



**Pensions
Management
Institute**

Retail Advice and Regulation

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This contains several short answer questions. Attempt **ALL** questions.

The total marks for this paper are 100.

1. The Financial Services Conduct Scheme (FSCS) covers business conducted by authorised firms. European firms (authorised by their home state regulator) that operate in the UK may also be covered.

What can a claim, made by an eligible claimant to the FSCS, relate to?

(10 marks)

2. The FCA Handbook (COBS 9) stipulates that before a personal recommendation is given the “necessary information” about the client must be obtained: i.e. fact finding.

What are the key areas that need to be covered in the initial fact finding discussion/investigation?

(20 marks)

3. Once an adviser has fully analysed the customer’s circumstances and requirements, they can develop a written financial plan for the customer which includes suitable and usable financial recommendations. The written plan takes the form of a Suitability Letter or Suitability Report.

In the case of a 50 year old man, who wants to retire on an aggregate pension equal to half of his current salary (£60,000). He is divorced, no independents and no mortgage. He has a car loan with 4 years to pay, credit card debt of £8250 and enjoys holidays twice a year in Spain.

- (a) Before delivering the response, what should you have captured in your report? (20 marks)
- (b) What would you expect to see in his individual suitability report and why? (5 marks)

(25 marks)

4. Money laundering is estimated to cost between 2% and 5% of Global GDP. Money itself is the prime reason for engaging in almost any type of criminal activity. Criminal groups go to great length to conceal the source of their wealth, the location of their assets and the transfer of their illicitly generated funds. Governments are increasingly focusing attention on regulating their financial sector to combat this transfer of illicit funds in a fast moving, global market place.

- (a) What are the 3 distinct layers on the money laundering process? (6 marks)
- (b) What threats does money laundering create to global financial stability? (8 marks)
- (c) What criminal acts were established as part of the Criminal Proceeds Act of 2002? (6 marks)
- (d) It is also an offence to fail to disclose known or suspected cases of money laundering in the course of business in the regulated sector. What areas does this cover? (5 marks)

(25 marks)

5. Trust law imposes a number of onerous duties on Trustees, which stem from the fact that Trustees are responsible for taking care of and investing the trust property on behalf of others. When discharging their duties, Trustees need to ensure that they comply with the legislation and case law that is relevant to the Trust for which they act. Where Trustees fail to comply with their legal duties or the legal requirements that apply to their scheme, they may be held personally liable for any loss which is suffered by the Trust as a result.

- a) What are the main features of a trust? (5 marks)
- b) In order for a trust to be valid three conditions must be satisfied, what are they? (3 marks)
- c) What are the duties and powers of a trustee? (6 marks)
- d) Employers can set up schemes for the benefit of their employees, commonly known as an Employee Benefit Trust. There are several types, can you describe two of them? (6 marks)

(20 marks)