

LEVEL 3
CERTIFICATE IN INVESTMENT OPERATIONS

UNIT 9
COLLECTIVE INVESTMENT
SCHEMES ADMINISTRATION
(VERSION 20)

TIME ALLOWED: 1 HOUR

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How to use this sample paper

These 50 questions should be answered in an hour in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

46-50	Pass with Merit
35-45	Pass
0-34	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

- 1** For a collective investment scheme (CIS) to pay an interest distribution it must invest at least:

 - A** 25% in bonds or money market deposits
 - B** 40% in bonds or money market deposits
 - C** 50% in bonds or money market deposits
 - D** 60% in bonds or money market deposits

- 2** What is the primary focus of COBS in relation to authorised firms?

 - A** Regulatory outcomes
 - B** Specific procedures and processes
 - C** Staff training requirements
 - D** Consumer redress

- 3** What type of charges may be subject to value added tax (VAT) for a Collective Investment Scheme (CIS)?

 - A** Charges related to investment management services
 - B** Charges for depositary and auditing services
 - C** Charges for investor education services
 - D** Charges related to fund distribution only

- 4** A fund has a NAV of £12,600 with 6,000 income units and 4,000 accumulation units. The accumulation factor for this fund is 1.25. What is the price of each accumulation unit?
- A** £1.23
 - B** £1.25
 - C** £1.43
 - D** £1.73
- 5** What is the primary purpose of the TEF regime?
- A** To lower systemic risk
 - B** To simplify fund management practices
 - C** To mirror direct asset investment
 - D** To ensure equal distribution to investors
- 6** A fund purchases a bond for £105 with an annual coupon of £10. The bond is due to mature in one year at a redemption value of £100. What is the income the fund would distribute on an effective yield basis?
- A** £5
 - B** £8
 - C** £10
 - D** £15

- 7 Why does the open-ended nature of an OEIC make it necessary to maintain a reasonable level of liquidity?
- A To cover the risk that inflation will exceed capital growth
 - B To ensure funds are available to pay for cancelled shares
 - C To mitigate volatility of share prices following distributions
 - D To limit the amount of cash held at specific valuation points
- 8 Which organization issued best practice guidelines for tender processes related to CIS audits?
- A Financial Reporting Council
 - B Financial Conduct Authority
 - C Bank of England
 - D Prudential Regulation Authority
- 9 Which regulation focuses on preventing the exploitation of non-public information about a company?
- A Capital Requirements Directive (CRD)
 - B Market Abuse Regulation (MAR)
 - C Distance Marketing Directive (DMD)
 - D Securities Financing Transactions Regulation (SFTR)

- 10** What is the maximum percentage change in market valuations allowed before an initial offer period must end?
- A** 2%
 - B** 5%
 - C** 7%
 - D** 10%
- 11** If a UK Data Controller fails to notify the Information Commissioner's Officer about a data breach it could face a maximum fine of:
- A** £4.5 or million or 1% of its global turnover from the previous financial year
 - B** £8.7 million or 2% of its global turnover from the previous financial year
 - C** £10.5 million or 3% of its global turnover from the previous financial year
 - D** £17.5 million or 4% of the Data Controller's annual global turnover
- 12** When considering collective investment scheme (CIS) structure, in what key way does a master feeder scheme differ from an umbrella scheme?
- A** Only a master feeder scheme has one fund which invests exclusively in another
 - B** Only an umbrella scheme has one fund which invests exclusively in another
 - C** Only a master feeder scheme accumulates growth in one fund and distributes dividends from another
 - D** Only an umbrella scheme accumulates growth in one fund and distributes dividends from another

13 Which regulation requires certain classes of derivatives to be centrally cleared?

- A** Capital Requirements Directive (CRD)
- B** European Market Infrastructure Regulation (EMIR)
- C** Money Market Fund Regulations (MMFR)
- D** Securities Financing Transactions Regulation (SFTR)

14 If the authorised fund manager (AFM) of a non-UCITS retail scheme (NURS) declares the scheme to be KII-compliant, what impact will this have on the scheme documentation requirements?

