

# Retail Advice and Regulation

## Mock Examination Notes

*Recommended Time: 3 hours*

**1) Write brief notes on the following:**

- (a) MiFID.**
- (b) The Financial Conduct Authority's consumer and practitioner panels.**
- (c) The Pensions Regulator.**

**15 marks**

Generally, in a question where the available marks are not shown for any sub section they will be broadly equal. Therefore, approximately 5 marks are available for each part. Given that relatively few marks are available for each part a brief but succinct explanation will suffice.

(The relevant sections of the Study Manual are Part 1, Chapter 2.2, 1.2 and 1.5)

**15 marks**

**2) Outline the nature and features of a Will.**

**5 marks**

Answers should include a definition of a Will and the role of the Testator and Executor.

(The relevant section of the Study Manual is Part 4, Chapter 5)

**5 marks**

**3) Briefly describe the main tax wrappers.**

**10 marks**

The main tax wrappers sought in this question are the following 5:

- collective investments
- Individual Savings Accounts
- personal pensions
- UK life assurance bonds
- offshore life assurance bonds.

Therefore, approximately one mark will be provided for mentioning the tax wrapper and one for providing details of each.

(The relevant section of the Study Manual is Part 3, Chapter 3.2.3)

**10 marks**

**4) Your client aged 55 is due to emigrate to Australia with his family. He has no intention of returning to the UK and would therefore like his DC retirement benefits to be transferred. Having obtained the relevant research your recommendation is to transfer the benefits into an Australian ROPS. Reproduce your suitability report focusing on:**

- **Relevant information that you collated as part of the fact finding process (10 marks)**
- **Suitability of a ROPS – you do not need to focus on the provider (5 marks)**
- **Alternative solutions available (5 marks)**
- **Advantage and disadvantages and other considerations to be aware (15 marks)**

**Candidates should be aware that marks are available for the format and clarity of the suitability report, therefore consideration should be given to the client's taxation status, attitude to risk, the costs and consequences of implementing the advice and the service levels to be expected from you as their financial adviser. (10 marks)**

**45 marks**

The question seeks an answer in the format of a suitability report, therefore credit would be given for format and a small number of marks would be available. The suitability report should be split into introduction/personal circumstances, objectives, recommendations – including other options available, advantages and disadvantages to the client, associated risks, agreed service level and cost of advice.

(The relevant sections of the Study Manual are Part 2 Chapter 2 and in particular sections 2.2, 2.3, 2.4 and 2.6 and Part 5 Chapter 1 and in particular sections 1.4, 1.7)

**45 marks**

**5) Describe a financial services firm's obligations in relation to the following financial crimes:**

- (a) Fraud**
- (b) Data Security**
- (c) Bribery and Corruption.**

**15 marks**

The marks for each sub section are approximately equal. Referring to relevant legislation and the Financial Conduct Authority (FCA) rules and what the FCA expects would provide a full answer. Any relevant examples would help to illustrate a full answer.

(The relevant sections of the Study Manual are Part 1, Chapter 3.3.1, 3.3.2 and 3.3.3)

**15 marks**

**6) Explain the difference between the Financial Conduct Authority's Skilled Persons Review and a Thematic Review**

**10 marks**

As only 10 marks are available only a brief explanation is required. An answer should cover each to explain the differences:

- They are both new tools employed by the FCA's slightly revised approach to supervision and regulation
- There are two types of Skilled Person Review and they are used to obtain information on firms' activities where there is cause for concern.
- Thematic Reviews are used to assess risks across products or firms

A full answer could also include current developments in this area.

(The relevant sections of the Study Manual are Part 1, Chapter 3.5.3 and 3.5.4)

**10 marks**