Technical Qualification	
# T Level Technical Qualification in Finance - Financial Compliance/Risk Analyst assessment	Level 3 Total Marks 24 Controlled hours 2.5
Task 1	
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.
You must plan your time and submit all required evidence at the end of the supervised period.
Your centre will advise you of the timings of the supervised period.
You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.
You must work independently throughout the supervised assessment period and should not share your work with other students.

For this task you are required to produce:

Task 1: Email to line manager

Task 2: Presentation of slides with speaker notes

– 24 marks

*Set Task Brief

You must complete the task.

Read the project brief **before** attempting the task.

Tasks

Read the case study before you attempt the tasks

(24 marks)

You are an assistant to a Risk analyst/Compliance Officer at a risk consultancy firm. One of your key clients is the Midsomer Retail Group. The client has encountered a number of internal problems and has sought your advice on resolving the situation.

Scenario

Headquartered in Basingstoke, Hampshire, UK, Midsomer Retail Group (MRG) is a large retailer specialising in clothes, furniture, banking, and food. MRG owns several retail stores in the major town and cities in the United Kingdom, Germany, Canada, and Thailand and has sound financial standing. Its goal is profit maximisation for its owners while maintaining corporate social responsibility. However, the organisation has suffered from a number of internal problems during the past five years. These problems have also impacted its reputation.

In recent supervision of its banking division by the Financial Conduct Authority (FCA), MRG was fined £250 million for not satisfactorily divulging considerable conflict of interest to its clients. The banking division failed to disclose that its wealth management advisory service favoured investing in its own, more expensive products. The FCA said, 42% of mutual fund and 31% of hedge-fund assets were invested into the MRG's products in 2018.

In a press release on Monday, an FCA spokesperson said, "The bank failed to disclose that they favour investing client's money in firm-managed mutual funds and hedge funds. Clients were denied all the facts to determine why their investment advisers were making investment decisions."

This humiliation comes when the FCA is debating imposing a fiduciary (legally bound to put client's interest of own interest) rule on many advisers that could cost the industry millions of pounds. In MRG's case, the ruling would force the Group's advisers to stop choosing investments for clients that would pay them (the advisers) more. Here, the advisers would be paid more by the investment houses for choosing more risky investment for their (the advisers) clients. Advisers will be required to invest clients' money as they would their own. The issue for MRG was, therefore, an illegal lack of disclosure and conflicts of interest.

Several newspaper reports have focused on a series of major issues affecting MRG. This includes the allegations of insider dealing. This allegation has, therefore, brought MRG into sharp focus for a potential government investigation.

Fines, legal bills, and the cost of reimbursing mistreated customers reached £55 million over the past five years. Following an internal audit, doubts have been raised about MRG's efforts in restoring customers' trust in its capabilities. This figure is higher than in the previous five-year period when the cost amounted to £30 million, the first time its internal audit department has analysed the data. Rudy Witele, head of internal audit, writes in the latest report, "This persistent level of conduct cost provisioning is worrying."

The banking division has set aside additional provisions for fines and legal costs related to the penalty levied from the FCA for the mis-selling of toxic assets (investments that have become worthless because the market for them has collapsed) in the run-up to the financial crisis. According to the internal audit report, the residential mortgage bond securitisation mis-selling scandal is responsible for £25 million of the costs incurred during the five years and is the single largest factor.

The bank has also set aside £4 million during the same period to tackle the mis-selling of payment protection insurance (PPI). Nadine Grant, managing director of the banking division, said: "It is reasonable to believe that the long-running unhappy tale of payments and provisions for PPI must come to an end sooner or later."

In the recent inspection conducted by the FCA, it was noted that the MRG's risk culture was undermanaged. The main issues pointed out in the report were:

(i) Lack of alignment between banking reward (monetary and non-monetary) practices and frameworks and indicators of good conduct

(ii) Lack of senior leadership and board oversight on issues of conduct and culture

The FCA spokesperson said, "managing culture is not a one-off event, but an ongoing effort that must be merged into day-to-day business operations.

You are required to produce:

i. An email to your line manager

ii. A presentation of slides with speaker notes

Activity 1

Using the given stimulus material and an appropriate IT package, produce an email to your line manager covering the ethical dilemmas, conflicts of interest, and conduct risk and culture issues you have found.

Your email should include:

The ethical dilemmas, conflicts of interest, and conduct risk and culture issues seen in the scenario.
The implications of these issues for Midsomer Retail Group.

(9 marks)

Activity 2

With the use of an appropriate IT package, produce a presentation with speaker notes for your line manager. This presentation is required for delivery to Midsomer Retail Group's management board on how the issues found in the organisation will be addressed

Your presentation should include:

Recommendations for how Midsomer Retail Group should address the issues you have found.

Justification for the recommendations made.

(15 marks)

Outcomes for Submission

You need to submit the following:

- an email to your line manager
- a presentation of slides with speaker notes

You will be awarded marks for:

An email to the line manager - 9 marks

Presentation of slides with speaker notes – 15 marks

The report must be saved in PDF format.

Use this naming convention:

Task_1_ethicsreport_[Registration number #]_[surname]_[first letter of first name]

Occupational specification Risk Analyst/Financial Compliance: Mark scheme outline

Occupational specialism: Mark scheme

General Marking Guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner's response is not rewardable according to the mark scheme.
- Where judgement is required, a mark scheme will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, a senior examiner should be consulted.
- Crossed out work should be marked **unless** the learner has replaced it with an alternative response.
- Accept incorrect/phonetic spelling (as long as the term is recognisable) unless instructed otherwise.

Specific Marking guidance

Levels-Based Mark Scheme Guidance

Levels-based mark schemes (LBMS) have been designed to assess students' work holistically. They consist of two parts:

1. **Indicative content**
   Indicative content reflects content-related points that a student might make but is not an exhaustive list. Nor is it a model answer. Students may make some or none of the points included in the indicative content as its purpose is as a guide for the relevance and expectation of the responses. Students must be credited for any appropriate response.

2. **Levels-based descriptors**
   Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

Examiners should take a 'best fit' approach to determining the mark.

- Examiners should first make a holistic judgement on which level most closely matches the student's response. Students will be placed in the level that best describes their answer. Answers can display characteristics from more than one level, and where this happens markers must use any additional guidance (e.g. weighting of traits) and their professional judgement to decide which level is most appropriate.

- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
  - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
  - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Task 1: Selection and interpretation of information

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	1-3	4-6	7-9
Impact of ethical dilemmas, conflicts of interest, and conduct risk and culture issues	No rewardable material.	• Demonstrates basic, accurate understanding of the issues. • Demonstrates understanding of how the key issues identified impact the organisation in the context.	• Demonstrates clear, accurate understanding of the issues. • Demonstrates clear consideration of how the issues identified impact the organisation in the context.	• Demonstrates detailed, accurate understanding of the issues. • Demonstrates thorough consideration of how the issues identified impact the organisation in the context.

Task 2: Presentation summary

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	1-3	4-6	7-9
Presentation Content	No rewardable material.	• Basic coverage of recommendations that are partially appropriate to addressing the issues identified. • Demonstrates basic lines of reasoning to support the recommendations. Points made show basic consideration of the organisation's needs in the context with regards to the recommendations.	• Generally detailed coverage of recommendations that are mostly appropriate to addressing the issues identified. • Demonstrates generally logical lines of reasoning to support the recommendations. • Points made show good consideration of the organisation's needs in the context with regards to the recommendations.	• Fully detailed coverage of recommendations that are entirely appropriate to address the issues identified. • Demonstrates thorough, logical and coherent lines of reasoning to support the recommendations. • Points made show a perceptive, thorough and detailed consideration of the organisation's needs with regards to the recommendations.

