

Exam 1

1. The FAIS General Code of Conduct requires that representatives fulfill the following responsibilities. Which statement is incorrect?

- a. They have to act honestly and fairly, and with due skill, care and diligence, in the interests of clients and the integrity of the financial services industry.
- b. They must have and effectively employ the resources, procedures and appropriate technological systems for the proper performance of professional activities
- c. They have to ensure that clients can make an informed decision by providing a client with at least three quotations when recommending financial products
- d. They should obtain appropriate and available information regarding clients' financial situation, financial product experience and objectives in connection with the financial service required.

2. Select the correct option. The key individual may:

- a. Fulfill two roles, namely that of being a key individual as well as that of a representative
- b. May only act as a key individual
- c. May not be a representative
- d. May not be a director of an FSP.

3. Choose the correct option:

- a. The Registrar registers representatives provided they meet certain criteria
- b. The FSP authorises a representative to represent it, provided the representative meets the “fit and proper” criteria stipulated in the FAIS Act, including financial soundness, and then has to maintain a register with certain details as required by the Act
- c. The FSP authorises a representative to represent it, provided the representative meets the “fit and proper” criteria stipulated in the FAIS Act, excluding financial soundness, and then has to maintain a register with certain details as required by the Act.
- d. The FSP authorises a representative to represent it, provided the representative meets the “fit and proper “ criteria stipulated in the FAIS Act, excluding financial soundness, and then the Registrar registers the representative.

4. Select the correct option.

- a. An individual first has to undergo a period of supervision before they can be registered as a representative
- b. A “one-man” brokerage has no representatives and therefore the owner does not have to register as a representative
- c. FAIS determines that any individual who wants to render a financial service to clients has to be a registered representative
- d. An individual has to be registered within 12 months after having completed their supervision phase.

5. Select the incorrect option. The new fit and proper requirements announced on 15 October 2008 in the Government Gazette that are applicable to representatives are:

- a. Personal character qualities and competency requirements
- b. Experience requirements and qualifications
- c. Regulatory examinations and continuous professional development
- d. Operational ability and financial soundness

6. The register of representatives does not have to:

- a. Contain every representative or key individual's name and business address
- b. State whether the representative acts for the provider as employee or as mandatory
- c. Specify the categories in which such representatives are competent to render financial services
- d. List the fit and proper details of the representative

7. Select the incorrect statement.

Advice does not include:

- a. Factual advice given merely in relation to the description of a financial product
- b. Assisting a client with a loan or cession on a policy
- c. An analysis or report on a financial product without any express or implied recommendation, guidance or proposal that any particular transaction in respect of the product is appropriate to the particular investment objectives, financial situation or particular needs of a client.
- d. Factual advice given merely by the display or distribution of promotional material

8. Select the incorrect statement with respect to representatives working under supervision:

- a. A representative may not work under supervision for a period that exceeds 6 years
- b. Another representative may not be a supervisor
- c. The representative may render services under supervision across the sub-categories of which they are appointed
- d. Conducting follow-up calls to clients after the rendering of financial services by the supervisee is an example of an acceptable supervisory activity.

9. Which statement is correct? If a representative does not meet the fit and proper requirements by the relevant date:

- a. An FSP must debar the representative by withdrawing the authority granted to the representative to act on its behalf
- b. The Registrar must debar the representative
- c. If the representative was found guilty of dishonesty a period of 12 months must have elapsed after debarment before he / she can be re-appointed.
- d. If a representative resigns from FSP 1 and joins FSP 2, FSP 1 must debar him / her and FSP 2 must re-appoint the individual.

10. Select the incorrect statement. An FSP must keep records for a minimum period of 5 years regarding:

- a. Known premature cancellations and maturities of financial transactions or financial products by clients of the provider
- b. Complaints received together with an indication whether or not such complaint has been resolved
- c. Cases of non-compliance with the FAIS act, and the reasons for such non-compliance
- d. The continued compliance by representatives with the requirements referred to in section 13 (1) and (2).

11. Select the incorrect statement. In order to remain licensed, the FSP continually needs to comply with several requirements, including:

- a. The payment of annual license fees
- b. All the provisions of FAIS and other legislation affecting his subsector
- c. The relevant codes of conduct
- d. The FSP must have had no debarred key individuals or representatives during the previous 12 months.

