

# Exam 4

1. Long-term insurance category A financial services providers have a licence to sell:

- a. Assistance policies
- b. Risk policies
- c. Investment policies
- d. Health service benefits

2. Which of the following is not among the responsibilities of a financial services adviser in terms of the FAIS General Code of Conduct?

- a. Acting honestly and fairly
- b. Effectively employing resources, procedures for proper performance of professional activities
- c. Acting with caution and treating clients fairly
- d. Disclosing membership to any professional body or organisations.

3. When a representative acts under supervision, it means that he does not yet meet the “fit and proper” requirements of:

- a. Experience and qualifications
- b. Qualifications and / or regulatory examinations
- c. Experience, qualifications and/or regulatory examinations
- d. Experience and regulatory examinations

4. Which of the following constitutes advice in terms of the FAIS Act?

- a. Explaining to a client the procedure for entering into a transaction for a financial product
- b. An analysis of a financial product without a recommendation on its suitability for a client
- c. Explaining to a client how a particular financial product works
- d. Drafting a proposal to a client to replace an existing financial product by another financial product

5. 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

6. The term “advice” in the context of the FAIS Act, does not refer to:

- a. A suggestion or recommendation of a financial nature made to a client by an employee of a financial institution
- b. A general proposal furnished to a client or group of clients by an FSP via any medium
- c. A proposal that contains guidance with regards to purchasing a financial product or varying the terms thereof
- d. A proposed change to the selection of financial products a client has during the course of financial planning activities

7. Which one of the following statements most accurately defines a representative in terms of FAIS legislation?

- a. An employee of the FSP whose primary role it is to provide information to customers
- b. A person who is rendering a clerical, technical, legal or administrative service for the FSP
- c. Any person who renders a financial service for an FSP, whether employed full time or as a consultant or a temporary employee
- d. An employee or agent of the FSP who does not need to exercise judgment in terms of financial advice.

8. Mandy, a representative who works under supervision, asks you why she has to meet the continuous professional development (CPD) requirement, once she complies with all the other “fit and proper” requirements. Select the answer you would give her:

- a. CPD is an ongoing learning and development process, and the only aim is to assist Mandy to remain FAIS & FICA compliant
- b. CPD is an ongoing learning and development process, and the only aim is to force Mandy to attend seminars to remain up to date with the latest software analysis programs
- c. CPD is an ongoing learning and development process and the only aim is to assist Mandy to maintain knowledge with regard to the product categories / sub-categories for which she is authorised
- d. CPD is an ongoing learning and development process, and the only aim is to assist Mandy to maintain knowledge and skills at required levels to perform financial services of a high quality



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. Jack has been appointed as a representative with Excel Insurers as from 1 July 2010. He does not understand the requirements for working under supervision. He also wants to know for how long he will have to work under supervision. Select the answer that you would give him:

- a. Jack may render services under supervision until he meets the relevant experience, qualifications and/or regulatory exam requirements for his categories, but not longer than 31<sup>st</sup> July 2016
- b. Jack may render services under supervision until he meets the relevant experience and/or regulatory exams requirements for his categories, but not longer than 31 July 2016
- c. Jack may render services under supervision until he meets the experience requirements for his categories, but not longer than 30 June 2016
- d. Jack may render services under supervision until he completes the regulatory exam requirements for his categories, but not longer than 31 July 2016

11. Describing a financial product to a client is not regarded as advice if it is:

- a. Done in printed marketing material to promote a product
- b. Followed by a recommendation for the purchase of the specific product
- c. Furnished in the course of or incidental to financial planning
- d. A proposal for the purchase of a financial product

12. Jaqueline is not able to return to her previous position as an insurance broker after maternity leave. She decides to start up her own business, offering a service to collect and manage broker's commissions. She will provide extensive monthly reports about their earnings, best selling products, most profitable clients, etc. Which of the following statements is true?

- a. Her business is subject to the provisions of the FAIS Act because it provides a service of a financial nature
- b. Her business is not regarded as that of a Financial Services Provider because she does not work directly with clients
- c. Her business is regarded as an intermediary service because she provides a collection service to brokers
- d. Her business is not an intermediary service, because she is not collecting managing financial products purchased by clients.

