



## **FINANCIAL SERVICES BOARD**

### **FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, NO. 37 OF 2002**

#### **FAIS INFORMATION CIRCULAR 9/2013**

**DATE: 10 DECEMBER 2013**

#### **UPDATE ON DEVELOPMENTS IN RESPECT OF THE REGULATORY EXAMINATIONS**

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### **1. INTRODUCTION**

- 1.1. FAIS Information Circular Nr. 8 of 25 October 2013 provided an update on the Level 1 and Level 2 Regulatory Examinations and Continuous Professional Development (CPD).
- 1.2. This circular will provide more information on the regulatory examinations specifically. The recent developments in relation to the Level 1 regulatory examinations are set out in detail, including an update on the investigation to combine the RE 1 and RE 5, the Level 1 regulatory examination statistics, the increase in the regulatory examination-related fees, and the Level 1 regulatory examinations in relation to foreign FSP that will now be offered overseas.

In addition, the December 2013 closing dates of the examination bodies are also set out in detail, and the registration start and end dates are clarified for those that intend on registering to write the regulatory examination early in 2014.

- 1.3. A brief update is also provided in relation to the development of the Compliance Officer regulatory examination and the level 2 regulatory examinations.

### **2. INVESTIGATION: COMBINING RE 1 AND RE 5**

- 2.1. The investigation regarding the possibility of combining the RE1 and RE5 examinations into one cost-effective and time-efficient examination has commenced mid-November 2013, and it is still early in the process as only one meeting has taken place. However, information in this regard will be communicated as soon as it becomes available.

2.2. Please note however that affected persons that are currently required to write the RE1 and RE 5 must continue to write both examinations in its current format. Therefore, these persons must not wait for the investigation of the combined examination to be finalised and / or rolled out to the industry before writing the examination(s).

### 3. STATISTICS

3.1. The statistics for the Level 1 regulatory examinations are set out below. Where applicable, additional information is provided to clarify some of the figures included in the statistics.

STATUS IN RELATION TO THE RE 1 (General key individual regulatory examination applicable to sole proprietors and key individuals for Category I, II and IIA, III and IV)	17 NOVEMBER 2013	
	TOTAL	%
<b>I. BREAKDOWN OF PERSONS AFFECTED</b>		
a) <sup>1</sup> Number of affected persons that were required to write the RE 1 by 30/06/2012:	15 138	N/A
b) Number of sole proprietors affected:	2 062	14%
c) Number of key individual affected:	11 438	76%
d) Key individuals of juristic representatives affected:	1 638	11%
<b>II. COMPLIANCE WITH THE RE 1 REQUIREMENT</b>		
a) Number of affected persons that wrote the RE 1:	13 230	87%
b) Number of affected persons that passed the RE 1:	12 316	81%
c) Number of affected persons that are required to re-write the RE 1:	914	6%
d) <sup>2</sup> Current pass rate (RE 1):	-	93%
<b>III. BREAKDOWN OF PERSONS AFFECTED</b>		
a) <sup>3</sup> Number of affected persons that were required to write the RE 3 by 30/09/2012:	1 191	N/A

<sup>1</sup> This is the number of persons with a date of first appointment / approval prior to 31 December 2010. These persons were required to write the RE 1 at least once by 30 June 2012, and to re-write and successfully complete the RE 1 by 31 March 2013.

<sup>2</sup> The pass rate is derived by item II b ÷ item II a x 100 = pass rate. It is the percentage of persons that successfully completed the RE 1 out of the total number of persons that attempted the examination.

STATUS IN RELATION TO THE RE 3 (Specific key individual regulatory examination applicable to sole proprietors and key individuals for Category II and IIA only)	17 NOVEMBER 2013	
	TOTAL	%
b) Number of sole proprietors affected:	7	1%
c) Number of key individual affected:	1 117	93%
d) Key individuals of juristic representatives affected:	67	6%
<b>I. COMPLIANCE WITH THE RE 3 REQUIREMENT</b>		
a) Number of affected persons that wrote the RE 3:	1 026	86%
b) Number of affected persons that passed the RE 3:	1 008	85%
c) Number of affected persons that are required to re-write the RE 3:	18	1.5%
d) <sup>4</sup> Current pass rate (RE 3):	-	98%

STATUS IN RELATION TO THE RE 4 (Specific key individual regulatory examination applicable to key individuals for Category III only)	17 NOVEMBER 2013	
	TOTAL	%
<b>I. BREAKDOWN OF PERSONS AFFECTED</b>		
a) <sup>5</sup> Number of affected persons that were required to write the RE 4 by 30/09/2012:	61	N/A
b) Number of sole proprietors affected:	0	0%
c) Number of key individual affected:	61	100%
d) Key individuals of juristic representatives affected:	0	0%
<b>II. COMPLIANCE WITH THE RE 4 REQUIREMENT</b>		
a) Number of affected persons that wrote the RE 4:	56	92%
b) Number of affected persons that passed the RE 4:	54	88%
c) Number of affected persons that are required to re-	2	3%

<sup>3</sup> This is the number of persons with a date of first appointment / approval prior to 31 December 2010. These persons were required to write the RE 3 at least once by 30 September 2012, and to re-write and successfully complete the RE 3 by 31 March 2013.

