

# PREPARATION GUIDE FOR REGULATORY EXAMINATIONS – FSPs and Key Individuals in Category II and IIA (RE3)



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## 1. DISCLAIMER

The material in this PREPARATION GUIDE FOR REGULATORY EXAMINATIONS FSPs and Key Individuals in Category II and IIA (RE3) and APPENDIX A is made available for the purpose of providing preparation guidelines and not as professional or educational advice.

The availability of this material is not an endorsement by the FSCA of the material and not an indication of the FSCA's commitment to any particular course of action.

Where sections of the Acts, The General Code of Conduct, Board Notices, etc. are referred to they are given merely as a guideline for candidates preparing for the RE3.

The FSB accepts no responsibility for material contained in this preparation guideline.

## 2. BACKGROUND TO THE REGULATORY EXAMS

The amended fit and proper requirements announced in 2008 and reviewed in 2017 have introduced the financial services industry to a new concept – "REGULATORY EXAMINATIONS". These examinations were introduced together with stricter minimal formal qualifications in order to better serve clients' needs across the financial services industry in South Africa.

The regulatory exams are being developed and delivered under the direction and management of the FSCA. Four examination bodies have been appointed to assist with the development of the regulatory exam questions and the delivery on a national basis. Currently there is one examination body.

<b>Moonstone</b>	<b><a href="http://www.moonstone.co.za">www.moonstone.co.za</a></b>
<b>Moonstone - Registration:</b>	<b><a href="https://www.faisexam.co.za">https://www.faisexam.co.za</a></b>

## 3. FORMAT OF THE REGULATORY EXAMS

### 3.1 Type of examination

The regulatory examinations will be multiple choice questions based on specified qualifying criteria. Exams are closed book and no material will be allowed in the examination room.

There will be no limit on the number of attempts made in order to achieve competence. There will be one national version of any regulatory examination for any category or subcategory.

There is only one right answer to each question, so please read the questions and answers carefully. There is no negative marking, an answer is either right, or wrong.

Examinations will be done in paper format as indicated on their registration page.

The regulatory examinations aim to test the application of factual knowledge in relation to the relevant legal provision as contained in the legislation, subordinate legislation and codes of conduct



### 3.2 Qualifying criteria

The qualifying criteria provide the basis of knowledge and skills against which the regulatory examinations are set. The qualifying criteria were developed in a process of consultation between the FSB (now FSCA) and industry representatives, spanning from 2006 to 2008.

Only questions based on these criteria will be included in the exams.

The qualifying criteria were published in Board Notice 105 of 2008, and amendments were published as below:

BN 151	31755	29 December 2008 w.e.f. 31 December 2008
BN 64	32268	29 May 2009
BN 95	32496	17 August 2009
BN 44	33052	26 March 2010
BN 60	33166	12 May 2010
BN 194	41321	15 December 2017

All these documents are available on the FSCA website:

<https://www.fsca.co.za/Pages/Default.aspx>

Click on Regulatory Frameworks

<https://www.fsca.co.za/Regulatory%20Frameworks/Pages/default.aspx>

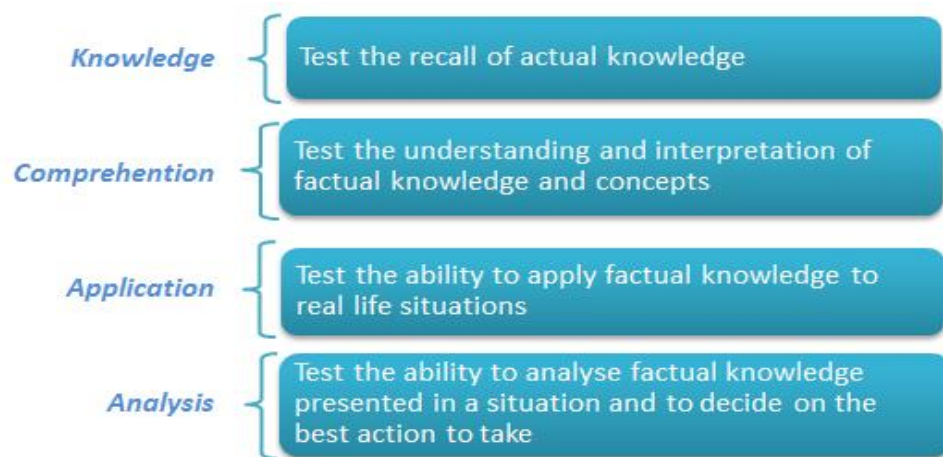
*How do I read the qualifying criteria?*

Each set of qualifying criteria are displayed in a table format with headings. Underneath the headings you will find the following detail:

Task	The duties you need to perform successfully	What you are expected to know	What you are expected to do
1 Apply the Category II and/or IIA FSP business model.	Explain when an individual can commence acting as a key individual.		Oversee the implementation of processes and controls to ensure the sufficient management and oversight of the financial services rendered.

