



Chartered
Insurance
Institute

J07

Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

June 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 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

Contents

Important guidance for candidates.....	3
Examiner comments.....	7
Question paper.....	11
Model answers.....	13
Test specification	19

Published August 2021

Telephone: 020 8989 8464

Email: customer.serv@cii.co.uk

Copyright © 2021 The Chartered Insurance Institute. All rights reserved.

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 On-screen written exam.
- The On-screen written 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.

Candidates who spent sufficient time learning the subject material and preparing for the exam demonstrated good knowledge and application in this paper.

When studying for the Examination, it is recommended that candidate's study past Examination Guides and read the Examiner's Comments in preparation for sitting this examination. In doing so this should aid candidates in identifying areas of the syllabus which require further study.

Question 1

This question focused on the methods that can be used by supervisors to monitor advisers' performance. It was generally well answered by candidates, with many achieving high marks. Some candidates omitted one to one meetings and appraisals from their answers.

Question 2

Overall, candidates scored very well on this question, which asked them to state and provide an example of each of the key needs according to Maslow's hierarchy. Some less prepared candidates were not able to provide an example of each of the needs identified.

Question 3

Most candidates scored reasonably well on this question, correctly identifying the main features of facilitative and directive meetings and identifying in what circumstances a directive meeting would be appropriate.

Question 4

The first part of this question asked candidates to list examples of one-way and two-way communication. It was very well answered, with almost all candidates achieving the maximum marks available.

Although candidates did not score quite as highly on the second part of this question, which asked for the main disadvantages of one-way communication, it was still generally well answered by most candidates.

Question 5

This question asked candidates to state and provide examples of four of the mandatory elements of a person specification, in accordance with Rogers' framework. Candidates did not generally score well on this question, often providing only two or three relevant points in their answer.

Question 6

Overall candidates performed reasonably well on the first part of this question, which sought to identify the relevant stage of Kolb's learning cycle for two individuals. More candidates provided the correct answer for part (a)(i) than for part (a)(ii).

The second part of this question part was also generally well answered, with a reasonable number of candidates correctly identifying the three key drivers for a Training Needs Analysis.

Question 7

This question required candidates to state the advantages of using role play rather than accompanied client meetings. Many candidates scored well on this question, although few achieved the maximum marks available.

Question 8

In this question, candidates were asked to list and explain the key coaching skills of a supervisor. Most candidates obtained a reasonable number, although not all, of the marks available.

Question 9

Candidates generally performed well on the first part of this question, which asked them to state the advantages and disadvantages of using indirect evidence to assess competence. Some candidates obtained the maximum marks available.

The second part of the question was less well answered, with many candidates unable to recall any or all of the principles that can be applied to help make accurate assessment decisions.

Question 10

Candidates generally scored poorly on the first part of this question, with few able to identify the purpose of the Financial Conduct Authority conduct rules.

The second part of the question was answered far better, with most candidates able to list some of the principles that individuals subject to the conduct rules must adhere to, and some candidates obtaining maximum marks. Observing proper standards of market conduct was a principle frequently missed by candidates.

Question 11

In the first part of this question, most candidates identified that Astrid's name, address and source of funds should be verified, using documents to do so. Fewer candidates identified that Astrid is a politically exposed person and the enhanced requirements that would therefore apply.

Many candidates scored highly on the second part of this question, correctly noting the principal money laundering offences advisers should be aware of. A small number of candidates instead quoted the three stages of money laundering.

Question 12

The first part of this question, which asked candidates to list seven key requirements for effective management information, was reasonably well answered by most candidates.

Candidates scored less well in the second part of the question, which asked them to identify how MI provided by an authorised firm can meet regulatory requirements. Many candidates did not note the link to the regular regulatory reporting undertaken by firms.

Question 13

Few candidates scored highly on this question, which focused on the guidelines managers should follow to conduct an effective appraisal. In particular, candidates did not generally identify the importance of the appraisal criteria being defined, understood and used consistently.

Question 14

This question asked candidates to identify and explain four of the key concepts of Total Quality Management. It was not generally well answered, with very few candidates achieving high marks.

Question 15

The first part of this question asked candidates to state the key steps an individual must follow before making a claim to an employment tribunal. Most candidates identified that an attempt should be made to resolve the dispute with the employer first, but few noted the need to contact ACAS at this stage.

Candidates' performance on the second part of the question was generally poor. The question asked them to state and briefly explain the two types of awards an employment tribunal can make. Some candidates identified that a basic or compensatory award can be made, but few provided further details of each type of award.

