

Chartered
Insurance
Institute

J07

Diploma in Financial Planning

Unit J07 – Supervision in a regulated environment

February 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the September 2026 exam should study this exam guide carefully in order to prepare themselves for the exam.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of exam preparation.

J07 – Supervision in a regulated environment

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This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the exam, it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under exam conditions.

Before the exam

Study the syllabus carefully

It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk, on the relevant qualification page. All the questions in the exam are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

Note the assumed knowledge

For the Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely

To get the most out of your learning, it's important to explore beyond just one textbook. Relying solely on a single study text may not give you all the depth or perspectives you need. While the main study materials are designed to cover the syllabus, they might not always explain things in a way that works for you—or offer alternative viewpoints that deepen your understanding.

That's why reading around the subject is so valuable. If a topic feels unclear or you're curious to see how others approach it, looking at different sources can really help. Think of it as building a richer, more rounded picture of what you're learning.

Build confidence in your knowledge and ability to apply it.

Make full use of the Exam Guide

This Exam Guide contains a full exam paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Exam Guides can be treated as 'mock' exam papers. Attempting them under exam conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your exam preparation.

The Examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent exam guides free of charge on the relevant qualification page at www.cii.co.uk.

Know the structure of the exam

- Assessment is by means of a two-hour online written exam.
- All questions are compulsory.
- The exam is made up of 15 short questions.
- Each question part will clearly show the maximum marks which can be earned.
- The exam will carry a total of 130 marks.

You can also access previous exam papers and test specifications [here](#).

Assessment Information and Rules and Policies for candidates

Please review the [assessment information](#) and [rules and policies](#) for candidates. Full details of the administrative arrangements and the regulations governing your exam entry are available online.

On-screen written exam familiarisation

The familiarisation test allows you to experience using the assessment platform before your exam.

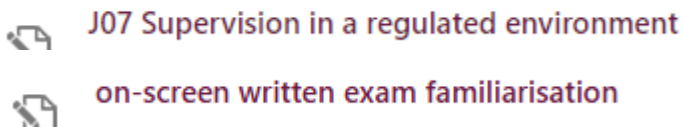
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

You can access the familiarisation test at any time. It can be found [here](#).

We strongly recommend that you take the familiarisation test to ensure you are familiar with the on-screen assessment platform experience.

If you have previously sat any of the CII's multiple-choice exams, please note this familiarisation experience has a different set up.

On the day of the J07 exam, upon accessing the platform, you will need to click on **J07 Supervision in a regulated environment** to start the exam:



We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **J07 Supervision in a regulated environment**.

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online Tutorial test** once you have received your exam login details and well in advance of the actual exam day. This test is different to the familiarisation test.

You will receive the below information via email before your exam date.

You must check the equipment you plan to use on the exam day is suitable. The system requirements are [here](#)

EXAM TUTORIAL:

- [Launch Tutorial Test](#)
- Duration: The tutorial will take approximately 30 minutes to complete.
- Attempts: Launch the tutorial test up to three (3) times to familiarize yourself with the environment. We suggest saving one attempt for 2-3 days prior to your exam date.
- Timing: The Launch link will expire 150 minutes (2 hours and 30 minutes) prior to your scheduled exam time.

To access your exam on the exam day click on the "Launch Exam" link beside your scheduled exam within the Bookings and Results area of MyCII [Dashboard](#). If you have any difficulty accessing your MyCII account, you should contact CII customer service at the contact details below.

This Exam Tutorial will help you feel confident and prepared for exam day. It guides you through the system and helps identify any potential issues with your equipment in advance, reducing the risk of technical problems during your exam.

Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

The exam platform no longer supports Windows 10 or macOS Ventura for any online testing.

These operating systems no longer meet the minimum technical requirements. Continuing to use them may introduce compatibility issues, affecting performance during test sessions.

It is fundamentally important that, if you are sitting an exam via remote invigilation, you read all of the documents on this page; [How to prepare for your on-screen written exam by remote invigilation](#).

If there is anything you are unsure of, or if you have not received the tutorial email, please contact Customer Service (telephone +44 (0)20 8989 8464 Mon to Fri: 9am – 5pm (UK time), email customer.serv@cii.co.uk, Webchat service: Mon-Fri: 8am-4pm (GMT)) as soon as possible, as this may affect your exam sitting.

On the exam day

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, flag the question, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set

- Before you start writing, take a moment to think carefully about what the question is really asking. Understanding the examiner's requirements is key to producing a strong, focused answer.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Exam Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about*. You are able to flag questions and then go back to them.

Answering different question parts

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

Always read all parts of a question before starting to answer it, otherwise you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Marks are not lost for incorrect spelling or grammar.

EXAMINERS' COMMENTS

Candidates' overall performance:

This was a small cohort, with a mixed performance. Some candidates achieved high marks overall, whereas other candidates were unable to articulate clear answers to questions.