### 3.3 Question development

Individual questions are based on one or more knowledge criteria, also taking into account the applicable skill. Every task will be covered at least once in an examination. Therefore, do not skip any of the tasks or the underlying knowledge criteria and skills, even if you do not think it is relevant to how your FSP operates. It is important to ensure that you understand every task, and the knowledge and skill criteria related to it. Each exam will contain questions at 4 different levels of complexity. These four levels deal with:



Each question has four options, and you must select the correct option. Questions can be posed in the following styles:

- A direct closed ended question: the question must be answered by choosing the correct option.
- An incomplete sentence: the sentence must be completed correctly by choosing the correct option.
- The negative question: the negative option needs to be chosen. Applicant must be aware that these type of questions will be asked and therefore must read questions carefully.
- The most/best/least format: applicant must choose most applicable option to the question.
- Roman numeral format: A closed ended question where applicants must choose more than one correct option from a list of options.
- Sequencing: the options should be listed in the correct sequence.

**Question example:**

**Example of a knowledge question**

Within how many days must a financial services provider inform the Registrar of the debarment of its representative?

- A. 14 days
- B. 5 days
- C. 30 days
- D. 15 days

**Example of a comprehension question:**

Jane Chetty is a sole proprietor and has no representatives. What are the requirements regarding the compliance function of the FSP?

- A. Jane must appoint an external Compliance Officer
- B. Jane doesn't need to appoint a Compliance Officer
- C. Jane must appoint an internal Compliance Officer
- D. Jane must be appointed as the Compliance Officer

*Example of an application question:*

Jean Hill, the representative of DCB Investments must advise a client that is retiring on specific investments. Which of the following aspects is Jean NOT obliged to disclose about a recommended financial product unless enquired about by the client?

- A. The risk of possible capital loss in future due to fluctuations in the financial markets
- B. Information and graphs to illustrate the product's performance at intervals over a period of time
- C. Any income and other relevant tax issues of a material nature that need to be considered
- D. Any material illustrations about the product provided by the product supplier

*Example of analysis question*

Consider the following events that occurred on the same day. Each of these events has, in terms of the relevant legislation, varying periods of time during which the FSP must respond to the event, or otherwise adhere to the legislation. Arrange the events in order of shortest to longest applicable period and select the CORRECT option.

- i) The FSP uses a new postal address and must inform the Registrar of the change
- ii) The FSP received cash funds, exceeding the cash threshold reporting requirement, and must inform the Financial Intelligence Centre
- iii) The Registrar has requested that the FSP provide certain documents pertaining to a client's advice record
- iv) A client terminated a financial product and the FSP is now required to maintain records of advice associated with this client's purchase for an additional period
- v) The FSP received client funds and must pay the funds into the bank account designated for client funds
- vi) During an office meeting, the FSP provided a client with the details of the product supplier, and must now provide the details to the client in writing

## 4. REFERENCE MATERIAL

The following material was used in the development of the questions for the Regulatory exam; please refer to Appendix A for a mapping of criteria to relevant material:

- The FAIS Act
- General Code of Conduct
- Code of Conduct for Discretionary FSPs
- Board notices

<https://www.fsca.co.za/Regulated%20Entities/Pages/LR-FAIS-Fit%20and%20Proper.aspx>

Due to changes in legislation familiar terms have been replaced. These new terms are included in the regulatory examinations. To assist you in understanding these new terms please familiarise yourself with the following changes.

OLD TERMINOLOGY	NEW TERMINOLOGY
FSB	FSCA
Registrar	The Authority
Financial Services Board	Financial Sector Conduct Authority/The Authority

### 4.1 PREPARATION FOR THE EXAM



Multiple choice exams cover a lot of detail and facts. The short-term memory's capacity is very limited; therefore, it is essential to start preparing for the regulatory exams at least 3 month prior to your examination date. The learner will have to be repeatedly subjected to the material in order to store the information effectively in the long-term memory.

Although attending workshops and training will certainly be helpful, this is **no** replacement for extensive studying of the required material. And yes, it is necessary and very possible to study successfully for multiple choice exams!



## Some videos to assist you preparing for the examination!!!

Moonstone have developed a series of videos to assist you in preparing for the examination. There are six videos in the series. It is important to view all the video, although video five is optional.

<https://vimeo.com/showcase/regulatory-exam-preparation>

The content of the videos is as follow:

Video Number	Content of the video
<b>1. Introduction and Definitions</b>	Introduction to the examinations
	The importance of different definitions
<b>2. Background and Development of the Regulatory Examination</b>	Background to the regulatory examinations
	How the regulatory examinations was developed
	What tasks make up each of the regulatory examinations
	The four levels of thinking skills - Blooms Taxonomy
<b>3. Finding and understanding the legislation</b>	Where to find and download the legislation
	The importance of using the latest current version of the legislation
	Understanding the referencing used in the preparation guide
	Two examples used from the preparation guide
<b>4. Financial Services Environment</b>	The Financial Crisis of 2008
	The FAIS Act
	The Insurance Act
	The FSR Act
	The 6 outcomes of TCF
<b>5. Learning for the Examinations</b>	Tools and techniques to use in your studies
	Spread your learning over a longer time rather than rushing
	Understanding your role as a Key Individual and/or representative within the FAIS Act
	Overall prepare you for writing the regulatory examinations
<b>6. Writing the examinations</b>	Being on time, correct proof of identification and defining closed book examinations
	How to complete the examination answer sheet
	Techniques when reading and answering the questions
	Compliments, complaints and appeals

### 4.2 Studying instructions

**You will need:**

- ✓ A positive attitude
- ✓ Lots of will power
- ✓ Enough rest
- ✓ Quiet place to study
- ✓ Qualifying criteria
- ✓ Recourse material

