

Retail Advice and Regulation

Assignment 3 Notes

(Part 3 – Investment Advice and Planning and Part 4 - Legal Concepts Relevant to Financial Advice)
Recommended Time: 3 hours

1. **Explain, using an example, the difference between a partnership and a limited liability partnership.**

5 marks

The crucial difference is the restriction of exposure to debts.

Any suitable example would be valid to assist the explanation.

(The relevant sections of the Study Manual are Part 4, Chapter 1.2 and 1.3)

5 marks

2. **Outline how you might ascertain your client's attitude to risk, why it is important to do so and explain typical higher and lower risk investment strategies.**

30 marks

Answers should cover the client relationship/scoping process. In particular the information sought during discussions and methods of weighting the various elements.

Answers should include coverage of typical asset allocations that underlie these strategies.

A full answer should cover the Financial Conduct Authority's expectations and concerns in this area.

(The relevant sections of the Study Manual are Part 3, Chapter 2.2, and 2.4)

30 marks

3. Describe how and when an adviser should report on portfolio performance to a client.

15 marks

Answers should include the contents of typical reports. Examples would be useful to illustrate.

Coverage of measures of investment performance should be included:

- Money weighted rate of return
- Time weighted rate of return
- Relevant benchmarks

Quarterly or half-yearly reports are typical and explanation of the choice would be useful.

Discussion of the review process is also relevant.

(The relevant sections of the Study Manual are Part 3, Chapter 3.3 and 3.4)

15 marks

4. Describe the main types of trusts and how they can be created.

10 marks

Answers should cover:

- Bare trusts
- Interest in possession trusts
- Discretionary trusts
- Accumulation trusts
- Settler interest trusts
- Employee benefit trusts

In addition, answers should cover the 3 certainties when discussing the creation of trusts. As only 10 marks are available for the whole question only brief detail is required for each element.

(The relevant sections of the Study Manual are Part 4, Chapter 6.2 and 6.5)

10 marks

5. Outline the differences between Enduring and Lasting Power of Attorney.

15 marks

A full answer should include coverage of the main features of these powers and the relevant requirements. Sufficient information is included in the study manual and this could be supplemented with examples.

(The relevant sections of the Study Manual are Part 4, Chapter 1.6.1 and 1.6.2)

15 marks

6. **Explain the difference between bankruptcy and insolvency.**

10 marks

Marks are available for defining each concept and then explaining the difference. An example to illustrate would be helpful.

Bankruptcy tends to affect individuals whilst insolvency is more commonly used to refer to companies.

(The relevant sections of the Study Manual are Part 4, Chapter 3)

10 marks

7. **Write brief notes on the following forms of property ownership in the UK:**

- (i) Freehold;**
- (ii) Leasehold;**
- (iii) Commonhold; and**
- (iv) Shared ownership.**

15 marks

Approximately equal marks are available for each section of this question. Therefore, answers are only required to be brief, with approximately 3-4 marks available for each. Examples would be helpful.

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

15 marks