Chartered Insurance Institute

AF6 Senior management and supervision

Coursework Exemplar and Guidance

Unit AF6 – Senior management and supervision

Contents

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Introduction

This guide has been developed to provide candidates with practical guidance on how to approach assignments when completing coursework for the Advanced Diploma unit AF6.

Important information:
We strongly recommend prior to writing your assignments, that you review this exemplar along with the following information:

- ❖ The additional information found within the 'Coursework Support Centre' in RevisionMate.
  - Here you will find a suite of guidance documentation and other resources to assist you with your coursework assignments.
  - This includes all the rules that you will need to follow throughout your enrolment.
- ❖ The assignment Walkthroughs, available through RevisionMate.
  - The walkthroughs are an interactive eLearning segment for the key points of the assignment question.

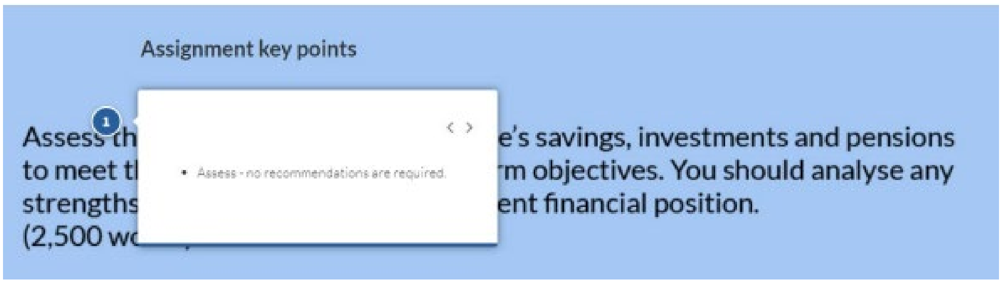
Learning outcomes and assessment criteria

The syllabus for AF6 is found on the CII website. It sets out the learning outcomes for this unit; these define what you should know by the end of your course of study. The syllabus contains a set of assessment criteria which specify what you will need to demonstrate through your assignments in order to satisfy these learning outcomes.

AF6 assignment walkthroughs

The AF6 walkthroughs are interactive eLearning segments of the assignments. The format is responsive, easily readable on mobile devices (unlike PDFs) and has allowed us to create a more interactive and engaging walkthrough by linking the guidance directly to the referred content.

Interactive hot spots have also been added (see example below) and learners can view guidance and advice directly linked to key words. The eLearning is split into multiple segments and students cannot continue past hotspot areas until all information has been accessed, ensuring all content is suitably accessed. The Walkthroughs are there to help you better understand the key requirements of each question.



Original content and referencing

Please be sure to include your own analysis and recommendations for the best chance of being awarded higher marks.

Any content within your assignment that is not directly referenced or quoted is assumed to be your own. Referencing is how you make it clear to the marker where content that isn't your own original material appears within the assignment.

If you include any content that is not your own original material, then put it in *italics* so that it is obvious that you are not passing it off as your own and cite where it has come from at the end of the sentence (you can put citations in brackets).

Please see the 'Plagiarism & collusion' section of the Coursework Support Centre on RevisionMate for details on how to reference.

Word count

The assignments have a recommended word count that should enable students to demonstrate the required application of knowledge and skills.

Marking grid

You will be required to complete three assignments to the required standard within this course. The pass mark for each assignment is 50%.

The three assignments will be assessed on the basis of:

- 30% of marks on Knowledge and understanding of the topic;
- 50% of marks on Application and analysis of the topic;
- 15% of marks on Structure, in terms of logic and coherence;
- 5% of marks on Evidence, by use of relevant work and industry examples and/or examples gained from further reading.

The marking grid below contains a detailed breakdown of the assessment methodology used to mark assignments.

This marking grid reflects the coursework assessment method where students have access to learning material and are expected to take the time to demonstrate more research and analysis, and to reference appropriate sources in their answers.

Knowledge and understanding (includes accuracy and completeness of facts) Marks weighting 30% of the 100 available marks			
Your answer identified almost all of the points of content and clearly explained these	Your answer identified most of the points of content and described these in some depth	Your answer would have benefitted by identifying more points of content and explaining these more fully	Your answer would have benefitted by identifying sufficiently more points of content and explaining these more fully
23-30 marks	15-22 marks	8-14 marks	0-7 marks

Application and analysis **Mark weighting 50% of the 100 available marks**			
Your answer showed a deep understanding of the underlying concepts and their application	Your answer showed essential understanding of underlying concepts and their application	Your answer would have benefitted by exploring the concepts and their application in more depth	Your answer would have benefitted by exploring the concepts and their application in far greater depth
39-50 marks	26-38 marks	13-25 marks	0-12 marks