12. To keep their knowledge up to date representatives are required to complete:

- a. Between 15 to 60 hours of CPD activities over a 2 year cycle. The activities and the number of hours depend on the license category or sub-category
- b. Between 15 and 50 hours of CPD activities over a 3 year cycle. The activities and the number of hours depend on the license category or sub-category.
- c. Between 15 and 60 hours of CPD activities over a 3 year cycle. The activities and the number of hours depend on the license category or sub-category
- d. Between 20 and 60 hours of CPD activities over a 2 year cycle. The activities and the number of hours depend on the license category or sub-category.

13. Select the incorrect statement. An undesirable practice must have, or is likely to have, a direct or indirect effect resulting in:

- a. Harming the relations between FSPs or any FSP or category or FSPs
- b. Unreasonable prejudice to clients
- c. Deceiving any client and / or unfairly affecting any client
- d. If allowed to continue, the practice will defeat one or more objectives of the FAIS act.

14. An implication for a FSP if the Registrar publishes a notice regarding an “undesirable” business practice could be:

- a. The FSP would have 30 days to cease the practice
- b. The FSP may not carry on with a practice after the date on which the Registrar’s declaration of it as an undesirable practice has been published.
- c. The FSP would have 60 days to cease the practice
- d. The FSP may not carry on with a practice when written notice of the undesirable practice from the Registrar to a specific FSP has been received by the FSP.

15. If an FSP carries on with an undesirable business practice after the Registrar has declared it as such, a consequence may be:

- a. That the FSP must rectify any damage or loss caused by the practice within 90 days
- b. That representative of the FSP would be suspended until the practice is ceased
- c. That the Registrar may impose a fine on the FSP of not more than R1 000 000 or imprisonment of not more than 10 years, or both may be imposed in terms of Section 36 of the FAIS Act
- d. That the FSP has to immediately cease all business activities until such time that the Registrar has authorised re-commencement.

16. Select the correct statement. A licensee must:

- a. Display a certified copy of the license in a prominent and durable manner in its head office
- b. Ensure that a reference to the fact that such license is held is contained in all business documentation, advertisements and other promotional material
- c. Ensure that the license is at all times available for production to any person
- d. Issue each representative with a copy of the license.

17. Select the incorrect option. The Registrar may at any time withdraw (remove) a license for any of the following reasons:

- a. If the FSP, in his application for a license did not disclose all relevant information to the Registrar, for example that his license was previously withdrawn.
- b. If the FSP provided false or misleading information when applying for the license, for example when the fact that he had been found guilty of fraud or dishonesty within the past five years was omitted.
- c. If the FSP contravened or failed to comply with FAIS in any way, for example if the FSP no longer operates in a financially sound manner.
- d. In any other case, where the licensee voluntarily and finally surrenders the license to the Registrar.

18. What recourse does a FSP have if it has received notice from the Registrar of the intention to suspend or withdraw its license?

- a. None, as the Registrar's decision is final
- b. The FSP will have 30 days to make a submission in response to the above information. The Registrar will then decide whether to suspend the license or not.
- c. The Registrar must give the licensee a reasonable opportunity to make a submission in response to the above information. The Registrar will then decide whether to suspend the license or not.
- d. The FSP can approach the Ombud and appeal against the decision in writing within 15 days of the Registrar's ruling.

19. A license would lapse when:

- a. The licensee's liabilities exceed its assets
- b. Where the business of the licensee has become dormant
- c. The Registrar decides to terminate it
- d. The legal entity with which the FSP trades, changes.

20. When a license lapses the Registrar:

- a. Must make known the terms and reasons for the lapse in the Government Gazette and, if necessary, in any other appropriate public media.
- b. Can't take any further action in terms of FAIS because the license has not been withdrawn or suspended.
- c. May make known any such lapsing by a notice in the Government Gazette and, if necessary by means of any other appropriate public media announcement.
- d. Must publish a notice in the Government Gazette within 30 days of the date of having received notification of the lapse.

21. Select the correct option:

- a. A withdrawn license cannot be reinstated. The entity will have to apply for a new license. The Registrar can reinstate a suspended license once all the conditions have been met.
- b. A suspended license cannot be reinstated. The entity will have to apply for a new license.
- c. Withdrawn and suspended licenses have to meet the criteria set by the Registrar in order to be reinstated.
- d. A period of 5 years must have elapsed before application can be made for a license to be reinstated.