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	1-2	3-4	5-6
Quality of digital communication	No rewardable material.	• Somewhat effective communication of technical information which is somewhat appropriate for the audience and delivered with reasonable fluency and clarity • Selects and applies techniques for organising and presenting content that is somewhat appropriate • Basic use of digital features to enhance the quality of presentation.	• Mostly effective communication of technical information which is mainly appropriate for the audience and delivered in a mostly fluent and clear manner • Selects and applies techniques for organising and presenting content that is mostly appropriate • Good use of digital features to enhance the quality of presentation.	• Highly effective communication of technical information which is consistently appropriate for the audience and delivered in a fluent, clear, and concise manner • Selects and applies techniques for organising and presenting content that is fully appropriate • Excellent use of digital features to enhance the quality of presentation.

Indicative responses

1. Details of ethical dilemmas, conflicts of interest, and conduct risk and culture issues as per the case study

Ethical dilemmas

- ✓ Insider dealing

Conflicts of interest

- ✓ The bank's wealth management advisory service favoured investing in its own more expensive products
- ✓ Choosing investments for clients that would pay them (the advisers) more

Conduct risk and culture

- ✓ Mistreatment of customers
- ✓ Mis-selling of toxic bonds (mortgage bond securitisation)
- ✓ Mis-selling of payment protection insurance (PPI)
- ✓ Lack of alignment between banking remuneration practices and frameworks and indicators of good conduct
- ✓ Lack of senior leadership and board oversight on issues of conduct and culture

2. The impact of ethical dilemmas, conflicts of interest and conduct risk and culture issues on the Midsomer Retail Group

There are aspects of the indicative content that has a common thread for all three sections, e.g., reputational risk; the response given must relate to the issue (e.g., conflict of interest) discussed

Ethical dilemmas	Conflicts of interest	Conduct risk and culture
✓ The Group could be perceived as unfair if only a few selected people can trade on non-public information ✓ Confidence in the Group's financial system could be undermined, and retail investors will not want to participate in rigged markets ✓ Insiders with non-public information would be able to avoid losses and benefit from gains. Effectively, the inherent risk that investors without the undisclosed information take on is eliminated ✓ If potential investors give up on markets, the business could have more difficulties raising funds. ✓ It can rob the investors without non-public information of receiving the full value of their securities, and hence the Group could be seen as dishonest	✓ Can erode the trust clients may have in the Group/adviser ✓ Can lead to reputational risk (dishonest, loss of sales) ✓ Can lead to financial risk (loss of clients, fines) ✓ Can damage the Group's image ✓ Can cause suspicion in the Group's dealings with investors (dishonest, seen as incompetent) ✓ Can jeopardise the trade secret of the Group and its operations ✓ Creates a potential problem of trust between the individual and the Group ✓ Can lead to closer supervision of the Group by the FSC (regulatory) ✓ Loss of the Group's license to practice	✓ Reputational risk can put the Group's management in a crisis mode (could find it difficult raising capital, loss of sales, seen as incompetent) ✓ Financial risk (fines, lawsuits, loss business) ✓ Can lead to closer FSC supervision (regulatory) ✓ Culture can be a driver of sustainability – can make or break the Group ✓ Outsized incentives for the risk taken which incentivised potential gains against limited sharing of potential losses ✓ Loss of the Group's license to practice

3. Recommendations/solutions for addressing the ethical dilemmas, conflicts of interest and conduct risk and culture issues to maintain market integrity of the Group

Ethical dilemmas	Conflicts of interest	Conduct risk and culture
✓ Limit risky trading ✓ Appoint an in-house supervisory body ✓ Ensure that employees are educated on insider trading ✓ Act promptly to investigate insider trading ✓ Use technology to avert insider trading	✓ All conflicts must be communicated so a client can fairly judge the investment advice they are receiving. ✓ Ensure staff are appropriately qualified ✓ Ensure that incentives are appropriately aligned to the work to be carried out ✓ A more robust internal audit system ✓ Greater oversight at the board level to deal with any possible conflicts of interest ✓ Design a Conflict-of-Interest Policy in line with the applicable regulations of the FSC. ✓ Frequently train and educate team members on the Policy. ✓ Employ technologies that help team members declare potential conflicts of interest	✓ Refinement and or re-articulation of bank purpose and values, with the subsequent establishment of extensive communication and training programs ✓ Heightened engagement at the board level on conduct and culture issues ✓ Modification of compensation and performance management schemes to incorporate not just financial results but also behavioural considerations ✓ Design and implement more robust remuneration practices that will align with strong conduct and culture outcomes. ✓ Use international best practices on strengthening conduct and culture. ✓ Integrate non-financial performance measurements (for example, conduct, customer outcomes, assessment against the Group's values) into the remuneration schemes. ✓ Ensure that serious shortfalls in conduct can result in material reductions in compensation, career progression and, where necessary, termination.

Technical Qualification	
T Level Technical Qualification in Finance - **Financial Compliance/Risk Analyst assessment**	**Teacher Guidance**
Task 2	
This document contains teacher guidance for the assessment due to take place for above. The set tasks must be taken under supervised conditions. This set task must be undertaken between [Day Month YYYY] and [Day Month YYYY].	
Total Marks: 18 **Controlled Hours: 2**	

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Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions to Teachers/Tutors and/or Invigilators

This paper must be read in conjunction with information on conduct for the task in the unit specification and the Information for Conducting External Assessments (ICEA) document.

The set task should be carried out under supervised conditions. This booklet is specific to each task and this material must be issued only to students who have been entered to take the assessment in the specified series. This booklet should be kept securely until the start of the supervised assessment. This assessment should be undertaken in the window timetabled by Pearson.

Where work should be completed on a computer, internet access is not permitted for this task.

During any breaks, materials must be kept securely.

All student work must be completed independently and submitted to Pearson by the Teacher/Tutor and/or Invigilator.

Students must not bring anything into the supervised environment or take anything out without your knowledge and approval.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

The time for printing for any digital work does not form part of the assessment duration.

The centre must ensure the student has access to all the required resources for the session. For this session, along with this task booklet, the student must have access to the following:

- PC with word processing software

Maintaining security:

- User areas must only be accessible to the individual student and to named members of staff.
- Students can only access their work under supervision.
- Internet access is not permitted.
- Student work is regularly backed up. Students will save their work to their folder using the naming instructions indicated in each activity.
- Any work students produce under supervision must be kept secure.
- Any materials being used by students must be collected in at the end of each session and stored securely.

Outcomes for Submission

A formal written report will need to be submitted by each student.

18 marks in total

Technical Qualification	
T Level Technical Qualification in Finance - **Financial Compliance/Risk Analyst assessment**	Level 3 Total Marks 18 Controlled hours 2
Task 2	
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.
You must plan your time and submit all required evidence at the end of the supervised period.
Your centre will advise you of the timings of the supervised period.
You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.
You must work independently throughout the supervised assessment period and should not share your work with other students.

*Set Task Brief

You must complete the task.

Read the brief **before** attempting the task.

<u>Task 2</u>

You have 2 *hours to complete this task.*

Please read the following:

The Board of Midsomer Retail Group has a responsibility to govern the Group in the interests of its shareholders. An executive team of Directors and senior management highlight risks as and when they become apparent. The Group's system of internal control and risk management is monitored and reviewed by the Board, the Audit Committee and senior management. The Group believes that it has complied with the Financial Reporting Council's (FRC's) risk guidance throughout the year and has clear risk policies and procedures.

You have identified the following factors as potential risks to, and uncertainties concerning, the successful operation of its business and these have been discussed recently with members of the senior team at Midsomer Retail Group:

- Key suppliers and other third parties with whom the Group has brand relationships have been struggling to maintain their cash flows and are not operating profitably.
- There have been allegations made about poor practices such as zero hours contracts given to workers as well as wages being below the minimum wage.
- Online shopping has drawn many customers to prefer home deliveries rather than shopping in high street stores as venues pose a health risk.
- Not all suppliers have signed up to the Group's Supply Policy/Code of Conduct and transport delays have been reported intermittently together with some strikes reported in several EU countries as the UK is no longer a member of the EU.
- Cyber failures and attacks- online sales and advertising have been increased and are key to the Group's strategy going forward.
- The senior team of Midsomer Retail Group told you of their plans to develop a new facility for the Group's retail customers through the introduction of the "Midsomer Credit Card" and have plans to open retail stores in New York and Washington, USA.
- Midsomer Retail Group plans to launch a credit card facility to encourage cardholders to buy from its stores, accumulate points and vouchers, and be loyal customers.
- You have found that purchasing cultures in UK and USA are similar and trade between USA and UK rose to an all- time high of US$140 billion in 2019 but economic growth prior to that has been reversed, as a result of the Covid19 pandemic.

