

# FAIS NEWSLETTER



Financial Services Board

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Volume 13

## Background to Newsletter

During November 2012 the FAIS Division conducted an industry survey in respect of the activities of the FAIS Department.

A sample of Compliance Officers (CO's) and Financial Services Providers (FSPs) were randomly selected to participate in the survey and the survey was also distributed to various industry bodies for onward communication to their members, at the discretion of the industry body.

*"The feedback from the survey has been utilized to identify topics that may need to be addressed in the FAIS newsletter."*

More in-depth feedback in respect of the survey is provided on Page 2 of the newsletter.

The feedback from the survey has been utilised to identify topics that may need to be addressed in the FAIS newsletter.

This edition of the newsletter will cover some of the more basic issues that were identified as a result of the survey.

## DID YOU KNOW?

- Changes are being made to the FSB website to make it easier to navigate – any suggestions or comments can be sent to [Faisinfo@fsb.co.za](mailto:Faisinfo@fsb.co.za) for consideration.
- There is a search functionality on the top of the FSB homepage ([www.fsb.co.za](http://www.fsb.co.za)) that allows you to search for documents and information. Simply type in what you're looking for and click on find. See the example below:

Financial Services Board	Capital Markets	C.I.S	Communication	Consumer Education	Retirement
Financial Services Board Center	Inspectorate	Insurance	Legal Policy	Market Abuse Department	
Document Search	ALL		Board Notice 106	Find!	
1 document/s found					
<a href="#">Board Notice 106 of 2008 - Determination of Fit and Proper Requirements for Financial Services Providers</a>					

## Inside this issue:

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## Disclaimer

The FAIS Newsletter must not be construed as a substitution of the FAIS Act and subordinate legislation. The newsletter is aimed at addressing specified areas and provides a quick reference to the reader. It does not take away the obligations that are imposed on FSPs, key individuals, representatives, compliance officers or any person involved in the rendering of financial services to acquaint himself or herself with the provisions of the FAIS Act.

## FAIS INDUSTRY SURVEY RESULTS

As indicated on page 1 of this newsletter, during November 2012 sample of Compliance Officers (CO's) and Financial Services Providers (FSPs) were randomly selected to participate in an industry survey in respect of the activities of the FAIS Department as a whole.

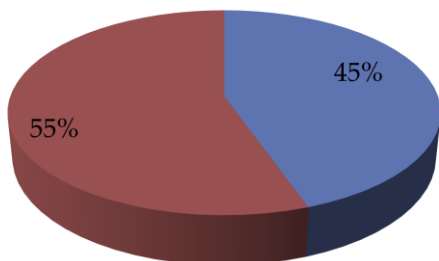
The industry survey was also distributed to various industry bodies for onward communication to their members, at the discretion of the industry body.

The purpose of the survey was, *inter alia*, to determine which interactions with FSPs and CO's were working and also to give us an indication as to any topics or aspects that may need to be covered in the FAIS newsletter going forward.

Below please find feedback in respect of some of the statistics that have been compiled in response to the survey:

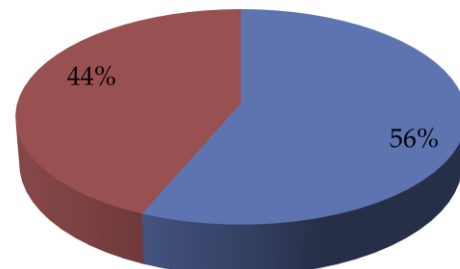
**Are you aware that the FAIS Department has agreed upon Service Level Commitments with the industry?**

■ Yes ■ No



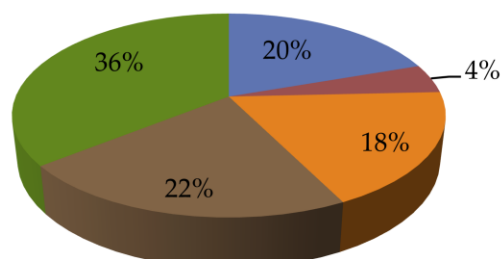
**Have you made use of the FSB's contact centre?**

