

FSP NAME:

FSP NO.

CONDUCT OF BUSINESS REPORT FOR THE PERIOD ENDING20XX

REPORTING DATE		KEY INDIVIDUAL		COMPLIANCE OFFICER	
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Focus Area 1 – Business structure, governance and control functions

“REGULATORY OBJECTIVE: Gaining insight into the structure, business model, controlling or governing body, owners, management and representatives of the FSP and supervision of compliance with related regulatory obligations (see section 8 of the FAIS Act)”

1.1 Legal Structure

1.1.1	Please confirm the legal structure of the FSP: <table border="1"> <tr> <td></td> <td>Limited company</td> </tr> <tr> <td></td> <td>Private company</td> </tr> <tr> <td></td> <td>Close corporation</td> </tr> <tr> <td></td> <td>Partnership</td> </tr> <tr> <td></td> <td>Trust (example, Discretionary Trust, Vesting Trust, Bewind Trust)</td> </tr> <tr> <td></td> <td>Sole proprietor</td> </tr> <tr> <td></td> <td>External company (Foreign company conducting business in South Africa)</td> </tr> <tr> <td></td> <td>Other (please explain)</td> </tr> </table>		Limited company		Private company		Close corporation		Partnership		Trust (example, Discretionary Trust, Vesting Trust, Bewind Trust)		Sole proprietor		External company (Foreign company conducting business in South Africa)		Other (please explain)
	Limited company																
	Private company																
	Close corporation																
	Partnership																
	Trust (example, Discretionary Trust, Vesting Trust, Bewind Trust)																
	Sole proprietor																
	External company (Foreign company conducting business in South Africa)																
	Other (please explain)																
1.1.2	Does your FSP use any trading name/s? ☐ Yes ☐ No If yes, confirm your trading name/s.																
1.1.3	Confirm the contact details of the FSP, i.e. telephone number, fax number, email address and website address of the FSP.																
1.1.4	Provide details of all directors / members / partners / trustees. (Nature of role, full names, identity / passport numbers and business address). Complete Annexure 1.1.4																
1.1.5.a	Explain the ownership structure of the FSP, (for e.g. shareholding, group structure, joint ventures, etc.) and indicate whether or not foreign domiciled.																
1.1.5.b	If a foreign domiciled owner, confirm jurisdiction and business activities of the entity and its relationship with your FSP.																

Focus Area 1 – Business structure, governance and control functions

“REGULATORY OBJECTIVE: Gaining insight into the structure, business model, controlling or governing body, owners, management and representatives of the FSP and supervision of compliance with related regulatory obligations (see section 8 of the FAIS Act)”

1.1.5.c	Does the FSP have an ownership interest in other entities? ☐ Yes ☐ No If yes, provide a list thereof with the nature and, where applicable, percentage of the ownership interest. (You can provide an organogram)
1.1.6.a	What is the source of funding of the business?
1.1.6.b	Please describe the revenue streams of the business.
1.1.6.c	Are the activities of the foreign domiciled entity regulated? ☐ Yes ☐ No If yes, provide details of the Regulator, i.e. name and jurisdiction of the Foreign Regulator and furnish the foreign entity's license/registration number.
1.1.7.a	Is the FSP, associates or any members of the group regulated in a foreign jurisdiction? ☐ Yes ☐ No Describe the activities.
1.1.7.b	If the activities are regulated, provide the following information: (a) Name of jurisdiction (b) Name of Regulator (c) Registration number
1.1.8	Does the FSP have any governance committees or oversight structures in place? ☐ Yes ☐ No If yes, provide a list of these committees or structures and indicate which ones are responsible for customer protection.
1.1.9	Please explain the key responsibilities of the key individual/s or FSP (sole proprietor). Where you have more than one KI, please include details of how oversight over representatives is allocated to different KI's , taking into account regional spread if applicable, and why you believe this to be appropriate.