Tasks

Produce a formal written report for the senior team at Midsomer Retail Group, using the stimulus material given and an appropriate IT package.

The report should include:

a) The risk exposures in the scenario
The implications of the risks for Midsomer Retail Group. (9 marks)

b) Recommendations for how Midsomer Retail Group should mitigate these risks. Justify your recommendations. (9 marks)

(18 marks in total)

Outcomes for Submission

You need to submit the following:

- a formal written report to the Senior Team of Midsomer Retail Group.

You will be awarded marks for:

Written report to the Senior Team of Midsomer Retail Group – 18 marks

The report must be saved in PDF format.

Use this naming convention:

Task_2_communicatingrisksreport_[Registration number #]_[surname]_[first letter of first name]

Mark scheme outline

Occupational Specialism: Mark scheme

General Marking Guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner's response is not rewardable according to the mark scheme.
- Where judgement is required, a mark scheme will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, a senior examiner should be consulted.
- Crossed out work should be marked **unless** the learner has replaced it with an alternative response.
- Accept incorrect/phonetic spelling (as long as the term is recognisable) unless instructed otherwise.

Specific Marking guidance

Levels-Based Mark Scheme Guidance

Levels-based mark schemes (LBMS) have been designed to assess students' work holistically. They consist of two parts:

1. **Indicative content**

Indicative content reflects content-related points that a student might make but is not an exhaustive list. Nor is it a model answer. Students may make some or none of the points included in the indicative content as its purpose is as a guide for the relevance and expectation of the responses. Students must be credited for any appropriate response.

2. **Levels-based descriptors**

Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

Examiners should take a 'best fit' approach to determining the mark.

- Examiners should first make a holistic judgement on which level most closely matches the student's response. Students will be placed in the level that best describes their answer. Answers can display characteristics from more than one level, and where this happens markers must use any additional guidance (e.g. weighting of traits) and their professional judgement to decide which level is most appropriate.

- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
    - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
    - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Indicative Content:

RISK EXPOSURE FROM THE SCENARIO	IMPLICATIONS FOR MIDSOMER RETAIL GROUP	RECOMMENDATIONS FOR MITIGATION WITH JUSTIFICATION
Key suppliers and others with whom Midsomer Retail Group has brand relationships are not operating efficiently and profitably	The suppliers' lack of cash flow and lack of profitability may force Midsomer to seek alternative suppliers if these and third parties fail. The financial position may delay supplies and require Midsomer to shorten the time it takes to pay these existing suppliers putting stress upon its own cash flow position.	Research alternative suppliers and brand "partners". Review the cash flow forecasts of Midsomer Retail Group to see if savings can be made and earlier settlement/payment to creditors can be achieved. These points are justified as they are vital steps in the process of ensuring financial viability and stability of supplies.
Poor HR practices re low wages and zero hours contracts are identified.	The HR practices exposed could harm the reputation of Midsomer Retail Group and prevent it from operating with confidence and recruiting staff successfully.	Review all HR practices to ensure they meet legal and regulatory requirements. This will ensure that the reputation of the Group is intact and help it to avoid litigation and fines.
Online shopping is creating greater competition for high street stores.	Sales and income for the Group are threatened and reduced as the competition takes hold of the market.	Develop the Group's own online facilities including those that expand the customer base.

		This is justified to pivot the business to meet challenge and competition.
Strikes have occurred and suppliers in EU countries are no longer as easy to work with.	Delays are evident in transportation of goods which will affect the Group's ability to service its customers in a timely manner.	See UK based supplies to avoid the transport delays and the effect of bureaucracy. This is justified to protect customers and provide continuity in meeting customers' needs.
Cyber failures and attacks	Online sales and advertising that has increased can be jeopardised by hacking.	Carry out cyber security audit and increase internal controls. This is to protect data and maximise opportunities safely.
Introduction of a new company credit card facility and develop in new unchartered markets in the USA.	It may expose Midsomer Retail Group to risks of not being culturally literate and not having the mechanisms in place to operate these facilities viably and effectively.	Use careful planning and specialist expertise to check that all resources are in place to develop opportunities effectively. This may then expand networks, replace failing business operations and safeguarding the company's future operations and success.

Mark Scheme

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Impact of risk exposures	No rewardable material.	• Demonstrates some accurate understanding of the issues. • Limited consideration of how the issues identified impact on the organisation in the context.	• Demonstrates mostly accurate understanding of the issues. • Competent consideration of how the issues identified impact on the organisation in the context.	• Demonstrates accurate, thorough and detailed understanding of the issues. • Perceptive consideration of how the issues identified impact on the organisation in the context.

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Recommendations	No rewardable material.	• Some coverage of recommendations that are partially appropriate to addressing the issues identified. • Demonstrates some lines of reasoning to support the recommendations. • The report has some structure and is clear in parts. Its appropriateness for the technical audience and use of technical language is limited	• Generally detailed coverage of recommendations that are mostly appropriate to addressing the issues identified. • Demonstrates generally logical lines of reasoning to support the recommendations. • The report is generally well structured, mostly clear, broadly appropriate for the audience and uses technical language mostly appropriately.	• Fully detailed coverage of recommendations that are entirely appropriate to addressing the issues identified. • Demonstrates thorough, detailed, logical and coherent lines of reasoning to support the recommendations. • The report is well structured, clear, concise, fully appropriate for the audience and uses technical language appropriately.

Technical Qualification	
T Level Technical Qualification in Finance **Financial Compliance/Risk Analyst assessment**	Level 3 Total Marks 18
Task 3	Controlled hours 2
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.
You must plan your time and submit all required evidence at the end of the supervised period.
Your centre will advise you of the timings of the supervised period.
You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.
You must work independently throughout the supervised assessment period and should not share your work with other students.

This booklet contains assessment tasks as follows:

Task 3:

As an assistant to the Group's Compliance Officer, you are required to prepare a report for an upcoming board meeting to discuss how the Group can better manage the issues it currently faces.

(18 marks)

Set Task Brief

You must complete the task.

Read the following brief **before** attempting the task.

Task 3

You have 2 *hours* to complete this task.

Introduction

Midsomer Retail Group (MRG) has a financial banking division. The organisation has recently come under close supervision by the Financial Conduct Authority (FCA) for unfair treatment of its customers and not always adhering to the regulatory framework. Principle 6 of the FCA's principles (PRIN) says: 'A firm must pay due regard to its customers' interests and treat them fairly,' but other principles also apply to this area of business behaviour.

In a recent supervision, MRG was fined £32 million for the poor treatment of its more than 1.6 million struggling customers, prompting the FCA to warn lenders over the mistreatment of customers facing financial difficulty during the Covid-19 crisis. MRG was found to have mistreated business and personal customers who were in financial hardship and fell in arrears on credit card and loan payments between 2016 and 2020. The FCA said that MRG had failed to properly contact customers who had fallen behind with payments and had not had suitable conversations with customers about their circumstances individually.

This meant MRG had offered struggling customers unaffordable or unsustainable payment plans. This could put the customers under pressure to prioritise their MRG debt over other main financial obligations. The FCA said MRG had ultimately "failed to treat customers fairly or to act with due skill, care and diligence. Customers must be able to have confidence that their lender would help resolve any financial problems, rather than make them worse."

An FCA poll of senior management within the UK financial services firms found almost all the respondents (85%) claimed that not having a Brexit deal would have caused the sector to fail. The FCA noted that the UK financial services industry is robust and has shown great responsiveness since the Brexit deal, coping well during unclear market conditions.

