

MODULE 4: STUDY NOTES

BNISI of 2008

- Representatives will not have to be fully competent in respect of experience, qualifications and Regulatory Examinations.
- It allows Representatives to meet requirements whilst working under supervision for product categories I, II, IIA, III and IV.

Criteria for exemption for category I and IV Representatives

- FSP must have the infrastructure and the operational ability.
- Representatives working in these categories must have the following entry level qualifications when appointed by the FSP:
 - Matric, OR
 - Grade 12, OR
 - An appropriate certificate at NQF level 4
- Representatives working in subcategories 1.1 Long term Insurance category A and/or 1.19 Friendly Society Benefits must have the following entry level qualifications when appointed by the FSP:
 - ABET level 1, OR
 - the proven ability to read, write and calculate to the satisfaction of the FSP
- Representative must complete appropriate qualification.

Requirements and conditions for Services under Supervision

The FSP/Key Individual must:

- Satisfy the Registrar that the business has the **operational ability** to provide services under supervision.
- Satisfy the Registrar that there is a **competent person** to act as supervisor.
- Identify the Representatives who act under supervision.
- Place the supervisees who are getting the experience in the **subcategories** in respect of, which they are appointed.

If that is not possible during the minimum period of supervision, the FSP/ Key Individual must either:

- Place the supervisor in a position where he/she can gain experience in the specific subcategory.
- Extend the period under supervision to ensure that the supervisee receives sufficient exposure to the specific subcategory for the maximum of five years.

To be allowed to act as supervisor, the individual

- Must meet relevant **experience** and **qualification** requirements.
- Must have at least **RE1** (in specific category).

Conditions, which must apply to the period under supervision:

- The supervision period must be linked to the category/ subcategory.
- The maximum period any Representative can act under supervision is six years.
- Representatives working in multiple categories/ subcategories can get experience in all the categories at the same time.
- The minimum and maximum periods for services under supervision starts from the date that the Representative is appointed in the category/ subcategories.
- Representatives under supervision must complete RE1 for the applicable category/ subcategories within two years of date of first appointment as Representative.
- Representatives under supervision must complete RE2 and the relevant qualification for the applicable category or subcategory within six years from the date of appointment.
- If there is a significant interruption while the Representative is gaining experience, then an additional period under supervision must be arranged, equal to the length of the interruption.
- There must be a written supervision agreement between the employer and employee in terms of, which the employee agrees to submit to supervision under certain circumstances.

Supervision includes the following:

- **Sign-off** by a supervisor on the **advice** given.
- **Pre-transaction sign-off** by a supervisor for **intermediary services**.
- Supervisor must **attend meetings** with supervisee and clients (when rendering financial services).
- Supervisor must do appropriate **post-transaction sampling**.
- Supervisor must make **follow-up calls** to clients after the rendering of financial services.
- Supervisor to **scrutinise** the **activities** of the supervisee in respect of financial services.
- In **category I** the intensity of the supervision will be guided by the phase of the supervision - direct or ongoing.

In categories II and IIA, the following will also be recognised for supervision purposes:

- In **category II and IIA** the **minutes** of the "**investment team meetings**", will be accepted as signoff.
- When a supervisor **signs-off** on transactions regarding intermediary services- check rep carries out **instructions accurately**.

DEFINITIONS

Direct supervision - supervision of the financial services rendered by a Representative under the guidance, instructions and supervision of a supervisor, and which occurs on a regular basis.

Ongoing level of supervision - way in which supervision is exercised after the initial period of services under direct supervision has been completed (supervision still occurs but biweekly or monthly).

Investment team meetings - morning meetings or similarly structured meetings that refer to the practice of discretionary financial service providers where the investment team discusses and decides on the investment policy, strategy or the implementation of a specific investment decision.