<sup>4</sup> The pass rate is derived by item II b ÷ item II a x 100 = pass rate. It is the percentage of persons that successfully completed the RE 3 out of the total number of persons that attempted the examination.

<sup>5</sup> This is the number of key individuals with a date of first appointment / approval prior to 31 December 2010. These key individuals were required to write the RE 4 at least once by 30 September 2012, and to re-write and successfully complete the RE 4 by 31 March 2013.

STATUS IN RELATION TO THE RE 4 (Specific key individual regulatory examination applicable to key individuals for Category III only)	17 NOVEMBER 2013	
	TOTAL	%
write the RE 4:		
d) <sup>6</sup> Current pass rate (RE 4):	-	96%

STATUS IN RELATION TO THE RE 5	17 NOVEMBER 2013	
	TOTAL	%
<b>I. BREAKDOWN OF PERSONS AFFECTED</b>		
a) <sup>7</sup> Total number of registered representatives:	117 447	N/A
b) <sup>8</sup> Total number of representatives that were required to write the RE 5 by 30/06/2012 (Transitional):	78 168	67%
c) <sup>9</sup> Total number of representatives that are required to write the RE 5 <b>AFTER</b> 30/06/2012 (Post-transitional):	23 023	20%
d) <sup>10</sup> Total number of representatives that are currently exempted from writing RE 5 or have no products:	15 749	13%
e) <sup>11</sup> Total number of representatives with invalid IDs:	507	0.4%
f) <sup>12</sup> Total number of registered representatives (balance with a above):	117 447	N/A
<b>II. COMPLIANCE WITH THE RE 5 REQUIREMENT</b>		
a) <sup>13</sup> Number of affected persons that wrote the RE 5	72 095	61%

<sup>6</sup> The pass rate is derived by item II b ÷ item II a x 100 = pass rate. It is the percentage of persons that successfully completed the RE 4 out of the total number of persons that attempted the examination.

<sup>7</sup> This is the total number of representatives currently registered, and includes all representatives regardless of the date of first appointment.

<sup>8</sup> This figure refers to only those registered representatives with a date of first appointment prior to 31 December 2009. In addition this figure also includes those registered representatives with a date of first appointment from 1 January 2010 to 31 December 2010, as the same deadlines applied to them.

<sup>9</sup> This figure refers to only those registered representatives with a date of first appointment AFTER 31 December 2010 as a different timeline (by which they have to successfully complete the RE 5) applies to them.

<sup>10</sup> This figure includes all exemptions applicable to representatives, for example, those representatives who would be required to write the bespoke examination, individual exemption applications, etc.

<sup>11</sup> Where the ID number of a person cannot be validated the examination record cannot be successfully recorded. This rejection must then be investigated and once the correct ID number was obtained the examination record is recorded correctly.

<sup>12</sup> This figure is the same as the figure supplied item I a). It indicates that the figures supplied in the breakdown of the affected persons are accurate and therefore the total in I a) and I f) is the same.

STATUS IN RELATION TO THE RE 5	17 NOVEMBER 2013	
	TOTAL	%
(that are not exempted):		
b) <sup>14</sup> Number of affected persons that passed the RE 5:	66 253	56%
c) Number of affected persons that are required to re-write the RE 5:	5 842	5%
d) <sup>15</sup> Current pass rate of the RE 5:	-	92%

#### 4. INCREASE IN FEE

- 4.1. On 20 November 2013, the Determination of Fees Payable to the Registrar of Financial Services Providers (Government Notice R892) was published in *Government Gazette* 37052.
- 4.2. This Notice indicated that the current fee of R900 per regulatory examination will increase to R1 050 effective from 20 December 2013.
- 4.3. This fee increase is the first increase in the regulatory examinations since the roll out of the Level 1 regulatory examinations in November 2010.
- 4.4. The current fee of R900 will still apply to all regulatory examinations which are registered and paid for ***in full*** for examinations conducted prior to 20 December 2013. Bookings for examinations to be conducted after the 20<sup>th</sup> December 2013 will be invoiced at the new fee.

#### 5. FOREIGN FINANCIAL SERVICES PROVIDERS (FSPs)

- 5.1. Board Notice 119 of 2013 (General Exemption: Level 1 Regulatory Examinations, 2013) as published in the *Government Gazette* 36530 on 5 June 2013 made provision in paragraph 2.4 for the exemption of foreign FSPs, and allowed for time up to and including 30 June 2014 to successfully complete the regulatory examination(s).

<sup>13</sup> Out of the total number of affected representatives (117 447) a total of 72 095 have written the RE5.

<sup>14</sup> Out of the total number of affected representatives (117 447) a total of 66 253 have successfully completed the RE5.

<sup>15</sup> The pass rate is derived by item II b ÷ item II a x 100 = pass rate. It is the percentage of persons that successfully completed the RE 5 out of the total number of persons that attempted the examination.

