

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

April 2015 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 2014/2015, unless stated otherwise in the question, and should be answered accordingly.

Candidates should answer based on the legislative position immediately BEFORE the 2015 budget.

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. Identify **ten** main stages in the overall financial advice process where a wrap-style platform would assist a financial adviser. **(10)**
2. State **six** main benefits to the provider of launching a direct to customer (D2C) platform proposition. **(6)**
3. (a) Explain briefly how the 'in specie' re-registration process operates when assets are being transferred from one wrap platform provider to another platform provider. **(5)**
- (b) Explain briefly the key benefits of 'in specie' re-registration compared to a cash transfer of platform assets. **(4)**
4. A financial adviser is looking to invest a client's cash into a collective investment fund which has three different share classes.
- Explain briefly the main differences between:
- (a) bundled share classes; **(3)**
- (b) clean share classes; **(3)**
- (c) super-clean share classes. **(3)**
5. Explain briefly the treatment of cash and unit rebates received by a platform from collective investment fund providers. **(8)**
6. An employer has a workplace pensions platform that also provides access to a range of flexible workplace benefits.
- Identify **eight** main platform tools that are likely to be available to the employee. **(8)**

Total marks available for this section: 50

SECTION B**Attempt ALL questions**

7. A retail client has a wide range of investment and pension assets held across different platforms as well as on a direct basis. The total value of the assets is £600,000 of which £150,000 is held in the cash accounts of the platforms. The client would like to use the assets to generate an income when they retire. The client's financial adviser is assessing whether to consolidate all the assets onto a single wrap-style platform.
- (a) Describe the key functions that a cash account should be able to perform for both the client and the adviser. **(14)**
- (b) Explain the income and withdrawal options available to the client from different products on the platforms and their main tax treatment. **(16)**
8. An authorised advisory firm has undertaken a client segmentation exercise creating two groups of clients. An appropriate wrap-style platform provider has been identified for one group of clients. The other group has an average investment portfolio of £175,000 and trades are infrequent.
- (a) Describe the main factors the firm should take into account when undertaking due diligence on a wrap-style platform provider for the other group of clients. **(20)**
- (b) Identify the main regulatory and operational risks to which a client may be exposed when using platforms. **(10)**

Total marks available for this section: 60

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