

LIBF Level 3: UK Financial Regulation (UKFR) 603/0476/5

Specimen paper: A
Length of examination: 2 hours

Instructions to candidates

1. Do **not** open this question paper until instructed to do so.
2. This question paper consists of 100 questions. Each question carries **one** mark.
3. Answer all questions.

Information for candidates

1. Basic silent desktop calculators with + - x / % and memory functions are allowed. Scientific, programmable or calculators with any additional functions are not allowed.
2. Taxation tables will be provided. No other books, papers or aids may be used in this examination.

Note: Taxation rates for the year 2020/21 apply in this examination.

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Unit 1: ITFS

1. Which of the following is an example of the process of disintermediation?
 - A A bank offering savings accounts.
 - B A building society agreeing to offer a mortgage.
 - C An insurance company underwriting an application for term assurance.
 - D Crowdfunding.

2. A building society has liabilities of £900m.

What **maximum** amount, if anything, is the building society permitted to raise on the wholesale markets?

 - A Nil.
 - B £225m.
 - C £450m.
 - D £900m.

3. The term 'bancassurance' was created to describe the situation where:
 - A a bank offers general insurance broking services.
 - B a bank provides independent financial advice.
 - C a bank owns an insurance company or an insurance company owns a bank.
 - D an insurance company makes referrals to a bank.

4. Under what circumstances, if any, can an EU member state opt out of a regulation laid down by the European Parliament and Council of Ministers?
 - A None.
 - B Only if a specific dispensation has been granted.
 - C Only if an alternative approach has been agreed.
 - D Only if the member has joined within the previous three years.

5. The Financial Services Compensation Scheme (FSCS) provides protection for those with deposit-based savings and investments in the event that:
- A incorrect advice is given in respect of the most suitable type of account to use.
 - B interest rates are reduced.
 - C investment returns fail to match expectations.
 - D the account provider becomes insolvent.
6. Gilt-edged securities in the UK are considered to be safe investments, because they:
- A are backed by assets held by the central clearing bank, which underwrites payment of interest and capital.
 - B are securities issued by the UK government and the government is unlikely to default on interest or capital repayments.
 - C are regulated by the Financial Conduct Authority.
 - D invest in physical assets, such as property and gold, that can be sold to realise redemption proceeds.
7. A new gilt issue has received wide publicity in the financial press, in which it has been referred to as 'medium-dated'. However, the UK Debt Management Office has described it as 'short-dated'. It will therefore be for which of the following terms?
- A Two years.
 - B Four years.
 - C Six years.
 - D Eight years.
8. If a company distributes 25% of its profits in the form of dividends to shareholders, what is the dividend cover?
- A 4.
 - B 8.
 - C 10.
 - D 25.