22. Select the incorrect statement.

- a. Reinstatement of authorisation may be imposed by the Registrar if the licensee has provided reasons why the provisional suspension or withdrawal should be lifted or why the period and terms should be changed.
- b. The Registrar must make known the terms of and reason for the lifting of provisional suspension or withdrawal by notice in the Gazette and, if necessary, in any other public media.
- c. After having received a response from the licensee the Registrar must consider it within a reasonable time and may then render a provisional suspension or withdrawal final.
- d. During provisional suspension the licensee concerned may continue to act as a financial services provider until the suspension is final.

23. Select the incorrect option:

The FAIS Ombud may, as far as determinations are concerned:

- a. Dismiss the complaint
- b. Uphold the complaint and award the complainant an amount as fair compensation for any financial prejudice or damage suffered
- c. The Ombud may make any other order which a Court may make
- d. Award interest at any rate deemed appropriate and fair.

24. A client pays funds to a provider. According to FAIS the provider must:

- a. Open a separate bank account for the client and within one business day after receipt, pay the client's funds into the account.
- b. Open a separate bank account designated for client funds and within reasonable time after receipt, pay the client's funds into the account.
- c. Open a separate bank account designated for client funds and within one business day after receipt, pay the client's funds into the account.
- d. Refuse to accept the funds as providers may not hold client funds in terms of FAIS.

25. Which of the following is not required in terms of FAIS?
Representations made and information provided to a client by the
provider-

- a. Must be factually correct
- b. May, subject to the provisions of the General Code of Conduct, be provided orally and must be confirmed in writing within 30 days
- c. Must, where provided in writing or by means of standard forms or format, be in a clear and readable print size, spacing and format.
- d. Must be provided in plain language, avoid uncertainty or confusion and not be misleading.

26. John Daniels is a broker. He is licensed as an FSP. He uses a disclosure letter when meeting with clients for the first time. Which one of the following items on his disclosure letter with regards to the FSP is not required in terms of FAIS?

- a. Name of the business and FSP registration number
- b. Information regarding the services he is authorised to provide
- c. Addresses and contact numbers including email addresses, etc.
- d. Details of his qualifications and experience

27. Which of the following statements is correct as stipulated in the FAIS act in terms of disclosures for a product which is marketed or positioned as an investment product or a product which has an investment component?

- a. The nature, extent and frequency of any fee, commission or brokerage which will or may become payable to the provider, directly or indirectly by and product supplier or any person other than the client.
- b. The nature extent and frequency of any incentive, remuneration, consideration, commission, fee or brokerage which will or may become payable to the provider, directly or indirectly, by any product supplier or any person other than the client.
- c. The nature, extent and frequency of any fee, commission or brokerage or any benefits(such as overseas trips) which will or may become payable to the provider, directly or indirectly, by any product supplier or any person other than the client.
- d. Any initial rebate arrangement. This can be expressed in percentage or Rand terms. The term “rebate” must be used in the disclosure concerned.

28. Which of the following information does not have to be disclosed in respect of product suppliers by a provider:

- a. The types of products available from the product supplier, including the FAIS license category of these products
- b. Names and contact details of the relevant compliance and complaints departments of the product supplier
- c. Whether the provider holds more than a 10% share in the relevant product supplier's shares, or has any equivalent substantial financial interest in the product supplier
- d. The contractual relationship with the product supplier (if any), and whether the provider has contractual relationships with other product suppliers.

29. In terms of FAIS, as far as disclosure on product suppliers is concerned, which statement is correct:

- a. The FSP must disclose whether it, during the preceding 12 month period received more than 30% of total remuneration, including commission, from the product supplier
- b. The representative must disclose whether he / she, during the preceding 12 month period received more than 30% of total remuneration, including commission, from the product supplier.
- c. The FSP and the representative must disclose whether they, during the preceding 12 month period received more than 30% of total remuneration, including commission, from the product supplier.
- d. This requirement does not apply to FSPs and representatives

30. Which one of the following actions does not constitute advice under FAIS?

- a. Recommending a funeral policy to a client
- b. Helping a client to obtain a loan or cession on a policy
- c. Helping a client with a re-purchase from a unit trust
- d. Processing the claims of a client against a product supplier.

31. Ethical conduct in the financial services environment means:

- a. Conduct which is morally acceptable
- b. Conduct which is aligned with the General Code of Conduct of the FAIS act and which complies with all other relevant pieces of legislation
- c. Acting in the interest of the client
- d. Conduct which is aligned with the General Code of Conduct of the FAIS act.

32. The best way to summarise the role of the representative in terms of ethical conduct in the financial services environment in terms of FAIS is:

- a. To enable the client to make an informed decision
- b. The provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry
- c. The representative must follow the six step financial planning process when advising clients
- d. The provider must meet the fit and proper requirements of FAIS.