In a recent meeting of the MRG 's board of directors, concerns were raised over the impact of Brexit on its banking division, given that it operates in other countries across Europe and the rest of the world. One board member noted, "As anticipated, there is not much directly related to financial services firms in the deal". The board member noted further:

"The UK Government has announced its intentions on regulatory equivalency, but the EU has not yet reciprocated this. The focus for the banking division of MRG will be what it can achieve through trade deals and regulatory cooperation with main financial services hubs across the world, given that it operates digitally and employs a considerable number of people outside of the EU, namely in Canada, and Thailand. The financial services industry is one of the UK's biggest industry exports; the end of the transition period for Brexit is just one milestone."

In May 2020, MRG announced changes to the Board and senior management. The announcement stated that the Chairman would stand down with effect from September 1 2020, and the Chief Executive Officer (CEO) will remain in the post and be appointed Executive Chairperson.

In its corporate governance statement for the year ending May 29, 2020, MRG's head of compliance stated that they had complied with all the code of corporate governance provisions. A letter was sent to the shareholders dated June 4, explaining how MRG benefits from the CEO's extensive experience.

The move towards digitising MRG's financial products raises important questions around customer data, fairness, and dealing with vulnerable customers. This requires MRG to tread a careful path.

The change in focus from human-enabled to digitally-enabled customer journeys moves MRG into various regulatory and technological areas, which need careful consideration and navigation. In a digital world, humans are not always required to examine the customer's understanding of risk. The danger is greater for customers buying financial services or products without understanding the related risks.

In such an intricate data-sharing environment, the various participants' relationship may be less immediately apparent; and their respective regulatory responsibilities are more challenging to identify and communicate clearly to customers.

Task 3

As a consultant for MRG's Compliance Officer, you are required to prepare a report for the Board for an upcoming meeting to discuss how MRG can better manage the issues it currently faces.

The report should include:

a) The potential non-compliance issues in the scenario.
The consequences of non-compliance for MRG.

(9 marks)

b) Recommendations for how MRG could ensure compliance with all relevant regulations. Justify your recommendations.

(9 marks)

(18 marks)

Outcomes for Submission

You need to submit the following:

- a formal written report to MRG's Compliance Officer.

You will be awarded marks for:

Written report to the Compliance Officer of MRG

(18 marks)

The report must be saved in PDF format.

Use this naming convention:

Task_3_communicatingregulatorycompliancereport_[Registration number #]_[surname]_[first letter of first name]

Mark scheme outline

Occupational Specialism: Mark scheme

General Marking Guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner's response is not rewardable according to the mark scheme.
- Where judgement is required, a mark scheme will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, a senior examiner should be consulted.
- Crossed out work should be marked unless the learner has replaced it with an alternative response.
- Accept incorrect/phonetic spelling (as long as the term is recognisable) unless instructed otherwise.

Specific Marking guidance

Levels-Based Mark Scheme Guidance

Levels-based mark schemes (LBMS) have been designed to assess students' work holistically. They consist of two parts:

1. **Indicative content**
   Indicative content reflects content-related points that a student might make but is not an exhaustive list. Nor is it a model answer. Students may make some or none of the points included in the indicative content as its purpose is as a guide for the relevance and expectation of the responses. Students must be credited for any appropriate response.

2. **Levels-based descriptors**
   Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

Examiners should take a 'best fit' approach to determining the mark.

- Examiners should first make a holistic judgement on which level most closely matches the student's response. Students will be placed in the level that best describes their answer. Answers can display characteristics from more than one level, and where this happens markers must use any additional guidance (e.g. weighting of traits) and their professional judgement to decide which level is most appropriate.

- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
  - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
  - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Indicative responses

1. The potential non-compliance issues in the scenario.

Treating customers fairly	Brexit	Corporate Governance	Hotspot
✓ Unfair treatment of customers ✓ Failure to properly contact customers (business and personal) who had fallen behind with their payments ✓ Not discussing with customers, the issues concerning their, the customers, individual circumstances ✓ Offered struggling customers unaffordable or unsustainable payment plans ✓ Not always adhering to the regulatory framework	✓ Non-existence of a Brexit deal could cause the sector to fail ✓ MRG banking division could be impacted negatively given that it operates digitally and employs a considerable number of people in other European countries and the rest of the world ✓ EU non-reciprocation of equivalency ✓ Seeking trade deals and regulatory cooperation with main financial services hub across the world	✓ The CEO and the Executive Chairman are the same person ✓ Non-compliance with corporate governance code ✓ Not fully consulting major shareholders in advance of the appointment of the executive chairman	✓ Customers buying financial services or products without understanding the related risk ✓ Participants' data-sharing relationship may be less apparent ✓ Regulatory responsibilities more challenging to identify and communicate clearly to customers ✓ The change in focus from human-enabled to digitally-enabled customer journeys

2. The consequences of non-compliance for MRG

Treating customers fairly	Brexit	Corporate Governance	Hotspot
✓ Reputational damage ✓ Can lead to financial risk (loss of customers, lawsuits) ✓ Damage to the MRG's image ✓ Closer supervision of the MRG/bank division by the FCA (regulatory) ✓ Risk of financial mis-selling ✓ Significant level of complaints ✓ Poor customer retention ✓ Closure of business - the potential loss of MRG's/banking division license to practice ✓ High staff turnover (loss of current and potential staff) ✓ Potential problem of trust between the individual and MRG and or the banking division ✓ Potential imprisonment	✓ The loss of the ability to trade freely or "passporting" has ended, affecting MRG financial advisers' operation being able to sail in and out of Europe, impacting the bank's financial services provision. ✓ Financial services is a main export for the UK, so there will be the need for key policy work in both the EU and the UK. ✓ Non-reciprocation of equivalency – would make the cost of doing business more expensive for MRG and the clients served - market efficiencies and competitiveness of the market could be impacted both in the UK and the EU ✓ Restrictions around permission to work in other EU countries ✓ Compliance risk ✓ End to mutual recognition of professional qualifications and experience.	✓ Lack of confidence in the MRG/banking division by the shareholders ✓ Difficulty in raising capital ✓ Loss of potential investors ✓ Poor/no risk management – MRG may engage in bad investments, for example, extending credit to those unlikely to pay ✓ Increased supervision from the FCA ✓ Closure of business - the potential loss of MRG's/banking division license to practice ✓ Reputational risk ✓ Damage to the MRG's image ✓ Can lead to financial risk ✓ Legal risk	✓ Financial products not tailored to the needs of consumers ✓ Increased risk of lack of clarity on which products are offered, and the extent of the market examined ✓ Lack of understanding by consumers on the extent and nature of the banking data being shared with third parties ✓ Lack of trust in the use of digitally-enabled decision-making activities ✓ Risk of price discrimination and bias against particular customer segments ✓ Customers who do not have access to or are unable to navigate digital channels to include the vulnerable may find themselves financially excluded ✓ The iterative and developing nature of digital channels powered by AI generate nuanced hotspots about governance and controls