Steps to follow:

STEP	ACTIVITY	DESCRIPTION
1	Refer to the mapping document for the exam you are planning to write.	This is the map of the tasks/criteria that will be assessed in your exam, and it contains a reference to the relevant legislation that you are required to study in order to understand the task / criteria. <b>Appendix A</b> in the Preparation Guide
2	Look at the number of criteria for each task.	These are the knowledge and skill components you require to be able to perform. <b>RE 3 has 11 tasks that will be tested</b> If you have studied all the criteria for every task, then you would be properly prepared to write the RE3 exam.
3	To prepare for the exam, you must spend time each day and study the <b>legislation</b> and supporting training material. One should systematically select one criteria at a time.	Group the criteria together in groups of 3 or 4 and allocate study hours per day to prepare. The total number of hours will individually differ due to ones circumstances. At least 2 hours per day is the suggested number of hours.
4	To start, read the task, and then the first criteria. Then refer to the legislation for these criteria, and read the legislation referred to.	It is important to first read the legislation so that you can see what terms are used and how the legislation is structured.
5	Now refer to the additional support or training material and study the section in the training material dealing with those particular criteria.	The support material explains the particular concepts in simple language so that it is easier to understand what the legislation is actually saying and what it means.
6	Then go back to the legislation itself, and read it again.	Now that you have gained a better understanding of what the legislation is about, you may find reading the legislation again will make more sense to you if you didn't understand it the first time around.



### 4.3 Study material and training

Numerous training materials have been developed by various training providers for the purpose of the regulatory level 1 exams.

It should be noted that the FSCA does not endorse any of these training materials.

It is advisable to still refer to the relevant legislation as contained in the acts and regulations in order to eliminate difference in terminology use, if you decide to use designed study material and/or training.

**Please note:** Examination bodies may not provide training and/or study material for the regulatory exams. Examination bodies will make FSCA approved study guides with reference to suggested material available on their website; however the sourcing of appropriate study material and/or training providers is the responsibility of the candidates.

### 4.4 Study tips for multiple choice exams

It is necessary and very possible to study successfully for multiple choices exam. Follow the following guidelines in order to help you in your preparation for the regulatory exams.

#### Multiple choice questions tend to focus on detail

- Look for similarities and differences that might be used to distinguish between the options in the exam for e.g. internal vs external

#### Multiple choice exams cover a broader range of material than essay exams

- Start early with the preparation
- Repeat information and detail
- Cover all knowledge criteria – do not spot, skim or cram the knowledge

### 4.5 Study styles for multiple choice tests

There are numerous styles of learning and remembering facts. Please remember that every person learns differently, and there is only the “right way” for you and a “wrong way” for you. Your method may be different from that of your friend.

One of the most effective ways to prepare for multiple choice tests is by study reading, but you are welcome to investigate other methods of studying. References to relevant websites are included in paragraph 9.

**Study reading** is the reading style used when the purpose is to read difficult material at a high level of comprehension. When using the Study Reading style, you should read at a rate that is slower than your normal

reading rate. Further, as you read you must challenge yourself to understand the material. Study Reading will often require you to read material more than once to achieve a high level of understanding. Sometimes, reading the material aloud will also help you improve your understanding.

## 4.6 Improving concentration

Many people have difficulty concentrating while studying. Being able to concentrate while you are studying is essential to doing well in exams.

Here are suggestions for improving your study concentration:

- Study in a quiet place that is free from distractions and interruptions. Try to create a space designated solely for studying.
- Make a study schedule that shows what tasks you need to accomplish and when you plan to accomplish each task. This will provide you with the structure you need for effective studying.
- Try to study at the time of day you work best. Some people work well early in the morning, others late at night. You know what works best for you.
- Try to study at the same time every day, as you will start to adapt to study mode automatically at that time of the day.
- Make sure you are not tired and/or hungry when you study. Otherwise, you won't have the energy you need to concentrate. Also, maintain your physical fitness.
- Don't try to do two tasks at the same time. You won't be able to concentrate on either one very well. Concentration means focusing on one thing to the exclusion of all else.
- Break large tasks into series of smaller tasks that you can complete one at a time. If you try to complete a large task all at once, you may feel overwhelmed and will be unable to maintain your concentration.
- Relax. It's hard to concentrate when you're tense. It's important to relax when working on a task that requires concentration. Meditation is helpful to many students.
- Clear your mind of worrisome thoughts. Mental poise is important for concentration. You can get distracted by your own thoughts. Monitor your thoughts and prevent yourself from following any that take you off track. Don't daydream.
- Develop an interest in what you are studying. Try to relate what you are studying to your own life to make it as meaningful as possible. This can motivate you to concentrate.
- Take breaks whenever you feel fatigued. There is no set formula for when to take breaks

## 4.7 Special needs

Candidates with special needs must contact the examination body when they are registering in order to make arrangements for any assistance they might require. The examination body will do everything they can to assist with the requests of the candidates. Candidates may be required to produce a valid medical certificate in order to verify their special need or disability.

# 5. TAKING THE EXAM

## 5.1 What to expect when writing these examinations

Strict examination procedures will apply at all times. This will help to ensure that the integrity of the exams is protected. You will have to identify yourself before the exams start, using a photo ID document. The acceptable documents include a SA identity document, a passport or a driver's license.

