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**FPI RECOGNISED CPD PROVIDER**

# REGULATORY EXAMINATION RE1 & RE5

## MOCK EXAM 1

September 2019

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### Ordering information

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## Question 1

What is the main objective of the FAIS Act?

- A) Combating money laundering.
- B) South African Economic Growth.
- C) Client protection.
- D) Financial market stability.

## Question 2

Which ONE of the following statements best describes financial service as defined in the FAIS Act?

- A) Advice or intermediary services.
- B) Advice and investment services.
- C) Advice and/or intermediary services.
- D) Advice or investment services.

## Question 3

Financial products are grouped in the various product categories and sub-categories. Which of the following are examples of financial products in the subcategories that fall under a Category I license?

- i. Credit life insurance
- ii. Money market funds managed by a fund manager
- iii. Mortgage bonds
- iv. Short-term Insurance
- v. Motor vehicle financing
- vi. Retirement annuities advice

- A) i, iii, iv & vi only
- B) i, iii, v & vi only
- C) i; iii; v & v only
- D) i; ii; iv & vi only

## Question 4

Which ONE of the following actions falls within the ambit of the FAIS Act?

- A) Recommending members of a church group to take out a pay day loan.
- B) Handing out a pamphlet setting out specifications of a funeral policy to union members.
- C) Advertising a new type of banking account in the local newspaper.
- D) Giving a client a leaflet stating the advantages of taking out a household cover if they purchase an appliance.

## Question 5

Category II financial services provider, can be described as providers that provide services-

- A) On client instruction.
- B) On a discretionary basis.
- C) Through the employment of alternative strategies.
- D) By the method of bulking.

## Question 6

Choose the incorrect option. Which of the following is a duty of the key individual as implied by the FAIS Act?

- A) Maintaining the register of representatives.
- B) Overseeing the compliance function.
- C) Ensuring that representatives maintain fit and proper status.
- D) Monitoring the complaints handling procedure.

## Question 7

In which ONE of the following instances must FSP 1234, a sole proprietor, appoint a compliance officer?

- A) The owner act as key individual and provides advice but appointed a clerk to assist him with administration.
- B) The owner act as key individual and appointed his wife to assist him in providing advice.
- C) The owner act as key individual and appointed his wife to provide advice.
- D) The owner act as key individual and appointed his wife as an auditor.

## Question 8

Daniel White owns a petrol station and took out an all risk insurance policy with TrustMe Insurers. TrustME insurers is registered as an insurer as well as a financial services provider. During the last 6 months his insurance premium was deducted twice each month. TrustME did not resolve his complain where can he take it next?

- A) FAIS Ombud
- B) Ombud for short term insurance
- C) Ombud for long term insurance
- D) Financial Sector Conduct Authority

## Question 9

When an FSP wants to appoint a representative, it may do the following to establish if a representative indeed meets the honesty and integrity requirements. Choose the best answer.

- A) The FSP may only rely on declarations made by the representative.
- B) The FSP may only rely on declarations made by the representative and written references from previous employers.
- C) The FSP can use whatever means are reasonable and within fair labour practice to establish if a representative meets the requirements for honesty and integrity.
- D) The FSP is not limited with regard to means it may use to establish if a representative meets the requirements for honesty and integrity requirements.

## Question 10

Danny's father died but his life insurer refuses to pay the benefits under this policy as the father failed to apply for paid up benefits on retirement. The father was not advised of this requirement when he took out the policy and he was illiterate, so he cannot be expected to read the policy documentation. Which ONE of the following statements is correct?

- A) Danny can lay a complaint with the financial services provider as he is a beneficiary on the policy.
- B) Danny must approach the Financial Sector Conduct Authority to mediate the matter.
- C) Danny has no recourse as the policy holder is dead and cannot pursue the matter.
- D) Danny must appeal the rejection of the claim with the Registrar of short-term insurance.

## Question 11

What is not a responsibility of the Authority in terms of debarment by the financial services provider?

- A) Adding name of representative on list of debarred representatives.
- B) Making the debarment known on the official website.
- C) Updating the central register of representatives.
- D) Informing all other associated FSPs of the debarment.

## Question 12

What is the difference between the suspension and the lapsing of an FSP license? Choose the correct statement below.

- A) Suspension or withdrawal of a licence is the result of factors other than non-compliance with the requirements of the FAIS Act. Lapsing of a licence may be the result of a person's death.
- B) Suspension or withdrawal of a licence is the result of non-compliance with the requirements of the FAIS Act. Lapsing of a licence is the result of a person not meeting the competency fit and proper requirements.
- C) Suspension or withdrawal of a licence is the result of one's resignation from the services of an FSP. Lapsing of a licence is the result of factors other than non-compliance.
- D) Suspension or withdrawal of a licence is the result of non-compliance with the requirements of the FAIS Act. Lapsing of a licence is the result of factors other than non-compliance.

## Question 13

In which of the following instances must the Authority issue a notice of the occurrence on the official website of the Financial Sector Conduct Authority? Choose the INCORRECT statement.

- A) Lifting of suspension of FSP license.
- B) Suspension of FSP license.
- C) Withdrawal of FSP license.
- D) Lapsing of FSP license.

## Question 14

A financial services provider receives money in cash on behalf of clients. Which of the following do they need to comply with according to the FAIS Act?

- A) Pay all fees and charges incurred on the applicable bank account.
- B) Pay money into FSP transaction account within 1 working day.
- C) Ensure that any interest that accrues on money is paid to client.
- D) Issue the client with statement of account on a monthly basis.

## Question 15

The Authority suspended the licence of LMN Brokers. It may have been for which one of the following reasons?

