

## FINANCIAL SERVICES BOARD



### FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (“FAIS ACT”)

FAIS CIRCULAR 7/2010

DATE: 4 August 2010

#### Update regarding regulatory examinations 2010.

##### 1. Background

The amended Determination of Fit and Proper Requirements for Financial Services Providers (Board Notice 106 of 2008) makes provision for regulatory examinations as part of the competence requirement for representatives, key individuals and sole proprietors.

There are two levels of regulatory examinations:

- **Regulatory examination Level 1:**

This regulatory examination deals with the regulatory framework and is compulsory for all individuals in the financial services sector. The content of this examination focuses on the applicable regulatory framework, i.e. FAIS, Financial Intelligence Centre Act, FAIS General Code of Conduct, etc.

There will be different variations of this examination depending on whether the individual concerned are working in a Category I, II, IIA, III or IV environment, and whether the individual is a key individual or a representative.

- **Regulatory examination Level 2:**

The Level 2 regulatory examinations apply only to representatives. These examinations are “product-specific” in nature and cover the knowledge and skills required for a representative giving advice and/or rendering intermediary services on a specific financial product.

Examination bodies have been appointed to develop and implement the regulatory examinations on behalf of the FSB. These are:

- The Financial Planning Institute (FPI)
- Leselo (Institute of Bankers)
- Moonstone Intellectual Capital
- The South African Institute for Financial Markets (SAIFM)

**2. Quality assurance process**

In order to ensure the quality of the regulatory examinations, a specific process is being followed. The first step of the quality process was to trial (“test”) the examination questions to ensure that the questions that will be used in the examination are understandable, plain language is used, and so forth.

Once all the questions have been trialed, the actual examinations are to be piloted to confirm the effectiveness of the systems and processes that support these examinations. The pilot process is also used to check the pass mark of the particular examination in order to ensure that the pass mark is set at an acceptable level.

Every regulatory examination must go through the quality assurance process prior to the rollout thereof.

**3. Regulatory examinations Level 1**

The piloting of the level 1 examination will be taking place on 10, 11 and 12 August 2010. The examination bodies are responsible for the planning and all arrangements pertaining to the pilots. They have given preferential treatment to those candidates that have participated in the trials, and will allow such candidates first option to participate in the pilots.

Candidates that participate in the pilots will do so free of charge and will receive their results subject to specific terms and conditions. The results of the pilots will only be made available to the candidates once all pilots have been finalised and the results of the pilots have been recorded.

Provision has been made for up to three pilots per regulatory examination to be completed, should the FSB not be satisfied with the quality of the first pilot. The rollout of the regulatory examination is subject to the successful piloting thereof.

Once the abovementioned pilots are completed, the regulatory examinations level 1 will be rolled out to the industry.

**4. Regulatory examinations Level 2**

The development of the regulatory examinations for level 2 is taking place in accordance to the planned timeframes, and the first pilots for this examination will take place in October or November 2010.



**DEPUTY REGISTRAR: FINANCIAL SERVICES PROVIDERS**