Coherent structure **Mark weighting 15% of the 100 available marks**			
Your answer showed a high level of coherent structure	Your answer showed an essential level of coherent structure	Your answer would have benefitted by structuring your content more logically and better grouping of the information	Your answer would have benefitted by structuring your answer logically and paying careful attention to the grouping of information
12-15 marks	8-11 marks	4-7 marks	0-3 marks

Evidence of the use of relevant examples and/or further reading to support answers Mark weighting 5% of the 100 available marks			
Your answer showed considerable evidence of relevant examples and/or further reading	Your answer showed evidence of relevant examples and/or further reading	Your answer would have benefitted by including more relevant examples and evidence of further reading	Your answer would have benefitted by including a lot more relevant examples and evidence of further reading
5 marks	4 marks	3 marks	0-2 marks

Exemplar Assignment and Example Answers

Exemplar Assignment

A financial services firm received a significant regulatory fine for weaknesses in its treatment of customers, resulting in poor outcomes and delayed redress. The regulator also commented that some vulnerable customers may not have been identified and may therefore not have received the support needed to avoid poor outcomes.

You have been asked to assess the impact of such an event in your own regulated firm.

Produce a formal report to the Board that:

- Includes an overview of the legal and regulatory environment, with focus on Consumer Duty.
- Explains the implications for the senior management of a regulated firm of failing to protect customers from experiencing foreseeable harm.
- Makes three recommendations to ensure customers are treated fairly and supported in the attainment of their financial objectives.

(2,500 words)

Exemplar Answer

Table of Contents

Word Count: 2,002 (*excluding headers*)

Overview of the Legal and Regulatory Environment

Consumer Duty (referred to as ‘the Duty’) came into force on 31 July 2023, introducing Principle 12 to the FCA's Principles for Businesses: "a firm must act to deliver good outcomes for retail customers" (PRIN 2.1).

This suggests an "outcomes-based" approach must be taken by firms when dealing with their customers, and it has been described by the regulator a "paradigm shift".

Its stated aim of was setting clearer standards of consumer protection and ensuring customers' needs are put first.

However, for many firms it was unclear how to get to this ‘paradigm shift’, other than the need to take "all reasonable steps," judged against how a reasonable, prudent firm would act.

However this is not entirely new, as in the past the FCA communicated their four drivers of culture, which can be overlayed over the Duty:

- Purpose – which now needs to be clearly linked to customers (not just profits)
- Leadership – must focus on the needs of the customer base
- People – need to be trained, and it is also expected that in some instances to have ‘lived experience’ (e.g. borrowers in financial difficulty)
- Governance – similar to when TCF was introduced, MI is needed to evidence compliance.

The Duty is structured around a Consumer Principle (COCON 2.1.6), requiring all ‘Conduct Rules’ staff to take personal responsibility for their actions.

The Duty also introduced three cross cutting rules

- act in good faith towards retail customers;
- avoid foreseeable harm
- support customers in pursuing their financial objectives

There are also four outcomes (PRIN 2A.3–2A.6):

- products and services designed to meet identified customer needs;
- price and value that is fair and appropriate;
- consumer understanding supported by clear communications; and
- consumer support that is timely and accessible throughout the relationship.

This sits alongside other legal obligations.

- Legally, the UK GDPR and Data Protection Act 2018 govern fair and transparent use of personal information;
- the Consumer Rights Act 2015, which looks at fairness and transparency in consumer contracts;
- the Consumer Protection from Unfair Trading Regulations 2008 protect against unfair or misleading commercial practices;
- the Equality Act 2010 protects against discrimination and requires reasonable adjustments, particularly relevant to vulnerable customers.

There are many regulatory rules pre-dating the Duty, but when taken together, remind firms of what the baseline is:

- COBS 4.2.1 requires communications to be fair, clear and not misleading;
- COCON sets the expected standard of conduct for financial services employees;
- SYSC 3.1 requires systems and controls to monitor and evidence customer outcomes;
- SYSC 5 (the Competent Employees Rule) requires staff to have the knowledge to fulfil their role, including under the Duty;
- SYSC 9.1 requires adequate record-keeping to support outcome monitoring; and
- SYSC 13.9 confirms firms remain accountable even where functions are outsourced.

The Senior Managers and Certification Regime (SM&CR) also reinforces individual accountability of the same senior managers who are expected to implement the Duty.

Overall responsibility sits with the board and senior management, and it is noted that Boards must ensure that

- good customer outcomes are embedded in the firm's strategy, governance, leadership and people policies, and
- must review and approve, at least annually, an assessment of whether the firm is delivering outcomes consistent with the Duty
- act on any poor outcomes identified.

As briefly noted above, senior managers are individually accountable within their own areas of responsibility, with the Senior Manager Conduct Rules and SM&CR Duty of Responsibility establishing clear personal accountability on an ongoing basis.