3. Recommendations for how MRG could ensure compliance with all relevant regulations. Justify your recommendations

Treating customers fairly	Brexit	Corporate Governance	Hotspot
✓ Ensure staff are appropriately qualified ✓ Create a robust internal audit system, for example, to monitor customer feedback/post-sale service and checking whether the products are meeting the needs of the target customers continuously ✓ Greater oversight at the board level to deal with how customers are treated ✓ Design a Treating Customers Fairly Policy in line with the applicable principles of the FCA, Principle 6. Other principles include Principle 1, 7, 8 and 9. ✓ Frequently train and educate team members on the Treating Customers Fairly Policy. ✓ Employ appropriate technologies that can help the team identify where there could be a potential risk or breach of the FCA's guiding principles	✓ For the UK, policymakers must create the strongest future for its financial services to ensure that MRG's banking division can remain competitive. ✓ Agreements on data sharing and migration will be paramount, as well as financial services agreements. ✓ Having equivalency would allow free access to the market where appropriate, therefore, reducing the cost of doing business. ✓ Ensure that cooperation with the EU hubs is maintained so that MRG can operate without disruption ✓ New agreement on professional qualifications and experience will need to be formed	✓ The CEO and the Executive Chairman should not be the same person ✓ The board of directors should set and enforce clear lines of responsibility and accountability throughout the organisation ✓ The board should ensure that there is appropriate oversight by senior management consistent with board policy ✓ The bank should be governed in a transparent manner ✓ The board and senior management should understand the bank's operational structure, including where the bank operates in jurisdictions or through structures that impede transparency ✓ The board of directors should approve and oversee the bank's strategic objectives and corporate values that are communicated throughout the banking organisation	✓ There should be clear communication about how MRG use the data of customer and digital-enabled solutions in building and maintaining trust ✓ There should be explicit consent from individuals to use their personal data to perform automated decision-making or profiling activities ✓ There must be transparency around the products offered, and the extent of the market examined to fully understand the nature of the product or service they are buying to maintain trust. ✓ Digital-enabled solutions can help to identify vulnerable customers and in providing timely support ✓ There needs to be an assessment of whether decision drivers are in line with the MRG's risk appetite and ethical standards

✓ Ensure that serious shortfall in conduct will lead to some form of penalty to include termination of employment ✓ Product design and testing by considering individual needs and circumstances of customers		✓ Board members should be qualified for their positions, have a clear understanding of their role in corporate governance and be able to exercise sound judgment about the affairs of the bank	✓ Constant monitoring, testing, and updating of the training data are integral to deploying digital-enabled solutions at scale ✓ Creating the right governance, controls, and communication is integral to the success of the digital-enabled customer journey ✓ There must be appropriate controls about the accuracy, integrity, and completeness of data for providing the right product in a timely manner

Mark grid

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Impact of non-compliance issues	No rewardable material.	• Demonstrates some accurate understanding of the issues. • Limited consideration of how the issues identified impact on the organisation in the context.	• Demonstrates mostly accurate understanding of the issues. • Competent consideration of how the issues identified impact on the organisation in the context.	• Demonstrates accurate, thorough, and detailed understanding of the issues. • Perceptive consideration of how the issues identified impact on the organisation in the context.

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Recommendations	No rewardable material.	• Some coverage of recommendations that are partially appropriate to addressing the issues identified. • Demonstrates some lines of reasoning to support the recommendations. • The report has some structure and is clear in parts. Its appropriateness for the technical audience and use of technical language is limited	• Generally detailed coverage of recommendations that are mostly appropriate to addressing the issues identified. • Demonstrates generally logical lines of reasoning to support the recommendations. • The report is generally well structured, mostly clear, broadly appropriate for the audience and uses technical language mostly appropriately.	• Fully detailed coverage of recommendations that are entirely appropriate to addressing the issues identified. • Demonstrates thorough, logical, and coherent lines of reasoning to support the recommendations. • The report is well structured, clear, concise, fully appropriate for the audience and uses technical language appropriately.

Technical Qualification	
T Level Technical Qualification in Finance - Financial Compliance/Risk Analyst assessment	**Teacher Guidance**
Task 4a	
This document contains teacher guidance for the assessment due to take place for above. The set tasks must be taken under supervised conditions. This set task must be undertaken between [Day Month YYYY] and [Day Month YYYY].	
Total Marks: 27 **Controlled Hours: 2.5**	

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Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions to Teachers/Tutors and/or Invigilators

This paper must be read in conjunction with information on conduct for the task in the unit specification and the Information for Conducting External Assessments (ICEA) document.

The set task should be carried out under supervised conditions. This booklet is specific to each task and this material must be issued only to students who have been entered to take the assessment in the specified series. This booklet should be kept securely until the start of the supervised assessment. This assessment should be undertaken in the window timetabled by Pearson.

Where work should be completed on a computer, internet access is not permitted for this task.

During any breaks, materials must be kept securely.

All student work must be completed independently and submitted to Pearson by the Teacher/Tutor and/or Invigilator.

Students must not bring anything into the supervised environment or take anything out without your knowledge and approval.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

The time for printing for any digital work does not form part of the assessment duration.

The centre must ensure the student has access to all the required resources for the session. For this session, along with this task booklet, the student must have access to the following:

- PC with word processing software

Maintaining security:

- User areas must only be accessible to the individual student and to named members of staff.
- Students can only access their work under supervision.
- Internet access is not permitted.
- Student work is regularly backed up. Students will save their work to their folder using the naming instructions indicated in each activity.
- Any work students produce under supervision must be kept secure.
- Any materials being used by students must be collected in at the end of each session and stored securely.

Outcomes for Submission

Data comparison with trends and implications, an email to your manager & Financial projections with justifications.

Technical Qualification	
T Level Technical Qualification in Finance - **Financial Compliance/Risk Analyst assessment**	Level 3 Total Marks 27 Controlled hours 2.5
Task 4a	
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.
You must plan your time and submit all required evidence at the end of the supervised period.
Your centre will advise you of the timings of the supervised period.
You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.
You must work independently throughout the supervised assessment period and should not share your work with other students.

*Set Task Brief

You must complete the task.

Read the brief **before** attempting the task.

Task 4a

You have 2.5 hours to complete this task.

Please read the following:

You work as a Risk Analyst for a financial firm. You have been asked to do assist one of their clients called Midsomer Retail Group. You have obtained data based on the Group's past performance as well as some tentative forecasts and proposals for further expansion through acquisitions.

Key Performance Indicators

Midsomer Retail Group's performance can be reviewed by using Key Performance Indicators (KPIs). You have obtained the following data based on the 52 weeks ended 30 April 2018, 2019 and 2020.

INDICATOR	2020	2019	2018	Average
Group Revenue	£400m	£370m	£340m	£370m
Group gross margin	40%	43%	44%	42.3%
Underlying earnings per share	15p	18p	19p	17.3p
Net debt	£36m	£38m	£40m	£38m
Number of retail stores	350	330	300	326.67
Workforce turnover	30%	24%	22%	25.3%

During 2020 the Group purchased another retail company called Best Digital plc. This company has 23 stores some of which have not done well and so these reduced the gross margin of Midsomer Retail Group in 2020 compared to that in 2019. This result was 70% due to job disruptions arising from the effect of Covid19 and 30% due to the closure of 3 of the stores purchased as part of Best Digital plc.

There is a lack of opportunity for staff to be re-engaged elsewhere in the Group, even in online sales sections, because of the lack of training and retraining facilities. Midsomer Retail Group has not re-negotiated contracts with suppliers or rental agreements with landlords since purchasing Best Digital plc.

The Group's largest retailer is UK Sales plc which has stores throughout England, Wales, and Northern Ireland. It also has online sales and a central contact centre based in India.

You have obtained the following information about the financial results of UK Sales plc in 2020 and 2019.

UK SALES plc	2020	2019	Average
Revenue	£220m	£200m	£210m
Cost of Sales	£180m	£140m	£160m
Gross Profit	£40m	£60m	£50m
Gross Profit Margin	18%	30%	24%

Excluding acquisitions revenue was reduced by the temporary closure of retail stores due to the Covid19 pandemic. Gross margins decreased and store costs rose because of the period of store closures, and the added costs of security and provisioning.

The store portfolio for UK Sales plc for 2020 and 2019 is as follows:

STORE ACTIVITY	2020	2019
OPENED	2	4
ACQUIRED	3	5
CLOSED	10	2
Area (sq ft)	Approx. 4m	Approx. 5m

Rest of the world averages based on economic data for the retail industry are as follows for 2020 and 2019:

WORLD AVERAGES	2020	2019	Average
Group revenue	£174m	£185m	£179.5%
Gross Profit margin	47%	50%	48.5%
Net debt	£30m	£25m	£27.5m
Workforce turnover	28%	25%	26.5%

The concept of larger stores with multiple aspects and plenty of choice is seen as vital to maintaining the appeal of the face- to- face shopping concept. The effect of the Covid19 pandemic has significantly increased the importance and popularity of online sales, which are increasing by at least 20% year on year.

