



# inseta

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

|                     |  |
|---------------------|--|
| <b>Learner Name</b> |  |
| <b>ID Number</b>    |  |
| <b>Organisation</b> |  |

## FORMATIVE ASSESSMENT: LEARNER WORK FILE VERSION 1

Unit Standard Title: **Demonstrate knowledge and insight of the Financial Advisory and Intermediary Services Act (FAIS) (Act 37 of 2002)**

Unit Standard No: **12164**

Unit Standard Credits: **2**

NQF Level: **4**

### Mark information:

| Specific Outcome/Section | 1  | 2  | 3  | 4  | 5  | Total | %   | C / NYC |
|--------------------------|----|----|----|----|----|-------|-----|---------|
| <b>Maximum marks</b>     | 41 | 45 | 34 | 29 | 10 | 159   | 100 |         |

This outcomes-based learning material was developed by Masifunde Training Centre with funding from INSETA in July 2014. The material is generic in nature and is intended to serve as a minimum standard for the industry.

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## Formative Activities

**Note: Where Group Work is not possible, please complete the activities individually.**

**Section 1: 41 marks**

### Activity 1

Explain in your own words the need for the FAIS legislation. Make reference to the history of the legislation in your discussion. (8)

## Activity 2

Make a note of at least 3 (three) examples of legislation (which relate to the core function of your business – i.e. Short Term Insurance Sales Advisor) to which you have to comply within your environment.

Then list the purpose of the legislation you have noted and what it aims to achieve. Lastly, note whether the legislation is generic or specific to your industry.

(You may have to speak to the Compliance or Legal Division of your organisation to get this information.)

(9)

| LEGISLATION | PURPOSE AND AIM | GENERIC/SPECIFIC |
|-------------|-----------------|------------------|
|             |                 |                  |
|             |                 |                  |
|             |                 |                  |
|             |                 |                  |

**Activity 3**

List 3 words/terms typically used in the legislation and explain each one listed in context. (3 x 2 = 6)

**Activity 4**

Explain the concept of a Financial Services Provider in your own words and give two different examples of FSP's that you are familiar with. (2)

**Activity 5**

Explain the term Financial Product and give an example of a product in each of the 4 different categories. (6)

### Activity 6

Complete the answers to the questions in the table below with reference to consumer protection. (4)

| Who is protected by FAIS?                | Why was there a need for this protection? |
|--|---|
|  |   |
| Who is governed by the FAIS legislation? | How will consumers be protected?          |
|  |   |

### Activity 7

Write short notes on the relationship between the different role-players in the industry. Illustrate your discussion by using a diagram based on your own organisation if possible, or if not, draw a generic diagram illustrating the relationship. (6)

|  |
|--|
|  |
|--|

**Section 2: 45 marks**

**Activity 8**

**CASE STUDY**

Read through the short case studies below. Indicate whether the persons below are regarded as Representatives in terms of the Act, and explain your reasoning. Also identify at least one additional piece of legislation that would apply to each of the FSP's with reasons. (9)

**Case study 1:**

Sam works for Always Right Insurance Brokers. On Monday Mrs Van Aswegen calls to request him to add another beneficiary to her medical aid via Explore Medical Scheme. He sends an e-mail to the Medical Scheme requesting them to do so. (3)

|  |  |
|--|--|
| Regarded as a Representative in terms of the Act                                 |  |
| Your reasons for the above choice  |  |
| Discuss an additional piece of legislation that would apply to this FSP, and why |  |

**Case Study 2:**

Sureshnee is a receptionist at DST Brokers. As it is a small brokerage, she usually helps out in all aspects of the business when the owner /Key Individual is not in the office. On Thursday afternoon Mr Stakemire calls in to enquire whether cover can be arranged on a new car he is taking delivery of that afternoon. She asks whether the vehicle is being financed and then recommends that he takes comprehensive cover on the vehicle, and sends a letter confirming cover to the dealer.