33. Which of the following statements is correct as far as handling of complaints by a provider are concerned:

- a. Any client must be allowed to lodge a complaint verbally or in writing
- b. Where a complaint is not resolved to the client's satisfaction, the provider must refer the client to the Ombud.
- c. The provider must ensure that a resolution of a complaint can during and by means of the resolution process be effected which is fair to both clients and the provider and its staff
- d. The provider must ensure the existence of easy access for clients to postal, fax, telephone or electronic helpdesk support.

34. Select the incorrect statement. A provider, other than a direct marketer, must, prior to providing a client with advice –

- a. Take reasonable steps to seek from the client appropriate and available information regarding the client's financial situation, financial product experience and objectives to enable the provider to provide the client with appropriate advice
- b. Conduct a comprehensive financial needs analysis for purposes of the advice based on the information provided
- c. Identify the financial product or products that will be appropriate to the client's risk profile and financial needs, subject to the limitations imposed on the provider under the Act or any contractual arrangement
- d. Take reasonable steps to establish whether the financial product identified is wholly or partially a replacement for an existing financial product of the client and if it is such a replacement, the provider must comply with subparagraph (d).

35. Select the correct statement. When terminating an agreement or business a provider must:

- a. Subject to any contractual obligations, give effect within 30 days, to the request of a client who voluntarily seeks to terminate any agreement with the provider or relating to a financial product or advice.
- b. Where the client makes the request on the advice of the provider, the client must take reasonable steps to ensure that he / she fully understands all the implications of the termination
- c. Where a representative ceases to operate as a representative of a provider, such representative must immediately take, where reasonably necessary or appropriate in consultation with the clients and product suppliers concerned, reasonable steps to notify all affected clients accordingly and ensure that outstanding business is completed or transferred to the provider or another representative of that provider.
- d. Where a representative ceases to operate as a representative of a provider, such provider must immediately take, where reasonably necessary or appropriate in consultation with the clients and product suppliers concerned, reasonable steps to notify all affected clients accordingly and ensure that outstanding business is completed or transferred to such provider or another representative of that provider.

36. An example of financial products that a FSP can deal with in terms of FAIS is:

- a. Any money market instrument, a unit trust and a will
- b. A home loan, long-term insurance policy and medical aid scheme.
- c. An insurance policy, a deposit as defined in section 1 (1) of the Banks Act, 1990 (Act 94 of 1990) and debentures and securitised debt.
- d. A short-term insurance policy, cheque account and a foreign currency denominated investment instrument, including a foreign currency deposit.

37. Clever John works as a representative for an FSP. He also writes a column on financial planning for a well-known magazine. In terms of FAIS this is:

- a. Advice because John is a representative of a FSP
- b. Not advice because John is not making specific recommendations or providing guidance or making a proposal in respect of a financial product.
- c. Not advice because the FAIS definition of client does not include the general public
- d. Advice because FAIS defined advice as “any recommendation, guidance or proposal of a financial nature furnished by any means or medium, to any client or group of client in respect of”

38. The purpose of debarment is:

- a. To protect FSP's against unscrupulous representatives
- b. To protect the financial services industry
- c. To ensure that consumers are protected against dealings with FSP's who are unfit to render financial services.
- d. To ensure that consumers are protected against dealings with representatives who are unfit to render financial services.

39. The reason/s why debarment should be considered are:

- a. A representative who no longer complies with certain requirements of the FAIS act should be stopped from rendering any new financial service by withdrawing any authority to act on behalf of the provider.
- b. The Registrar should stop any representative who no longer complies with certain requirements of the FAIS act from rendering any new financial services for a specified period of time.
- c. Only a FSP can be debarred, not a representative
- d. Either the FSP or the Registrar may debar a representative. A FSP may stop any representative who no longer complies with certain requirements of the FAIS act from rendering any new financial service by withdrawing any authority to act on behalf of the provider. The Registrar may stop any representative who no longer complies with certain requirements of the FAIS act from rendering any new financial services for a specified period of time.

