

STEP BY STEP GUIDE TO FAIS

Overview

FAIS training was introduced in 2004 to insure best practices and professionalism within the financial services industry. This means that Financial Service Providers (FSP's) need to be **Fit and Proper** in terms of the Financial Advisory and Intermediary Services Act (FAIS)

Fit and Proper

Main requirements:

- Honesty and integrity
- Competency requirements
- Operational liability, and
- Solvency requirements that is applicable to the FSP.

Anyone person operating as a **Representative** or **Key Individual** has to comply with the FAIS requirements.

Representative is a person who is employed or mandated by a Financial Services company to render advisory or intermediary services to clients.

Key Individual is a person who manages and oversees the activities of a Financial Service Provider.

Competency Requirements

This depends on the following:

1. What product categories one sells
2. Date of first appointment in a registered FSP

All individuals registered with the FSB must meet the following competencies:

- 1st Level Regulatory Examinations for Representatives RE5
- 1st Level Regulatory Examinations for Key Individuals RE1
- If you are a sole proprietor, or if you fulfil the roles of both the key individual and representative, you will be required to write both examinations.
- FAIS Credits (Skills Programmes / Full Qualification)

New Entrants – 1 January 2010 Onwards

New entrants that enter the industry after 1 January 2010 will be required to complete a full industry related qualification in addition to the requirements listed above.

The timeframes imposed on such a person is as follows:

- Regulatory Exam Level 1 within 2 years of date of appointment in a regulatory role.
- Full qualification within 5 years of date of appointment in a regulatory role.
- Regulatory Exam Level 2 (if applicable) within 6 years of date of appointment in a regulatory role.

All new entrants are subjected to working under supervision as per the FAIS regulations until such time as they have completed all of the above requirements.

This means that a new entrant may not be under supervision for a period longer than 6 years.

Supervisory activities may include (but are not limited to)

- Pre-transaction sign off
- Sign off on advice given to clients
- Attending meetings with the client where advice is given
- Appropriate post transaction sampling
- Spot checking calls made to/from clients

- Follow up calls to clients after advice or financial service is rendered to the client

A formal supervision contract is required as part of the employment pack of a person in a regulatory role which details the relationship of supervision between the appointed supervisor and supervisee.

The extent of supervision required is direct supervision for the first 2 months of appointment and thereafter ongoing supervision until such time as the person has completed all the FAIS requirements.

Only then will the key individual or representative be allowed to operate without supervision.

FAIS Credits vs Regulatory Exams

Credits -The Act states that all financial advisors and intermediaries to meet specific competence requirements.

Initially the FSB based the competency requirements on experience and qualifications. However many people in the industry only had experience and no qualification, to accommodate the industry the FSB introduced 30 and 60 credit requirements to accommodate those without a full qualification.

Note: The 30 and 60 credit requirement was implemented to accommodate those with industry experience and no qualification. ALL new entrants into the industry are required to obtain a FULL qualification.

Regulatory Examination – These have been put in place to set a minimum standard in terms of:

- 1st Level RE1/5** - Compliance with the legislation and Fit and Proper requirements
- 2nd Level RE** - Specific Product Understanding

The FSB and Qualifications

The FSB recognises qualifications against Fit and Proper Requirements and exemption against RE 2 Examinations (Note: RE2 is still under review and the FSB has not committed to any timeline to conclude their review).

Qualifications are recognised as:

GENERIC (G)

SPECIFIC (S)

SPECIFIC (SP)

The list of recognised qualifications distinguishes between GENERIC (G) & SPECIFIC (S) qualifications (which applies to the transitional period, i.e. up to end December 2009) and Specific (SP) qualifications (which applies to the post-transitional period i.e. from 1 January 2010 onwards)

Qualifications that match the qualifying criteria only partially in terms of their content are recognised as **GENERIC "G"**, and as a result an individual that has obtained this type of qualification will also have to complete the product specific 2nd Level Regulatory examinations.

SPECIFIC "S" qualifications (Recognition up until end December 2009 indicated with an "S" on the list of recognised qualifications) Qualifications that match the qualifying criteria 80% in terms of their content are recognised as SPECIFIC "S" qualifications; All individuals whose date of 1st appointment in an authorised FSP (DOFA) is between 2004 and 31 December 2009 who has completed these types of qualifications will be exempted from writing the applicable product specific 2nd Level Regulatory examinations.

SPECIFIC "SP" qualifications (Recognition from 1 January 2010 onwards indicated with an "SP" on the list of recognised qualifications) Qualifications that match the qualifying criteria 100% in terms of their content will be recognised as "SP" and this would mean that individuals appointed from 1 January 2010



onwards who complete these qualifications will be exempted from writing the applicable product specific 2nd Level regulatory examination

Note: The period from 1 January 2010 onwards is sometimes called the Post-Transitional period.

Investor Campus Qualification

In line with the current Fit and Proper requirements and based on client requirements, Learners can choose between the following options:

- Wealth Management (SAQA ID 57608 – Level 4) (“SP”)
- Short Term Insurance (SAQA ID 49929 – Level 4) (“S”)
- Short Term Insurance (SAQA ID 57918 – Level 5) (“S”)

Should the qualification cover at least 80% of the Regulatory Exam Level 2 it is then considered to be specific, thus granting individuals who have achieved such qualifications exemption to the Regulatory Exam Level 2.