(3)

|  |  |
|--|--|
| Regarded as a Representative in terms of the Act                                 |  |
| Your reasons for the above choice  |  |
| Discuss an additional piece of legislation that would apply to this FSP, and why |  |

**Case Study 3:**

Sibusiso does not have matric and is appointed by a Funeral Parlour to assist with the administration of funeral policies, including claims. He assists clients in the completion of application forms, explains the process to take out a policy, the documents that will be required at claims stage and hands out promotional material.

(3)

|  |  |
|--|--|
| Regarded as a Representative in terms of the Act |  |
| Your reasons for the above choice                |  |

|  |  |
|--|--|
| Discuss an additional piece of legislation that would apply to this FSP, and why |  |
|--|--|

**Activity 9**

Indicate the 4 requirements to be licensed as per the Fit and Proper Determination, with a brief summary of what each requirement is made up of. (4)

|    |    |
|----|----|
| 1. | 2. |
| 3. | 4. |

**Activity 10**

Briefly explain the relationship between Financial Service Providers and representatives as envisaged in the legislation and in terms of co-responsibility. (6)

|  |
|--|
|  |
|--|



### Activity 11

Explain in your own words what you understand from the concept “natural person” as defined in the FAIS legislation. (2)

### Activity 12

Explain, using your own words, the exemptions that are possible in terms of the legislation. (5)

### Activity 13

#### Group work

The Act has made provision for instances under which the license of an FSP may be suspended or withdrawn and when a debarred representative may be reinstated, depending on a variety of criteria.

**Discuss in detail what you understand from the aspects in the table below: (12)**

**Suspension of license**

(5)

Discuss the process to be followed by the Registrar and how the FSP could respond.

**Withdrawal of license**

(2)

What are the grounds for withdrawing a license from a Financial Services Provider?

**Reappointment of debarred representatives**

1. What is the minimum number of months after being debarred that the representative can apply for reappointment? (1)

2. What are the four minimum requirements that a debarred representative would have to meet in order to be reappointed? (4)

### **Activity 14**

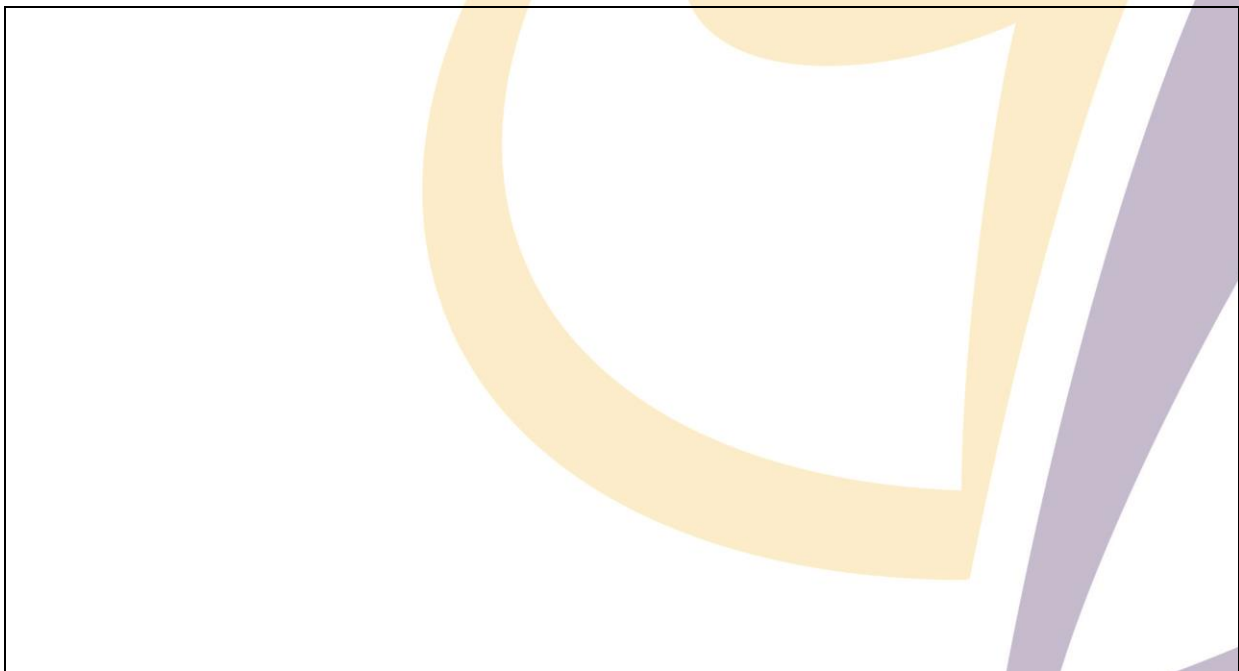
Briefly explain the role of recognised industry bodies in licensing and compliance with reference to the process of licensing and approval of compliance officers. (7)



