

1. Select the correct description of the period for which a financial services provider must maintain records in terms of the FAIS Act:

- a. A minimum of five years, beginning after termination of the product or the rendering of the financial service
- b. A minimum of ten years, beginning after the termination of the product
- c. A minimum of three years, beginning after termination of the product or after the rendering of the financial service
- d. A minimum of five years after the rendering of the financial service

2. The first and second level regulatory examinations must be completed:

- a. Within two years from the date of first appointment
- b. Within five years from the date of first appointment
- c. Within two years and six years, respectively, from the date of first appointment
- d. Within three years and six years, respectively, from the date of first appointment

### 3. Which of the following is NOT a representative?

- a. A person who is an employee of a financial services provider
- b. A consultant to a financial services provider in terms of a mandatory agreement
- c. An outsourced person acting on behalf of a financial services provider in terms of a mandatory agreement
- d. A person providing clerical, legal or administrative services

4. Evidence of a representative being an honest person and having integrity is required:

- a. Only when the person is appointed as a representative
- b. Only after the person has been appointed as representative
- c. Both before and after the person is appointed as a representative
- d. Only when the financial services provider chooses to conduct a check on his honesty and integrity

5. The FAIS Act provides for five different categories of licences. Select the licence category that is NOT correctly named:

- a. Category II Financial Services Provider
- b. Category III Administrative Financial Services Provider
- c. Category IIA Hedge Fund Financial Services Provider
- d. Category IV Assistance Business Financial Services Provider

6. FAIS introduced a more expeditious and cost effective way of resolving consumer complaints. Expeditious means:

- a. Going on an expedition to the Ombud
- b. Avoiding dealing with the concept of delictual liability
- c. Not having to prove a case on the balance of probabilities
- d. Quick and efficient

7. Generally, people who provide clerical, technical, administrative, legal and accounting services are not representatives because:

- a. They do not have to use discretion in carrying out their duties
- b. They are not always able to meet the “fit and proper” requirements of FAIS
- c. They do not lead a client to any transaction in respect of a financial product
- d. They are not required to keep records for at least five years

8. A Category II licence refers to:

- a. Intermediary Financial Services Providers
- b. Administrative Financial Services Providers
- c. Hedge Fund Financial Service Providers
- d. Discretionary Financial Service Providers

9. Peter has just been appointed as a representative to sell health-care benefits (he will sell no other products). Which regulatory examinations will he be required to take?

- a. Level 1 for representatives and Level 2 on the Medical Schemes Act
- b. Level 1 on the Medical Schemes Act and Level 2 for representatives
- c. Level 1 for representatives and Level 2 for health-care benefits
- d. Level 1 for health-care benefits and Level 2 for representatives

10. The register kept by the financial services provider relating to representatives must indicate the capacity in which the representative acts for the FSP, because the representative may:

- a. Not be an employee, but may be an independent contractor
- b. Not be an employee, but may be a mandatory
- c. Not be an employee, but an independent broker
- d. Be either a mandatory or an employee

11. Percy, a broker with ABC Life, wants to give his client, Zulfa, financial advice about an endowment policy she would like to take out. Zulfa is currently out of town, but she wants to reach a decision while she is away to finalise the paperwork as quickly as possible on her return. Which one of the following statements is true about this scenario?

- a. Percy must give certain types of advice only in person due to its complex nature
- b. Telephonic conversations between Percy and Zulfa cannot be regarded as advice, unless they are recorded
- c. Percy can choose any suitable medium through which to give the advice to Zulfa
- d. Only written communications between Percy and Zulfa will be regarded as financial advice in terms of FAIS

## 12. After the introduction of FAIS, aggrieved clients:

- a. Still have to prove that inappropriate or poor advice caused them damage or loss
- b. No longer have to prove that the inappropriate or poor advice caused them damage or loss
- c. Can now obtain redress from the Ombud on a no-fault basis, without having to prove anything against the adviser
- d. Can now obtain redress because the adviser is answerable to the Ombud

13. Kamil applied for a position as representative with Excel Life. An investigation of his background revealed that he had been found to act in breach of a fiduciary duty six years ago. Kamil was also found guilty by an English court of law of having acted fraudulently three years ago. Kamil meets all the competency “Fit and Proper” requirements. Which one of the following statements indicates how Kamil’s application should be handled?

