LEVEL 3

CERTIFICATE IN INVESTMENT OPERATIONS

PLATFORMS, WEALTH MANAGEMENT AND SERVICE PROVIDERS (VERSION 9)

SAMPLE PAPER

TIME ALLOWED: 1 HOUR

No copying of any part of this paper is permitted without the prior written authority of the Chartered Institute for Securities & Investment

© Chartered Institute for Securities & Investment

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.

SAMPLE PAPER

1 A platform firm's final response letter to a consumer complainant must include reference to which body?

A Financial Ombudsman Service

B Financial Services Compensation Scheme

C Prudential Regulation Authority

D Upper Tribunal

2 Which of the following types of wrapper maintained by a platform operator can be held in joint names by a married couple?

A ISA

B SIPP

C General investment account

D S32 buy-out bond

3 What is the MAXIMUM proportion of a personal pension fund that can be taken as a tax-free cash sum if the benefits are withdrawn at the age of 56?

A 10%

B 25%

C 33%

D 100%

SAMPLE PAPER

4 A fund manager decides to restrict new investments into an OEIC by significantly increasing the level of fund charges. This type of action is normally described as an example of:

A vertical closure

B horizontal closure

C soft closure

D hard closure

5 Where a platform is part of a group that includes a fund manager, the FCA will expect the firm to have in place:

A peer performance monitoring

B conflicts of interest procedures

C aggregation concession

D two-stage regulatory reporting

6 If the charging structure for a platform facility used by an adviser switches from a bundled approach to an unbundled approach, what effect can this expect to have on the adviser's fees?

A They would increase

B They would decrease

C They would change at a slower rate

D They would change at a faster rate

SAMPLE PAPER

7 An investor holds some unit trusts on a platform. As a consequence, the name that appears on the unit trust register in relation to this holding is likely to be the:

A platform operator

B fund trustees

C investor

D platform's nominee

8 Which of the following directly provides customers with an understanding of the performance they can expect from a supplier?

A Business continuity plan

B Body of knowledge guide

C Service level agreement

D Mission statement

9 In order for a price movement in an asset to trigger a manual price check by a platform operator, what would usually have had to happen to the price?

A A large movement exceeding a defined tolerance

B Where the movement exceeded the price movement in the asset's main index

C If there had been a takeover announcement

D If the asset price had been previously static for a period exceeding a week

SAMPLE PAPER

10 The slickest way for platform to execute and process investor transactions is by:

A Straight through processing

B Use of robotics

C Cryptographic systems

D Hub and spoke models

11 Which ONE of the following is a type of corporate action that affects the structural issue of a held asset?

A Conversion

B Proxy

C Class action

D Dividend

12 The three main methods provided to customers for sending and receiving messages in relation to order transactions, are direct data entry, file transfer and:

A FIX protocol exchange

B proprietary message formats

C application programme interfaces

D SWIFT message formats

SAMPLE PAPER

13 The range of investment types usually offered by platforms typically include exchange-traded assets, CIS units/shares and:

A Structured products

B Certain commodities

C Insurance style investment products

D Non mainstream pooled investments

14 A platform operator will be automatically affected by the Payment Services Regulations 2009 if it:

A accepts standing orders

B accepts credit cards

C processes a client transaction in a foreign currency

D processes a client transaction for more than £1 million

15 As opposed to queued redemptions, deferred redemption offer the AFM improved:

A Profitability

B Liquidity

C Unit holder satisfaction

D Simpler processing

SAMPLE PAPER

16 Aggregation of orders for exchange-traded securities by a platform is likely to benefit individual investors primarily because:

A asset ownership will be unambiguous

B file transfer problems will be avoided

C brokerage charges will be lower

D dealing prices will be fixed

17 One of the key reasons why adviser firms use model portfolios rather than bespoke portfolios for clients, is because they:

A better reflect the investor's attitude to risk

B achieve greater diversification

C guarantee a higher level of performance

D incur a lower level of costs

18 A platform wants to restrict an account to be held to a maximum of two joint holders. This can be achieved by:

A allowing beneficial ownership

B introducing dual asset classes

C amending its terms and conditions

D applying to the regulator for authorisation

SAMPLE PAPER

19 If a client decides to move from Platform X to Platform Y, this may trigger the need for a:

A declaration of trust

B separate nominee account

C reregistration of assets

D 7 day cooling off period

20 The General Data Protection Regulation principles state that any personal data collected by organisations:

A should not be kept for longer than is necessary for its purposes

B should be permanently destroyed as soon as the information is deemed to be out of date