### **Section 3: 34 marks**

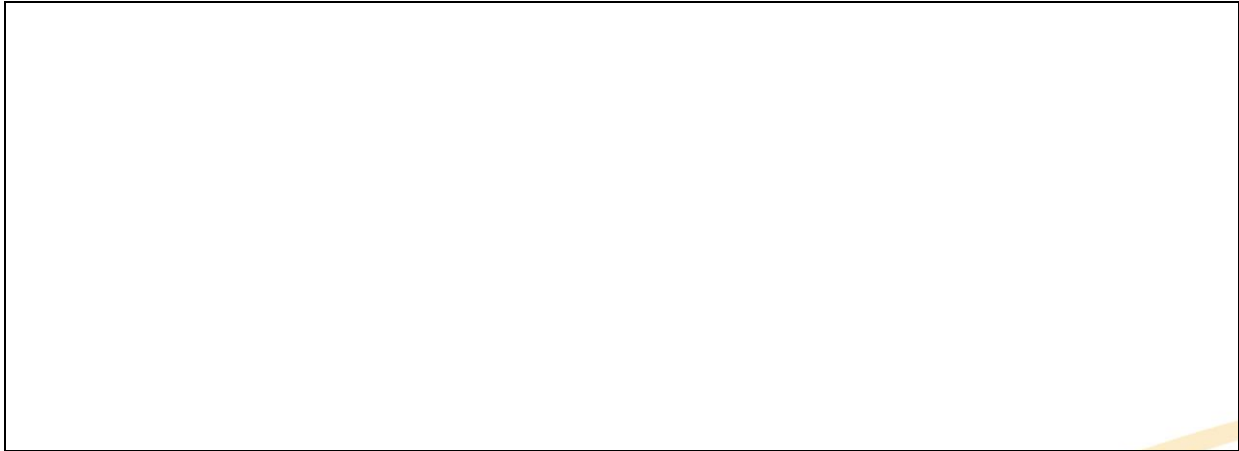
#### **Activity 15**

Discuss the disclosure rules for a sub sector of the financial services industry in your own words. Please note the sub sector you are referring to. You could also include a copy of the statutory disclosure document in your portfolio. (6)



**Activity 16**

Briefly explain the importance of timing and the extent of disclosure and give an indication of the implications if disclosures are not made timeously. (6)

**Activity 17**

Analyse the code of conduct for a selected sub sector of the financial services sector and give an indication of what proof is required as evidence of compliance. (1)

**Activity 18**

Briefly explain the requirements regarding record keeping with reference to what records should be kept and for how long different records should be maintained in terms of legislation. (5)