However, the requirement to appoint a board-level "Consumer Duty Champion" was removed by the FCA on 27 February 2025, though overall board responsibility for embedding the Duty remains unchanged. In practice, firms found it challenging to allocate the role, as it was not clear whether it should have been a senior manager or a non-executive director of the firm.

The Duty assumes firms have already implemented existing FCA guidance on vulnerable customers (FG21/1), however many firms struggled with that implementation at the time.

The Implications for Senior Management of Failing to Protect Customers from Foreseeable Harm

Foreseeable harm is defined by the FCA as any harm which "a prudent firm acting reasonably would be able to predict or expect" as the result of its actions or omissions.

PRIN 2A.2.9 suggests that such harm may arise ‘through either act or omission, whether in a firm's direct relationship with a retail customer or through its role in a wider distribution chain, even where another firm in that chain also contributes to the harm’. In practice, this requires firms to draw on their experience and knowledge to reasonably anticipate what could go wrong.

Under the Senior Managers and Certification Regime (SM&CR), introduced in 2016, senior individuals at FCA-regulated firms are held personally responsible for conduct failures, including a failure to prevent foreseeable harm — poor customer outcomes are typically viewed as ‘a failure of governance and culture, both of which fall within senior management's remit’ (Columbia Threadneedle.).

Each Senior Manager Function (SMF) holder must have a "Statement of Responsibilities" setting out what they are accountable for, and that also needs to now link to the delivery of good customer outcomes.

The FCA has a wider range of enforcement powers: criminal, civil and regulatory. They state that their approach is underpinned by the concept of reasonableness: the most serious breaches are prioritised, and the FCA's response is proportionate to the harm, or risk of harm, caused.

Deterrent and remedial powers may be used — including fines and securing redress for customers. As seen from below, the FCA has a lot of powers, that include:

- prohibiting individuals from acting (e.g. can no longer work in financial services again)
- cancelling a firm's authorisation or registration, which means that a firm may go bankrupt
- imposing fines;
- Section 166 Skilled Person Reviews, whereby an independent party is commissioned to assess the senior manager and firm; and
- pursuing civil or criminal proceedings.

Several enforcement actions illustrate the consequences for firms failing to comply with FCA rules – albeit not a lot of enforcement action has taken place since the Duty was implemented.

- TSB Bank was fined £10,910,500 in October 2024 for failures in its treatment of customers that caused personal and financial harm to vulnerable customers — harm that was foreseeable, since adequate systems and processes would have prevented it.
- At an individual level, David Edward Weller was fined £54,000 in January 2023, had his approval withdrawn, and was prohibited from performing any function in relation to regulated activity, after giving misleading recommendations and unsuitable advice that caused customer harm — harm that would not have occurred had the advice been suitable and not misleading
- Sanctions can also apply to individuals directly, as seen when former TSB CIO Carlos Abarca was fined £81,620 by the PRA.

Depending on the nature and severity of any failing, the consequences for a firm and its senior managers can extend well beyond the immediate penalty:

- reputational damage, both personal and professional;
- decreased customer trust; adverse impact on the firm's operations, resources or profitability;
- operational implications, and needing to hire consultants to undertake remediation work
- where negligence is shown to have contributed to customer harm, exposure to civil claims that could also affect a senior manager's future career prospects.

Recommendations

The following recommendations are made to directors to implement the requirements of the Duty.

Recommendation 1 – Appoint a Vulnerability Champion and Embed Vulnerability Training

Senior managers are expected set the tone from the top and have a working environment and a culture where employees can identify customers in vulnerable circumstances, understand their needs, and act on them appropriately. As noted above, this was a requirement that predates Consumer Duty, but many firms did not fully implement.

Practical measures that the firm can take include:

- role-specific training
- introducing a vulnerability policy
- providing staff with checklists of warning signs (e.g. financial stress, missed payments, changes in circumstances)

- delivering mandatory CPD covering soft skills such as de-escalation and handling sensitive disclosures; and
- signposting staff to established practical tools such as the TEXAS framework for responding when a customer discloses sensitive information.

This matters because vulnerable customers must not be at disadvantage when compared to other non-vulnerable customers. The firm carries a heightened duty of care where additional risk of harm exists.

Whilst it may not require an additional hire, the member of staff will need dedicated time away from day-to-day responsibilities to design training, identify gaps in management information, and embed vulnerability checks into the advice process. It may also require external training from professional bodies such as UK Finance to understand what best practice looks like (e.g. they run an annual programme called the 'Vulnerability Academy')

<u>Implementation</u>

- Launch annual online training for all staff, with role-specific content for advisers, support staff, and managers.
- Include modules on Consumer Duty, vulnerable customers, financial difficulty, fair treatment, and escalation.
- Have a test with a set pass mark and record completion rates centrally.
- Use failures or weak scores to trigger follow-up coaching or one-to-one support.
- Refresh the training annually with new case studies, recent FCA fines, and internal lessons learned.
- Report completion and assessment outcomes to senior management and the board as part of governance MI.