C must not be retained after seven years

D must, if retained, be verified with the relevant individual after a maximum of five years

21 Which of the following are covered under the Financial Services Compensation Scheme?

A Charities with turnover of more than £5m

B Municipal authorities

C Businesses with assets of less than £6.5m

D Executors of estates of private individuals

SAMPLE PAPER

22 Where a platform operator sells listed securities for which the client has set a limit price of 232p, this means that:

A they can only be sold for less than 232p as a last resort

B they cannot be sold for less than 232p under any circumstances

C they must be sold only when the price falls to 232p

D they must be sold for a price exceeding 232p

23 If a platform's client opts to receive execution information after each trade, the periodic statement summarising all transactions undertaken must be issued at what MINIMUM frequency?

A Quarterly

B Half-yearly

C Once every 12 months

D Once every two years

24 Where a platform offers a set of 'what-if' tools, these may help its clients to:

A submit formal complaints

B estimate future growth rates

C carry out partial encashments

D manage capital gains tax

SAMPLE PAPER

25 Which two forms of investment bond wrappers are typically offered on a platform?

A Ethical and faith-based

B Offshore and onshore

C Corporate and government

D Fixed-rate and floating-rate

26 Which of the following is an example of a corporate action?

A Profits warning

B Product launch

C Credit rating

D Rights issue

27 What is normally the function of the dashboard on a platform application?

A To list the assets held by an investor

B To facilitate the buy/sell transaction

C To establish the investor’s priorities

D To summarise annual performance growth

SAMPLE PAPER

28 A UK investor holds investments in offshore funds with reporting fund status. What, in respect of reportable income under these funds, must the investor include on UK tax returns?

A Only those amounts received as distributions

B Only those for which no tax has yet been deducted

C Only those amounts subject to a dry tax charge

D All amounts regardless of whether received as distributions

29 If a client holds shares on a platform and he wishes to transfer some of these to his wife who is an existing client on the same platform, then:

A the investor must advise the registrar to update the holding

B a tax liability may arise

C there will be more administration if the platform uses a segregated nominee account rather than a pooled nominee account

D the shares must be sold and bought back

30 The 'timely execution' requirements mean that, when an order is placed for a platform client, the obligation to carry it out as soon as is practical can be relaxed if it conflicts with what key process?

A Replacing

B Rebalancing

C Best execution

D Aggregation

SAMPLE PAPER

31 How does an Authorised Fund Manager, according to regulation, have to react in a situation where it discovers an error in the CIS pricing that it calculated, and has been trading purchase orders, if the error is below 0.1% threshold?

A Any trading at the incorrect price must be corrected in the favour of the client

B The amount of the error can be disregarded as it is immaterial, and no action is required

C All clients must be written to in order to explain the error

D The AFM must report the error to the regulator who may consider sanctions

32 When an aggregated holding within a custody chain is entered in a unitholders register, it can be assumed that the register:

A will record any voting rights

B will not record the underlying beneficial owners

C will record all distribution payments

D will not record the investment platform

33 Where exchange-traded securities are held on a platform, what daily price is generally used by the platform to value these assets?

A The NAV

B The price the platform last traded

C The market price at noon

D The market closing price

SAMPLE PAPER

34 A firm of advisers is carrying out due diligence on various platform service providers in order to make a suitable selection. To comply with regulatory guidance when conducting this process, the firm should:

A consider a minimum of five different providers

B take into account any tools provided by the platform

C automatically segment its client base into at least three segments

D set up a quarterly review programme

35 Where fund dealing is suspended in relation to a fund held by a client on a platform, how should the platform operator react to this event?

A By issuing the provider with a suspension notice

B By conducting an intra day valuation

C By recording this status on the database

D By notifying the regulator

36 What is the usual reason why platform operators use ‘sanction lists’?

A To prevent corruption of their computer systems

B To maximise the underlying investment performance

C To minimise the risk of client assets being misused

D To avoid accepting any business restricted by the authorities

SAMPLE PAPER

37 One of the key benefits of the platform business model is:

- **A** to prevent identity theft
- **B** to exploit regulatory loopholes
- **C** to increase operational efficiency
- **D** to avoid charges

38 Mike, a 45% taxpayer, started a £200,000 investment bond ten years ago and it is now worth £250,000. Assuming he made no previous withdrawals, what is the MAXIMUM he can currently withdraw without triggering an immediate tax liability?