Focus Area 1 – Business structure, governance and control functions

“REGULATORY OBJECTIVE: Gaining insight into the structure, business model, controlling or governing body, owners, management and representatives of the FSP and supervision of compliance with related regulatory obligations (see section 8 of the FAIS Act)”

1.1.10 Did any of the FSP’s key individuals act as a key individual for other FSPs?

☐ Yes ☐ No

If yes, provide the following information:

- Name of key individual
- Name of other FSP/s
- FSP number/s of other FSP/s

1.2 Management information

REGULATORY OBJECTIVE in subject line for Management Information: “Gaining insight into the types of management information collected by an FSP for the purpose of evaluating the fair treatment of clients, the method of recording the management information and the frequency of review of the information to enable the Authority to assess an FSP’s culture in respect of delivering fair outcomes for clients.”

1.2.1 Do you maintain documented management information (MI) in relation to each of the following? If so, please briefly describe how you record and monitor the information, and how you use the information in regard to your business activities.

- a) Results of client file reviews (sampling / monitoring)(Quality of requirements in terms of sections 3A, 4, 5, 7, 8 & 9 of the General Code of Conduct)
- b) Customer feedback (over and above complaints)(Do you conduct customer service /satisfaction surveys)
- c) Financial information (Monthly accounting records)

1.3 Risk Management

REGULATORY OBJECTIVE: “Gaining insight into the FSP’s approach to risk management, risk management processes, the risks identified and managed by the FSP and supervision of compliance with requirements related to risk management (sections 11 and 12 of the General Code of Conduct).

1.3.1 Do you have a documented risk management process in place?

☐ Yes ☐ No

1.3.2 How do you assess risk to your business and / or your customers?

Focus Area 1 – Business structure, governance and control functions

“REGULATORY OBJECTIVE: Gaining insight into the structure, business model, controlling or governing body, owners, management and representatives of the FSP and supervision of compliance with related regulatory obligations (see section 8 of the FAIS Act)”

1.3.3	Provide details / explanation of risks identified in the business during the reporting period. (This can be limited to the top risks identified during the reporting period)
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1.3.4	How are you managing the identified risks?
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1.3.5	a) How and where do you record the risks that you have identified? b) Please provide a copy of your most recent risk records if available.
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1.3.6	Please provide a copy of your most recent / updated risk register.
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1.4 Business Continuity

REGULATORY OBJECTIVE: “Gaining insight into the capability of an FSP to maintain continuity in its operations following a disruptive event or a disaster – Chapter 5 of the Fit and Proper Requirements – Operational Ability”

1.4.1	Do you have a disaster recovery / business continuity arrangement / plan? ☐ Yes ☐ No
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1.4.2	Indicate the frequency with which the FSP tests its disaster recovery plan ?
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1.4.3	How often do you review your business continuity plan?
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1.4.4	Does the FSP have a succession plan in place for key individuals? ☐ Yes ☐ No If yes, please provide a copy of the plan.
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1.4.5	If the FSP is a sole proprietor, do you have processes in place to ensure clients are serviced if you are unable to continue with your business?
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1.5 Conflicts of interest

REGULATORY OBJECTIVE: “Gaining insight into actual and potential conflicts of interest between an FSP or representative and a client of the FSP and the FSP’s management of those conflicts of interest– section 3 and 3A of the FAIS General Code of Conduct”

1.5.1	Do you have a conflict of interest management policy in terms of section 3A of the General Code of Conduct?
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Focus Area 1 – Business structure, governance and control functions

“REGULATORY OBJECTIVE: Gaining insight into the structure, business model, controlling or governing body, owners, management and representatives of the FSP and supervision of compliance with related regulatory obligations (see section 8 of the FAIS Act)”