It is anticipated that revenues and profit levels will reduce by a further 10% year on year. These can be reduced by half if there is ongoing investment in and focus on the Group's online sales facilities and staff training.

Tasks

Task 4a

You have been asked to produce a set of documents for the client, Midsomer Retail Group, using appropriate IT packages.

a) Consider the data provided for:

1. profit levels
2. workforce turnover

You should present your findings using bar charts or line graphs. Establish trends and the implications of your findings regarding control of costs and reduction of workforce turnover.

9 *marks*

b) Produce an email to your line manager using the stimulus material given and an appropriate IT package covering the potential risks to Midsomer Retail Group (your client) of:

1. Retail market forces
2. Workforce issues
3. Group reputation and the value of its shares

Your email should include:

- The potential risks related to retail market forces, workforce issues, and group reputation and share value.
- The implications of these risks for Midsomer Retail Group.

9 *marks*

c) Produce financial projections based on the information available to include:

1. Details about the assumptions that you have made.
2. Recommendations to your client, Midsomer Retail Group of how it can improve its business performance in the next 2 years.

9 *marks*

Outcomes for Submission

You need to submit the following:

- Data comparison with trends and implications identified
- An email to your line manager
- Financial projections

You will be awarded marks for:

Data comparison with trends and implications -9 marks

An email to your line manager – 9 marks

Financial projections with justification – 9 marks

The report must be saved in PDF format.

Use this naming convention:

Task_4a_potentialrisksandfinancialforecasts_[Registration number #]_[surname]_[first letter of first name]

<u>Mark scheme outline</u>

Occupational Specialism: Mark scheme

General Marking Guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner's response is not rewardable according to the mark scheme.
- Where judgement is required, a mark scheme will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, a senior examiner should be consulted.
- Crossed out work should be marked **unless** the learner has replaced it with an alternative response.
- Accept incorrect/phonetic spelling (as long as the term is recognisable) unless instructed otherwise.

Specific Marking guidance

Levels-Based Mark Scheme Guidance

Levels-based mark schemes (LBMS) have been designed to assess students' work holistically. They consist of two parts:

1. **Indicative content**

Indicative content reflects content-related points that a student might make but is not an exhaustive list. Nor is it a model answer. Students may make some or none of the points included in the indicative content as its purpose is as a guide for the relevance and expectation of the responses. Students must be credited for any appropriate response.

2. **Levels-based descriptors**

Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

Examiners should take a 'best fit' approach to determining the mark.

- Examiners should first make a holistic judgement on which level most closely matches the student's response. Students will be placed in the level that best describes their answer. Answers can display characteristics from more than one level, and where this happens markers must use any additional guidance (e.g. weighting of traits) and their professional judgement to decide which level is most appropriate.

- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
    - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
    - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Task 4a Documents for the client: **Indicative content**	Typical responses may include: **Part a** • Average gross margin for the Group at 42.3% and for UK Sales at 24%. • Bar charts demonstrating levels of Gross Profit Margin for the Group between 2018 and 2020 and for UK Sales for 2019 and 2020. • Trends of falling Gross Profit Margins in the Group by 4% from 2018 to 2020 and in UK Sales by 12% from 2019 to 2020. • Implications that the Group and UK Sales both need to address the fall in Gross Profit despite increased revenue through more effective control of costs. The control of costs is best achieved through change of suppliers/renegotiation of contracts and agreements/reduction of salaried costs and reduction of any other relevant business expenses. • Average workforce turnover for the Group at 25.3% and for the World at 26.5%. • Bar charts demonstrating levels of workforce turnover for the Group between 2018 and 2020 and for UK Sales for 2019 and 2020. • Trends of increasing workforce turnover in the Group by 8% from 2018 to 2020 and in the World by 3% from 2019 to 2020. • Implications that the Group and UK Sales both need to address the increases in workforce turnover which is more than the world average through looking at training and other measures to keep staff such as pay structures and job variety through online sales. **Part b** • Retail market forces- world averages of revenues are reducing causing greater strain on finances. The threat of competition from online sales offered by other businesses have grown by 20% and this will increase store closures on the High Street. • Workforce issues- job losses are caused by store closures. Job insecurity and low morale among staff may reduce the confidence of the Group's staff. • Group reputation and value of shares- Earning per share has reduced from 19p to 15p per share (a fall of 21%) between 2018 and 2020 which may have reduced investor confidence, shareholder satisfaction levels and the value of the Group's shares. **Part c** • Financial projections and details of assumptions made showing 5% reductions in revenues and gross profit margins year on year (based on information given in the scenario and the assumption of no further reductions above this). • Recommendations to the client, Midsomer Retail Group, about how it can improve its business performance over the next 2 years including investment in online sales facilities, staff training, careful consideration of the viability of individual stores, potential store closures and focus on the concept of larger stores with plenty of choice for customers.

Assessment focus	Answer	Mark

Part A
 	
Graphs
	• Axes: correct way round, labelled, suitable scale (1)
	• All values plotted correctly AND correct data presented
	  ○ Group profit compared to UK sales profit (2)
	  ○ Group workforce turnover compared to world workforce turnover (2)
	
	Figures can be average or totals and can be written in words or numbers
		(5)

Trends and implications	Award **one** mark for each correct identification of a trend and up to **one** mark for an appropriate linked implication for each trend, up to a maximum of 4 marks.
	
	• Gross profit margins have fallen (by 4%) (1), in order to reduce costs you would need to look at
	  ○ Staffing costs (1)
	  ○ Rent and other business expenses (1)
	  ○ Supply costs (1)
	
	• Workforce turnover has increased (by 12%) (1), in order to prevent increase in workforce turnover we would need to look at
	  ○ Improvements in training (1)
	  ○ Job satisfaction/enrichment (1)
	  ○ Change their jobs/business structure to create new opportunities (1)
	
	Accept any other appropriate response.
		(4)

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	1-3	4-6	7-9
Impact of risk exposures	No rewardable material.	• Demonstrates some accurate understanding of the issues. There may be major gaps or omissions • Demonstrate limited understanding of how the issues impact on the organisation in the context	• Demonstrates mostly accurate understanding of the issues with a few gaps or omissions • Demonstrates mostly accurate understanding of how the issues impact on the organisation in the context	• Demonstrates accurate, thorough and detailed understanding of the issues. Gaps or omissions are minor • Demonstrates accurate, thorough and detailed understanding through the consideration of how the issues impact on the organisation in the context

Assessment focus		Band 1	Band 2	Band 3
	0	**1 – 3**	**4 – 6**	**7-9**
Task 4a Part c: Financial projections and recommendations.	No rewardable content	• Demonstrates some accurate knowledge and understanding of the potential financial trends faced by the Group. • Demonstrates some accurate use of data and some projections. • Demonstrates some lines of reasoning in recommending some improvements in	• Demonstrates generally accurate understanding of the potential financial trends faced by the Group. • Demonstrates generally accurate use of data in producing acceptable projections. • Demonstrates generally appropriate lines of reasoning in	• Demonstrates accurate, thorough, and detailed understanding of the potential financial trends faced by the Group. • Demonstrates comprehensive, coherent, and accurate use of data in providing effective projections. • Demonstrates thorough, detailed, logical, and coherent lines of reasoning in recommending

Technical Qualification	
T Level Technical Qualification in Finance - Financial Compliance/Risk Analyst assessment	**Teacher Guidance**
Task 4b	
This document contains teacher guidance for the assessment due to take place for above. The set tasks must be taken under supervised conditions. This set task must be undertaken between [Day Month YYYY] and [Day Month YYYY].	
Total Marks: 13 **Controlled Hours: 1 hour 15 minutes**	

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Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions to Teachers/Tutors and/or Invigilators

This paper must be read in conjunction with information on conduct for the task in the unit specification and the Information for Conducting External Assessments (ICEA) document.