■ Yes ■ No



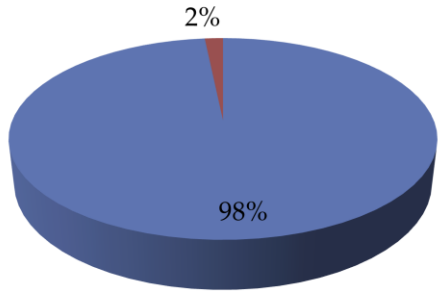
**Do you find the telematic conferences presented by the FAIS Department to be informative?**

■ Yes ■ No ■ Sometimes ■ I Don't Know About Them ■ I Have Not Attended One



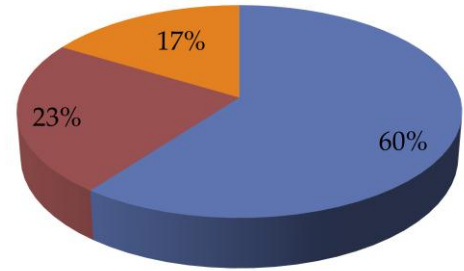
**What is your preferred method of receiving communication?**

- Email
- Telephone
- Fax
- SMS
- Social Media (Facebook, Twitter, Etc.)



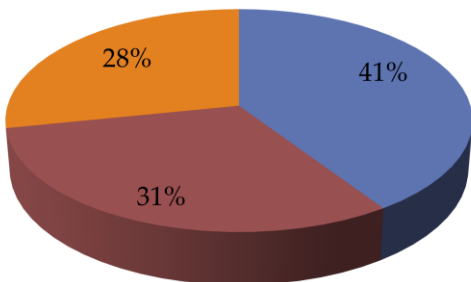
**Have you registered to make use of the online reporting system?**

- Yes
- No
- Not Aware Of Online System



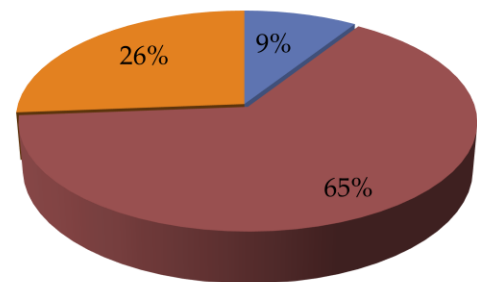
**Are you aware of the different FAIS e-mail inboxes that may be used for queries?**

- Yes
- No
- Some Of Them



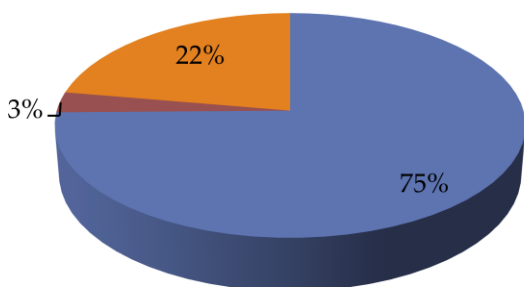
**Indicate the user friendliness of those online system functionalities that you utilise.**

- Not User Friendly At All
- Neutral
- Very User Friendly



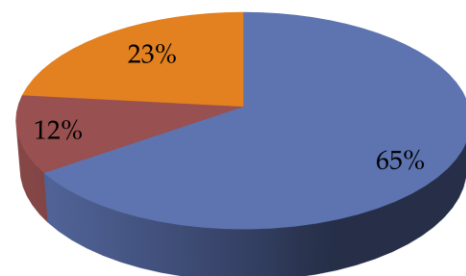
**Do you find the circulars that are issued by the FAIS Department to be informative?**

- Yes
- No
- Sometimes



**Do you read the FAIS newsletter that is published quarterly?**

- Yes
- No
- I Am Not Aware Of The Newsletter



## COMMUNICATING WITH THE FAIS DIVISION

The FAIS Division is divided into four departments namely:

- Registration,
- Supervision,
- Compliance and
- Enforcement.

The main function of each department are as follows:

**REGISTRATION** is responsible for:

- new licence applications,
- profile changes (change to any of the application detail that must be submitted in terms of licensing conditions of FSPs),
- updating the central representative register,
- approval of mandates and application forms for discretionary FSPs and Administrative FSPs,
- lapsing of licences,
- any queries relating to the status of an FSPs licence and
- liaison with the FSB's Finance Department relating to collection of levies.