The questions candidates typically did not perform well in were those relating to definitive rules or standards, where it is difficult to use own judgement to answer the questions if not well prepared.

Candidates' performance per question:

Question 1

Candidates generally did not achieve high marks on this question, which asked them to identify four high level competencies that may be used to measure management performance. The answer most often omitted was creating solutions or providing an example of this.

Question 2

Part (a) of this question, which asked for the principal elements of the three lines model to be identified, was well answered by some candidates. However, some candidates did not provide an adequate description or mixed up the principal elements.

Candidates performed better in part (b) of the question, which asked for examples where direct supervision could be appropriate for an employee in a financial services company.

Question 3

This question asked candidates to identify the first six steps, using Kotter's model, that was required successfully to lead a business transformation based on a scenario. Candidates did not generally achieve high marks on this question. Few candidates provided comprehensive examples of actions supporting each step, such as a need to upskill and break down silos and establishing a cross functional project team.

Question 4

This question was generally well answered by candidates. The question asked for four advantages and four disadvantages of using a face-to-face meeting for communication. Some candidates did not reference that one of the disadvantages was that often there was no written record of what was discussed or agreed.

Question 5

Candidates generally performed well in part (a) of this question, that asked for the three requirements that firms were required to consider when conducting a fit and proper assessment. The majority of candidates achieved high marks in part (b) of the question, which asked for details of the timing for a fit and proper assessment. Many candidates gained maximum marks.

Question 6

Part (a) focused on recruitment and selection and was generally well answered. Many candidates demonstrated good knowledge of this area.

Candidates also performed well in part (b) of the question, which asked candidates to state why recruitment is required to meet a business's needs. Many candidates gained three of the marks available, with meeting anticipated future demand being the mark most often missed.

Question 7

Many candidates performed well in part (a) of this question, which asked them to state three sources of training needs that may arise within a firm.

Part (b) was less well answered regarding the four features of a training needs analysis (TNA). Training needs being assessed at outset and training needs being assessed on an annual basis were often correctly identified by candidates. Other features, such as support being provided to address any needs and the quality and effectiveness of the training being reviewed on at regular intervals were noted by few candidates.

Question 8

This question tested knowledge and application of the PESOS coaching model. It was well answered by many candidates, with some candidates achieving high marks.

Question 9

Part (a) focused on the advantages of a manager using indirect evidence to make decisions on their team member's competence. This question was not answered well by many candidates. Indirect evidence providing a third-party perspective and indirect management information allowing peer comparison were the marks most often omitted.

Candidates performed better in part (b) of the question, which asked for examples of disadvantages of using indirect evidence. Many candidates performed well in this question, with the value of indirect evidence being dependent on its quality most likely to be omitted.

Question 10

This question tested knowledge of the FCA Principles for Businesses. There was a mixed performance on this question.

Question 11

This question relates to the three most relevant data protection principles that the company should consider in a given scenario. This was not well answered by many candidates, with the most challenging area relating to specific actions the company should take.

Question 12

Part (a) of this question asked candidates to state and explain the three components of corporate objectives. This was not well answered by many candidates. Some candidates provided brief explanations but did not identify the three components clearly.

Part (b) was also not well answered. Some well-prepared candidates were able to identify factors that a manager needed to consider when agreeing individual objectives with their team members, while other candidates did not answer this well.

Question 13

Candidates generally did not perform well in this question, which was testing knowledge and understanding of the components of career planning activities. Some candidates correctly listed initiatives aimed at specific categories but did not provide specific examples such as succession planning or graduate entry schemes.

Question 14

This question required examples of management information that could be used by a firm to evidence delivery of good outcomes under Consumer Duty. Some candidates answered this question well, while others did not. This remains a topical area of regulatory focus for financial services firms.

Question 15

The question tested knowledge of the objectives of the Equality and Human Rights Commission. Many candidates did not perform well in this question; some candidates misinterpreted the requirements and provided generic explanations of equality and human rights legislation.

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Instructions to candidates

Read the instructions below before answering any questions

All questions in this exam are based on English law and practice applicable in the tax year 2025/2026, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

If you are sitting via remote invigilation, please

- Write down the following number +44 (0)80 8273 9244. This is the number to call if you experience any technical issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- For each answer, please type in the full question number you are answering e.g., **1a**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches permitted.**
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Attempt ALL questions

Time: 2 hours

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

1. Identify **four** high level competencies that may be used to measure management performance. (4)

2. (a) Identify and describe briefly the principal elements of the three lines model. (6)

(b) Identify **four** instances where direct supervision would be appropriate for an employee in a financial services company. (4)

3. Johan works for Baudin, a financial advisory firm that has recently been struggling with declining market share and employee morale. The company's structure is siloed in regional offices and is resistant to change. Johan has been tasked to implement a transformation programme to improve collaboration and regain a competitive edge.