	☐ Yes ☐ No Please attach a copy if you have revised it in the last reporting period and highlight the changes.
1.5.2	What conflicts of interest exist in your business or have arisen in the past reporting period? How do you manage these conflicts?
1.6 Compliance Function REGULATORY OBJECTIVE: “Gaining insight into the structure of the compliance function established by an FSP, the reporting of results from compliance monitoring and supervision of regulatory requirements related thereto. (Reference to section 17 of the FAIS Act, FAIS Regulations 4 and 5, Fit and Proper Requirements for compliance officers and exemption in respect of services under supervision by compliance officers)	
1.6.1	Describe the structure of the FSP’s compliance function and include an organogram or diagram as illustration thereof. (Including the delegated functions).
1.6.2	Did the FSP have a compliance officer(s) under supervision? ☐ Yes ☐ No If Yes, describe the FSP’s supervision arrangements.
1.6.3	Explain the compliance monitoring process.
1.6.4	Provide details of any non-compliance identified by the compliance officer during monitoring in the reporting period and reported to senior management of the FSP and explain how they have been addressed
1.6.5	Which forums /committees / senior persons receive the monitoring report? Who is responsible to ensure that corrective action is taken in response to the report?
1.6.6	Please provide details of any non-compliance with provisions of the FAIS / FIC Act identified in the last reporting period and an explanation of how they have been addressed.

1.7 Insurance Cover

REGULATORY OBJECTIVE: "Gaining insight into a FSP's process to ensure compliance with regulatory obligations in respect of insurance for purposes of protection of client assets i.e. mitigating against theft of client assets, litigation risk and negligence by staff (section 13 of the FAIS General Code of Conduct and Chapter 5 of the FAIS Fit and Proper Requirements)

1.7.1	Attach a copy of the FSP's schedule/s of insurance held in terms of section 13 of the General Code of Conduct.
1.7.2	Describe how the FSP ensures that the insurance cover is adequate and suitable for all the business activities which the FSP carries on or for which it is responsible.
1.7.3	"Please provide confirmation from your Insurer regarding any claims received against your Intermediary Guarantee Facility (IGF)/Professional Indemnity (PI)/Fidelity. Alternatively, confirmation from your Insurer that no claims were received. If there were any claims, provide the following information: -Reason for claim -Rand value of claim -Outcome of claim

Focus Area 2 – Value proposition (services and clients)

Regulatory Objective for 2.1 – 2.3: The objective of this focus area is to establish how FSPs select third parties with whom they contract regarding products, platforms and services, and includes their processes of analysis, due diligence and selection before they enter into such relationships.

2A	Describe the main business of the entity which holds the FSP licence example, attorney, retailer, insurance broker, bank, investment advisor, asset manager, estate agent and panel beater etc.
2.1 Product Suppliers (Due diligence / research / analysis performed prior to selecting product suppliers/ platform)	
	Questions 2.1.1 to 2.1.3 must be answered by Categories I and IV only
2.1.1	Explain the process the FSP uses when selecting product suppliers / investment vehicles with which it conducts business.

Focus Area 2 – Value proposition (services and clients)

Regulatory Objective for 2.1 – 2.3: The objective of this focus area is to establish how FSPs select third parties with whom they contract regarding products, platforms and services, and includes their processes of analysis, due diligence and selection before they enter into such relationships.

2.1.2	Explain the process the FSP uses to select specific products on which it provides services?
2.1.3	Provide a list of product suppliers and percentages of the business the FSP has placed with them for this reporting period. Complete Annexure 2.1.3
2.2 Services	
2.2.1	Does the FSP render services on any product that is not specifically defined as a financial product? ☐ Yes ☐ No
2.2.2	If the answer to the above question is YES – Questions (a) to (c) must be answered.
	a) Provide details of the products concerned.
	b) Does the FSP disclose in writing, to clients that the services rendered on those products are not regulated in terms of the FAIS Act? ☐ Yes ☐ No
	c) Does the FSP conduct due diligence on these products and on the product suppliers who offer or issue them? ☐ Yes ☐ No If yes, please describe the due diligence process.

Focus Area 2 – Value proposition (services and clients)

Regulatory Objective for 2.1 – 2.3: The objective of this focus area is to establish how FSPs select third parties with whom they contract regarding products, platforms and services, and includes their processes of analysis, due diligence and selection before they enter into such relationships.