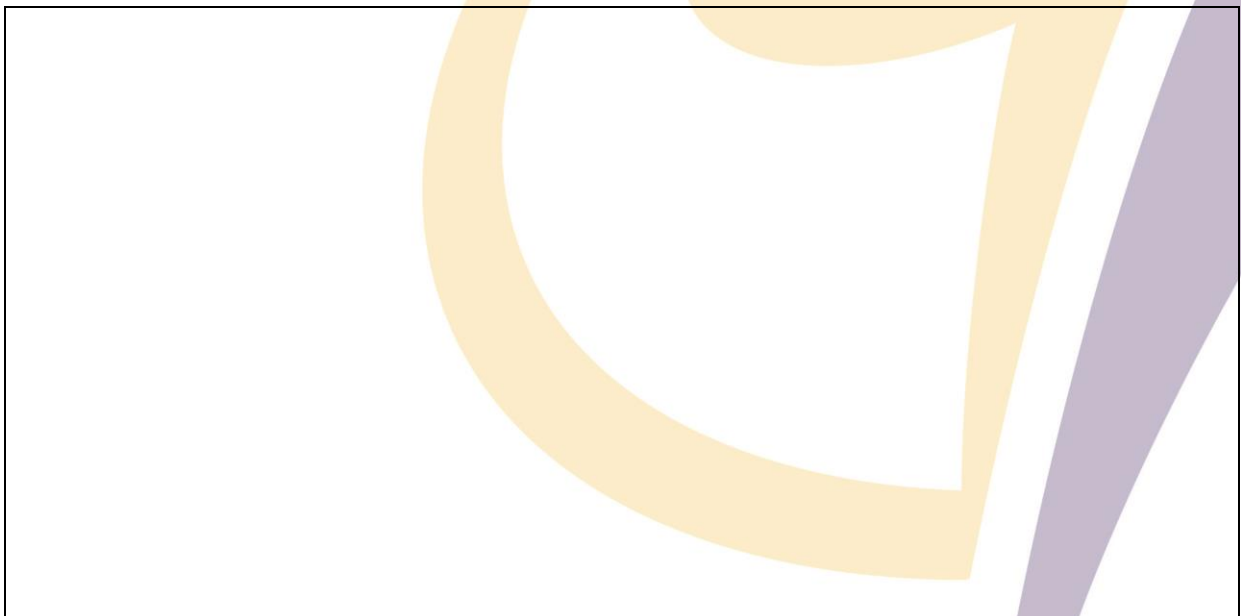
### **Activity 19**

Investigate the compliance provisions made by your organisation. Evaluate these compliance provisions and write a report on your findings. (5)



### **Activity 20**

Research 3 (three) products offered by your organisation currently. Analyse the products in terms of the requirements of disclosure as required by legislation. Write a report on your analysis and comparison and attach any documentary proof of the product information to your Portfolio of Evidence as evidence. (5)



**Activity 21**

Briefly explain the effect of disclosure requirements on commission with reference to a line of business and a specific policy/product from your workplace. (2)

**Activity 22**

Briefly explain the concept of commission deregulation and give an indication of the effect that this will have on brokers and other intermediaries. (4)

**Section 4: 29 marks**

**Activity 23**

List 4 roles and functions of the Registrar as per the FAIS legislation. (4)

## Activity 24

24.1 What can the registrar apply to court for when a person has contravened or not complied with any provision of FAIS? (1)

24.2 List the 4 payment amounts that the registrar may institute action for, against any person who has contravened or not complied with any provision of FAIS. (4)

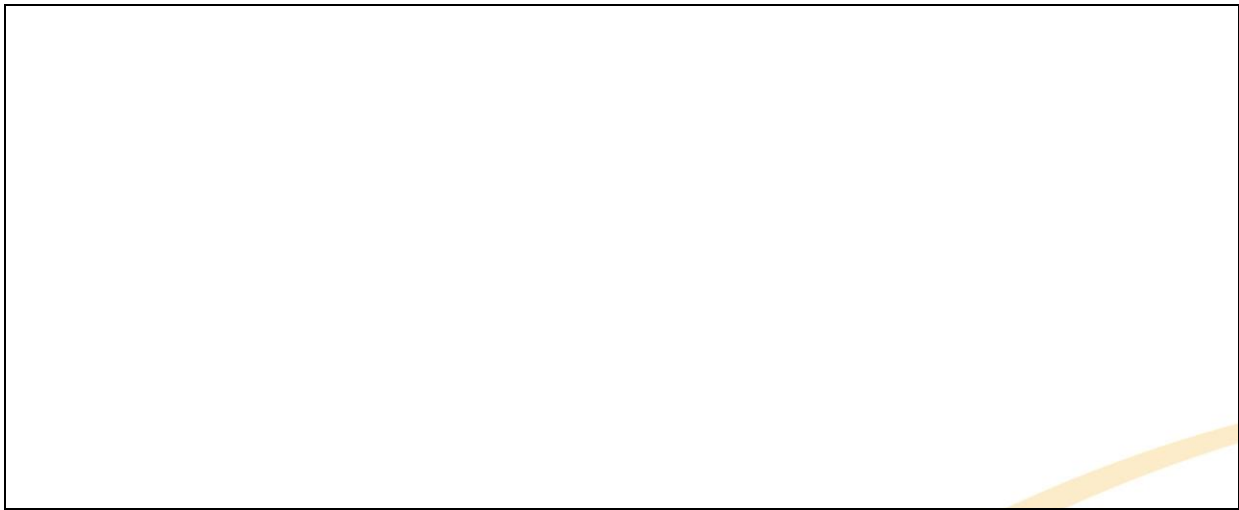
24.3 Where must the amount recovered by the registrar be deposited? (1)