The set task should be carried out under supervised conditions. This booklet is specific to each task and this material must be issued only to students who have been entered to take the assessment in the specified series. This booklet should be kept securely until the start of the supervised assessment. This assessment should be undertaken in the window timetabled by Pearson.

Where work should be completed on a computer, internet access is not permitted for this task.

During any breaks, materials must be kept securely.

All student work must be completed independently and submitted to Pearson by the Teacher/Tutor and/or Invigilator.

Students must not bring anything into the supervised environment or take anything out without your knowledge and approval.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

The time for printing for any digital work does not form part of the assessment duration.

The centre must ensure the student has access to all the required resources for the session. For this session, along with this task booklet, the student must have access to the following:

- PC with word processing software

Maintaining security:

- User areas must only be accessible to the individual student and to named members of staff.
- Students can only access their work under supervision.
- Internet access is not permitted.
- Student work is regularly backed up. Students will save their work to their folder using the naming instructions indicated in each activity.
- Any work students produce under supervision must be kept secure.
- Any materials being used by students must be collected in at the end of each session and stored securely.

Outcomes for Submission

An email to a line manager with calculations and analysis must be submitted by each student for this task.

Technical Qualification	
T Level Technical Qualification in Finance - **Financial Compliance/Risk Analyst assessment**	Level 3 Total Marks 13 Controlled hours 1hour 15 mins
Task 4b	
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.

You must plan your time and submit all required evidence at the end of the supervised period.

Your centre will advise you of the timings of the supervised period.

You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.

You must work independently throughout the supervised assessment period and should not share your work with other students.

*Set Task Brief

You must complete the task.

Read the brief **before** attempting the task.

Task 4b

You have 1 hour and 15 minutes to complete the task.

Please read the following:

The Midsomer Retail Group is considering the acquisition of a Spanish based retail Group (Dolce Vita) that has good experience of successfully operating online across Europe.

You have obtained initial projection data about Dolce Vita which includes the following information:

	2022	2021
Projected total revenue	£100m	£60m
Projected Gross Profit	£50m	£40m
Projected Gross Margin	50%	67%
Projected Profit after tax	£25m	£10m

Dolce Vita's Finance Director has indicated that although there have been issues identified about which there is uncertainty, projected profit after tax should remain broadly stable after 2022.The Statement of Financial Position for 2020 shows that Dolce Vita has a Net Book Value of £50m and you are told that the company could be acquired for £60m.

It is expected that the experience and expertise from its staff could improve Midsomer Retail Group sales by at least 10% year on year. You are about to calculate the payback period for such an acquisition as this to determine whether it would be a worthwhile investment.

You also are considering how you can carry out a review of the data in order to interpret it and analyse the potential risks that are evident, so you can advise your client, Midsomer Retail Group.

Recent data in the UK press includes predictions of significant foreign currency fluctuations and detrimental challenges on cash flows during 2021 and 2022. These include purchasing inventory from overseas suppliers. You are aware of practices elsewhere of mitigating these risks through careful use of currency hedging using forward contracts and other financial instruments. Another Group that is a client of your firm uses forward contracts to manage its currency requirements proactively and has found that this saved them at least 5% on costs that would otherwise have been incurred.

The threat of cyber- attacks has grown during the Covid19 pandemic. Insurers are advising that nearly every business has a cyber exposure, even small businesses. The average cost of a cyber-security breach is £22,700 for large business and £3,650 for small business, these costs continue to rise year on year.

A traditional commercial insurance policy is extremely unlikely to protect against most cyber-exposures. Neither Dolce Vita nor Midsomer Retail Group have any such standalone cyber cover.

In the past the Dolce Vita has not been good at talent management and succession planning. Retaining and protecting talent, providing for succession.

Reducing staff turnover requires an ongoing programme of attracting and developing new talent and a core commitment to financing this going forward.

It is estimated that such a programme will cost over £1m per year but estimates of savings coupled with increased revenues from such developments could add over £5m per year to net profits.

For 2021 you have been told that the effect of Brexit will create:

- A decrease in sales of 10% and direct costs fall in line with sales.
- Store closures affecting 20% of the stores in Dolce Vita.
- 2% increases in costs caused by currency fluctuations.
- 5% increase in workforce turnover compared to 2020.

Tasks

Task 4b

Produce an email to your manager based on the proposed acquisition and information obtained about Dolce Vita.

This report should include:

1. Calculation of the payback period.
2. Recommendations to your manager about the appropriateness of such acquisition. Justify your findings and recommendations.

13 *marks*

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Outcomes for Submission

You need to submit the following:

- Calculation

- An email to your manager including recommendations with justification

You will be awarded marks for:

Calculation and email to your manager - 13 marks

The report must be saved in PDF format.

Use this naming convention:

Task_4b_proposedacquisition_[Registration number #]_[surname]_[first letter of first name]

Mark scheme outline

Occupational Specialism: Mark scheme

General Marking Guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner's response is not rewardable according to the mark scheme.
- Where judgement is required, a mark scheme will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, a senior examiner should be consulted.
- Crossed out work should be marked **unless** the learner has replaced it with an alternative response.
- Accept incorrect/phonetic spelling (as long as the term is recognisable) unless instructed otherwise.

Specific Marking guidance

Levels-Based Mark Scheme Guidance

Levels-based mark schemes (LBMS) have been designed to assess students' work holistically. They consist of two parts:

1. **Indicative content**

Indicative content reflects content-related points that a student might make but is not an exhaustive list. Nor is it a model answer. Students may make some or none of the points included in the indicative content as its purpose is as a guide for the relevance and expectation of the responses. Students must be credited for any appropriate response.

2. **Levels-based descriptors**

Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

Examiners should take a 'best fit' approach to determining the mark.

- Examiners should first make a holistic judgement on which level most closely matches the student's response. Students will be placed in the level that best describes their answer. Answers can display characteristics from more than one level, and where this happens markers must use any additional guidance (e.g. weighting of traits) and their professional judgement to decide which level is most appropriate.

- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
    - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
    - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Task 4b email: **Indicative content**	Typical responses may include: • Risks involved through cyber- attacks, • Concerns regarding Dolce Vita's lack of succession planning and talent management. • Decrease in sales of 10% and direct costs falling in line with sales. • Store closures affecting 20% of the stores in Dolce Vita. • 2% increases in costs caused by currency fluctuations. • 5% increase in workforce turnover compared to 2020. • Calculation of the payback period as 3 years, recouping the investment in under 4 years. • Confirm the appropriateness of the acquisition. • Justifying this recommendation and findings with reference to added income flows, quick return on the initial investment outlay, added expertise for the Group, and the development of additional markets.

Assessment focus	Answer	Mark
Calculation of payback period	(2021 Profit after tax) £10m + (2022 Profit after tax) £25m = £35m (1) Purchase cost of £60m – £35m = 25m outstanding. (1) 2023 projected gross nett profit is 25m + 10% (either 25m at least, or £27.5m) (1) You will have achieved the £60m you require in at least 3 years, certainly before the 4th year. • Calculation of the payback period as 3 years, recouping the investment in under 4 years. (1) Calculation can be written in words or figures	(4)

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Recommendations	No rewardable material.	• Some coverage of findings that lead to partially appropriate recommendations. There may be major gaps or omissions • Demonstrates some lines of reasoning to support the recommendations. • The report has some structure and is clear in parts. Its appropriateness for the technical audience and use of technical language is limited	• Generally detailed coverage of findings that lead to mostly appropriate recommendations with a few gaps or omissions • Demonstrates generally logical lines of reasoning to support the recommendations. • The report is generally well structured, mostly clear, broadly appropriate for the audience and uses technical language mostly appropriately.	• Fully detailed coverage of findings that lead to entirely appropriate recommendations with only minor gaps or omissions. • Demonstrates thorough, detailed, logical and coherent lines of reasoning to support the recommendations. • The report is well structured, clear, concise, fully appropriate for the audience and uses technical language appropriately.