13. A licence withdrawn by the Registrar:

- a. Cannot be reinstated
- b. May be reinstated at the discretion of the Registrar
- c. May be reinstated if the licensee can show good cause
- d. May be reinstated after the period set out in the withdrawal notice.

14. Depending on the type of advice he provides, every representative must obtain a certain number of credits:

- a. From a service provider registered with Bankseta or Inseta
- b. On the National Qualifications Framework relating to the subject matter
- c. On the National Qualifications Framework, depending on the type of advice he provides
- d. Relating to the area of expertise registered with the South Africa Qualifications Authority

15. The Ombud for Financial Services Providers is responsible for dealing with complaints:

- a. Submitted by a client against an FSP relating to the financial service rendered by the FSP
- b. In a formal and detailed manner
- c. Submitted by a client against an FSP relating to the administration as well as the financial service rendered
- d. In a procedurally fair and formal manner.

16. Which of the following complaints is suitable to be referred to the Ombud for Financial Services Providers (FAIS Ombud)?

- a. A complaint that does not have any reasonable prospect of success
- b. The respondent has made an offer which is fair and reasonable
- c. The subject of the complaint is pending in court proceedings
- d. The complaint was previously lodged with the financial services provider.



17. An essential element of a complaint relating to the financial service rendered by a financial services provider is that the:

- a. Financial services provider did not provide accurate information
- b. Financial services provider did not take the interests of the complainant into account
- c. Complainant suffered or is likely to suffer financial damage
- d. Complainant's reputation was harmed by poor financial advice

18. In the financial services environment, the FAIS General Code of Conduct provides:

- a. A framework for ethical behaviour by the role-players
- b. A framework for using effective sales technique
- c. A means of ensuring that representatives make the largest number of sales
- d. A means of ensuring harmonious relations among all stakeholders involved.

19. Which of the following parties do not play a role in an FSP's complaint handling system?

- a. Representatives of the FSP
- b. The FSP's compliance officer
- c. The FAIS Ombud
- d. Key Individuals of the FSP

20. The FAIS Act requires that the representative make certain disclosures during his interaction with the client. The purpose of these disclosures is to:

- a. Enable the client to make an informed decision
- b. Enable the insurer to evaluate the risk
- c. Be used as an agenda for a discussion with the client
- d. Inform the client of the FSP's complaints resolution process

21. In terms of FAIS, which of the following would be considered advice?

- a. Description of a financial product
- b. Display or distribution of promotional material
- c. Factual advice about a financial product
- d. Guidance of a financial nature regarding a financial product.

22. A client is not interested in full needs analysis, and has already made up her mind about the product she wants to purchase. Which of the following is incorrect: i) An analysis must be conducted for purposes of advice ii.) The client must be referred to another representative, because an analysis must be done iii.) The representative can proceed with the sale, but must inform the client of the limitation on the advice since no analysis was done iv.) The client must provide more detailed information, before an analysis can be done.

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

23. A representative who has been debarred may:

- a. Appeal to the Registrar
- b. Appeal to the Ombud
- c. Request a formal hearing of his case
- d. Request an opportunity to state his case

24. Joan has been found to be unfit in terms of FAIS and has to be debarred. The first step in the debarment process that her FSP has to take is to:

- a. Terminate the service agreement with Joan
- b. Request the Registrar to remove Joan's name from the central register of representatives
- c. Inform Joan of the reasons for the debarment
- d. Remove Joan's name from the FSP's register of representatives.



25. Which of the following statements contains all the reasons that could result in the debarment of a representative:

- a. Non-compliance with all the “fit and proper” requirements
- b. Non-compliance with the honesty, integrity and competence “fit and proper” requirements
- c. Non-compliance with the provisions of the FAIS Act
- d. Non-compliance with the “fit and proper” requirements as well as the contravention with other provisions of the FAIS Act.

26. You are the sales manager / supervisor of a new representative. He asks you when a representative can be debarred, and you tell him the following: i.) non compliance with any of the “fit and proper” requirements. ii) non-compliance with any provision of the FAIS Act. iii.) poor work performance. iv.) not doing a comprehensive record of advice.

