

AF6

Advanced Diploma in Financial Planning

Unit AF6 – Senior management and supervision

April 2015 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.
- **Your answers will be marked in accordance with the following weighting:**
 - Your knowledge and understanding of the subject area, including the accuracy and completeness of your facts. This has a mark weighting of 40%.
 - The way that you analysed or examined the subject area. This has a mark weighting of 40%.
 - The way that you structured your answer – is the information arranged logically? Is the reasoning sound. This has a mark weighting of 10%.
 - Evidence that you have used relevant industry examples and/or undertaken further reading to support your answer. This has a mark weighting of 10%.
- **It is recommended that you spend 15 minutes reading and planning your answer to case study 1 and 75 minutes answering it, and that you spend 10 minutes reading and planning your answers to case study 2 and 3 and thirty five minutes answering each of these.**
- 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.

SECTION A

This question is compulsory and carries 80 marks

To gain maximum marks you should include relevant examples and evidence of further reading in your answer

Case study 1

You have recently been appointed as compliance officer of a large advisory firm. Part of your remit is to undertake the qualitative risk based checking of business written by advisers in the firm. You were previously a compliance officer in a small firm where you checked 100% of the advice files. This would not be possible in your new firm as a result of the large number of advisers.

The current model in your new firm is as follows:

- Risk based approach based on type and volume of business written by advisers and key performance indicators.
- This approach includes heightened checks dependent on type of recommendation e.g. 100% checking of all pension transfers.
- Currently there are no clear guidelines for business mix.
- Supervisors are currently responsible for due diligence checking.

Question

Draft a report for the Board evaluating the potential effectiveness of the current risk based model and make recommendations for improvement, giving your reasons. This should include reference to your previous experience of the 100% checking model.

Your report should include a detailed evaluation of the likely impact of your recommended changes on the firm's systems, controls and human resource requirements.

(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**

**To gain maximum marks you should include relevant examples and evidence of further reading
in your answer**

Case study 2

You have recently been appointed as a non-executive director (NED) of a regulated financial services organisation. You have attended your first board meeting and as a result of this you have the following concerns:

- prior to the meeting there was little information provided about the items to be discussed;
- at the meeting there was insufficient challenge and discussion from the other NEDs on the lack of information or decisions taken by the Managing Director.

Question

Prepare a report which sets out the reasons for your concerns in the light of legal and regulatory requirements for:

- the roles and responsibilities of a non-executive director;
- the key attributes and behaviours of a non-executive director.

Your report should include at least **three** key recommendations, giving your reasons, to address your concerns above.

(40)

Case study 3

You work for an external consultant and have been asked to review the culture of a regulated financial services advisory firm. Your initial findings can be summarised as follows:

- reward systems are based too heavily on income generation;
- there is a 'tick box' approach to compliance;
- the published ethical code does not appear to be implemented or understood.

Question

Evaluate the potential risks arising from your findings and recommend at least **three** actions that the firm should take to mitigate the issues identified above.

You should include an overview of the regulatory and legal environment, which will assist with formulating recommendations.

(40)

BLANK PAGE

BLANK PAGE

BLANK PAGE