Please ask your examining body for a copy of the terms and conditions of the examination.

## 5.2 Exam taking tips for multiple choice exams

Read the directions carefully. Many people often make the mistake of skipping the directions. Write what is on your mind. Write down your mental stimulus or associations on the scrap paper provided.

Pace yourself. Try to answer all the questions but do not procrastinate around a question – rather return to the question later. The following is a guideline for the allowable time per type of question:

- Knowledge: ½ - 1 minutes per question
- Understanding: 1 - 1½ minutes per question
- Application and analysis: 1½ - 2 minutes per question

Read through the question carefully. Be watchful for negative questions and all or nothing words such as all/any/most ex.

Know if the question has one or more correct options – Roman numeral type of questions.

Read through all the options carefully. Do not mark the first option which you think may be correct.

Do not assume facts. The only facts that you have to take note of are the facts given in the question. If the question tells you that unicorns exist, do not argue with the question.

Do not ignore your answer. Many examinees ignore answers because they assume that every multiple-choice question is a trick question. Remember that if you are ready, you should know the answer and if you know the answer, there should be nothing stopping you from answering correctly.

Every question is an isolated question. There are no patterns in multiple choice exams. Just because you have answered “C” for ten consecutive times, it doesn’t mean the next answer will be “C”. Many myths have been told that the answer that appears more commonly is the best guess. There is no truth in that belief.

If time allows review both questions and answer. It is possible you misread questions the first time.

Improve your odds, think critically:

- Cover the options, read the stem, and try to answer.
- Select the option that most closely matches your answer.
- Read the stem with each option.
- Treat each option as a true-false question and choose the "most true".

Multiple choice exams are not intimidating if you are prepared to face them. If you are prepared, multiple choice exams are not as formidable as they may seem.

## 5.3 Bubble answer sheets

Taking a multiple-choice exam using an answer sheet in which you trace in a bubble presents its own unique difficulty. Always make sure you are paying attention to what you are doing and always go back over the answer sheet before you turn it in.

All those bubbles and numbers can wreak havoc on your perception, and if you accidentally miss just one row it throws every answer following that one off. The quickest way to get a terrifying grade on this kind of exam is to unwittingly fill in the wrong answer on nearly every question because you missed one row of bubbles or filled that row in twice for two different questions.

It is useful to take a ruler with you to the exam room, and to place the ruler under each row of questions and bubbles for the options. Move the ruler down line by line. This should help you to answer the right answer next to the right bubble option.

## 6. FINDING RESULTS

The examination body will make the exam results available.

## 7. FREQUENTLY ASKED QUESTIONS

### 7.1 Why must the exam be completed in pencil?

This is actually to assist candidates to make changes if they so wish, rather than having to redo the entire answer sheet, had they completed it in ink, and wanted to change an answer. This exercise could also be time consuming, and lead to possible mistakes in redoing the entire document. The answer sheet is marked electronically, so you are only allowed one option per question. The system is unable to distinguish between the preferred answer and one scratched out and will mark the answer as incorrect.

### Concerned that the examination body staff may change the answers that you have entered in pencil?

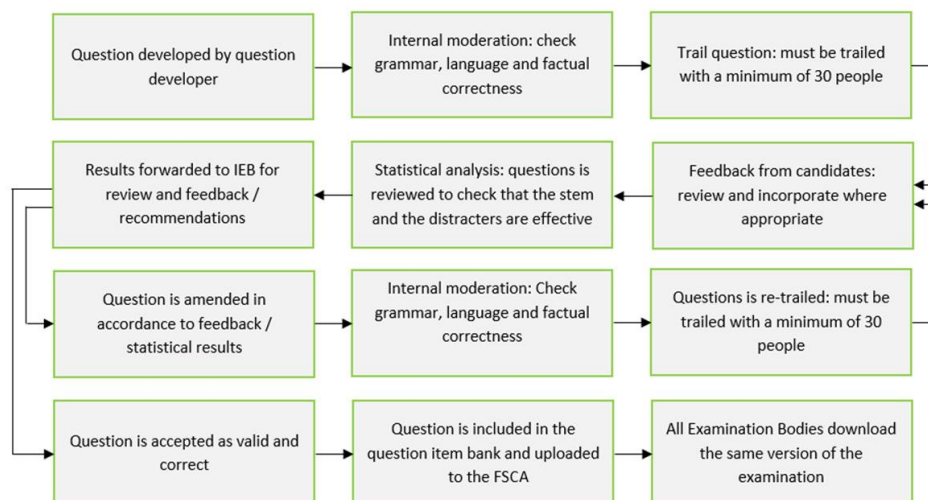
After your paper is collected at the end of the examination, the invigilators do not have any time to change anything on a paper. If you write at a permanent venue, the answer sheets are scanned immediately and sent to the main office for marking. This also prevents any opportunity for changes to your answers. This protects both you and the invigilator.

### 7.2 Why we don't provide the questions to candidates when communicating their results?

There are several reasons for this, with the main one being to contain costs, as outlined in point 7.3 below. Having to replace questions on a continuous basis to ensure the consistency of the examination will inevitably result in an increase of the costs and ultimately the examination fee. Apart from cost, the structure of the exam is such that there is a limitation to the number of questions than can be drawn up. It would also not be fair to candidates who had already written the exam and did not have access to the actual questions.