- 5.2. This means that the deadline of 30 June 2014 is applicable to all key individuals and representatives of foreign FSPs which have a date of first appointment up to and including 31 December 2010.
- 5.3. The deadline of 30 June 2014 will not be amended as there is sufficient time for foreign FSPs to complete the relevant Level 1 regulatory examination.
- 5.4. The examination bodies will be putting processes in place whereby foreign FSPs will be able to register for the examination(s) and also to conduct examination sessions overseas for foreign FSPs.
- 5.5. FSPs can be assured that sufficient sessions will be made available to the foreign FSPs to ensure that FSPs are able to meet the 30 June 2014 deadline.
- 5.6. More details in this regard will be made available on the websites of the respective examination bodies, and will be communicated by the FSB via a FAIS Information Circular as soon as all the processes are in place.
- 5.7. It is anticipated that the details of these processes would be ready for communication to the industry during the week of 13 to 17 January 2014.

## **6. CLOSING AND RE-OPENING DATES OF EXAMINATION BODIES**

- 6.1. This year, the examination bodies will again be closing their offices for a short period of time during the festive season. There are currently two examination bodies that are offering the level 1 regulatory examinations, and their details are included below for ease of reference:

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| <p>a) Moonstone Information Refinery</p> <ul style="list-style-type: none"><li>• Tel (021) 883 8000</li><li>• Fax: (021) 883 8005</li><li>• E-mail: <a href="mailto:faisexams@moonstoneinfo.co.za">faisexams@moonstoneinfo.co.za</a></li><li>• Website: <a href="http://www.moonstone.co.za">www.moonstone.co.za</a> or <a href="http://www.faisexams.co.za">www.faisexams.co.za</a></li></ul> | <p>b) Financial Planning Institute (FPI)</p> <ul style="list-style-type: none"><li>• Tel: (011) 470 6100</li><li>• E-mail: <a href="mailto:re@fpimail.co.za">re@fpimail.co.za</a></li><li>• Website: <a href="http://www.fpi.co.za">www.fpi.co.za</a> or <a href="http://www.re.fpi.co.za">www.re.fpi.co.za</a></li></ul> |
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The table included below clearly sets out the time periods that applies to both examination bodies. Those persons wanting to register and/or write the examination during 2013, or early in 2014 must please ensure that they take cognizance of these time periods, as well as the increase in fee that will apply.

Examination Body	Office closing dates	Exam Location	Registration closing date for 2013 exams	Last Exam Date - 2013	Registration dates for 2014 exams	January 2014 - 1 <sup>st</sup> Exam date
Financial Planning Institute (FPI)	13/12/2013 to 06/01/2014	Johannesburg (Permanent venue)	03/12/2013	09/12/2013	Any time after 03/12/2013 for on-line registrations. From 06/01/2014 for telephonic or faxed registrations.	13/01/2014
		All other venues nationally	27/11/2013	6/12/2013		13/01/2014
Moonstone	20/12/2013 to 06/01/2014	Pretoria, Durban, Sandton, Pinelands (Permanent venues)	09/12/2013	18/12/2013	Any time after 09/12/2013 for on-line registrations. From 06/01/2014 for telephonic or faxed registrations.	13/01/2014
		All other venues nationally	29/11/2013	11/12/2013		27/01/2014

## 7. COMPLIANCE OFFICER EXAMINATION: UPDATE

- 7.1. A specialist provider must be appointed to develop the Compliance Officer examination, and therefore a appropriate tender process had to be followed which was initiated early in 2013. This process did not result in the appointment of a provider and, as a result, the process had to be repeated.
- 7.2. The second process is now underway, and if proposals are received that comply with all the criteria stipulated in the terms of reference, then a provider should be appointed by the end of February 2014.
- 7.3. An update will be provided as soon as a provider has been appointed.

## **8. LEVEL 2 REGULATORY EXAMINATIONS: UPDATE**

- 8.1. A focus group was established to consider the different examination delivery models and the extent of re-development of the applicable qualifying criteria. The first meeting took place on 27 November 2013.
- 8.2. A discussion document will be drafted by the FSB and will be circulated to the focus group members for further input and discussion. This process will continue early in 2014, and regular updates in this regard will be provided.

## **9. GUIDE FOR FSPs: ON-LINE CHECKING OF REGULATORY EXAMINATION STATUS OF KEY INDIVIDUALS AND/OR REPRESENTATIVES**

- 9.1. A guide for FSPs was developed that explains how key individuals and/or approved compliance officers can check the regulatory examination status and compliance of the FSP using the on-line system via the FSB website.
- 9.2. The guide is a step-by-step process guide that takes the key individual / compliance officer through the process together with screen examples of what they should see when logging on to this on-line facility.
- 9.3. The guide can be downloaded as follows:
  - Go to [www.fsb.co.za](http://www.fsb.co.za)
  - Click on "FAIS"
  - Click on "Regulatory Examinations"
  - The guide is available below the list of preparation guides in a PDF format.

## **10. CONCLUSION**

- 10.1. The next update in relation to the regulatory examinations will be provided early in 2014.
- 10.2. Thank you to all FSPs that have shown commitment and dedication towards the objectives of protecting consumers and professionalising the financial services industry.
- 10.3. May all FSPs and their staff have a safe and peaceful festive season.