Identify the first **six** steps, using Kotter's model, that Johan needs to take to successfully lead this transformation. For **each** step, explain an action relevant to Baudin. (12)

4. State **four** advantages and **four** disadvantages of using a face-to-face meeting for communication. (8)

5. (a) List the **three** requirements that must be considered when conducting a fit and proper assessment. (3)

(b) State when a fit and proper assessment should be completed for in-scope employees. (3)

ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

6. (a) Define briefly **each** of the following and provide an example of how this could be conducted:
- (i) Recruitment. (2)
- (ii) Selection. (2)
- (b) List **four** examples of why recruitment is required to meet a business's needs. (4)
7. (a) State **three** sources of training needs that may arise within a firm. (3)
- (b) State the **four** features of a training needs analysis (TNA). (4)
8. Identify and describe briefly the **five** stages of the PESOS coaching model. (10)
9. In relation to a manager using indirect evidence to make decisions on their team member's competence, state **four**:
- (a) advantages; (4)
- (b) disadvantages. (4)
10. List **ten** Principles for Businesses, excluding acting with Integrity and Consumer Duty. (10)
11. A company plans to implement a new customer management system which will centralise all customer data and intends to use this data to develop targeted marketing campaigns.
- Identify and explain the **three** most relevant data protection principles that the company should consider. For **each** of these, provide an example of a specific action the company should take. (9)

NOTE ON MODEL ANSWERS

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

- Working with others/ any relevant example.
- Personal effectiveness/ leading by example/ any relevant example.
- Creating solutions/ any relevant example.
- Managing the team/ any relevant example.

Model answer for Question 2

- (a)
- The first line is operational management.
 - This comprises of teams implementing controls required for an organisation.
 - The second line comprises the functions that monitor the first line.
 - This is likely to include finance, HR, risk management and business assurance.
 - The third line monitors adherence to standards and provides oversight.
 - This could be an internal or external audit function.
- (b)
- For a new staff member/ trainees.
 - In cases of underperformance.
 - With new advice areas, systems or procedures/ any other example.
 - On return to the role after a period of absence.

Model answer for Question 3

- **Create a sense of urgency**
- Present data to all employees regarding declining market share and its impact.
- **Build a guiding coalition**
- Establish a cross functional project team or working party.
- **Create a vision**
- Visions statement 'to become a collaborative and leading financial advisory firm'.
- **Communicate the vision**
- Can use internal channels such as emails/ meetings/ newsletters.
- **Empower others to act on the vision**
- Might need to train and upskill, breaking down silos.
- **Plan for and create short term wins**
- Could report on early successes, achievement of milestones.

Model answer for Question 4

- Two-way method/exchange of views or ideas.
- Immediate feedback.
- Consistent message.
- More personal/body language.

Candidates would have gained full marks for any four of the following:

- Might not be received in the way it is intended/ quality depends on the individual.
- Unlikely to have a written record of what was discussed or agreed.
- Time consuming.
- Difficult to organise/ implement over multiple locations.
- Potential technological challenges.

Model answer for Question 5

- (a)
- Honesty, integrity and reputation (two out of three).
 - Competency and capability.
 - Financial soundness.

- (b)
- At the outset.
 - On an ongoing basis / annually.
 - Ad hoc / e.g. disciplinary.

Model answer for Question 6

- (a) (i)
- This refers to identifying potential candidates for the job/shortlisting.
 - It could involve personal recommendations, adverts or using an agency/ any relevant example.

- (ii)
- This refers to making a decision about who to employ.
 - This could mean interviews/psychometric tests or assessment centres/ any relevant example.

- (b)
- To replace existing staff who have left/ succession planning.
 - Meeting demand for existing services.
 - Meeting anticipated future demand for services.
 - To meet business plans that involve growth in the business.

Model answer for Question 7

- (a)
 - Environmental factors that are external to the business/ FCA, tax legislative changes.
 - Organisational companywide issues/ using a computer/ software package etc.
 - Individual factors that apply to one person/ individual performance issues from a test.
- (b)
 - Training needs must be assessed at outset.
 - Training needs must be assessed on an ongoing basis.
 - Support must be provided to address any needs.
 - The quality and effectiveness of the training must be reviewed at a regular interval.

Model answer for Question 8

- **Prepare**
- Coaching is more effective if there has been some preparation/ Coaching must have a clear and agreed objectives, timescales and a shared purpose.
- **Explain**
- The coach should ensure that the employee understand the concepts and skills that are going to be coached and practiced.
- **Show**
- The manager, or another employee competent in their skill should give a demonstration of it.
- **Observe**
- The manager should now observe the employee practising the desired skill in a role play situation using an objective observation aid.
- **Supervise/support**
- The manager should now ensure this skill is transferred to the workplace/ becomes a natural part of the individual's work practices.