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

27. Which of the following is a representative?

- a. A person who renders clerical, administrative or technical services on behalf of a financial services provider
- b. A person who renders services on behalf of a financial services provider which requires judgment on the part of that person
- c. A person who renders financial services for or on behalf of a financial services provider
- d. A person who renders services on behalf of a financial services provider in response to general enquiries on the part of a client

28. Which one of the following is not among the functions of a compliance officer?

- a. Ensuring compliance with the FAIS
- b. Submitting reports to the FSP on compliance issues
- c. Submitting reports to the FSB on irregularities
- d. Reporting any irregular or suspect irregular conduct of the FSP business to the Registrar

29. 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 year's financial services experience
- d. Any internal or external person who has been accredited by the Financial Services Board as a compliance officer.

30. The functions of a compliance officer:

- a. May be outsourced to an external compliance officer
- b. Must be performed by an internal staff member
- c. Must be outsourced to an external compliance officer
- d. May not be outsourced to an external compliance officer

31. The FAIS Act stipulates the requirements for the maintenance of records. The documents that must be maintained are specified, but do not include:

- a. Premature cancellations of product transactions by clients of the provider
- b. Records of every licensed representative's application forms and service level agreement
- c. Cases of non-compliance with FAIS and the reasons for non-compliance
- d. The continued compliance by representatives with FAIS.

32. A person liaising with a client on behalf of an accountable institution is required to report any suspicious transactions to the:

- a. Financial Services Board
- b. Money laundering reporting officer of the institution
- c. Compliance officer of the institution
- d. South African Police Services



33. The following penalties may be imposed on an individual or organisation failing to comply with the provisions of FICA:

- a. Imprisonment of up to 15 years and a fine of R 10 million
- b. Imprisonment of up to 15 years and a fine of R5 million
- c. Imprisonment of up to 10 years and a fine of R 15 million
- d. Imprisonment of up to 10 years and a fine of R 10 million

~~34. What is the relationship between POCA and FICA?~~

- a. FICA complemented POCA, but they deal with different aspects of criminal conduct
- b. POCA did not deal sufficiently with organised crime; so FICA was passed
- c. FICA added to POCA and repealed certain parts of POCA  
FICA does not relate to POCA at all.

35. The Prevention of Organised Crime Act (POCA), contains measures primarily designed to combat:

- a. Illegal gambling
- b. Drug dealing
- c. Organised crime, money laundering and criminal gang activities
- d. Conspiracies to commit major offences

36. The Financial Intelligence Centre (FIC) is investigating Tom Jones, a client of Excel Life, in a process to identify the proceeds of drug trafficking. The FIC has informed Excel Life that they want access to Tom's records in terms of FICA, including those that are not available to the general public. Tom has heard of this investigation. He asks you why Excel Life cannot protect his privacy. Select the answer you would give him:

- a. Tom, FICA gives the FIC the right to access all your records with Excel Life. If Excel Life protects your privacy and refuses to assist the FIC, they will be found guilty of an offence and be punishable with a fine of up to R1 000 000 or be imprisoned for a period up to five years
- b. Tom, FICA gives the FIC the right to access all your records with Excel Life except those that are not available to the general public. If Excel Life protects your privacy and refuses to assist the FIC, they will be found guilty of an offence and be punishable with a fine of up to R10 000 000 or be imprisoned for a period of up to 15 years
- c. Tom, FICA gives the FIC the right to access your records with Excel Life. If Excel Life protects your privacy and refuses to assist the FIC, they will be found guilty of an offence and be punishable with a fine of up to R10 000 000 or be imprisoned for a period of up to 15 years
- d. Tom, FICA gives the FIC the right to access certain of your records with Excel Life. If Excel Life protects your privacy with regard to these records and refuses to assist the FIC, they will be found guilty of an offence and be punishable with a fine of up to R10 000 000 or be imprisoned for a period of up to 15 years

37. The duties FICA imposes on a financial services provider relating to its employees are the training of staff and:

- a. Formulating a code of conduct binding on all staff members
- b. Ensuring that all staff meet the fit and proper requirements
- c. Formulating and implementing internal rules
- d. Formulating and implementing internal rules and reporting all breaches by staff to the Financial Intelligence Centre