24.4 What happens to the amount referred to in 24.3 above if it is not claimed within 3 years? (1)

24.5 What is the registrar's prerogative with regard to the civil proceeding instituted under section 33? (1)


**Activity 25**

Briefly describe the role of the various industry bodies in relation to standard setting for FAIS. (6)



**Activity 26**

Indicate the remedies available to the industry and avenues for reinstatement for an organisation. (4)



**Activity 27**

Briefly list or explain the role and functions of the FAIS Ombud as envisaged in the legislation. (7)





**Section 5: 10 marks**

**Activity 28**

Explain the role, powers and duties of the courts as stipulated in the FAIS Act with regards to individual clients.

(5)

**Activity 29**

Give a summary of how complaints are handled by the industry with reference to the FSB directives.

(5)



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**SOUTH AFRICAN QUALIFICATIONS AUTHORITY**

**REGISTERED UNIT STANDARD THAT HAS PASSED THE END DATE:**

**Demonstrate knowledge and insight of the Financial Advisory and Intermediary Services Act (FAIS) (Act 37 of 2002)**

|  |   |                                  |                                   |                             |
|--|---|----------------------------------|-----------------------------------|-----------------------------|
| <b>SAQA US ID</b>                                    | <b>UNIT STANDARD TITLE</b>  |                                  |                                   |                             |
| 12164  | Demonstrate knowledge and insight of the Financial Advisory and Intermediary Services Act (FAIS) (Act 37 of 2002) |                                  |                                   |                             |
| <b>ORIGINATOR</b>                                    |   | <b>ORIGINATING PROVIDER</b>      |                                   |                             |
| SGB Financial Services                               |   |                                  |                                   |                             |
| <b>QUALITY ASSURING BODY</b>                         |   |                                  |                                   |                             |
| -  |   |                                  |                                   |                             |
| <b>FIELD</b>   |   |                                  | <b>SUBFIELD</b>                   |                             |
| Field 03 - Business, Commerce and Management Studies |   |                                  | Finance, Economics and Accounting |                             |
| <b>ABET BAND</b>                                     | <b>UNIT STANDARD TYPE</b>   | <b>OLD NQF LEVEL</b>             | <b>NEW NQF LEVEL</b>              | <b>CREDITS</b>              |
| Undefined  | Regular   | Level 4                          | NQF Level 04                      | 2                           |
| <b>REGISTRATION STATUS</b>                           |   | <b>REGISTRATION START DATE</b>   | <b>REGISTRATION END DATE</b>      | <b>SAQA DECISION NUMBER</b> |
| Passed the End Date - Status was "Reregistered"      |   | 2004-12-02                       | 2006-11-16                        | SAQA 1657/04                |
| <b>LAST DATE FOR ENROLMENT</b>                       |   | <b>LAST DATE FOR ACHIEVEMENT</b> |                                   |                             |
| 2007-11-16   |   | 2010-11-16                       |                                   |                             |

In all of the tables in this document, both the old and the new NQF Levels are shown. In the text (purpose statements, qualification rules, etc), any reference to NQF Levels are to the old levels unless specifically stated otherwise.

