

**ADVANCED INVESTMENT SCHEMES
ADMINISTRATION**

DATE OF EXAM	Thursday 04 December 2008
3 HOURS	10.00 am – 1.00 pm
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 is to be answered SECTION D – ONE question in this section is to be answered

Candidates are reminded that no marks will be awarded for illegible work

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 may use only the calculator provided.
6. You must hand your Answer Book to an invigilator before you leave the Examination Hall. *Failure to do so will result in disqualification.*
7. The decision of the panel is final and no correspondence will be entered into concerning the grade awarded.
8. 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

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 Compare the role of *fund management* with that of *investment management*. (2 marks)
- 2 Outline the key characteristics of a *fund supermarket*. (2 marks)
- 3 Describe TWO benefits of investing through an intermediary. (2 marks)
- 4 Explain TWO prominent developments for pension schemes that have occurred within the last 10 years. (2 marks)
- 5 Briefly discuss how a manager can develop a *matching asset model* for a pension fund. (2 marks)
- 6 Explain TWO pitfalls faced by companies which opt for delegation/outsourcing of certain operations. (2 marks)
- 7 Outline TWO of the entries which MUST be kept by the registrar for unit trusts/shares ownership. (2 marks)
- 8 Briefly explain how a SICAV differs from an OEIC. (2 marks)
- 9 Detail TWO circumstances which permit the non-issuance of a certificate to an investor by a unit trust. (2 marks)
- 10 What is an *In Specie* settlement? Give a reason why it might occur. (2 marks)

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

- 11 A new employee has asked you what Stamp Duty Reserve Tax (SDRT) is, as the book she is reading (dated October 1998) does not mention it.
- a) Explain to her what it is, and when it arises. (6 marks)
 - b) Explain the approaches Her Majesty's Revenue & Customs (HMRC) accepts in relation to SDRT. (4 marks)
- 12 Prepare a guidance note for the Board of Rollington Fund Management Ltd on how it must deal with the topic of risk in the prospectus for its Global Fund. Your note should include a list of the risks and a brief explanation. (10 marks)
- 13 a) Explain the role of the Financial Reporting Council (FRC) in the UK. (5 marks)
- b) Name the FIVE bodies which fall under the FRC's control and explain the purpose of any TWO of them. (5 marks)

SECTION C**TOTAL 30 MARKS****Answer ONE question in this section**

- 14 A recently appointed trustee of SPQR Pension fund (which uses a broad range of assets to achieve its investment strategy), has questioned the term *benchmarking*.
- a) Define the term *benchmarking*. (2 marks)
 - b) Identify the common types of benchmarks. (4 marks)
 - c) Explain the principal considerations when choosing a benchmark. (15 marks)
 - d) Explain the methods of evaluating the performance of a fund. (9 marks)

- 15 a) Describe FIVE of the parties who can and cannot be registered on the register of unit trusts. (5 marks)
- b) Outline the scenarios that give rise to a transfer of ownership of units/shares by *Operation of Law* and explain the process required to complete the transfer. (6 marks)
- c) Explain the process of settling Collective Investment Scheme (CIS) trades through CREST and refer to any benefits for Authorised Fund Managers. (7 marks)
- d) Identify the benefits of distributions paid via Bankers Automated Clearing Services (BACS) for both the holder and the registrar/CIS. (7 marks)
- e) Explain how and why Authorised Persons, under the FSMA 2000 reconcile their CIS positions, and refer to actions undertaken by the Registrar of CISs. (5 marks)

SECTION D

TOTAL 30 MARKS

Answer ONE question in this section

- 16 As a manager in the Unit Trust Valuation team, you have been asked to meet a recently recruited Marketing Manager who has limited knowledge of Fund Management. Your task is to give a brief overview of the various constituents of a fund valuation (omitting derivatives as this will be covered in depth at a later date) and highlight the components which you would look at first if the unit price has moved contrary to the fund's benchmark index. (30 marks)
- 17 The trustees of the XYZ fund, a UK OEIC, have identified that a number of minor errors and material breaches were made in pricing the fund recently. You have been asked to identify the possible consequences of both the minor errors and material breaches, and explain what action should be expected of the fund manager. (30 marks)