- **A** £100,000
- **B** £125,000
- **C** £200,000
- **D** £250,000

39 In order to treat customers fairly when selling its products, firms need to ensure that their product is:

- **A** of the highest possible standard and exceeds customer expectations
- **B** as specified in EU directives
- **C** as the consumer has been led to expect
- **D** as measured by customer surveys

SAMPLE PAPER

40 If a platform provider identifies a mismatch between the assets it actually holds and the assets it should be holding, it must:

A take prompt action to rectify the issue

B carry out immediate portfolio rebalancing

C review its benchmarking process

D cease trading until the error is corrected

41 When a redemption of units takes place in relation to a unit trust investing in equity, it must be settled by:

A T + 1

B T + 2

C T + 4

D T + 5

42 A platform client recently died and his estate includes investments held on a platform arrangement. What rate of inheritance tax will be applied to the part of his estate which exceeds the nil rate threshold?

A 32.50%

B 37.50%

C 40.00%

D 45.00%

SAMPLE PAPER

43 Assuming an investor's annual capital gains tax allowance is exhausted, what rate of capital gains tax is applied to a gain made under an Individual Savings Account which was encashed in the same tax year in which it was established?

A None

B 18% in all cases

C 28% in all cases

D It depends on the investor's rate of income tax

44 For Investment X the reduction in yield is 1.2% and for Investment Y it is 1.4%. This means that:

A investment X's underlying performance is better than Investment Y's underlying performance

B investment Y's underlying performance is better than Investment X's underlying performance

C the overall charges under Investment X have a greater impact on performance than the overall charges under Investment Y

D the overall charges under Investment Y have a greater impact on performance than the overall charges under Investment X

45 An adviser purchases shares for three clients. The platform uses a pooled nominee service. How will the AFM view the ownership of the shares?

A It will see the three clients' names

B It will only see one holding as the Platform's 'client account'

C It will see the platform nominee as a single holder

D It will see a separately designated nominee account for each holding

SAMPLE PAPER

46 When the regulator decides that a firm which operates a platform has failed to comply with FCA rules, the firm runs the risk that a fine can be imposed on:

A the firm only

B the directors only

C the directors and other approved persons

D the firm, the directors and other approved persons

47 A platform client's circumstances have remained unchanged and yet a portfolio rebalance is required. This is likely to have been triggered by the:

A relative performance levels of the assets held

B impact of charges applied to the account

C poor performance of the benchmark index

D need to benefit from aggregation

48 When an ‘equalisation amount’ is included in the distribution paid by a unit trust, why is this amount free of any income tax liability?

A It is deemed to be a return of capital

B It is paid to a third party instead of the investor

C It will already have suffered an income tax deduction

D It will be used to purchase bonus units

SAMPLE PAPER

49 In order for an investor to benefit from being able to replenish withdrawals from a stocks and shares ISA, what requirement has to have been met?

A The withdrawal and replenishment have to be in the same quarter

B The replenishment amount must exceed the withdrawal value by more than 10%

C The ISA has to have been operating as a flexible ISA

D The ISA manager for the withdrawal and replenishment cannot be the same

50 If some of a client's assets in relation to a platform arrangement are recorded under the notepad option, this normally means that these assets:

A have only recently been acquired

B are earmarked for imminent disposal

C will be manually valued

D are highly liquid

SAMPLE PAPER

Platforms, Wealth Management and Service Providers (Version 9)

Question Number	Answer	Syllabus Reference
1	A	6.7.1
2	C	2.1.1
3	B	2.1.3
4	C	1.2.1
5	B	6.1.1
6	B	3.2.1
7	D	4.3.2
8	C	3.4.3
9	A	5.3.1
10	A	4.2.1
11	A	5.2.1
12	C	4.2.1
13	A	1.1.1
14	B	6.3.1
15	B	1.2.1
16	C	4.1.2
17	D	3.3.2
18	C	4.3.1
19	C	4.5.1
20	A	6.5.1
21	D	6.8.1
22	B	4.1.2
23	C	6.1.5
24	D	7.1.6
25	B	2.1.1
26	D	5.2.2
27	A	3.1.2
28	D	7.1.5
29	C	4.4.1
30	C	4.1.1
31	B	5.3.2
32	B	4.3.2
33	D	5.3.1
34	B	3.5.2
35	C	1.2.1
36	D	6.9.1
37	C	3.1.1
38	A	7.1.3
39	C	6.4.3
40	A	3.3.8
41	C	4.2.2
42	C	7.1.1

SAMPLE PAPER

43	A	2.1.2
44	D	3.5.1
45	C	4.6.1
46	D	6.1.2
47	A	3.3.6
48	A	5.1.1
49	C	2.1.3
50	C	5.3.3

SAMPLE PAPER