- a. He may not be appointed because he does not meet the “Fit and Proper” requirements of honesty and integrity
- b. He may be licensed because he meets all the competency “Fit and Proper” requirements
- c. He may not be appointed because he was found guilty of acting in breach of a fiduciary duty
- d. He may be appointed because he can work under supervision in order to become compliant

14. Which of the following is not an indication of an undesirable business practice?

- a. Prejudice towards clients
- b. Deceit of clients
- c. Unfair treatment of clients
- d. Treatment that leaves clients dissatisfied

15. Which of the following is NOT a requirement of FAIS with regard to a licence?

- a. It must be prominently displayed in all the licensee's business premises
- b. Refer to the licence in client contact
- c. Refer to the licence in all advertisements, business documentation and promotional material
- d. It must be made available to anyone who requests proof that the business is licensed.

16. In order for an FSP to retain his licence, ongoing compliance with the following is required:

- a. Paying applicable license fees to the Ombud for Financial Services Provider.
- b. Rulings by the Ombud for Financial Services Provider.
- c. Ongoing compliance with the codes of Industry intermediary bodies.
- d. Ongoing compliance with the FAIS Code of Conduct and legislation.

17. The licence of an FSP must be available to anyone who requests to verify it, and must be referred to various other documents of the FSP. These documents do NOT include:

- a. Advertisements.
- b. Promotional material.
- c. Business documentation.
- d. Staff application forms.

18. The Ombud for Financial Services Providers is the person appointed to resolve disputes between consumers and financial services providers relating to:

- a. The quality or nature of the advice given.
- b. The contract between the insurer and the client.
- c. The performance of an investment.
- d. The experience of the adviser.

19. Where the Registrar has withdrawn the licence of an FSP, the consequences for the FSP is that: i. It is suspended from providing financial services for a period of time. ii. It is debarred from applying for a new licence for a period of time.iii. It is provisionally suspended from providing financial services, until the conditions relating to the suspension have been met. iv. A withdrawn licence cannot be reinstated by the Registrar.

- a. i and ii
- b. ii and iii
- c. ii and iv
- d. iii and iv

20. The disclosure requirements regarding financial services and products specify that pre-determined premium increases must be projected on:

- a. A one-yearly basis for the first five years and not more than 20 years.
- b. A two-yearly basis for the first five years and not more than 20 years.
- c. A four-yearly basis for the first five years and not more than 20 years.
- d. A five-yearly basis for the first five years and not more than 20 years.

21. Which one of the following is not among the duties of a financial services provider in the event of a client lodging a complaint?

- a. Maintaining a record of the complaint for five years from the date of the complaint.
- b. Handling the complaint in a timely and fair manner, so that the clients interests are acknowledged.
- c. Investigating the complaint and responding to it promptly, so that the client can benefit from a speedy resolution of the problem.
- d. Informing the client that, if the complaint is not resolved to his satisfaction, he must go to court.

22. A conflict of interest can arise where a representative:

- a. Represents more than one product supplier
- b. Has business interests with the client.
- c. Has conflicting business and personal interests.
- d. Has personal interests as far as the client is concerned.

23. The disclosures required from FSP's by the FAIS ACT offer the following benefits to customers:

- a. The confidence to trust the integrity of the FSP
- b. The assurance that all legal requirements have been met.
- c. The capacity to make unbiased purchase decisions .
- d. The ability to make well-informed financial decisions.

24. The FAIS Code of Conduct requires that FSP's and their representatives act honestly and fairly. This means that they must:

- a. Provide a complete list of all the features, benefits, cost, uses and pitfalls of a financial product or service being considered .
- b. Disclose all information that may affect the customers decision to purchase or use a financial product or service.
- c. Take care not to overload the customer with information and details about the financial product or service being considered.
- d. Provide access to resources and services the customer may require to access his financial product or service without limitations.

25. ABC Bank has been advised that they need to appoint a Compliance Officer. Which of the following would describe the scope of such a persons role?

- a. Ensure that all the ABC Bank staff is well informed on all legislation and regulations that apply to FSP's.
- b. Ensure that ABC Bank staff and other representatives comply with all the requirements, as set out in the FAIS Act.
- c. Submit the required reports and statistics to the FAIS Ombud.
- d. Represent ABC Bank and its representatives and Key Individuals on the Financial Services Board.

26. When Mr Tshabalala's uncle dies intestate, he decides to approach an FSP to have a will drawn up. He anticipates having to disclose some sensitive personal information, which must be accessible to his family. What kind of assurance should the representative give to ease his concerns about disclosing the information?

