoring /role models.

Model answer for Question 9

- (a)
- Show that learning has taken place/learning has been completed.
 - Show that learning can be applied to the workplace.
 - Show that results justify the money spent on training.
- (b)
- Accompanied client calls.
 - Role plays.
 - Mystery shoppers.
 - Client questionnaires/feedback.
- (c)
- Internal knowledge/CBT testing.
 - External examination.
 - Case studies.
 - Written documentation/suitability reports.

Model answer for Question 10

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

- Use agreed feedback process/framework.
- Agree what is to be measured/successful outcomes.
- Provide feedback as soon as possible after event.
- Makes notes/use specific examples.
- Reinforce positive behaviours.
- Make feedback two-way.
- Encourage self-appraisal.
- Balanced feedback – positive and negative.
- Summarise discussion/provide record.
- Agree future actions.

Model answer for Question 11

- (a)
- Make sure clients understand the recommended solutions.
 - Why they meet their needs/advantages.
 - Explain any disadvantages of the solutions recommended.
 - Issue suitability report and explain this to the client.
 - Disclosure of initial adviser charges and other costs/agree any ongoing adviser charges.
 - Complete anti-money laundering verification/example of.
 - Explain Key Information document/Illustration/reduction in yield.
 - Explain the client's cancellation rights.
- (b) *Candidates would have gained full marks for any three of the following:*
- Set the scene/purpose of the second meeting/re-establish need and client commitment.
 - Confirm no changes to material facts previously gathered/confirm potential effect of any changes in client circumstances.
 - Appropriate solutions offered and explained, and potential alternatives highlighted.
 - Confirm suitability of products.
 - Gain client agreement to proceed.

Model answer for Question 12

- (a) *Candidates would have gained full marks for any two of the following:*
- Right to object/draw consent.
 - Right to erasure/data removed.
 - Right to restrict processing.
- (b) Must be;
- freely given
 - specific
 - informed
 - unambiguous
 - cannot be inferred from silence/pre-ticked boxes/inactivity.
- (c) *Candidates would have gained full marks for any two of the following:*
- Fines
 - up to £17m/4% of global turnover.
 - Instigate criminal proceedings.

Model answer for Question 13

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

- Strategic planning.
 - Setting overall objectives/aims.
 - Timescale one to ten years/short to medium.
 - Performed at senior levels.
- Tactical planning.
 - Methods used to achieve overall objectives.
 - Timescale six months to two years/short term.
 - Performed at middle management levels.
- Operational planning.
 - Business needs on a day-to-day basis/ongoing/contribute towards overall objectives.
 - Timescale one week to one year/short term.
 - Performed at supervisor level.

Model answer for Question 14

- Income levels/range of advice/persistency
- at team and adviser level.
- Check file quality/complaints/fact find completion
- to make a qualitative assessment.
- Line management/HR/MI/CPD
- personnel records/training/staff turnover.
- Costs
- do not exceed the allowed budget.

Model answer for Question 15

- Direct discrimination.
- Indirect discrimination.
- Discrimination by association.
- Perception discrimination.
- Harassment by a colleague/boss.
- Harassment by a third party.
- Victimisation.

March 2021 Examination - J07 Supervision in a regulated environment		
Question Number	Syllabus learning outcomes being examined	
1.	1.	The key functions of a supervisor. How the role of the supervisor fits into the organisation overall.
2.	1.	The distinction between direct and indirect supervision.
3.	2.	Leadership models and theories (Myers Briggs).
4.	3.	Regulatory requirements and appropriate methods for complaints handling
5.	4.	The elements of employment contracts.
6.	4.	The design, scope and content of a training and competence scheme. The different training and competence requirements for advisers in financial services, mortgages and general insurance under financial services regulation.
7.	4.	How a person is deemed fit and proper under the regulatory requirements.
8.	5.	Theories of learning (Honey and Mumford)
9.	5.	The key features of the validation process.
10.	6.	The supervisor's roles and responsibilities coaching and counselling and assessing.
11.	7.	The mandatory and desirable behaviours in the sales process.
12.	7.	Financial crime prevention and data protection regulations.
13.	8.	How individual and corporate objective relate. Target setting, company objectives and the management cycle.
14.	9.	Key elements of management information, linking management information to ensure a firm meets the fair treatment of customers principles.
15.	10.	Relevant aspects of the law on equal opportunities, discrimination, disability and human rights.