### 7.3 Why is the cost of the examination so high?

The fee is determined by the cost of developing and maintaining the examination questions as well as the operational costs of delivering the exams. Each question that is developed goes through a process of internal and external moderation, a trial process, and a review process. All these processes involve subject matter experts to ensure that the quality of the questions is maintained. Furthermore, the questions have to be reviewed continuously as legislation changes. Amended questions go through the rigorous process outlined above.



## 7.4 How can using the Preparation Guide help me prepare?

Candidates should not find it difficult to prepare for this exam because in the Prep Guide outlines exactly what the examination will be testing and where to find the information. Studying the Prep Guide is in fact the very first step a candidate should take to ensure that he or she knows what they have to know, and where to find the required information. For Example:

Task No	Task	QC	Qualifying Criteria	Knowledge (K) or Skill (S)	Legislation Reference  Where in the legislation is this task and criteria covered that must be studied.
7	Dealing with complaints that have been submitted to the Ombud for FSPs	1	Explain the role and authority of the Ombud for FSPs	K	FAIS Act - Sec 1 Definition of Complaint  FAIS Act - Sec 20(3)  FAIS Act - Sec 20(4)  FAIS Act - Sec 27 & 27(3) & 27(4)

## 7.5 Examination question uniformity.

The regulatory examination is generated from a central question data bank. All examination bodies use the same question bank when generating examination papers according to specified rules and specific outlays prescribed by the Regulator. This is to ensure uniformity and fairness to all candidates, no matter where and through which examination body they write.

## 7.6 What is the difference between a key individual and a representative examination?

The key individual examination addresses the tasks, knowledge and criteria that is relevant to the role and function of a key individual (KI). Remember that the KI is responsible to “manage and oversee” the rendering of financial services within a FSP. The questions will thus be aimed at finding out whether the KI understands the aspects he/she is held accountable for in terms of the legislation.

The regulatory examination for representatives focuses on those tasks, knowledge and skill criteria that describe what they are held responsible for in terms of the legislation. Remember that the representative actually gives advice and/or renders the intermediary service. The questions will thus focus on these activities that are performed by the representative.

## 7.7 When will the regulatory exams be updated if the legislation is changed or amended?

Draft legislation cannot be used as reference material when updating the regulatory examinations and therefore any new or amended legislation must first be published before it can be used for examination update purposes. Once the legislation is published the impact on the existing examination must be

established, and the extent of the update required has a significant impact on the timeframe within which an examination(s) can be updated. If the extent of the update required is limited, then the update can be done in a relative short space of time. If the extent of the update is significant, then the update may take much longer. Therefore, when an update is required, the FSCA will communicate the timeframes with the industry as soon as the impact on the examination question bank was established. It is therefore important to ensure that the FAIS Information Circulars are monitored continuously for this type of information.

### 7.8 What do I do if I have special needs?

Candidates with special needs must contact the examination body when they are registering, to make arrangements for any assistance they require. The examination bodies will do everything they can to assist with the requests of the candidates.

### 7.9 What are the names of the regulatory examinations?

The names of the regulatory examinations are included in Appendix A of this document. Each examination has a number and a name.

### 7.10 What is the pass mark of the regulatory examinations?

Examination	Number of Questions	Duration of examination	Pass mark
RE 3	30	1 hour 30 minutes	66.6%

## 8. MORE INFORMATION

You can visit the following websites for more information on study styles and test taking skills:

- [http://www.ehow.com/way\\_5375891\\_tips-answering-multiple-choice-questions.html](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html)
- <http://www.test-preparation.ca/study-center/answering-multiple-choice-questions/>
- <http://studygs.net/tsttak3.htm>
- [http://en.wikipedia.org/wiki/Study\\_skills](http://en.wikipedia.org/wiki/Study_skills)
- [Best Way - Tips on Answering Multiple Choice Questions | eHow.com  
http://www.ehow.com/way\\_5375891\\_tips-answering-multiple-choice-questions.html#ixzz0ywPhccy8](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html#ixzz0ywPhccy8)
- [Best Way - Tips on Answering Multiple Choice Questions | eHow.com  
http://www.ehow.com/way\\_5375891\\_tips-answering-multiple-choice-questions.html#ixzz0ywPcR7hr](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html#ixzz0ywPcR7hr)
- <http://www.how-to-study.com/study-skills/en/studying/98/>