- a. Willingness of the FSP and the representative to guarantee that the information will remain secret.
- b. The FSP's ability to deal with any difficult family members who may make enquiries about the Will.
- c. The right to obtain the knowledge and skill needed for dealing with difficult family members.
- d. Assurance of confidentiality and non-disclosure through effective systems and procedures

27. The different types of financial services and products that an FSP can deal with in terms of FAIS do NOT include:

- a. Intermediary services concerning a financial product.
- b. Financial advice concerning a financial product.
- c. Advice on financial products, as defined in the Act.
- d. Advice concerning the viability of a clients budget.

28. Which of the following is an intermediary service?

- a. Informing a client of the different products in the industry.
- b. Collecting premiums from a client.
- c. Guiding a client to purchase a new financial product.
- d. Ensuring that the client pays regular premiums to a product provider.

29. While doing her shopping at a local store, a representative meets one of her clients. The client asks her for advice regarding a new product she has seen advertised. Which of the following is INCORRECT: i) assist the client to the extent that she does not provide any advice ii) it is an existing client, and the representative can give the client advice about the suitability of the product iii) make sure that the client understands the product and its implications on her needs, before the client purchases the product iv) Make sure that that client understands the cost implications of the product she wishes to buy.

- a. i and iv
- b. iii and iv
- c. i and iv
- d. ii, iii and iv

30. When an FSP debars a representative, the Registrar:

- a. Updates the central register.
- b. Debars the representative
- c. Informs the representative of the debarment
- d. Informs the financial services provider that the representative has been debarred.

31. Part of the debarment process requires that an FSP who is debarring a representative in terms of FAIS has to take certain steps with regard to the representatives client and business. These steps will ensure that:

- a. Ensure that clients are placed in a position where they can elect whether they wish to continue doing business with the representative.
- b. Ensure that the client are informed about the reasons for the debarment of the representative.
- c. Ensure that the clients are not disadvantaged and that any unfinished business is properly concluded
- d. Ensure that the clients are informed about the reasons for the debarment of the representative.

32. Debarment means that a representative:

- a. Must work under supervision for a period of at least 12 months
- b. May not work as a representative for a period of 12 months or more
- c. May not work as a representative for the same FSP for a year
- d. Has to submit a new application for registration to the Registrar.

33. If a representative is mandated by more than financial services provider and the one debar the representative, the second FSP will be informed of the debarment by:

- a. The first financial service provider
- b. The Registrar
- c. The representative
- d. The compliance officer .

34. Which of the following is NOT among the requirements a debarred representative must meet before his reappointment can be considered:

- a. 12 months must have elapsed since the debarment date
- b. All unconcluded business of the representative must have been properly concluded.
- c. The competency requirements must have been met.
- d. The representative must justify his application to the Registrar in writing.

35. The party who may debar a representative is:

- a. The product supplier, who informs the Registrar that the representative is no longer entitled to sell its products.
- b. The Ombud, by making an appropriate ruling against a representative
- c. The Registrar, by removing the representative name from the register of licensees.
- d. The financial services provider, by removing the representative name from its register of representative

36. The individual appointment by a FSP to report to the FSB on compliance issues is:

- a. A key individual
- b. A representative
- c. A compliance officer
- d. An internal auditor.

37. Jack is a newly compliance officer. He knows that his monitoring function includes communication with the FSP. He wants to know how to perform this communication duty in terms of FAIS.

- a. He has to meet with the FSP monthly to report on the strengths and weaknesses of the compliance system.
- b. He has to provide the FSP with written reports (at least quarterly), including his achievements with regards to compliance monitoring duties and to make recommendations
- c. He has to provide the FSP with an annual written report on the achievements of the compliance function.
- d. He has to provide the FSP with regular memos in which he indicates the number of activities that did not comply with FAIS.

38. A financial services provider may appoint the following person as a compliance officer:

- a. Any internal member of staff, whether administrative staff or salesperson
- b. Any external person prepared to undertake the role for a fee
- c. Any internal or external person with a legal or accounting degree and three years financial service experience
- d. Any internal or external person who has been accredited by the Financial Services Board as a compliance officer

39. While visiting one of the branches of Express Financial Services, the compliance officer (Edward) discovers a weakness in the compliance controls. He has witnessed that clients are handing over cash to the receptionist, and that the receptionist is issuing a receipt for the funds received. In terms of the function which Edward fulfils, he will have to do the following: i. inform the Ombud immediately of the non-compliance with the Act ii. Lodge a complaint with the branch manager and refer the matter to the FSB for investigation iii. Include this in his report to the FSP iv. Report the matter to the FSB for investigation v. Recommend ways to improve the situation.

