

### Diploma in Financial Planning

#### Unit J07 – Supervision in a regulated environment

October 2013 examination

##### SPECIAL NOTICE

Candidates are expected to be aware of the FCA rules and guidance regarding training and competence, conduct of business and complaints handling as contained within the relevant sourcebooks.

##### 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 J07 – Supervision in a regulated environment

### Instructions to candidates

#### Read the instructions below before answering any questions

- **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.
- 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.
- 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.**

**Attempt ALL questions****Time: 2 hours**

1. (a) State **four** benefits to a firm of a supervisor managing Customer Function 30 (CF30) advisers. (4)  
(b) List **six** specific activities which a supervisor might be expected to undertake with a CF30 adviser on a one to one basis. (6)
2. Supervision can be either direct or indirect. Richard, who is an experienced adviser, has recently been on a course to learn about a new client risk assessment process that your firm has introduced.  
(a) State what is meant by the terms 'direct supervision' and 'indirect supervision'. (2)  
(b) State and explain briefly which method of supervision is initially likely to be most appropriate for Richard. (3)
3. Jane is a successful experienced adviser respected by her colleagues. Mark is a struggling newly qualified adviser in his probationary period.  
(a) List the **five** tiers of Maslow's hierarchy of needs in ascending order (lowest to highest). (6)  
(b) Linking your answer to Maslow's hierarchy of needs, state and briefly explain which tier is most likely to reflect the position for:  
(i) Jane; (2)  
(ii) Mark. (2)  
(c) Explain what actions you could take as a supervisor to further motivate Jane. (2)
4. Julie has contacted you to complain about the investment advice she has received from an adviser in your team.  
(a) State the communication requirements including timescales which must be followed in order to comply with the Financial Conduct Authority (FCA) complaint resolution rules. (5)  
(b) Explain the circumstances under which the actions in part (a) above would not need to be followed. (2)
5. List and briefly explain **five** barriers to effective communication. (10)

6. John, a potential new joiner has received a written statement of employment particulars. This includes both a principal statement and a written statement.

List **six** elements which a firm should include in each of the:

- (a) principal statement; (6)
- (b) written statement. (6)

7. Sally, a new adviser in your team, needs to be approved by the FCA under CF30. The role has a lower basic salary than she currently receives but pays a bonus based on business written. In her job application, her income and expenditure statement shows that she has limited spendable income.

The submission for CF30 will be considered by the FCA to assess whether Sally is 'fit and proper' to perform the role.

- (a) State the areas under which the FCA will assess her fitness and propriety. (6)
- (b) Explain briefly how Sally's financial position may or may not impact upon the application to the FCA to become an approved person. (2)
- (c) As her supervisor, state what actions you could take to ensure Sally's financial position does not impact upon the advice she provides. (4)

8. Training Needs Analysis (TNA), also referred to as Learning Needs Analysis, is good training and competence practice for both the individual and the firm.

- (a) List **three** benefits of TNA to an adviser. (3)
- (b) List **four** benefits of TNA to a firm. (4)

9. Training can be described as being either on-job (completed in the workplace) or off-job (completed away from the workplace).

- (a) State **two** advantages and **two** disadvantages of job rotation. (4)
- (b) State **two** advantages and **two** disadvantages of external courses. (4)

10. As a manager of a team you have just recruited two new advisers to your firm. Peter is a very experienced adviser and Nick is a trainee.

You have decided to use Prepare, Explain, Show, Observe, and Supervise/Support (PESOS) as a framework to coach both the advisers.

State and briefly explain which parts of the framework are likely to be more beneficial to:

- (a) Peter; (3)
- (b) Nick. (3)

11. Adam, a client, has an appointment with a financial adviser from LMP Ltd, a financial services firm, to discuss a lump sum investment.
- (a) Explain briefly how the adviser should verify Adam's identity to meet Money Laundering Regulations. (3)
  - (b) State the rights that Adam has over any personal information held by LMP Ltd, under the Data Protection Act 1998. (4)
12. Bill supervises a team of eight financial advisers. He is concerned about the suitability of advice that one of his advisers is giving as compared to his peers.
- State **six** key performance indicators Bill could use to assess the suitability of advice provided by this adviser. (6)
13. ABC Wealth Management Ltd has an independent financial advice model.
- Having followed the standard management control cycle, the directors decided the firm should provide mortgage protection advice using a restricted advice model through a sister company.
- (a) List the key stages in a management control cycle. (5)
  - (b) State and explain briefly whether creating a restricted advice model through a sister company is a strategic, tactical or operational change. (3)
14. The FSA, (the regulator before the FCA), suggested that there are five criteria of management information in order for a firm to be able to make good and informed decisions, whilst also meeting Treating Customers Fairly (TCF) principles.
- (a) List and explain briefly **each** of the above **five** criteria of management information. (8)
  - (b) State **two** TCF outcomes that apply directly to the role of an adviser. (2)
15. You are the manager of Liz. You have evidence of Liz being verbally abusive to one of her colleagues in the work place. This is the first time this has happened.
- (a) Identify the level of misconduct that has occurred. (1)
  - (b) You have decided to interview Liz with a view to taking disciplinary action. List the **five** steps of the disciplinary process set out by the Advisory, Conciliation and Arbitration Service (ACAS). (5)
  - (c)
    - (i) State the **three** generic objectives of taking disciplinary action. (3)
    - (ii) Identify the appropriate objective for this situation. (1)