2.3 Clients

2.3.1	Describe how the FSP segments its client base within the above categories and what percentage of all the FSP's clients fall into each category.	
	Natural persons	
	Institutions	
	Group Schemes	

2.4 Advice

Regulatory Objective: The objective of this focus area is to understand how the FSP renders financial advisory services and how this is recorded in the record of advice.

NB: This subsection is only applicable to Category I FSPs that provide advice

2.4.1	Does the FSP furnish advice? ☐ Yes ☐ No If YES, questions 2.4.2 – 2.4.8 must be answered
2.4.2	Describe procedures implemented by the FSP to ensure that the FSP or its representative meets the requirements as set out in section 8 of the General Code of Conduct prior to providing a client with advice.
2.4.3	Do you maintain a record of advice as required in terms of Section 9 of the General Code of Conduct?
2.4.4	How do you ensure that relevant disclosures are made in terms of the requirements in sections 4, 5 & 7 of the General Code of Conduct?

Focus Area 2 – Value proposition (services and clients)

Regulatory Objective for 2.1 – 2.3: The objective of this focus area is to establish how FSPs select third parties with whom they contract regarding products, platforms and services, and includes their processes of analysis, due diligence and selection before they enter into such relationships.

2.4.5	Explain the following processes followed when furnishing advice: • cancel / terminate / lapse a product • cancel / terminate / lapse a service
2.4.6	a) In particular, describe the information provided and process followed if the cancellation / termination / lapse results in any penalties or fees being charged? b) How is the risk to customers mitigated in these cases?
2.4.7	What process do you follow when you recommend a financial product to replace another financial product for a client?
2.4.8	Provide the number of instances that clients replaced financial product based on the advice of the FSP.

Focus Area 3 – Advertising and Marketing

Please note that the questions in Focus Area 3 apply to material developed by the FSP as well as material received from product suppliers or other parties and used by the FSP when interacting with clients (Section 14 of the General Code of Conduct)

3.1	Did the FSP advertise services / products for the last reporting period? ☐ Yes ☐ No If yes, questions 3.2 to 3.3 must be answered.
3.2	a) Please explain the sign-off or approval process for advertising material (whether produced by you or another party such as a product supplier) before you make it available to clients/public. b) How do you ensure that the advertisements are clear, fair and not misleading?
3.3	Do you maintain a record of its advertisements? ☐ Yes ☐ No

Focus Area 4 – Client take-on process

The purpose is for the Authority to understand the process followed by the FSP when it on-boards a new client – initial take-on process.

4.1	Describe the FSPs client take-on process.
4.2	How does the FSP ensure that all relevant staff, including its juristic representatives, complies with the above processes of the FSP?

Focus Area 5 – Remuneration model

Regulatory objective: to determine the extent to which financial incentives influence behaviour and mis-selling.

Financial rewards and incentive schemes

5.1(a)	Describe the remuneration structures and incentives that may influence the FSP, its KI's and reps. Where applicable describe the nature of remuneration to Reps and KIs e.g. Where applicable, include specific details on: • The nature of the remuneration to representatives and KIs e.g. commission, salary, fees etc.) • Other Incentives (e.g. share options, profit shares) Incentives/penalties linked to production / performance payable to the FSP or reps or KIs. • Other non-cash benefits from the FSP or another source in respect of financial services rendered.
5.1(b)	Describe any linkages between the earnings and / or production of representatives and those of the key individuals.
5.2	Lead generation / referral fee:
(a)	Does the FSP receive any form of remuneration for referring clients or for identifying potential clients for a third party? ☐ Yes ☐ No
(b)	Does the FSP pay any form of remuneration for referrals or lead generation to a third party? ☐ Yes ☐ No
(c)	How is the lead fee structured:

Focus Area 5 – Remuneration model

Regulatory objective: to determine the extent to which financial incentives influence behaviour and mis-selling.

