

J11

Diploma in Financial Planning

Unit J11 – Wrap and platform services

April 2014 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 2013/2014, unless stated otherwise in the question, and should be answered accordingly.

Candidates should answer based on the legislative position immediately BEFORE the 2014 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. An authorised advisory firm is considering the use of wrap-style platforms as part of its proposition for clients.
- State **eight** features of wrap-style platforms which are **not** usually available on fund supermarket-style platforms. (8)
2. List **eight** main benefits to a fund provider of using platforms to distribute its fund range compared to promoting its funds directly to authorised advisory firms. (8)
3. A client wishes to invest directly in a variety of UK listed shares via his wrap-style platform.
- (a) Describe briefly how individual equities are traded on the platform. (5)
- (b) Explain briefly how the client's shares will be administered and held on the platform. (5)
4. Explain briefly **eight** regulatory issues that an authorised advisory firm should consider before placing a client's investments into a discretionary investment management arrangement on a wrap-style platform. (8)
5. (a) State the **three** main compensation limits available under the Financial Services Compensation Scheme (FSCS) when a client invests via a wrap-style platform. (3)
- (b) Excluding the FSCS, explain briefly **five** methods of reducing institutional risk when using platforms, from the client's perspective. (5)
6. List the main parties associated with a corporate wrap platform offered in the workplace by a large employer. (8)

Total marks available for this section: 50

SECTION B**Attempt ALL questions**

7. Following a client segmentation exercise, an authorised advisory firm wants to offer a wrap-style platform to a particular client group. This client group has directly held collective investment funds within their investment portfolios and switches on a frequent basis.
- (a) Describe the main areas **the firm** should consider as part of its due diligence when selecting a platform provider. (20)
- (b) Describe the main factors **the firm** should consider in respect of adviser charging, if it moves a client's assets onto a wrap-style platform. (10)
8. An independent financial adviser is writing a suitability report for a client relating to the consolidation of various ISA and non-ISA investments onto a fund supermarket-style platform.
- (a) Describe the range of areas that the adviser should include within their suitability report. (20)
- (b) Describe briefly the **additional** factors that should be contained within the suitability report if the investments were consolidated onto a wrap-style platform. (10)

Total marks available for this section: 60

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