- a. i and v
- b. ii, iv and v
- c. iii and v
- d. i, ii and iv

40. Where records are kept by the third party, they must be available for inspection at the request of the Registrar within:

- a. 24 hours
- b. 3 days
- c. 7 days
- d. 14 days

41. In terms of FICA, a third party may keep on behalf of an accountable institution, provided the:

- a. Accountable institution keeps duplicate copies
- b. Accountable institution has free and easy access to them
- c. Third party is registered with the Financial Intelligence Centre
- d. Third party is authorised to do so by the Financial Intelligence Centre

42. Money laundering has:

- a. Little effect on legitimate business and economic development as it is too small to effect an entire country
- b. A negative effect on legitimate business and economic development because of its scale and overall impact.
- c. The greatest effect on major economics because that is where it occurs most often
- d. Little effect on weak economics because they offer the least scope for it.

43. The Prevention of Organised Crime Act introduced measures to combat:

- a. The harmful effects of cash-in-transit heists throughout the country
- b. Organised crime, money laundering and criminal gang activities
- c. Organised crime and armed robberies in the major urban centres
- d. Combat organised criminal activities, both locally and internationally

44. A representative receives a large sum of money to invest for a customer. The customer wants to split the money between unit trusts, investment policies, bank investments and fixed property shares, all with the shortest term possible. He does not want to comment on the reason for this choice of production combination. The representative suspects money laundering and he is, therefore, required to:

- a. Inform the customer that he has to report the transaction
- b. Advise the customer that he is not able to assist him without further information
- c. Report the transaction without informing the customer
- d. Process the request and flag the newly created accounts as suspects.

45. Which of the following long-term insurance policies is NOT exempt from the FICA client identification and verification requirements?

- a. A long-term insurance policy that provides benefits upon the death of the life insured
- b. A long –term insurance policy that provides benefits only upon the disability of the life insured
- c. A long-term insurance policy that provides benefits to the insured only upon maturity after five years
- d. A long-term insurance policy that provides benefits only upon the sickness of the life insured.

46. Which of the following is NOT indicator of money laundering?

- a. Constant movement of money among different business entities
- b. Transactions involving large cash amounts
- c. Transferring a large amount electronically into an account and refusing to disclose its source
- d. The client has numerous bank accounts

47. You are the manager of an insurance brokerage. One of your new financial advisers asks what is required of your business as an accountable institution in terms of FICA. Which of the following statements provides the most comprehensive answer to him?

- a. To identify clients, verify their residential address and report unusual transactions relating to combating money laundering
- b. To identify clients, verify their residential address and report on activities or transactions relating to the use of offshore funds in South Africa
- c. To follow FICA procedures to report suspicious activities or unusual transactions relating to drug trafficking
- d. To follow FICA procedures and report suspicious activities or unusual transactions relating to combating money laundering

48. In terms of FICA, which one of the following actions is required for a long-term insurance policy, premium payable monthly and total contribution amounting to R47 500 for the year?

- a. The financial adviser does not have to verify and identify the client, as it is a pure life policy
- b. The client must be identified and verified, as the total contribution for the year is R47 500
- c. The rules of verification and identification do not have to be followed, as this policy will only provide benefits upon death or disability
- d. Identification and verification will be required when the contribution exceeds R50 000 for the year

49. In terms of FICA, certain policies are exempt from verification and identification requirements. Based on your knowledge of specific exemption criteria, select the investment / policy that is specifically exempt from FICA requirements

- a. A unit trust investment with a recurring premium of R300 per month that is liquidated 30 months after commencement
- b. A long-term insurance policy with an initial monthly premium of R2 000, increasing to R2200 per month after 24 months
- c. A pure life cover policy with a total contribution of R30 000 after 18 months and a surrender value of R5000
- d. An endowment policy with a value of R60 000 after 30 months, pledged as security for a loan of R12 000

50. Which of the following clients do not have to be identified and verified in terms of FICA: i) Mr X wants to invest R300 per month in an endowment policy. ii) Richard invests R3 500 per month in unit trust. lii) Michelle, makes a single premium investment of R40 000. iv) Nurahn takes out life cover on her life for R750 000.

- a. i, ii, and iii
- b. ii, iii and iv
- c. i, iii and iv
- d. i and iv