Technical Qualification	
T Level Technical Qualification in Finance - **Financial Compliance/Risk Analyst assessment**	Level 3 Total Marks 18
Task 5	
This booklet contains material for the completion of the set task under supervised conditions. This booklet is specific to each series and this material must only be issued to students who have been entered to undertake the task in the relevant series. This booklet should be kept securely until the start of the supervised assessment session. This set task must be undertaken between [Day Month YYYY] and. [Day Month YYYY].	Controlled hours 2

Paper Reference (s)

XXXX/XX

PXXXXXA

Instructions for Students

Read the assessment information carefully.
You must plan your time and submit all required evidence at the end of the supervised period.
Your centre will advise you of the timings of the supervised period.
You will complete this assessment under supervision and your work will be kept secure during any breaks taken. Internet access is not allowed.
You must work independently throughout the supervised assessment period and should not share your work with other students.

This booklet contains assessment tasks as follows:

Task 5: **Written report** on regulatory issues

(18 marks)

Set Task Brief

You must complete the task.

Read the project brief **before** attempting the task.

Task 5

You have *2 hours* to complete this task.

Tasks

You joined Graysmith Bank's London office around three months ago. Graysmith Bank has offices and branches all over Europe. You have undertaken a number of training courses since you started but none have covered data usage, storage or the Bank's core values.

You have noticed that personal details of all customers holding bank accounts or having taken out personal loans are being provided to marketing firms that specialise in selling high tech products.

You have also noticed when customers switch current accounts and move to another bank, regardless of customer instructions, Graysmith Bank retains customer details as they may be useful for marketing purposes and sending them information on other products that may be of interest.

There was a malware attack earlier in the month which accessed personal data for customers holding mortgages. It was thought this was due to the use of old IT systems that were not able to use encryption and pseudonymisation. To avoid reputational damage this has not been made known to the public or the customers that were impacted.

A colleague in the Paris office mentioned that they often received subject access requests. These were taking up a lot of staff time and it would often take ten weeks before they responded to customers. To try and deter customers making these requests they are thinking about charging customers €50 for each request in the future.

To try and find out more about how data is handled, you have looked into seeing if there are any policies that you can read on it but have not been able to find anything. You have also tried to see if there are any specialists you can talk to but the firm does not seem to have a compliance function or employ anyone specifically to focus on data.

At your previous job you had received some training about Board Committees where you had learnt about the role of the Risk Committee. You discussed this with one of your team members who said the Board of Directors at Graysmith Bank did not have any dedicated Board Committees.

Outcomes for Submission

You need to submit the following:

Produce a formal written report to the Line Manager using the stimulus material given and an appropriate IT package.

Your report should include:

a) The breaches of regulation seen in the scenario.
How these breaches could impact on the individuals concerned and the organisation.

(9 marks)

b) Recommendations for how Graysmith's Bank should manage the breaches of regulation.
Justify your recommendations.

(9 marks)

You will be awarded marks for:

Written report to the Line Manager

(18 marks)

The report must be saved in PDF format.

Use this naming convention:

Task_5_regulatory _[Registration number #]_[surname]_[first letter of first name]

Occupational specification Risk Analyst/Financial Compliance: Mark scheme outline

Occupational Specialism: Mark scheme

General Marking Guidance

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2. **Levels-based descriptors**
   Each level is made up of a number of traits which when combined together articulate the quality of response that a student needs to demonstrate. The traits progress across the levels to demonstrate the different expectations of each level. When using a levels-based mark scheme, the 'best fit' approach should be used.

Applying the levels-based descriptors

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- The mark awarded within the level will be decided based on the quality of the answer and will be modified according to how securely all traits are displayed at that level:
  - Marks will be awarded at the top of that level if the student has evidenced each of the descriptor traits securely.
  - Where the response does not securely meet all traits, the marks should be awarded based on how closely the descriptor has been met.

Indicative content:

Breaches legislation:

GDPR breaches (or may refer to Data Protection Act 2018):

- Security principle – that all data should be stored securely as using old systems and no encryption
- Accountability – there seem to be no processes or training available as to how to handle data and what processes to follow
- Individuals right of access to data
- Charging individuals for access to the data
- Requests for information are taking too long to be provided
- Retaining data for customers who have now left
- Selling data on for marketing purposes without customer consent
- Customers should have been made aware if their data has been accessed in an unauthorised way

FCA Rulebook Principle 3, Principle 6 and Principle 7

- FCA handbook Principle 3 require firms to organise and control their affairs responsibly and effectively, with adequate risk management systems
- Principle 6 - Before transferring clients' personal data, firms should consider whether this is fair to and in the interests of their clients
- Principle 7 - Firms should also pay due regard to the information needs of their clients and communicate with them clearly and fairly.

Implications for individuals:

- Identify fraud as their personal details may be accessed by hackers due to malware as data not secured appropriately
- Financial Loss for individuals due to hacking/identity fraud

Implications for Graysmith:

- Reputational loss for not following legislation and treating customers unfairly
- Loss of business as existing customers move their business elsewhere and loss of potential business
- May need to compensate customers for any losses incurred
- FCA fines for breach of FCA rules
- Fines under GDPR legislation upto €20 million or 4% of global turnover whatever is bigger
- Negative impact on profits due to fines
- Using old systems leaves the Bank open to malware and other organisations having unauthorised access to their systems and information and they may also ask for money (ransomware) to stop attacking them

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	**1-3**	**4-6**	**7-9**
Impact of the breaches of regulation.	No rewardable material.	• Demonstrates some accurate understanding of the issues. • Limited consideration of how the issues identified impact on the customers and organisation in the context.	• Demonstrates mostly accurate understanding of the issues. • Competent consideration of how the issues identified impact on the customers and organisation in the context.	• Demonstrates accurate, thorough and detailed understanding of the issues. • Perceptive consideration of how the issues identified impact on the customers and organisation in the context.

Indicative content:

Recommendations

- Introduce clear policies for data management and storage
- Employ a chief data officer or individual to be responsible for safeguarding data and ensuring good practices and legislation is followed
- Introduce data training for new staff and regular refresher courses
- Introduce procedures to ensure any requests for personal information are processed within 30 days (EU equivalence applies across Europe)
- Ensure all staff are aware they are not allowed to charge for data requests
- Ensure procedures are put in place to delete all data for customers that have left the Bank
- Ensure policies are in place to state what actions are to be taken if there has been a hacking /malware attack and customer data has been stolen so that customers are informed in a timely manner and therefore are aware
- Invest in up to date IT systems and incorporate strong security features like encryption to try and protect customer data and the organisation from cyber attacks
- Stop selling customer data to other organisations
- If the Bank want to provide customer data to selected partner organisations they should ask for customer consent.

Justification

By implementing these practices:

- Graysmith Bank will ensure they comply with legislation - both GDPR and FCA rulebook principles.
- This will improve the Bank's reputation
- Customers will feel safe to bank with them.

It will also help profitability as they will not have to pay big fines for breaches and may gain more customers.

Assessment Basis	Band 0	Band 1	Band 2	Band 3
	0	1-3	4-6	7-9
Recommendations	No rewardable material.	• Some coverage of recommendations that are partially appropriate to addressing the issues identified. • Demonstrates some lines of reasoning to support the recommendations. • The report has some structure and is clear in parts. Its appropriateness for the technical audience and use of technical language is limited	• Generally detailed coverage of recommendations that are mostly appropriate to addressing the issues identified. • Demonstrates generally logical lines of reasoning to support the recommendations. • The report is generally well structured, mostly clear, broadly appropriate for the audience and uses technical language mostly appropriately.	• Fully detailed coverage of recommendations that are entirely appropriate to addressing the issues identified. • Demonstrates thorough, detailed, logical and coherent lines of reasoning to support the recommendations. • The report is well structured, clear, concise, fully appropriate for the audience and uses technical language appropriately.