This unit standard is replaced by:

| <b>US ID</b> | <b>Unit Standard Title</b>  | <b>Old NQF Level</b> | <b>New NQF Level</b> | <b>Credits</b> | <b>Replacement Status</b> |
|--------------|---|----------------------|----------------------|----------------|---------------------------|
| 242584       | Demonstrate knowledge and understanding of the Financial Advisory and Intermediary Services Act 2002 (FAIS) (Act 37 | Level 4              | NQF Level 04         | 2              | Complete                  |

|  |  |  |  |  |
|--|--|--|--|--|
| of 2002) as it impacts on a specific financial services sub-sector |  |  |  |  |
|--|--|--|--|--|

## **PURPOSE OF THE UNIT STANDARD**

This unit standard is intended for learners who give financial advice.

The qualifying learner is capable of:

- Explaining the purpose of the Financial Advisors and Intermediaries Services' legislation (FAIS).
- Describing the authorisation process.
- Applying disclosure and conduct requirements to a selected sub sector.
- Explaining the mechanisms for enforcement and the implications for the intermediary and the industry.
- Explaining the rights of recourse available to aggrieved clients.

## **LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING**

There is open access to this unit standard. Learners should be competent in communication and Mathematical Literacy at Level 3.

## **UNIT STANDARD RANGE**

The typical scope of this unit standard is:

- The Financial Advisors' and Intermediaries Services' legislation.

## **Specific Outcomes and Assessment Criteria:**

### **SPECIFIC OUTCOME 1**

Explain the purpose of the Intermediaries Services' (FAIS) legislation.

### **ASSESSMENT CRITERIA**

#### **ASSESSMENT CRITERION 1**

1. The need for the FAIS legislation is explained with reference to the history of the legislation.

#### **ASSESSMENT CRITERION 2**

2. The problems of different legislation applying to different sectors of the industry are analysed and an indication is given of how FAIS will address these problems.

#### **ASSESSMENT CRITERION 3**

3. Terminology used in the legislation is explained in own words and used appropriately in context.

#### **ASSESSMENT CRITERION 4**

4. The concept of a financial services provider is explained in own words in at least two different ways.

#### **ASSESSMENT CRITERION 5**

5. The term financial product is explained and an example is given of products in each category.

#### **ASSESSMENT CRITERION 6**

6. Measures for consumer protection are explained as contained in the legislation.

#### **ASSESSMENT CRITERION 7**

7. The relationship between different players in the industry is explained and illustrated diagrammatically with reference to a particular organisation.

#### **SPECIFIC OUTCOME 2**

Describe the authorisation process.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

1. Career paths affected by FAIS are identified and requirements for licensing by the Financial Services Board are indicated for three different career paths.

##### **ASSESSMENT CRITERION 2**

2. Additional legislation applicable to the three selected career paths is named and an indication is given as to why FAIS and the named legislation control each career path.

##### **ASSESSMENT CRITERION 3**

3. An indication is given of the minimum requirements needed to be licensed in own situation.

##### **ASSESSMENT CRITERION 4**

4. The relationship between Financial Services Providers and representatives is described as envisaged in the legislation.

##### **ASSESSMENT CRITERION 5**

5. The concept of a natural person is explained as defined in the FAIS legislation.

##### **ASSESSMENT CRITERION 6**

6. Interrelationships between Financial Service Providers are described in terms of co-responsibility.

### **ASSESSMENT CRITERION 7**

7. Exemptions that are possible in terms of the legislation are named and identified in case studies.

### **ASSESSMENT CRITERION 8**

9. Conditions under which suspensions, withdrawals and reinstatement of authorisation may be imposed are listed with examples.

### **ASSESSMENT CRITERION 9**

8. The role of recognised industry bodies in licensing and compliance is explained with reference to the process of licensing and approval of compliance officers.

### **SPECIFIC OUTCOME 3**

Apply disclosure and conduct requirements to a selected sub sector.

### **ASSESSMENT CRITERIA**

#### **ASSESSMENT CRITERION 1**

1. The disclosure rules are interpreted for a sub sector of the financial services industry.

#### **ASSESSMENT CRITERION 2**

2. The importance of timing and extent of disclosure is explained and an indication given of the implications if disclosure is not made timeously.