**SUPERVISION** is responsible for:

- the implementation of a risk based approach to supervision of financial service providers,
- the analysis of financial statements and compliance reports,
- conducting onsite visits to FSPs and compliance officers and
- liaison with industry relating to changes in subordinate legislation.

**COMPLIANCE** is responsible for:

- dealing with complaints against FSPs that cannot be referred to the FAIS Ombud, and
- investigations into the affairs of FSPs and regulatory action (suspension and withdrawal of licences)

**ENFORCEMENT** is responsible for the:

- interaction between the FAIS Division and the FSB Enforcement Committee (this interaction includes the preparation of matters that the Registrar of Financial Services Providers deems necessary to refer for possible administrative sanction. )
- updating debarments on the central representative register as well as reinstatement of representatives on the central register.

The various FAIS Departments have set up dedicated e-mail inboxes to which various queries can be addressed. In many instances we find that processes or responses are delayed due to e-mails being addressed to the incorrect e-mail address.

It was noted from the feedback received from the FAIS Survey that 31% of the respondents were not aware of the various FAIS inboxes and an additional 28% were only aware of some of the inboxes that can be utilized. On the following page we have included a comprehensive list of all inboxes as well as their function.

The various FAIS Departmental e-mail inboxes are as follows:

FUNCTION	E-MAIL ADDRESS
Profile change requests i.e. requests to amend an existing license.	<a href="mailto:Faispfc@fsb.co.za">Faispfc@fsb.co.za</a>
Queries relating to qualifications	<a href="mailto:Fitandproper@fsb.co.za">Fitandproper@fsb.co.za</a>
Queries relating to the Fit and Proper Requirements	<a href="mailto:Fitandproper@fsb.co.za">Fitandproper@fsb.co.za</a>
Queries relating to the suspension and / withdrawal of licenses.	<a href="mailto:Fais.Compliance@fsb.co.za">Fais.Compliance@fsb.co.za</a>
E-mailing of outstanding compliance reports and financial statements in response to an intention to suspend letter.	<a href="mailto:Fais.Compliance@fsb.co.za">Fais.Compliance@fsb.co.za</a>
Extension requests for the submission of financial statements	<a href="mailto:Faisfins2@fsb.co.za">Faisfins2@fsb.co.za</a> <a href="mailto:Faisfins3@fsb.co.za">Faisfins3@fsb.co.za</a> <a href="mailto:Faisfins4@fsb.co.za">Faisfins4@fsb.co.za</a>
Submission of registration forms for FSPs wanting to register to be exempted from submitting audited financial statements.	<a href="mailto:Faisfins4@fsb.co.za">Faisfins4@fsb.co.za</a>
FAIS related complaints relating to Financial Services Providers including key individuals and / or representatives.	<a href="mailto:FaisComplaints@fsb.co.za">FaisComplaints@fsb.co.za</a>
Debarment of representatives	<a href="mailto:Debarment@fsb.co.za">Debarment@fsb.co.za</a>
Queries on registering for and using the FAIS online reporting system.	<a href="mailto:Faiscomp1@fsb.co.za">Faiscomp1@fsb.co.za</a>
Submission of specific exemption applications and queries relating to specific exemptions.	<a href="mailto:Fais.Exemptions@fsb.co.za">Fais.Exemptions@fsb.co.za</a>
General FAIS related queries	<a href="mailto:Faisinfo@fsb.co.za">Faisinfo@fsb.co.za</a>
Queries relating to Date Of First Appointment (DOFA)	<a href="mailto:Fais.Dofa@fsb.co.za">Fais.Dofa@fsb.co.za</a>
Queries relating to levies	<a href="mailto:Faislevies@fsb.co.za">Faislevies@fsb.co.za</a>

## **THE FSB CONTACT CENTRE**

According to the statistics obtained from the FAIS Industry Survey, 44% of the respondents have never made use of the FSB Contact Centre.

From the feedback received from the industry survey it was evident that one of the biggest complaints from the industry is the availability of FAIS staff in respect of telephonic enquiries

**The FSB Contact Centre numbers are:**

**0800 110 443**

**0800 202 087**

Often this frustration may be due to the fact that the staff member is not in the office (for example they may be on an onsite visit, attending a meeting, study leave etc).