- A** Key information documentation (KID) should be available on request
- B** A NURS specific key investor information document (KIID) must be issued
- C** NURS specific details incorporated in the prospectus will be sufficient
- D** Key information documentation (KID) based on the PRIIPS rules must be issued

15 The Depositary of a UCITS fund is prevented by the regulations from:

- A** receiving payment in advance for its services
- B** having direct access to the fund's register
- C** delegating its cash monitoring obligations
- D** serving in that role for more than three years

- 16** Which of the following tasks is considered part of 'administration' under the UCITS Directive and eligible for value added tax (VAT) exemption?
- A** Shareholder meetings
 - B** Legal services
 - C** Portfolio analysis
 - D** Investor marketing activities
- 17** For which type of service does COBS outline the "appropriateness" requirement?
- A** Non-advised services
 - B** Advised services
 - C** Investment banking services
 - D** Discretionary management services
- 18** What action should an authorised fund manager (AFM) take if they cannot obtain a reliable price for a security at a valuation point?
- A** Value the investment based on a fair and reasonable estimate
 - B** Omit the security from the valuation
 - C** Use the last available price
 - D** Delay the valuation until a price is available

19 Which type of corporate action avoids any structural change to the asset?

- A** Income distributions
- B** Rights issues
- C** Mergers
- D** Stock splits

20 Who usually notifies the AFM about corporate actions that affect the fund?

- A** The Authorised Corporate Director
- B** The company's CEO
- C** The fund's custodian
- D** The stock exchange

21 When an authorised fund manager (AFM) receives a purchase instruction it cannot usually immediately confirm the price paid. This is because:

- A** AFMs need to complete money laundering checks first
- B** AFMs need to aggregate all investor deals before confirming
- C** AFMS need to complete the valuation of all funds for all valuation points before confirming
- D** the AFM does not know the price immediately due to forward pricing

- 22** Under what circumstances can an authorised fund manager (AFM) choose to provide a six-monthly statement instead of a contract note for each monthly transaction?
- A** When the investment amount is below a certain threshold
 - B** When periodic investments occur
 - C** If the investor requests no communication
 - D** If the value of the fund has changed by less than 2%
- 23** Collective Investment Schemes (CIS) are unlikely to obtain UK tax relief for underlying tax paid unless the unit / shareholder owns a minimum of:
- A** 5% of the voting share capital of the dividend-paying company
 - B** 10% of the voting share capital of the dividend-paying company
 - C** 15% of the voting share capital of the dividend-paying company
 - D** 20% of the voting share capital of the dividend-paying company
- 24** Who is usually responsible for appointing the auditor in an OEIC?
- A** The fund's custodian
 - B** The Authorised Corporate Director
 - C** The FCA
 - D** The Trustee

- 25** Which item is normally omitted from an annual statement of client money held by the authorised fund manager (AFM)?
- A** Transactional information
 - B** Total balance of client money
 - C** Type of asset held
 - D** The exact date of issuance
- 26** How is the risk of performance volatility typically reduced by collective investment schemes?
- A** By front-end loading the charging structure
 - B** By reinvesting dividend distributions
 - C** By combining income and growth strategies
 - D** By taking advantage of asset diversification
- 27** Which type of CIS is required to issue a voucher that separates income into multiple types of distributions?
- A** A bond fund
 - B** A Tax Elected Fund
 - C** A balanced fund
 - D** A Property Authorised Investment Fund

- 28** What is the maximum financial penalty for breaching a Data Subject's individual privacy rights?
- A** £17.5 million or 4% of the Data Controller's annual global turnover
 - B** £16.5 million or 3% of the Data Controller's annual global turnover
 - C** £15.5 million or 2% of the Data Controller's annual global turnover
 - D** £14.5 million or 1% of the Data Controller's annual global turnover
- 29** Under the regulations, a key condition for a market to be considered eligible is that it must be:
- A** adequately liquid
 - B** internationally owned
 - C** dual denominated
 - D** independently guaranteed
- 30** When is income typically updated in a collective investment scheme (CIS) unit / share price?
- A** Immediately after the accounting period
 - B** At each valuation point
 - C** At the end of each quarter
 - D** On the last day of the accounting period

- 31** Which type of fund is allowed additional flexibility for investment and borrowing powers beyond what UCITS funds are permitted?
- A** Long-Term Asset Fund (LTAF)
 - B** Non-UCITS Retail Scheme (NURS)
 - C** Qualified Investor Scheme (QIS)
 - D** Alternative Investment Fund (AIF)
- 32** Which of the following areas is specifically covered by COBS?
- A** Client classification
 - B** Best execution in managing investments
 - C** Client money
 - D** Financial promotions and communication
- 33** Which one of the following items is considered to be a non-chargeable expense in relation to Corporation tax for a Collective Investment Scheme (CIS)?
- A** Authorised fund manager (AFM) fees
 - B** Trustees / depositary's fees
 - C** Stockbroker's fees
 - D** Financial Conduct Authority (FCA) fees

34 Who receives the report from the AFM's CASS Auditor?

- A** The fund Auditor
- B** The Authorised Corporate Director
- C** The Financial Conduct Authority
- D** The Financial Reporting Council

35 Within what MAXIMUM period following their half-yearly interim accounting reference date must collective investment schemes (CIS) publish their reports and accounts?