	In respect of each lead ☐
	Each quotation ☐
	Each successful conclusion of sale ☐
(d)	Is this fee: Once off ☐ On-going ☐
5.3	Describe the FSPs remuneration structure

Focus Area 6 – Recruitment, Training and Performance Management

Regulatory objective: Gaining insight into the FSP's recruitment, training and performance management practices and whether these practices pose a risk or a potential risk to fair outcomes for clients and supervision of compliance with related regulatory obligations.

6.1	Describe the process the FSP follows when appointing representatives and ensure compliance with the requirements in terms of section 13(2) of the FAIS Act?
6.2	What internal controls does the FSP have in place to ensure that its representative register is up to date at all times?
6.3	Did the FSP update the representative register after the appointment / termination of representatives during the reporting period? ☐ Yes ☐ No Did the FSP notify the Authority within 15 days of such change? ☐ Yes ☐ No
6.4	Were there key individual/s and/or representatives that did not comply with the fit and proper requirements? ☐ yes ☐ no If yes, complete Annexure 6.4

Focus Area 6 – Recruitment, Training and Performance Management

Regulatory objective: Gaining insight into the FSP's recruitment, training and performance management practices and whether these practices pose a risk or a potential risk to fair outcomes for clients and supervision of compliance with related regulatory obligations.

6.5	Does the FSP have a juristic representative/s? ☐ yes ☐ no If yes, complete questions 6.6
6.6	What processes does the FSP have to ensure the following: a) The juristic representative/s does not collect funds / premiums other than in the bank account of the FSP. b) The juristic representative/s does not contract independently in respect of financial services. c) Oversight of rendering of financial services by the juristic representative/s.

Focus Area 7 – Complaints

Regulatory objective: Gaining insight into the FSP's internal complaint resolution system and procedures and whether it poses a risk or a potential risk to fair outcomes for clients and supervision of compliance with regulatory obligations in respect of complaints.

[Part XI of the FAIS General Code of Conduct]

This section is not applicable to Insurance Companies.

7.1	Has the FSP received complaints from clients during the reporting period? ☐ Yes ☐ No If YES, , complete Annexure 7.1 and complete questions 7.2 to 7.4
7.2	Has the FSP analysed the underlying cause of the complaints? If yes, what were the findings? ☐ Yes ☐ No If yes, complete Annexure 7.2

Focus Area 7 – Complaints

Regulatory objective: Gaining insight into the FSP's internal complaint resolution system and procedures and whether it poses a risk or a potential risk to fair outcomes for clients and supervision of compliance with regulatory obligations in respect of complaints.

[Part XI of the FAIS General Code of Conduct]

This section is not applicable to Insurance Companies.

7.3	Is the FSP's relevant staff provided with training on the complaints handling process? ☐ Yes ☐ No
7.4	Are clients aware of the FSPs complaints resolution process?

Focus Area 8 – Assistance business administration (Category IV FSPs) (only to be completed by category IV FSPs)

Regulatory objective: Gaining insight into the Category IV FSP's administration of assistance policies and the governance and the relationship with the insurance companies

8.1	On whose behalf does the FSP perform assistance business administration services for?
8.2	Please provide the names of the Insurance Company (ies) on whose behalf you perform assistance business administration and explain the nature of the agreement(s) with the said insurance company (ies), example, binder, outsourcing and/or intermediary. Complete Annexure 8.2
8.3	Was any agreement to perform the administration of assistance policies terminated during the reporting period? ☐ Yes ☐ No If yes, identify the insurer and provide the reason for the termination of the agreement. Complete Annexure 8.3

Focus Area 9 – Collection of Insurance premiums

Regulatory objective: Gaining insight into the FSP's activities relating to the collection of premiums.