### Explanation of abbreviations used in Appendix A

Legislation	Abbreviation used in the Reference/Motivation column
Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002)	FAIS Act
Financial Sector Regulation Act, 2017 (Act 9 of 2017)	FSR Act
Financial Services Board Act, 1990 (Act 97 of 1990)	FSB Act
Financial Advisory and Intermediary Services Regulations, 2003 (Government Notice 879 of 2003)	FAIS regulations
General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003 (Board Notice 80 of 2003)	GCOC
Codes of Conduct for Administrative and Discretionary FSPs, 2003 – Chapter 1 (Board Notice 79 of 2003)	COC Administrative FSPs
Codes of Conduct for Administrative and Discretionary FSPs, 2003 – Chapter 2 (Board Notice 79 of 2003)	COC Discretionary FSPs
Exception of Compliance Officers from section 4(4) of the notice on Compliance Officers (FAIS Notice 119 of 2017)	FAIS Notice 119 of 2017
Application by Financial Services Providers for Authorisation by the Financial Sector Conduct Authority, 2018 (FSCA FAIS Notice 1 of 2018) <i>[New Licence Application Forms]</i>	FSCA FAIS Notice 1 of 2018
Form and Manner of Section 14 Notifications, 2018 (FSCA FAIS Notice 17 of 2018)	FSCA FAIS Notice 17 of 2018
Exemption of Services Under Supervision, 2018 (FSCA FAIS Notice 86 of 2018)	FSCA FAIS Notice 86 of 2018
Rules on proceedings of the Office of the Ombud for Financial Services Providers, 2003 (Board Notice 81 of 2003)	BN 81 of 2003
Determination of requirements for reappointment of debarred Representatives, 2003 (Board Notice 82 of 2003)	BN 82 of 2003
Determination of procedure for approval of Key Individuals, 2003 (Board Notice 122 of 2003)	BN 122 of 2003
Notice on Requirements for Professional Indemnity and Fidelity Insurance Cover for Providers, 2009 (Board Notice 123 of 2009)	BN 123 of 2009
Notice on qualifications, experience and criteria for approval of Compliance Officers, 2010 (Board Notice 127 of 2010)	BN 127 of 2010
Exemption of FSPs and FSPs limited by products from audit requirements, 2011 (Board Notice 193 of 2011)	BN 193 of 2011
Determination of Fit and Proper Requirements for Financial Services Providers, 2017 (Board Notice 194 of 2017)	BN 194 of 2017
Financial Intelligence Centre Act, 2001 (Act 38 of 2001)	FICA
Money Laundering and Terrorist Financing Control Regulations, 2002 (Government Notice R1595 of 2002)	MLTF



APPENDIX A: Qualifying Criteria / Reference to legislation Map

Regulatory Exam: 3 Description: RE 3 : Regulatory Examination: FSPs and Key Individuals In Category II and IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
1.	Apply the Category II and/or IIA FSP business model.	1. Describe the characteristics of a Category II and/or IIA FSP and how that differentiates it from other financial services providers in CAT I	K	COC Discretionary FSPs - Sec 2 Definitions of Discretionary FSP COC Discretionary FSPs - Sec 3(3) COC Discretionary FSPs - Sec 4 COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 8A(4) FSP III forms FSCA BN 86 of 2018
		2. Take the difference between Category II and/or IIA FSPs and other financial services providers into account when making business related decisions.	S	FAIS Act - Sec 1 Definition of Financial Product COC Discretionary FSPs - Sec 2 Definitions of Discretionary FSP COC Discretionary FSPs - Sec 3 COC Discretionary FSPs - Sec 4(b) FSP III forms
		3. Discuss the separation of client assets from category II and/or IIA FSP's assets.	K	COC Discretionary FSPs - Sec5(1)(d) COC Discretionary FSPs - Sec 5(1)(e) GCOC - Sec 10(1) GCOC - Sec 10(1)(d)
		4. Perform the fiduciary duty of the CAT II and/or IIA FSP.	S	COC Discretionary FSPs - Sec 3 COC Discretionary FSPs - Sec 3(1) COC Discretionary FSPs - Sec 3(3) GCOC - Sec 3(1)(b) GCOC - Sec 10(1)(d)
		5. Identify which assets belong to the client and which belong to the category II and/or IIA FSP.	S	COC Discretionary FSPs - Sec5(1)(d) GCOC - Sec 10 GCOC - Sec 10(1)(d)
		6. interpret basic financial systems.	S	FAIS Act - Sec 19 FAIS Act - Sec 19(2)(a) COC Administrative FSPs - Definitions COC Administrative FSPs - Sec 5.11
		7. Implement systems and processes to separate client and CAT II and/or IIA FSP assets.	S	COC Discretionary FSPs - Sec 5(1)(d) COC Discretionary FSPs - Sec 5(1)(e) COC Discretionary FSPs - Sec 5(4) GCOC - Sec 10(1)(d) BN 123 of 2009 - Sec 3(e)
		8. Explain the role and responsibilities of the different parties involved, including but not limited to : * different parties / legal entities involved, * * nominee, * MANCO, Insurers, * pension funds, * 3rd party FSP's , * Financial Advisors, * brokers, * clients	K	COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 5(1) COC Discretionary FSPs - Sec 5(2) COC Discretionary FSPs - Sec 8 BN 63 of 2007 - Sec 6.1.3 FAIS Act - Sec 7(3)
		9. Describe the need for relevant contractual agreements to be in place with the relevant other party	K	COC Administrative FSPs - Sec 5.9



