

THE PENSIONS MANAGEMENT INSTITUTE

QUALIFYING EXAMINATION 2018

RETAIL ADVICE AND REGULATION

**Notes: Three hours are allowed for this paper. Answer all parts of all questions. In a multi-part question when the marks are not equally divided a guide to the available marks for each part is shown. A small number of marks may be awarded for appropriate and relevant communication and formatting.**

1. As an Independent Financial Adviser you have recently received a client referral from an introducing Mortgage firm. This firm has completed an initial fact find on the client, full details are provided in the attached sheet.

The client has recently received a substantial bonus from his employer and he is considering his options in relation to investing part of the bonus. His primary objective is to ensure the money is invested as tax efficiently as possible.

With this in mind:

- Make a note of any further information that would need to be obtained to enable you to make a recommendation with a clear explanation of why this information is important. (15 marks)
- Draft a letter to the client outlining:
  - o the client's options detailing the tax implications of each, (10 marks)
  - and
  - o any appropriate disclosures you are required to make to the client. (5 marks)

2. The Financial Services Compensation Scheme (FSCS) was established in 2001. Describe:

- (a) How the FSCS is funded (3 marks);
- (b) The types of financial services to which a claim can relate (3 marks);
- (c) The maximum levels of compensation available (4 marks), and
- (d) The types of claimants excluded from utilising the FSCS. (5 marks)

3. Explain what is meant by the Law of Agency and briefly outline how it works in practice. (10 marks)
4. Briefly describe what is meant by Modern Portfolio Theory and how a portfolio can be constructed to reduce risk. (10 marks)
5. Write brief notes on the notification requirements of a firm regulated by the FCA. The requirements should include both regular reports and disclosure of information the FCA would reasonably expect of a firm. (15 marks)
6. A newly appointed Trustee is enquiring about transferring benefits out of a defined benefit pension scheme. As a Pensions Adviser write a paper for him which explains how transfer values of benefits are calculated including any legal requirements. (20 marks)

**APRIL 2018**