#### **ASSESSMENT CRITERION 3**

3. The code of conduct for a selected sub sector of the Financial Services sector is outlined and an indication is given of what proof is required as evidence of compliance.

#### **ASSESSMENT CRITERION 4**

4. Requirements regarding record keeping are indicated with reference to what records should be kept and for how long different records should be maintained in terms of the legislation.

#### **ASSESSMENT CRITERION 5**

5. Compliance provisions made by an organisation are investigated, evaluated and findings are presented in a report.

#### **ASSESSMENT CRITERION 6**

6. The requirements of disclosure required by legislation are demonstrated for three selected products.

#### **ASSESSMENT CRITERION 7**

7. The effect of disclosure requirements on commission is explained with reference to a line of business and a specific policy/product.

#### **ASSESSMENT CRITERION 8**

8. The concept of commission deregulation is explained and an indication given of the effect that this will have on brokers and other intermediaries.

#### **SPECIFIC OUTCOME 4**

Explain the mechanisms for enforcement and the implications for the intermediary and the industry.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

1. The role and functions of the Registrar are explained as envisaged in the legislation.

##### **ASSESSMENT CRITERION 2**

3. The consequences of non-compliance are explained with reference to steps that the Registrar could take in cases of non compliance.

##### **ASSESSMENT CRITERION 3**

4. The role of the various industry bodies is described in relation to standard setting for FAIS.

##### **ASSESSMENT CRITERION 4**

6. The role, duties and powers of the courts are described in terms of judgements against organisations and redress through the courts.

##### **ASSESSMENT CRITERION 5**

5. Remedies available to the industry and avenues for reinstatement are indicated for an organisation.

##### **ASSESSMENT CRITERION 6**

2. The role and functions of the FAIS Ombuds are explained as envisaged in the legislation.

#### **SPECIFIC OUTCOME 5**

Explain the rights of recourse available to aggrieved clients.

#### **ASSESSMENT CRITERIA**



### **ASSESSMENT CRITERION 1**

1. The role, powers and duties of the Ombudsman are explained as they apply to individual clients.

### **ASSESSMENT CRITERION 2**

2. The role, powers and duties of the Registrar are explained as they apply to individual clients.

### **ASSESSMENT CRITERION 3**

3. The role, powers and duties of the courts are explained as they apply to individual clients.

### **ASSESSMENT CRITERION 4**

4. The manner in which complaints are handled by the industry is investigated with reference to Financial Services Board directives.

### **UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

This unit standard will be internally assessed by the provider and moderated by a moderator registered by INSQA or a relevant accredited ETQA. The mechanisms and requirements for moderation are contained in the document obtainable from INSQA, INSQA framework for assessment and moderation.

### **UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

N/A

### **UNIT STANDARD DEVELOPMENTAL OUTCOME**

N/A

### **UNIT STANDARD LINKAGES**

N/A

### **Critical Cross-field Outcomes (CCFO):**

#### **UNIT STANDARD CCFO ORGANISING**

Learners are able to organise and manage themselves effectively in applying disclosure and conduct requirements.

#### **UNIT STANDARD CCFO COLLECTING**

Learners can collect, organise and critically evaluate information in analysing FAIS legislation and its effect on a sub sector.



## **UNIT STANDARD CCFO COMMUNICATING**

Learners can communicate effectively using visual, mathematics and language skills to explain aspects of the legislation, write reports and illustrate concepts graphically.

## **UNIT STANDARD CCFO DEMONSTRATING**

Learners are able to demonstrate an understanding of the world as a set of related systems when explaining the implications of non-compliance, and the need for legislation to regulate the industry.

## **UNIT STANDARD CCFO CONTRIBUTING**

Learners are able to act as responsible citizens in the organisation and local community by understanding the mechanisms for enforcement and the implications for the intermediary and the industry.

Explore education and career opportunities in indicating the requirements for licensing.

Participate as a responsible citizen in the life of local and national communities by knowing and applying disclosure and conduct requirements.

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