In many cases the queries that the caller has can be easily addressed by the Call Centre agents based in the FSB's Contact Centre. The agents have all been trained by the management within the FAIS Department to handle the queries that they receive.

## **FAIS TELEMATIC WORKSHOPS**

From the FAIS industry survey results it was discovered that 22% of the respondents were not aware of the FAIS telematics workshops and an additional 36% have never attended one of the telematics workshops.

The FAIS division uses the telematics (satellite delivery) facilities hosted by the University of Stellenbosch, to enable them to reach 16 venues countrywide that can host approximately 600 participants, at the same time. The studio is based in Stellenbosch, at the University's Telematics division ([www.sun.ac.za/ite](http://www.sun.ac.za/ite)).

The FAIS division started offering telematics workshops in 2009, and has hosted more than 40 such workshops to date. The workshops are interactive, as delegates can send queries via sms to the studio, and the presenters then do their best to answer this during the workshop.

The advantages of these workshops are that delegates can save on travel expenses, as there are venues in each province, and they can attend those workshops that are of particular interest to them.

Most workshops are three hours, but the FAIS division has also hosted the annual FAIS conference via satellite since 2010. The workshops are recorded, and DVDs of the recordings can be ordered if a workshop was fully booked or the person was unable to attend due to other commitments. The workshops are offered free of charge.

Additional information pertaining to the telematics workshops can be found on the FAIS homepage (go to [www.fsb.co.za](http://www.fsb.co.za) and click on "FAIS" in the top right hand corner).

## UPDATING OF CONTACT DETAILS

According to the survey results 98% of the respondents' preferred method of communication is e-mail. When corresponding with the FSPs and Compliance Officers the FAIS Department uses e-mail as our main method of communicating however, often we find that the e-mail addresses on record are no longer valid. In these instances we will resort to the faxing and posting of the correspondence.

In terms of the license conditions included on the annexures to all FAIS licenses, all authorised FSPs are required to notify the FAIS Department of any changes in contact details within 15 days of the change occurring. This condition to the license is in many instances not complied with which means that FSPs do not always receive the communication sent for their attention (whether it be requests for information, reminder letters, circulars etc).

An easy method of updating your contact details is to register to use the FAIS online reporting system and then make use of the option on the system for the updating of contact details. The system has been programmed so that the first time that you log onto the system you will be required to verify your contact details. Thereafter when updating your contact details you will use the "Query FSP detail" option (see below) and you can make the necessary changes to your contact details on the screen that follows:



Compliance Reports

Query FSP Detail

Financial Statements

Extension Request for Financial statements

Update Contact Details

Irregularity Report

Year:

If you have not yet registered to make use of the online reporting system there is a user manual available for download on the FSB website which provides step by step instructions on how to register and how to make use of the various functionalities offered by the system.

- Go to [www.fsb.co.za](http://www.fsb.co.za)
- Click on "FAIS" in the top right hand corner
- Under the heading "supervision Department" select the 6<sup>th</sup> option which reads "Use Guide for the online reporting system"

## AMENDMENTS TO THE FINANCIAL SOUNDNESS REQUIREMENTS

The financial soundness requirements that all authorised Financial Services Providers (FSPs) must comply with can be found in the Determination of Fit and Proper Requirements, 2008 (the Fit and Proper).

On 11 December 2012 certain of the definitions in respect of the financial soundness requirements were amended under Board Notice 202 of 2012.

The following key amendments were made:

- The definition of annual expenditure was amended;
- The definition of liquid assets was amended
- A definition of "management accounts" was inserted
- Paragraph 9 of the Fit and Proper was amended in that subparagraphs (2), (3)(a) and (4)(a) were substituted.

The major amendment to subparagraphs (2), (3)(a) and (4)(a) of Paragraph 9 of the Fit and Proper was to do with what is specifically **excluded** from the total assets of the FSP when calculating whether the FSP satisfies the financial soundness requirements or not. The following is now excluded from the total assets calculation:

- Goodwill;
- Intangible assets;
- Investments in related parties;
- Loans to related parties;
- Investments with persons to whom the FSP renders financial services; and
- Loans to persons to whom the FSP renders financial services.