40. When debarment takes place:

- a. The FSP must remove the representative's name, and the names of the key individuals of the representative from the register referred to in section 13 (3) of the FAIS Act and must within a period of 15 days after the removal inform the registrar in writing thereof and the reasons for debarment in such format as the registrar may require.
- b. The FSP must remove the representative's name from the register referred to in section 13(3) of the FAIS act and must within a period of 15 days after the removal inform the registrar in writing thereof and the reasons for debarment in such format as the registrar may require
- c. The FSP must remove the representative's name, and the names of key individuals of the representatives from the register referred to in section 13(3) of the FAIS act and must within a period of 30 days after the removal inform the registrar in writing thereof and the reasons for debarment in such format as the registrar may require
- d. The FSP must remove the representative's name from the register referred to in section 13 (3) of the FAIS act and must within a period of 30 days after the removal inform the registrar in writing thereof and the reasons for debarment in such format as the registrar may require.

41. If the Registrar debars a representative, the debarred person must be given:

- a. 15 days to make a submission to the Registrar in response to the debarment
- b. 30 days to make a submission to the Registrar in response to the debarment
- c. A reasonable opportunity to make a submission to the Registrar in response to debarment
- d. A reasonable opportunity to make a submission to the FSP who will then liaise with the Registrar.

42. The process and timeframe when a FSP debars a representative is:

- a. The name of the representative and the representative's key individuals must be removed from the register. The authorised FSP must inform the Registrar within 15 days of such removal
- b. The FSP must inform the Registrar of the debarment within 15 days
- c. The name of the representative and the representative's key individuals must be removed from the register. The authorised FSP must inform the Registrar within 30 days of such removal
- d. The name of the representative and the representative's key individuals must be removed from the register. The authorised FSP must inform the Registrar within 15 days in writing of such removal and provide the Registrar with the reasons for the debarment in such format as the Registrar may require.

43. Which of the following is not one of the main functions of a Compliance Officer?

- a. Supervise compliance in the FSP as part of the risk management framework of the business
- b. Compiling written reports on compliance for the FSP and the FSB as required and making recommendations to the FSP on compliance where necessary
- c. Providing training on compliance related matters to personnel of the FSP
- d. Oversee the actions of the FSP's representatives.

44. FAIS allows for record keeping in the following format:

- a. Electronic format only
- b. Written format only
- c. An appropriate electronic or recorded format, readily reducible to written or printed form
- d. An appropriate electronic or recorded format, which are easily accessible and readily reducible to written or printed form.

45. A provider must keep records for a minimum period of 5 years:

- a. After termination of the product concerned or, in any other case, after the rendering of the financial service concerned
- b. From the date on which the business relationship is terminated or for at least five years after a single transaction is concluded
- c. After the maturity of a product
- d. After the relationship with the client has ended.

46. FICA requires accountable institutions to keep records of:

- a. Suspicious transactions
- b. Cash transactions above a prescribed limit
- c. Documents used to identify and verify the client
- d. Annual reports

47. An accountable institution appoints a third party to keep records in terms of FICA, on its behalf. Select the incorrect statement. The accountable institution must provide FIC with:

- a. The address where the records are kept
- b. The name under which the third party conducts business
- c. The risk measurements that the third party has in place in order to safeguard retrieval of records
- d. The address from where the third party exercises control over the records

48. In terms of FAIS & FICA the industry standard is to keep records in the following format:

- a. Paper files
- b. Electronic format that should be easily retrievable and are readily reducible to written or printed form
- c. Paper and electronic format
- d. Electronic format that should be easily retrievable kept safe from destruction and are readily reducible to written or printed form.

49. Both FAIS and FICA have requirements in terms of confidentiality. The most correct statement with regards to confidentiality is:

- a. Client information may not be released without the client's written consent
- b. Client information may be released without the client's written consent if it is in the public interest
- c. Client information may be released without the client's written consent if the information is required under any law.
- d. Client information may not be released without the client's written consent having been obtained beforehand or disclosure of the information is required in the public interest or under any law.

50. Choose the most correct statement. The main purpose of FICA is:

- a. FICA criminalises money laundering and imposes certain duties on accountable institutions
- b. FICA introduced money laundering control measures
- c. FICA places certain duties on accountable institutions such as the duty to keep records, report suspicious transactions etc.
- d. FICA introduced money laundering control measures and makes provision for the establishment of a Financial Intelligence Centre, a Money Laundering Advisory Council and amendment of certain acts.

51. FICA places certain duties on accountable institutions. These are:

- a. The duty to identify clients, the duty to keep records, reporting duties and access to information, measures to promote compliance by accountable institutions and referral and supervision
- b. The duty to identify and verify clients and to report suspicious transactions
- c. The duty to “know your client”, reporting duties and to train internal personnel
- d. The duty to identify clients, the duty to keep records, reporting duties, and referral and supervision.