Specific responsibilities of a FSP or Key Individual in respect of the actual supervision:

The supervisor must:

- Ensure that the supervisee has a **good understanding** of and exposure to relevant categories and subcategories.
- **Observe selected meetings** between the supervisee and customers.
- **Assess advice given** by the supervisee for appropriateness.
- Ensure the FSP takes the necessary action to **protect the client**.
- Have **documented evidence** of the method and frequency of the supervision.

Specific supervision conditions, which apply to the categories:

For categories II, IIA and III, the supervisor must:

- Review and approve discretionary financial services provided by Representatives (categories II and IIA) in writing, before a transaction is concluded/ executed.
- Approve a transaction before it is finalised if the Representative renders a discretionary financial services in respect of all Representatives acting under supervision of category III, **OR** if it cannot be approved before conclusion, it must be approved within a reasonable time thereafter.
- Ensure that all actions by the Representatives in categories II and IIA, adheres to the mandate and/ or morning meeting decisions.
- Conduct sample checks on a weekly basis to ensure that the supervisee did not deviate from the relevant mandate/ investment team meetings.
- Ensure that the supervision requirements are not lessened in intensity during the duration of the period under supervision.

Supervisee's (Rep) responsibilities

They must:

- **Adhere to requirements** of the supervision agreement.
- Provide the supervisor upon request with any **records** regarding the advice given.
- **Disclose** to clients that he or she is **acting under supervision**.
- Try to **complete the required qualifying criteria** within prescribed **time limits**.
- Undertake the relevant **product training**.
- **Request guidance** from the supervisor if in doubt when performing any duties.

Specific supervision requirements for categories I and IV

TABLE A: CATEGORIES I and IV: LEVEL OF SUPERVISION REQUIRED			
	COLUMN ONE: SUBCATEGORY	COLUMN TWO: DIRECT SUPERVISION-	COLUMN THREE: ONGOING LEVEL OF SUPERVISION-
1.1	Long-term insurance category A	The first 2 months of the period under supervision	After 2 months for the rest of the period under supervision
1.2	Short-term insurance personal lines		
1.3	Long-term insurance category B		
1.4	Long-term insurance category C		
1.5	Retail pension benefits		
1.6	Short-term insurance commercial lines		
1.7	Pension fund benefits (excluding retail pension benefits)		
1.8	Securities and instruments: Shares	The first 4 months of the period under supervision	After 4 months for the rest of the period under supervision
1.9	Securities and instruments: Money market instruments		
1.10	Securities and instruments: Debentures and securitised debt		
1.11	Securities and instruments: Warrants, certificates and other instruments acknowledging debt		
1.12	Securities and instruments: Bonds		
1.13	Securities and instruments: Derivative instruments		
1.14	Participatory interests in one or more collective investment schemes		
1.15	Forex investment business		
1.16	Health service benefits		
1.17	Long-term deposits	The first 6 weeks of the period under supervision	After 6 weeks for the rest of the period under supervision
1.18	Short-term deposits		
1.19	Friendly society benefits	The first 2 weeks of the period under supervision	After 2 weeks for the rest of the period under supervision

TABLE A: CATEGORIES I and IV: LEVEL OF SUPERVISION REQUIRED			
	COLUMN ONE: SUBCATEGORY	COLUMN TWO: DIRECT SUPERVISION-	COLUMN THREE: ONGOING LEVEL OF SUPERVISION-
IV	Category IV: Assistance business FSP	The first 6 weeks of the period under supervision	After 6 weeks for the rest of the period under supervision

Additional supervision requirements for categories II, IIA and III

Specific supervision conditions

For **categories II, IIA, and III**, the supervisor must:

- **Review and approve discretionary financial services** provided by Representatives (categories II and IIA), (before transaction is concluded or executed).
- **Approve a transaction** before it is finalised if the Representative renders a discretionary financial services.
- Ensure all actions by the Representative **adheres to the mandate** and/or morning meeting decisions.
- Conduct **sample checks** on a weekly basis.
- Ensure that the supervision requirements are **not lessened in intensity** during the period under supervision.