Model answer for Question 9

- (a)
 - It can provide a third-party perspective.
 - It is cheaper or more convenient as the manager does not need to be observing all the time.
 - Management information readily allows trends to be identified.
 - Management information allows peer comparison.
- (b)
 - It is less reliable evidence because not seen directly by the manager/ KPI data may be inaccurate.
 - It may need to be interpreted to draw conclusions.
 - It does not provide direct evidence of an individual's conduct.
 - The value of indirect evidence depends on its quality/ if it does not measure what is important to the business then it will be limited.

Model answer for Question 10

- A firm must conduct its business with due skill, care and diligence.
- A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems/ management and control.
- A firm must maintain adequate financial resources.
- A firm must observe proper standards of market conduct.
- A firm must pay due regard to the interests of its customers and treat them fairly.
- A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
- A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
- A firm must arrange adequate protection for clients' assets when it is responsible for them.
- A firm must deal with its regulators in an open and cooperative way.

Model answer for Question 11

- **Lawfulness, fairness and transparency**
- Data is processed legally, with the customers' knowledge.
- Update the privacy policy/ obtain explicit consent/ allow for consent to be withdrawn.

- **Purpose limitation**
- Data must be collated for legitimate purposes.
- Implement controls to prevent other departments accessing the data for any other purpose/ store securely.

- **Data minimisation**
- Ensure that only relevant and adequate data is collected.
- Ensuring that only campaign data is collected / customise the data fields.

Model answer for Question 12

- (a)
- **Mission.**
 - Each organisation will have a mission that sets out the main reason for its existence.
 - **Strategic objectives.**
 - This is the organisations big picture goals to meet its mission.
 - **Business strategy.**
 - This sets out the actions and plans that enable the business to achieve its strategic objectives.
- (b) *Candidates would have gained full marks for any four of the following:*
- They should relate to corporate objectives.
 - Cover a range of criteria that are critical to the success of the business.
 - They are stated clearly and the individual understands them/ agrees.
 - They are capable of measurement.
 - They monitor not just what the individual achieves, but also how they achieve it/ is the objective achievable.
 - Time bound.

Model answer for Question 13

- **Planning and support activities**
- Long term development plans/ guidance from HR.
- **Information and advice**
- Coaching/ mentoring/ career planning courses/ career information.
- **Developmental activities**
- Secondments/ external projects.
- **Internal markets and job posting systems**
- Using job boards to encourage internal applicants.
- **Initiatives aimed at specific categories**
- Succession planning/ graduate entry schemes/ talent management schemes/ qualifications.

Model answer for Question 14

- Training and Competence (T&C) records.
- Performance management.
- Customer retention/ cancellations.
- Behavioural insights/ customer disengagement.
- Consumer feedback and complaints.
- Compliance and audit reports.
- Business monitoring of advice.
- Vulnerable clients.

Model answer for Question 15

- **Catalyst for change**
- Encourage improvement/ help organisations enact change.
- **Information provider**
- Help people understand their rights/ improve compliance.
- **Influencer**
- Shape public policy and debates.
- **Evaluator**
- Monitor the effectiveness of laws/ measure progress.
- **Enforcer**
- Protect people against abuses/ clarify equality and human rights law.

Glossary of terms

Some abbreviations candidates can you use in online written exams:

1. CPD – Continuing professional development
2. KPI – Key performance indicators
3. GDPR – General data protection regulation
4. FOS – Financial ombudsman service
5. FSCS – Financial Services Compensation Scheme
6. SM&CR – Senior Managers and Certification Regime
7. SoR – Statement of Responsibilities

February 2026 Exam - J07 Supervision in a regulated environment

Question Number	Syllabus learning outcomes being examined	
1.	1.4	The knowledge and skill requirements of a manager and the competencies displayed;
2.	1.5	Appropriate methods of control and monitoring;
3.	2.2	Change management and the application of Kotter's eight step change model;
4.	3.1	The key methods of communication;
5.	4.4	The 'fit and proper' regulatory requirements;
6.	4.1	The relationship of recruitment to business needs and elements of employment contracts;
7.	5.2	The four stages of the training cycle;
8.	6.1	The key features and applications of a coaching process, e.g. the GROW and PESOS models;
9.	6.3	The key features of assessing performance;
10.	7.1	FCA Principles for Businesses, code of conduct (COCON) and their application to regulated activities;
11.	7.4	Financial crime prevention and data protection legislation and regulations;
12.	8.1	How individual and corporate objectives are set;
13.	8.6	Career planning and development, talent management, competency-based development.
14.	9.1	Key elements of management information, linking management information to evidence a firm delivers good customer outcomes;
15.	10.5	Relevant aspects of the law on equal opportunities, discrimination, disability and human rights.