- A** One month
- B** Two months
- C** Three months
- D** Four months

36 Which of the following is a control check expected of the Depositary to confirm pricing accuracy?

- A** Daily comparison with other fund prices
- B** Weekly review of unapproved securities
- C** Monthly assessment of management fees
- D** Annual verification of all asset valuations

37 When is an authorised fund manager (AFM) most likely to apply a dilution levy?

- A** On all transactions regardless of size
- B** Only on trades exceeding £15,000
- C** When a deal is smaller than £15,000
- D** Only on redemptions above £50,000

38 Where securities are described as transferable, the transferability applies to which feature?

- A** Trusteeship
- B** Underlying fund
- C** Title
- D** Distributions

39 What is the latest period by which an authorised fund manager (AFM) must pay a redeeming investor?

- A** Two business days after the price calculation
- B** Three business days after the trade date
- C** No later than four business days after the price calculation
- D** Seven business days after the trade date

40 What is a composite tax voucher?

- A** A single document showing income amounts paid to an investor over several years
- B** A document that includes all income amounts paid or allocated to a holder during the year
- C** A voucher that combines tax credits from multiple funds
- D** A tax voucher that reports all capital gains distributions

41 What information must an authorised fund manager (AFM) include when a collective investment scheme's (CIS) benchmark features in its promotional material?

- A** The benchmark's dividend yield
- B** An explanation of its future prospects
- C** The benchmark's sector allocation
- D** An explanation of its past performance

42 The maximum window for issuing a summary resolution communication is how many business days?

- A** 3
- B** 5
- C** 10
- D** 20

- 43** When an investor uses a platform, who typically becomes the registered holder of units / shares?
- A** The authorised fund manager (AFM)
 - B** A nominee company
 - C** The investor
 - D** An independent financial adviser (IFA)
- 44** Which item is included in both the interim report and an annual report?
- A** Auditor's report
 - B** Depositary's report
 - C** Notes to the financial accounts
 - D** The number of units / shares in circulation
- 45** Under what circumstances can the FCA appoint a fund auditor?
- A** If the ACD fails to prepare the accounts
 - B** If the auditor position is left vacant
 - C** If the AFM requests an auditor change
 - D** If the Trustee disagrees with the auditor's report

46 How often must an authorised fund manager (AFM) provide a summary report for periodic investments like monthly direct debits?

- A** Monthly
- B** Every three months
- C** At least every six months
- D** Once a year

47 If a collective investment scheme (CIS) operates two different share classes, in what key way could these classes differ?

- A** Each class is considered to be a separate sub-fund
- B** Each class is priced in a different currency
- C** One class is open-ended and the other is closed-ended
- D** One class is for single payments and the other is for regular payments

48 How is the annual management charge (AMC), made by an authorised fund manager (AFM), covered?

- A** It is deducted from the depositary fee
- B** Through profits from the manager's box
- C** It is deducted from the scheme property
- D** Through a levy applied to all transactions

- 49** What benefit does an authorised fund manager (AFM) gain from processing aggregated instructions from a platform?
- A** It reduces the number of individual dealing instructions
 - B** It reduces their tax liabilities
 - C** It allows for higher fees to be charged
 - D** It enables discounts on trading fees
- 50** Conversions are NOT subject to capital gains tax (CGT) in the UK because they:
- A** are eligible for a CGT exemption
 - B** involve capital gains that are offset by losses
 - C** are taxed differently for Group 2 units
 - D** do not involve a disposal or acquisition of units / shares

Collective Investment Schemes Administration (Version 20)

Question Number	Answer	Syllabus Reference
1	D	9.1.1
2	A	9.2.1
3	B	10.1.3
4	C	5.3.1
5	C	9.1.2
6	A	9.2.2
7	B	4.1.1
8	A	3.5.1
9	B	2.5.1
10	A	7.4.1
11	B	2.7.1
12	A	1.2.3
13	B	2.5.1
14	B	7.3.1
15	C	3.4.1
16	B	10.1.3
17	A	2.2.1
18	A	5.5.1
19	A	4.5.1
20	C	4.5.1
21	D	6.3.2
22	B	8.1.1
23	B	10.1.1
24	B	3.5.1
25	A	8.1.1
26	D	4.1.1
27	D	9.5.1
28	A	2.7.1
29	A	4.2.1
30	B	9.1.1
31	B	1.2.2
32	D	2.2.1
33	C	10.1.1
34	C	3.5.1
35	B	7.3.1
36	D	5.5.1
37	B	6.3.4
38	C	4.2.1
39	C	6.3.3
40	B	9.5.1
41	D	7.5.1
42	A	2.4.1

43	B	6.3.1
44	D	8.2.1
45	B	3.5.1
46	C	8.1.1
47	B	1.2.3
48	C	5.2.3
49	A	6.3.2
50	D	6.7.1

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