Only to be completed by those FSPs that collect premiums (not applicable to Insurers)

Questions

Short term Insurance Premiums

9.1	Does the FSP collect short-term insurance premiums? ☐ yes ☐ no
9.2	If yes, do you have an agreement/s in place with the Insurer/s which mandates the FSP to collect premiums on its behalf? ☐ yes ☐ no If yes, provide a copy/ies of the agreement/s and IGF (Intermediaries Guarantee Facility) schedule

Long term Insurance Premiums

9.3	Does the FSP collect long term insurance premiums? ☐ yes ☐ no
9.4	If yes, does the FSP have an agreement in place with the Insurer which mandates the FSP to collect premiums on its behalf? ☐ yes ☐ no If yes, provide a copy of the agreement.
9.5	Indicate what measures have been put in place to ensure that client premiums are kept separate from the FSP's funds?
9.6	Confirm the details of the separate bank account designated for client funds, if applicable.
9.7	Are you a premium collections agency? ☐ yes ☐ no If yes, complete Annexure 9.7

Focus Area 10 – Managing client assets / funds

Regulatory objective: Supervision of compliance with section 10 of the FAIS General Code of Conduct

Only to be completed by those FSPs that manage client assets / funds (Not applicable to premium collection)

Questions

10.1	Does the FSP when rendering financial services receive funds from clients or hold funds on behalf of clients? ☐ yes ☐ no
10.2	Are the funds held in a separate bank account designated for client funds? ☐ yes ☐ no
10.3	If yes, is this separate bank account/s audited in terms of section 19(3) of the FAIS Act? ☐ yes ☐ no
10.4	Provide the following details of the separate bank account/s designated for client funds. Complete Annexure 10.4
10.5	Does the FSP receive cash without mediation of a bank, ☐ yes ☐ no If YES, does the FSP issue written confirmation of receipts to clients?

Focus Area 11 – Custody of Assets (Nominees)

Regulatory objective: Gathering information on the custody of client assets held by nominees

[Chapter V of the FAIS Regulations and Requirements for Nominees as set out in Board Notice 63 of 25 May 2007]

11.1	Does the FSP hold client assets in a Nominee/s? ☐ yes ☐ no If No, in whose name are assets registered? If yes, answer questions 11.2 – 11.7
11.2	Provide the name/s and registration number/s of the Nominee/s. Complete Annexure 11.2
11.3	If the FSP uses a nominee of which it is not the holding company, what forms of due diligence is conducted on that nominee company?
11.4	How often does the Board of Directors of the Nominee (where the FSP is the holding company) meet per year? ☐ annually ☐ bi-annually ☐ quarterly
11.5	Does the FSP have procedures in place to ensure the proper reconciliation of the number and value of investments held in the Nominee and reflected in the records of the FSP, including the following: (a) frequency with which reconciliations are performed; (b) procedures in respect of dealing with discrepancies; and (c) procedures in respect of reporting on the outcome of reconciliation procedures, including the receivers of such reports (d) frequency at which the nominee company reports to the FSP ☐ yes ☐ no Explain the process.

Focus Area 11 – Custody of Assets (Nominees)

Regulatory objective: Gathering information on the custody of client assets held by nominees

[Chapter V of the FAIS Regulations and Requirements for Nominees as set out in Board Notice 63 of 25 May 2007]

11.6	Are reports provided to the Board of Directors of the Nominee regarding the reconciliation of assets? ☐yes ☐no If yes, are the reports prepared and verified by senior management? ☐yes ☐no
11.7	Does the FSP (holding company) have internal controls and procedures in place to ensure compliance with the continuing obligations of the holding company and Nominee in terms of Board Notice 63 of 2007 ☐yes ☐no If yes, provide details, if not, provide an explanation of how the FSP ensures compliance.

Focus Area 12 – Mandates SECTION 5 OF THE CODES OF CONDUCT FOR ADMINISTRATIVE AND DISCRETIONARY FSPs

Regulatory Objective: to ensure compliance with section 5 of the GCoC

Questions

12.1	Has the FSP made any changes to the mandates since the previous reporting period? ☐ yes ☐ no If yes, has it been approved by the Authority? ☐ yes ☐ no
12.2	Has there been any mandate breaches during the reporting period? ☐yes ☐no If yes, provide details of how the breach arose together with the resolution thereof by completing Annexure 12.2