

THE CHARTERED INSURANCE INSTITUTE

**AF6**

# Advanced Diploma in Financial Planning

## Unit AF6 – Senior management and supervision

October 2013 examination

### SPECIAL NOTICES

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

- Three 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 AF6 – Senior management and supervision

### Instructions to candidates

### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
  - Section A: 80 marks
  - Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question 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.

**SECTION A**

**This question is compulsory and carries 80 marks**

**Case Study 1**

You are a senior manager at a large national IFA firm. As part of the ongoing drive to reduce costs, an internal working party has been undertaking a review of all operational practices.

The initial working party report has now been delivered and one recommendation is that advisers should move from being office based to being home based. It is acknowledged that a change to remote working will not suit all of the advisers and will require revisiting the firm's operational practices. However, it is considered to be worthy of consideration as the possible cost savings could be significant.

You have been given responsibility for evaluating the implications of the remote working proposal. *You do not need to cover detailed cost savings as these will be considered at a later stage by the Finance Department.*

**Question**

Write a report for the Board that evaluates the positive and negative implications of the remote working recommendation. The report should specifically cover the impact on the following and how they might be effectively managed:

- the firm's systems;
- control and business risks;
- the advisers and supervisory practices;
- the approach to communication.

**(80)**

Section B questions can be found on pages 6 – 7

**SECTION B**

**Both questions in this section are compulsory  
and carry an overall total of 80 marks**

**Case Study 2**

You are the Chief Risk Officer of a regionally based retail bank network and are responsible for ensuring that the correct governance practices are in place.

The existing Non-Executive Directors (NEDs) have decided to stand down as they have found the requirements of the role to be too onerous for them. The Managing Director (MD) has personally chosen their replacements and wants them to attend the next board meeting, when their appointments will be confirmed.

You are concerned that the MD may not be fully aware of the important roles and responsibilities of a NED and the correct process for appointing them.

**Question**

Draft a paper that will enable the Board to fully understand the NED role and how it assists with effective governance.

Your paper should provide an explanation of the NED role and duties, describe the competency requirements for NEDs, and explore how NEDs could effectively meet the Regulators expectations for this role.

**(40)**

### Case Study 3

You are the Sales and Marketing Director with a major life and pensions provider company.

Following a number of customer complaints, that have been upheld by the Financial Ombudsman Service, the Chief Executive Officer (CEO) has sent you an email containing only the following quotation:

'Treating customers fairly (TCF) is a cultural issue. It is only through establishing the right culture that senior management can convert their good intentions into actual fair outcomes for consumers'.  
FSA, Treating customers fairly – culture, July 2007

### Question

Draft a response to the CEO:

- describing the **four** types of ethical culture that exist, and identifying the culture types that would deliver positive TCF outcomes for the firm;
- explaining the key cultural drivers that influence consumer outcomes;
- stating and evaluating the positive indicators for each of the key cultural drivers, that would demonstrate improved TCF outcomes;
- explaining how the firm will measure any improvements.

(40)

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