These amendments came into effect on the date of publication i.e. **with effect from 11 December 2012.**

### **Amended definition of liquid assets:**

*"Liquid assets means cash and other assets equivalent to cash that can be liquidated without realizing a loss on liquidation provided that –*

- (a) 25% percent of such assets must be capable of being liquidated in 7 days;*
- (b) A further 25% of such assets must be capable of being liquidated in 30 days; and*
- (c) The remaining 50% of such assets must be capable of being liquidated in 60 days;."*

### **Amended definition of annual expenditure:**

*"Annual expenditure means the expenditure set out in –*

- (a) The latest financial statements of the FSP;*  
*or*
- (b) The budgeted expenditure as expressed in the budget or financial accounts in the case of an applicant commencing business,*

#### **Less-**

- *Staff bonuses;*
- *Employees' and directors', partners' or members' share in profits;*
- *Emoluments of directors, members, partners or a sole proprietor;*
- *Other appropriation of profits to directors, members and partners;*
- *Fifty percent of the commissions or fees paid to representatives for the rendering of services that did not form part of their part of their remuneration;*
- *Depreciation;*
- *Bad debts; and*
- *Any loss resulting from the sale of assets"*



## IMPORTANT FAIS CONTACT DETAILS

General FAIS related queries	<a href="mailto:Faisinfo@fsb.co.za">Faisinfo@fsb.co.za</a>
Extensions on the submission of annual financial statements	<a href="mailto:Faisfins2@fsb.co.za">Faisfins2@fsb.co.za</a> <a href="mailto:Faisfins3@fsb.co.za">Faisfins3@fsb.co.za</a>
Queries relating to qualifications	<a href="mailto:Fitandproper@fsb.co.za">Fitandproper@fsb.co.za</a>
Queries on Fit and Proper requirements	<a href="mailto:Fitandproper@fsb.co.za">Fitandproper@fsb.co.za</a>
Updating details on a license (Profile Changes)	<a href="mailto:Faispfc@fsb.co.za">Faispfc@fsb.co.za</a>
Debarment of representatives	<a href="mailto:Debarments@fsb.co.za">Debarments@fsb.co.za</a>
Queries on Date of First Appointment (DOFA)	<a href="mailto:Fais.Dofa@fsb.co.za">Fais.Dofa@fsb.co.za</a>
Submission of complaints against a FSP	<a href="mailto:FaisComplaints@fsb.co.za">FaisComplaints@fsb.co.za</a>
Queries relating to the suspension / withdrawal of licenses	<a href="mailto:Fais.Compliance@fsb.co.za">Fais.Compliance@fsb.co.za</a>
Correspondence relating to specific exemptions	<a href="mailto:Fais.Exemptions@fsb.co.za">Fais.Exemptions@fsb.co.za</a>
Queries on the FAIS online reporting system	<a href="mailto:Faiscomp1@fsb.co.za">Faiscomp1@fsb.co.za</a>
Queries relating to compliance reports	<a href="mailto:Faiscomp2@fsb.co.za">Faiscomp2@fsb.co.za</a> <a href="mailto:Faiscomp3@fsb.co.za">Faiscomp3@fsb.co.za</a> <a href="mailto:Faiscomp4@fsb.co.za">Faiscomp4@fsb.co.za</a>

## Comments and suggestions?



We invite comments on this Newsletter and suggestions as to which topics you wish us to address in the coming publications. Any person who wishes to be included in the FAIS Newsletter circulation must forward an e-mail to [faiscomment@fsb.co.za](mailto:faiscomment@fsb.co.za). The FAIS Newsletter is for free.

**FSB Call Centre:** Are you aware that the Financial Services Board has a Call Centre / Contact Centre that is dedicated to resolving all your queries? The following toll free numbers may be used to contact the FSB Call Centre:

0800110443 or 0800202087

Per email: [info@fsb.co.za](mailto:info@fsb.co.za)

**Website :** All the important information applicable to financial services business is posted on our website. You are encouraged to frequently visit our website for latest information and updates. Our website address is [www.fsb.co.za](http://www.fsb.co.za).

On the homepage click on the word “*FAIS*” in the top right hand corner.