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. No watches permitted.**
- 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

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

1. List **ten** key methods a supervisor could use to monitor a financial adviser's performance. (10)

2. State and provide an example of each of the **five** key needs according to Maslow's hierarchy. (10)

3. (a) Identify **four** features of a facilitative meeting. (4)
(b) Identify **three** key features of a directive meeting, and state in what circumstances a directive meeting would be appropriate. (4)

4. (a) (i) List **three** examples of one-way communication that are used in the workplace. (3)
(ii) List **three** examples of two-way communication that are used in the workplace. (3)
(b) Explain briefly the main **disadvantages** of using one-way communication to provide feedback. (5)

5. State and provide examples of **four** mandatory elements that should be included in the person specification for a financial services supervisor, in accordance with the Rodgers' framework. (8)

6. (a) State the relevant learning stage for the following individuals, with reference to Kolb's learning cycle:
(i) Karla, as she considers her performance in a recent customer meeting. (1)
(ii) Josh, as he shadows a colleague. (1)
(b) Identify the **three** key drivers for a Training Needs Analysis. (3)

7. State **six** advantages of using role play rather than accompanied client meetings when training financial advisers. (6)

- 8.** List and explain briefly **five** key coaching skills of a supervisor. **(10)**
- 9.** **(a) (i)** State **three** advantages of using indirect evidence to assess competence. **(3)**
- (ii)** State **three** disadvantages of using indirect evidence to assess competence. **(3)**
- (b)** Identify **three** principles that can be applied to help make accurate assessment decisions. **(3)**
- 10.** **(a)** Explain briefly the key purpose of the Financial Conduct Authority (FCA) conduct rules. **(2)**
- (b)** List the **five** principles that individuals subject to the FCA conduct rules must adhere to. **(5)**
- 11.** Astrid moved to the UK recently, having resigned from her position as a judge in Sweden.
- (a)** Explain briefly the verification requirements a financial adviser must undertake prior to investing any money for Astrid. **(6)**
- (b)** State the principal money laundering offences a financial adviser must be aware of when providing financial advice. **(3)**
- 12.** **(a)** List **seven** key requirements for effective management information (MI) other than 'meets regulatory requirements'. **(7)**
- (b)** Identify how the MI provided by an authorised firm can meet regulatory requirements. **(2)**
- 13.** State and explain briefly the guidelines that managers should follow to conduct an effective appraisal. **(8)**
- 14.** Identify and explain briefly **four** of the key concepts of Total Quality Management. **(8)**
- 15.** Katya has a dispute with her employer in relation to a key contractual change.
- (a)** State the key steps that Katya must follow prior to making a claim to an employment tribunal. **(3)**
- (b)** State and explain briefly the **two** types of awards an employment tribunal can make. **(9)**

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

- Product/technical knowledge tests.
- Qualifications/exams.
- File/documentation checks.
- Real client observations.
- Client meetings/adviser roleplays.
- One to one meeting between adviser and supervisor/analysis of individual development needs.
- Appraisals/performance reviews.
- CPD completed.
- Customer satisfaction questionnaires/complaints/mystery shoppers.
- Key Performance Indicator (KPI) reviews/example of one KPI/balanced score card.

Model answer for Question 2

- Physiological.
- Food/shelter/housing/clothing.
- Security and safety.
- Working conditions/savings/insurance/job security.
- Social /love/belonging
- Belonging to a group/need for affiliation/be accepted.
- Self-esteem/self-worth.
- Be respected/sense of achievement.
- Self-actualisation.
- Desire to achieve potential.

Model answer for Question 3

- (a)
- Ideas required/team ethos.
 - Conflict suppressed/consensus.
 - Creative/brainstorming.
 - Can be lengthy/time consuming.
- (b) *Candidates would have gained full marks for any four of the following:*
- Hierarchical structure.
 - Not all information is shared.
 - Tends to be short/to the point.
 - No feedback required.
 - Where time pressures are prevalent/for crisis management.

Model answer for Question 4

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

- Letters.
- Reports.
- Memos.
- E-mails.
- Minutes.
- Notice boards.
- Texts.
- Intranet postings.
- Webinar.

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

- Telephone calls.
- Face to face meetings.
- Virtual meetings.
- Team meetings.
- Instant messaging.

- (b)**
- Feedback may be misunderstood/cannot immediately tell if it has been correctly understood/cannot confirm receipt.
 - Could be difficult to position the message sensitively/no opportunity to offer reassurance as the feedback is received.
 - Little/no opportunity for judging the reaction to the feedback.
 - You are not able to influence the time or situation in which the message is read/potentially reduced privacy.
 - No opportunity for immediate dialogue about the feedback.

Model answer for Question 5

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

- Qualifications.
- Level 4/pensions transfers knowledge.
- General intelligence.
- Numeracy skills/verbal reasoning skills.
- Special aptitudes.
- Supervision experience/sales skills/coaching skills.
- Circumstances.
- Ability to travel/driving licence/flexibility.
- Physical makeup.
- Professional appearance.

Model answer for Question 6

- (a)(i) • Reflective observation.
- (a)(ii) • Concrete experience.
- (b) • Environmental/an example of.
 - Organisational/an example of.
 - Individual/an example of.

Model answer for Question 7

- Mistakes can be made in a safe environment.
- Does not cause as much pressure on the adviser and client.
- Generally take less time to arrange and conduct.
- Scenarios can be built to cover all required outcomes.
- Process can be repeated until perfected/improved.
- Detailed/instant feedback can be provided by both the assessor and colleague playing the client.