Regulatory Exam: 3 Description: RE 3 : First Level Regulatory Examination: Applicants and /or Key Individuals In Category II and/or IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
		10. Verify that the relevant contractual agreements are in place with the relevant other party.	S	GCOC - Sec 3(2)(b) GCOC - Sec 4 COC Discretionary FSPs - Sec 5 BN 127 of 2010 - Sec 4(3) FAIS Act - Sec 13(1)
		11. Business is conducted in accordance with the contractual agreements.	S	COC Discretionary FSPs - Sec 5 COC Administrative FSPs - Sec 5.10
2.	Manage the role of the independent nominee.	1. Describe the duties the nominee company is responsible for.	K	FAIS Regulations - Reg 6 (4) FAIS Reg - Reg 10(3) BN 63 of 2007 - Sec 7.1 BN 123 of 2009 COC Discretionary FSPs - Sec 8
		2. Verify that there are processes in place to check that the nominee company executes its' responsibilities toward the Category II and/or IIA FSP.	S	BN 63 of 2007 - Sec 5.1.1 BN 63 of 2007 - Sec 6.4 Annexure A BN 63 of 2007 - Sec 6.1.5 BN 63 of 2007 - Sec 7.1.1 FAIS Regulations - Reg 6
		3. Explain the purpose of the nominee company.	K	COC Discretionary FSPs - Sec 8 FAIS Regulations - Reg 10(1)
		4. Confirm the nominee company complies with its duties.	S	BN 63 of 2007 - Sec 3.3 BN 63 of 2007 - Sec 5.1 BN 63 of 2007 - Sec 7 BN 63 of 2007 - Sec 7.1 BN 63 of 2007 - Sec 7.2 GCOC - Sec 1 Definitions COC Discretionary FSPs - Sec 8
		5. Describe the obligations and requirements regarding the use of nominee companies NEW BN 60	K	FAIS Regulations - Reg 6.4 FAIS Regulations - Reg 7(3) FAIS Regulations - REG 9(1) FAIS Regulations - Reg 10(4) COC Administrative FSPs - Sec 2.1 Definition of Administrative FSP and Bulking COC Discretionary FSPs - Sec 8
		6. Check that any nominee companies used have been approved by the FSCA in terms of the nominee policy NEW BN 60	S	COC Discretionary FSPs - Sec 5(1)(d) BN 63 of 2007 - Sec 5.1
		7. Confirm that the reports concerning the nominee company are provided timeously to the FSCA NEW BN 60	S	BN 63 of 2007 - Sec 7.1.2 FAIS Act - Sec 19(2)(b)(iii)

Regulatory Exam: 3 Description: RE 3 : Regulatory Examination: FSPs and Key Individuals In Category II and IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
3.	Manage and oversee client mandates.	1. Explain why the category II and/or IIA FSP must use mandates that have been approved by the FSCA.	K	COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 5.2 COC Discretionary FSPs - Sec 5.3 FAIS Act - Sec 8 FSP 7 Form
		2. Manage client mandates in accordance to mandatory requirements.	S	COC Discretionary FSPs - Sec 5 COC Discretionary - Sec 5.1  COC Discretionary FSPs - Sec 5.1(c) COC Discretionary FSPs - Sec 5.1(d) COC Discretionary FSPs - Sec 8A GCOC - Sec 10(1)(d)
		3. Explain why the mandate cannot be used if it is not approved by the FSCA.	K	COC Discretionary FSPs - Sec 5.1 COC Discretionary FSPs - Sec 5.2 COC Discretionary FSPs - Sec 5.3
		4. Explain why a mandate cannot be used if it is not signed by the client or his duly authorised representative.	K	COC Discretionary - Sec 5.1
		5. Explain why such a mandate must adhere to the requirements in the Discretionary Code of Conduct.	K	COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 5.1(d) COC Discretionary FSPs - Sec 5.2
		6. NOT APPLICABLE - BOARD NOTICE 60	K	
		7. Describe the requirements regarding the development, amendments, approval and use of specimen mandates NEW BN 60	K	COC Discretionary FSPs - Sec 5.1 COC Discretionary FSPs - Sec 5.1(c) COC Discretionary FSPs - Sec 5.2 COC Discretionary FSPs - Sec 5.3
		8. Verify that all specimen mandates are approved by the FSCA before it is utilised NEW BN 60	S	COC Administrative FSPs - Sec 5 COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 5.1
4.	Manage and oversee typical daily transactions.	1. Explain how different products have different turnaround times and should be adhered to.	K	COC Administrative FSPs - Sec 5.2(e)
		2. Check that the system and processes enable the implementation and execution of different turnaround times for different products.	S	COC Administrative FSPs - Sec 5.2(e)
		3. Describe how there should be adequate controls in place to manage risks.	K	COC Discretionary FSPs - Sec 5.1 COC Discretionary FSPs - Sec 5.3 BN 123 of 2009 - Sec 3(e) GCOC - Sec 2 GCOC - Sec 11 FAIS Act - Sec 8 FAIS Act - Sec 19

