

**ADVANCED INVESTMENT SCHEMES
ADMINISTRATION**

DATE OF EXAM	Thursday 25 June 2009
3 HOURS	10.00am – 1.00pm
RUBRIC	SECTION A – ALL questions in this section are to be answered SECTION B – TWO questions in this section are to be answered SECTION C – ONE question in this section to be answered SECTION D – ONE question in this section to be answered

NOTES TO CANDIDATES

1. Please insert your Candidate Number on the cover of your Answer Book. *Do not insert your name.*
2. Show *all* workings in your Answer Book.
3. Candidates may attempt the sections in any order. Please indicate clearly in your Answer Book which questions you are answering.
4. Please insert in the box provided on the cover of your Answer Book the numbers of the questions you have attempted in the order in which they appear in the Answer Book.
5. You must hand your Answer Book to an invigilator before you leave the Examination Hall. *Failure to do so will result in disqualification.*
6. Candidates are reminded that no marks will be awarded for illegible work.
7. Once submitted, the examination scripts become the property of the Securities & Investment Institute and will not be returned to candidates.

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PLEASE TURN OVER WHEN INSTRUCTED

SECTION A**TOTAL 20 MARKS**

This section contains TEN short answer questions each carrying two marks. In order to obtain maximum marks in each question candidates should provide two clear and relevant sentences appropriate to the question.

Answer ALL questions in this section

- 1 The requirements for share certificates issued by OEICs under the OEIC regulations 2001 are basically the same as for Unit Trusts. However, there are two exceptions. What are they? (2 marks)
- 2 Outline the unclaimed income provisions of the COLL Sourcebook for a registrar. (2 marks)
- 3 State TWO level I and TWO level II disclosure requirements of the Pension Fund Disclosure Code jointly issued by the National Association of Pension Funds and the Investment Management Association. (2 marks)
- 4 State one of the principal forms of corporate actions and provide an example. (2 marks)
- 5 Explain the term *benchmarking* and give TWO examples of common benchmarks. (2 marks)
- 6 Outline the main difference between contractual funds and corporate funds of investment schemes. Your answer should focus from both the UK and EU perspective. (2 marks)
- 7 COLL became the sole sourcebook for UK authorised collective investment schemes from 13 February 2007. State TWO main aims of the FSA's review that led to COLL. (2 marks)
- 8 Potential investors use annual accounts to decide on their investment strategies. State TWO items that they are likely to look for in the accounts before investing. (2 marks)
- 9 What is meant by *In Specie* deals in a collective investment scheme? Give an example of why they might happen. (2 marks)
- 10 Give TWO benefits of CREST for the CIS industry. (2 marks)

SECTION B**TOTAL 20 MARKS****Answer TWO questions in this section**

- 11 The FSA is concerned at the risk of mis-selling based on unsustainable yields. Outline the FSA's COBS guidance on financial promotion for:
- a) corporate bond funds; *(5 marks)*
 - b) with-profit bonds. *(5 marks)*
- 12 A US investment trust is keen to expand its operations in the UK. It has learnt that the FSA is the UK's listing authority. However, it does not know the conditions for listing and subsequent behaviour once admitted. Advise the US firm on:
- a) conditions for listing; *(2 marks)*
 - b) continuing obligations once admitted; *(3 marks)*
 - c) the Combined Code on Corporate Governance including its recent review. *(5 marks)*
- 13 Authorised Corporate Directors (ACDs) and Unit Trust Managers play crucial roles for OEIC and AUT companies.
- a) Outline the legal position of an ACD of an OEIC company. *(2 marks)*
 - b) Discuss the corrective measures for an ultra vires action of an OEIC company director and an AUT manager. *(4 marks)*
 - c) Explain the provisions for vacation and removal of an ACD of an OEIC company. *(4 marks)*

Answer ONE question in this section

- 14 You have been asked to meet a recently recruited manager of investment operations who has limited knowledge of investment schemes available in the UK. Your tasks are to:
- a) outline the key characteristics of the following investment schemes:
 - life funds
 - pension funds
 - investment trusts
 - OEICs
 - unit trusts
 - SICAVs

(12 marks)
 - b) explain corporation tax implications of income and capital gain for:
 - UK life funds
 - OEICs of a CIS including applicable tax rates
 - investment trust companies including venture capital trusts

(12 marks)
 - c) explain a basic tax calculation for a CIS that suffers franked and unfranked income.

(6 marks)
- 15 You are the compliance officer of an investment management company. Your CEO approaches you to seek advice on three issues.
- a) Your CEO informs you that another firm's equity funds are being promoted using historic comparisons between its funds' absolute returns and your funds' time-weighted returns for the same period, based on data supplied by your compliance department. Explain how time-weighted returns are calculated and why they are useful for the investor.

(10 marks)
 - b) Explain the requirements of FRS 27 for life assurance and life funds, and FRS 17 for pension schemes.

(10 marks)
 - c) Explain the settlement method of investor transactions by AFMs including alternative settlement methods.

(10 marks)

Answer ONE question in this section

- 16 You have been asked to make a presentation to a Local Authority Pension Committee about common performance standards. Prepare a presentation that outlines the benefits of common performance standards of investment and explain in detail the evolution of one such common performance standard. *(30 marks)*
- 17 A recently appointed supervisor wants to know more about the Authorised Fund Manager's (AFM's) Report and the Statement of Recommended Practice (SORP). You have been asked to state the items that must be specified in the AFM's Report, and explain the content items of the SORP that must be included in the financial statements for authorised funds for an annual and interim reporting period. *(30 marks)*