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PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

TYME9GQJ

J07 - Supervision in a regulated environment

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) `TYME9GQJ`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `TYME9GQJ`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 MULTIPLE CHOICE

Which of the following are recognised objectives of an effective supervisory framework in a regulated firm? (Choose two.)

A Protecting the firm from financial loss through proprietary trading strategies

B Promoting fair customer outcomes and reducing conduct risk

C Supporting the identification and mitigation of risks arising from staff behaviour

D Maximising short-term sales performance of individual representatives

E Eliminating the need for any further risk-based monitoring by senior managers

ANSWER **B** · **C**

WHY An effective supervisory framework is fundamentally about conduct risk and customer outcomes (B), and about identifying and mitigating risks arising from how staff behave (C). Proprietary trading strategies (A) and individual sales maximisation (D) are not supervisory objectives, and supervision does not remove the need for ongoing risk-based monitoring by senior managers (E).

QUESTION 2 MULTIPLE CHOICE

Under the FCA's Senior Managers and Certification Regime (SM&CR), which TWO of the following statements about the responsibilities of supervisors are correct? (Choose two.)

A Supervisors are automatically treated as Senior Managers and must have a Statement of Responsibilities approved by the FCA

B Supervisors must take reasonable steps to ensure that their team members are suitable, properly trained and comply with regulations

C Supervisors are responsible for ensuring that all conduct issues are escalated directly to the FCA

D Supervisors are required to oversee the day-to-day performance and conduct of the staff they manage

E Supervisors can delegate their regulatory responsibility entirely to the staff they supervise

ANSWER **B · D**

WHY Under SM&CR, supervisors (as Certification staff) must take reasonable steps to ensure their staff are suitable, trained and compliant (B), and they are responsible for the day-to-day conduct and performance of those they supervise (D). Supervisors are not automatically Senior Managers (A), they do not have a personal duty to escalate everything directly to the FCA (C), and they cannot delegate their regulatory responsibility away (E).

QUESTION 3 TRUE FALSE

Risk-based supervision requires supervisors to focus their attention and resources primarily on areas, activities and individuals that present the highest potential risk of harm to customers or the firm.

A True

B False

ANSWER **A**

WHY True. Risk-based supervision is built on the principle that supervisory effort and resources should be directed in proportion to the level of risk presented, concentrating on the highest-risk activities, products and individuals in order to mitigate potential harm and ensure good customer outcomes.

QUESTION 4 SINGLE CHOICE

Under the FCA's Conduct Rules, which of the following is an Individual Conduct Rule that applies to virtually all staff in a regulated firm?

A You must act in your own personal financial interests at all times

B You must act with due skill, care and diligence

C You must ensure that your firm's profits exceed its annual budget

D You must personally approve every transaction the firm undertakes

ANSWER B

WHY Individual Conduct Rule 1 requires staff to act with due skill, care and diligence. Acting in personal financial interests (A), meeting profit budgets (C) and personally approving all transactions (D) are not Conduct Rules and are inconsistent with the regulator's expectations.

QUESTION 5 SINGLE CHOICE

Why is continuing professional development (CPD) an important element of a supervisor's role?

A It is optional and only required if the supervisor has spare time

B It allows supervisors to delegate regulatory responsibility to junior staff

C It helps supervisors maintain the competence needed to oversee others and identify emerging risks

D It exempts supervisors from the need to keep records of supervisory activity

ANSWER C

WHY CPD is important because supervisors must themselves remain competent so that they can properly oversee others, recognise emerging risks and respond to changes in regulation and the business environment. CPD is not optional (A), does not remove personal responsibility (B), and does not remove the need for proper records (D).

QUESTION 6 SINGLE CHOICE

When a supervisor identifies a potential breach of conduct rules by a member of their team, what is the appropriate FIRST step?

- A Ignore the issue unless the customer makes a formal complaint
- B Discuss the matter with colleagues over social media to gauge opinion
- C **Record the concern and escalate it through the firm's agreed internal procedures**
- D Wait until the annual audit to report the matter

ANSWER **C**

WHY Supervisors are expected to record concerns and escalate them promptly through the firm's agreed internal procedures so that they can be properly investigated. Ignoring the issue (A), informal social discussion (B) and waiting for an audit (D) all fail the supervisor's duty to act on potential breaches.

QUESTION 7 SINGLE CHOICE

Which of the following is the BEST example of management information (MI) that a supervisor should use to monitor the conduct of their team?

- A **Records of customer complaints, breaches and the outcomes of file reviews for the team**
- B The personal social media profiles of team members
- C The weather forecast for the firm's head office location
- D A list of staff birthdays in the team

ANSWER **A**

WHY Effective supervisory MI is directly linked to conduct and risk — for example, complaint trends, breach logs and the findings of file quality reviews (A). Personal social media (B), the weather (C) and staff birthdays (D) do not provide meaningful insight into conduct risk.

QUESTION 8 SINGLE CHOICE

Which of the following BEST demonstrates a supervisor embedding the FCA's 'Treating Customers Fairly' (TCF) outcomes into day-to-day supervision?

- A Setting stretching sales targets that incentivise maximisation of revenue per policy
- B **Reviewing a sample of cases to check that customers received suitable advice and clear information**
- C Allowing advisers to self-certify that they have treated customers fairly
- D Focusing performance reviews solely on new business volumes

ANSWER **B**

WHY Reviewing cases to confirm suitability and the clarity of information given to customers (B) is a clear way a supervisor embeds TCF outcomes into day-to-day activity. Aggressive sales targets (A), self-certification (C) and focusing only on volumes (D) can drive conduct risk rather than fair outcomes.

QUESTION 9 SINGLE CHOICE

Under the FCA's 'Fit and Proper' test, which THREE areas must a firm assess when considering whether an individual is suitable for a regulated role?

- A Honesty, integrity and reputation only
- B Competence and capability, and financial soundness only
- C **Honesty, integrity and reputation; competence and capability; and financial soundness**
- D Only competence and capability

ANSWER **C**

WHY The FCA's Fit and Proper test assesses three areas: honesty, integrity and reputation; competence and capability; and financial soundness. Any single area (A, B, D) is incomplete.