Model answer for Question 8

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

- Questioning skills.
 - Probe/challenge/summarise/provide structure.
- Listening skills.
 - Encourage ownership/understand whether the adviser is aware of the circumstances.
- Demonstration skills.
 - Explain/show the required skills.
- Feedback skills.
 - Help individual understand issues/previous performance.
- Observation skills.
 - Record accurate feedback/quality of feedback.
- Analytical skills.
 - Draw conclusions/interpret KPIs trends.

Model answer for Question 9

(a)(i) Advantages

- Allow trends to be identified over time.
- Cost effective/less time consuming.
- Often system generated/automated.

(a)(ii) Disadvantages

Candidates would have gained three marks for any three of the following:

- Less reliable as not observed/may be insufficient.
- May need to interpret.
- Does not evidence conduct.
- Value depends on quality/inaccurate.

(b)

- Sufficiency/enough information.
- Reliability/trustworthy information.
- Validity/information demonstrates what is required.

Model answer for Question 10

(a)

- To make individuals responsible for their actions.
- To enable regulators to take actions where individuals' actions have fallen short of expected standards.

(b)

- Act with integrity.
- Act with due skill, care and diligence.
- Be open with the Financial Conduct Authority (FCA)/Prudential Regulation Authority (PRA)/other regulators.
- Pay due regard to the interests of customers and treat them fairly.
- Observe proper standards of market conduct.

Model answer for Question 11

(a)

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

- Astrid is a politically exposed person.
- Enhanced due diligence must be applied.
- Must check name.
- Must check address.
- Source of wealth/source of funds/additional verification.
- Use documents to verify information
- Ongoing monitoring of the business relationship also needs to be carried out.
- Transactions need to be scrutinised.

(b)

- Knowingly assisting in laundering criminal funds.
- Failure to report knowledge or suspicion.
- Tipping off.

Model answer for Question 12

- (a)
- Relevant.
 - Accurate.
 - Timely.
 - Acted upon.
 - Recorded.
 - Clear.
 - Cost effective.
- (b)
- The firm is required to report relevant data to the regulator (e.g., FCA)/reporting requirement on an ongoing basis, based on MI the firm produces
 - A description of how this is achieved in practice/an example of this e.g., complaints reporting/annual financial crime return/Internal Capital Adequacy Assessment Process (ICAAP)

Model answer for Question 13

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

- The purpose of the process should be understood by all participants.
- For example, whether it is used to determine remuneration.
- Criteria should be relevant and clearly defined
- so the employee understand how performance is measured.
- Criteria should be used consistently and objectively
- so there is no feeling the results depend on who conducts the appraisal.
- Appraisee should be given time to prepare
- so they can participate fully.
- Actions plans should be agreed jointly
- so the appraisee is supported and buys in/rather than imposed on them.

Model answer for Question 14

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

- Customers are not only people outside the organisation.
- Individuals within companies are the customers of other employees/employees are therefore both suppliers and customers.
- A culture of continuous improvement should be engendered throughout the business.
- Every employee should be encouraged to contribute to this/should be a permanent feature of the organisation.
- Quality should be built in to processes and systems.
- Each team/department should be responsible for the quality of their own area/quality out is partly driven by quality in.
- Processes should be designed so that complaints never occur.
- Identifying potential failures during process design/building in controls/conducting process testing.
- There should be ongoing preventative action to break the loop of recurring problems.
- Corrective action should ensure the problem does not recur, rather than just firefighting.
- Consideration must be given to leadership, teamwork and management style.
- A more collaborative style of management/more communication and employee involvement/less traditional 'top down' management.

Model answer for Question 15

- (a)
- Notify the Advisory, Conciliation and Arbitration Service (ACAS) of the intention to make a claim to the tribunal.
 - Attempt to settle the dispute without going to court
 - by using ACAS free 'early conciliation' service.
- (b) *Candidates would have gained full marks for any nine of the following:*
- Basic award.
 - Fixed formula, that takes into account.
 - Age.
 - service.
 - Compensatory award.
 - Variable formula, takes into account.
 - Loss of earnings (past and future).
 - Loss of associated benefits.
 - Unfairness of the dismissal.
 - Excludes health and safety and whistleblowing claims for which maximum award uncapped.

June 2021 Examination - J07 Supervision in a regulated environment		
Question Number	Syllabus learning outcomes being examined	
1.	1.	Appropriate methods of control and monitoring
2.	2.	Leadership models and theories (Maslow)
3.	3.	How team meetings aid the business
4.	3.	The key methods of communication
5.	4.	The key elements of job descriptions and person specifications
6.	5.	Theories of learning (Kolb) The purpose and use of training needs analysis
7.	5.	The key elements in the delivery of training by and for supervisors
8.	6.	The key features and applications of a coaching process The supervisor's roles and responsibilities coaching and counselling and assessing.
9.	6.	The key features of assessment processes, including the use of observation aids
10.	7.	FCA Principles for Businesses and their application in regulated activity
11.	7.	Financial crime prevention and data protection regulations
12.	8.	Key elements of effective management information
13.	8.	The performance review and appraisal process
14.	9.	Quality standards and the Total Quality Management approach
15.	10.	Guidelines for contract termination and appeals