Recommendation 2 – Strengthen Customer Communications

The FCA expects customers to be given the information they need, at the right time, in a way they can understand, so that they are equipped to make decisions that are effective, timely and properly informed.

Given the importance of this outcome, the firm should try to document the customer journey to identify the key points at which information is delivered, and whether it is of use to customers to make an informed decision.

There may also be a complication when other firms are involved in the process, for example 'manufacturers' and 'distributors', and this makes the process complicated, if other firms do not co-operate or share information. The key test is whether the firm's processes actually help customers get better outcomes. If they do not, the process needs to change — not just the wording in the policy.

A degree of "friction" could also be introduced into higher-risk recommendations, such as having an additional step (such as reflection time, or an additional call to check customer understanding before proceeding).

Communications should be tailored for disabled customers (for example, large print, audio, or braille), to treat them fairly and help them understand the communications. This is not actually new, and many firms had this practice in place already.

Content of communications can be tested on an ongoing basis — for instance through client surveys. Customer complaints may also provide useful information regarding customer outcomes.

Recommendation 3 – Build a Data-Driven Outcomes Monitoring dashboard

The FCA expects firms to "assess, test, understand and evidence" the outcomes their customers are experiencing. It is important to try and use data that is already available and then decide any additional data sources or metrics that may be needed.

For example, the management could work with compliance and IT to introduce a reporting dashboard within the firm's existing CRM system, giving the board, senior management, compliance and advisers details of how customers outcomes are delivered.

For example,
- the metrics used to track them, and the underlying data source.
- A RAG (red/amber/green) rating
- Commentary to explain what it means,
- signs of vulnerability or financial difficulty.

Additional metrics worth incorporating include
- feedback from vulnerable customers, behavioural insights
- uptake of additional support offered
- automated alerts — for example, unusually large or frequent withdrawals

A small working group could be introduced to review client feedback and complaints data (e.g. review root cause, such as communication or service issues), look at trends, and share findings with the Vulnerability champion for action.

This may assist with early warnings of issues, rather than only having MI once harm has already occurred.

Implementation

- Develop a customer outcomes dashboard
- Track management information such as complaints, vulnerable customer indicators, and product performance against expectations.
- Introduce post-interaction surveys, to gather real-time customer sentiment.
- Use RAG ratings to highlight trends in outcomes.

Summary

These recommendations are intended to give the Board a practical framework for embedding Consumer Duty on an ongoing basis, rather than treating it as a one-off programme of work. It will also make it easier for the firm to evidence how it is meeting its obligations.

Examiner comments

The mark given to this assignment is **62.**

Areas where the candidates displayed good knowledge and understanding included:
- a good explanation of the regulatory landscape, and the evolution of the regulatory regime;
- identifying a wide range of potential consequences, for both firms and senior managers, and providing practical examples of enforcement action;
- practical and relevant recommendations (however, note improvement areas below).

Areas for further improvement included the following:
- When formulating the recommendations for the Board of directors, consideration could have been given to on how to measure the effectiveness of each of the recommendations and the support required to implement these. Not all recommendations evidenced an implementation pathway.
- The first recommendation alluded to the fact that the resource may need allocated time, but there needed to be a sharper focus on resources overall (e.g. people, systems, costs).
- Whilst a dashboard was recommended, and a working group to review some of the metrics, it was unclear how any issues would be reported through the governance channels and reported to the Board. More detailed consideration could have been given to escalation routes and approach to remediation.
- Whilst there were some in text references, a bibliography also needed to be added to fully evidence the sources consulted.

Feedback comments and Turnitin

Once you have submitted your assignment, you will be able to see your Turnitin score and your Turnitin originality report through your RevisionMate account.

Assignments are marked independently by at least two markers.

If the assignment is not marked unanimously as a pass, then the assignment is discussed through a moderation process to determine the final grade.

If that grade is then confirmed as not reaching the pass standard, feedback comments will be left on the assignment and will relate directly to the reasons the markers could not award a pass. The feedback comments will not provide the answer to the question but instead direct you to the areas that you need to improve upon. These feedback comments are provided through a Turnitin feedback report, available to view in the assignment submission area on RevisionMate.

This feedback is in addition to the overall mark and the feedback codes for each marking criteria (Knowledge and understanding, Application and analysis, Coherent structure, and Evidence of the use of relevant examples/further reading to support answers) provided in your MyCII account.

You can still purchase a post-results review of marking for a report on areas for improvement, if required.