Regulatory Exam: 3 Description: RE 3 : Regulatory Examination: FSPs and Key Individuals In Category II and IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
		4. Check that the systems and processes have embedded controls to manage and contain risk.	S	GCOC - Sec 10(1)(d)(i) GCOC - Sec 11 BN127 of 2010 - Sec 4(3)
5.	Manage and oversee disclosures.	1. Explain how to ensure transparency and manage conflict of interests.	K	GCOC - Sec 3A GCOC - Sec 4(1)(d) COC Discretionary FSPs - Sec 5 COC Discretionary FSPs - Sec 6.1 COC Discretionary FSPs - Sec 6.3.(e) COC Discretionary FSPs - Sec 8A(2) BN 571 of 2008 BN 571 of 2008 Hedge Fund FSP risk disclosures
		2. Confirm that disclosures are adequate to enable client's ability to make an informed decision.	S	GCOC - Sec 5 GCOC - Sec 7(1)(a) COC Discretionary FSPs - Sec 5
6.	Understand the legal environment of the CAT II and/or IIA FSP.	1. Explain the liquidity requirement	K	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		2. Apply the liquidity requirements to own business.	S	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		3. Explain the implications of the liquidity requirements.	K	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		4. Describe the fidelity cover requirements.	K	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		5. Apply the fidelity requirements to own business.	S	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		6. Explain the implications of the fidelity cover requirements.	K	BN 123 of 2009 - Sec 3(d) BN 123 of 2009 - Sec 3(e)
		7. Describe the applicable capital requirement.	K	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		8. Apply the applicable capital requirements to own business.	S	BN 194 of 2017 – Chapter 6 BN 194 of 2017 – Annexure Six
		9. Explain the implications of the capital requirements.	K	BN 194 of 2017 – Chapter 6
		10. Explain why the Category II and/or IIA FSP is not allowed to engage in the netting of transactions.	K	COC Administrative FSPs - Definitions COC Administrative FSPs - Sec 2 Definitions COC Discretionary FSPs - Sec 2 Definitions
		11. Verify that there are systems in place to check that netting of transactions will not take place.	S	COC Discretionary FSPs - Sec 3(3) GCOC - Sec 3(1)
		12. Explain why a Category II and/or IIA FSP must ensure that it only conducts business with other FSP that has the appropriate categories/subcategories on its license, and that business must also be conducted within the parameters of the client mandate.	K	FAIS Act - Sec 7(3) COC Discretionary FSPs - Sec 5 GCOC - Sec 2

Regulatory Exam: 3 Description: RE 3 : Regulatory Examination: FSPs and Key Individuals In Category II and IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
		13. Verify that it only conducts business with another FSP that has the appropriate categories/subcategories on its license, and that business must also be conducted within the parameters of the client mandate, to ensure that all business is legitimate.	K	COC Discretionary FSPs - Sec 5.1(a) COC Discretionary FSPs - Sec 5.1(m) FAIS Act - Sec 7(3)
		14 Describe what the continual compliance with the license requirements and conditions are. FSP License Condition 2. FSP License Condition		FAIS Act - Sec 8 FAIS Act - Sec 8(4)(a) FAIS Act - Sec 8(8) FSP License Condition 2
		15 Check that there are systems in place to check that new products or proposed business ventures will meet the limitations of the license requirements and conditions.	S	FAIS Act - Sec 8(4)(a)
7.	Apply the record keeping requirements.	1. Explain the period for which records must be kept.	K	FAIS Act - Sec 18 GCOC - Sec 3(2) GCOC - Sec 3(2)(b) GCOC - Sec 14 FICA – Sec 23
		2. Incorporate the record keeping requirements when planning system updates and strategic initiatives.	S	FAIS Act - Sec 18 FAIS Act - Sec 18 (a) GCOC - Sec 3(2)(d) FICA - Sec 22 BN 63 of 2007 - Sec 7.1.2 COC Discretionary FSPs - Sec 6.3(a)
		3. Describe the requirements specifically applicable to telephone and/or electronic requirements.	K	GCOC - Sec 3(2) GCOC - Sec 3(2)(b) GCOC - Sec 3(2)(c) GCOC - Sec 15
		4. Verify that systems are in place to manage the record keeping risks of electronic and telephonic transactions.	S	GCOC - Sec 3(2)(a)(iii) GCOC - Sec 3(2)(c)
8.	Comply with requirements when reporting to clients.	1. Explain why clients must receive written reports at quarterly intervals, that provide them with investment and related information.	K	COC Discretionary FSPs - Sec 6.1 COC Discretionary FSPs - Sec 6.2
		2. Verify that there are systems and processes that enable the preparation and delivery of accurate quarterly reports.	S	COC Discretionary FSPs - Sec 6.1 COC Discretionary FSPs - Sec 6.1(b) COC Discretionary FSPs - Sec 6.2 FAIS Act - Sec 13(2)
9.	Institute a personal account Trading policy.	1. Describe why Discretionary FSP should have a personal account policy and why it is important	K	COC Discretionary FSPs - Sec 3.3 Directive 134. A.ii Directive 134. A.ii - Sec 4 ASISA guidelines for a personal account trading policy ASISA guideline for a personal account trading policy. Sec 3

Regulatory Exam: 3 Description: RE 3 : Regulatory Examination: FSPs and Key Individuals In Category II and IIA				
Task No	Task	Qualifying Criteria	Knowledge (K) or Skill (S)	Motivation
		2. Verify that there are systems and processes that enable the preparation and delivery of accurate quarterly reports.	S	COC Administrative FSPs - Sec 10.1(b) COC Administrative FSPs - Sec 10.2
10.	Apply knowledge of how intermediaries must be licensed before they do business.	1. Explain how intermediaries must be licensed before they can do business.	K	FAIS Act - Sec 7(3) COC Administrative FSPs - Sec 4 & FSP 2 Form
11.	Deal with rebates.	1. Explain how rebates work.	K	
		2. Explain all the related disclosures as it applies to rebates.	K	GCOC - Sec 7(1)(c)(iii)(dd)