- A) Failure to become an authorised financial services provider.
- B) Non-payment of annual levies.
- C) Allowing administrative staff to sell financial products to clients.
- D) Not paying a client complaint their settlement amount.

## Question 16

Which ONE of the following role-players must notify clients that services under supervision is being rendered to the client?

- A) The supervised representative / supervisee
- B) The key individual
- C) The supervisor
- D) The compliance officer

## Question 17

A financial services provider allows its representatives to disregard giving clients the necessary disclosures to save time spent with clients. The Authority discover this through client complaints. What action is the Authority likely to take?

- i. Fine the representatives
  - ii. Suspend the representative
  - iii. Fine the key individual
  - iv. Debar the key individual
  - v. Lapse the FSP license
  - vi. Withdraw the FSP license
  - vii. Fine the FSP
- A) i, iii & v only
  - B) ii, iii & vi only
  - C) iii & v only
  - D) iv & vii only

## Question 18

Continuous professional development has three main aims. Which of the following is not one an aim?

- A) Develop and maintain professional competence in order to provide financial services of a high quality in the public interest that will support the professionalisation of the financial services industry.
- B) Understand that the primary responsibility of competence vested in the individual, and that they have an obligation to develop and maintain their professional competence.
- C) Enable an FSP, key individual and representative to maintain competence and ensure compliance.
- D) Ensure that the financial services profession continues attract and appoint individuals wanting to pursue the profession.

## Question 19

Nina is the key individual at Gravy Train Financial Services. The debarment of one of the representatives was affected on 1 March 2012 which is a Monday. What is the last date by which Nina must complete and submit Part II of the debarment notification to the Financial Sector Conduct Authority?

- A) 15 March
- B) 16 March
- C) 25 March
- D) 26 March

## Question 20

Which one of the following statements regarding the supervisions arrangements as stipulated in Board Notice 86 of 2018 is correct?

- A) A representative that provided in respect of long-term insurance A needs to have a grade 10 or equivalent academic achievement as an entry level requirement.
- B) The minimum experience periods for a supervised representative may run concurrently where a supervised representative is appointed for multiple categories.
- C) The supervision agreement that a supervised representative must enter into must set out the time monitoring duties of the compliance officer in terms of services rendered under supervision.
- D) A financial services provider who intends to provide financial services rendered under supervision must appoint an internal compliance officer.

## Question 21

Fatima works as an insurance planner for a large Life Insurer and regularly visits clients at their place of work or at home. Before meeting with the client, what is Fatima required to do?

- i. Establish whether or not the visit is convenient to the client.
  - ii. Obtain prior written approval from the client.
  - iii. Provide the client with information as to where they may lodge a complaint.
  - iv. Provide information about the financial service at the earliest opportunity.
- A) i & iv only
  - B) iii & iv only
  - C) i ; ii & iii only
  - D) i, ii; iii & iv

## Question 22

The Authority has informed FSP A that one of their representatives has been debarred. What action must the FSP take?

- A) Amend the register or representatives within 5 days of the notification of debarment.
- B) Amend the register or representatives within 15 days of notification of debarment.
- C) Amend the register or representatives within 5 days of the date of debarment.
- D) Amend the register or representatives within 15 days of the date of debarment.

## Question 23

Big Bank sells short- and long-term insurance to clients. These products are designed by their internal product house. Which of the following must representatives of Big Bank declare to clients?

- A) All commissions earned by the representative.
- B) Rates charged for rendering the financial service.
- C) All of the above.
- D) None of the above.

## Question 24

Jan and Marie of Dorpie Makelaars sell insurance policies within a small rural farming town as a sole proprietor, but both unfortunately tragically passed away in a tractor accident. Their FAIS business matters need to be wrapped up but it is discovered that Jan was acting as the accountant and compliance officer. They had no lawyer but there was a valid will and a surviving daughter. Which statement is true?

- A) Clients of Dorpie Makelaars will have to contact the Financial Sector Conduct Authority to assist in transferring their business to another Financial Services Provider.
- B) The Authority will determine that due to the dishonest behaviour of Jan a fine must be issued against Dorpie Makelaars.
- C) The daughter must apply to the Authority to take steps to suspend the license immediately.
- D) Executor of the deceased's estate must provide reasons to the Authority in writing for the lapsing of the licence.

## Question 25

The Authority wishes to impose the full extent of the law on a financial services provider for gross negligence and dishonesty. What is the maximum penalty under FAIS?

- A) 10 years imprisonment and/or R10 000 000 fine.
- B) 5 years imprisonment and/or R1 000 000 fine.
- C) 5 years imprisonment and/or R10 000 000 fine.
- D) 10 years imprisonment and/or R1 000 000 fine.

## Question 26

Folly Financiers are licensed under Category I to sell long term insurance B and short-term insurance personal and commercial lines. Folly Financiers provide product training and class of business training to all representatives on employment. Using the information in the table which statement below is FALSE if, supposedly, the person was to start work at Folly Financiers in Jan 2012?

Candidate	Qualification	Experience and date first appointed (MM/YYYY)
Patricia	RE5 + NQF 4, 60 Credits skills module	LTI B (02/2005) and STI Personal Lines (06/2009)
Vinny	RE5 + Matric	STI Personal and Commercial lines (09/2006) and LTI B (04/2010)
Dinah	Will complete her CFP in 2014	No previous experience in insurance product sales
Lucas	RE5 + B Com in Finance	Across short-term insurance and investment products since 1999

- A) Patricia would be placed under supervision only for commercial Lines.
- B) Lucas will require 12 months supervision for long-term insurance.
- C) Vinny will be placed under supervision until he achieves a full qualification.
- D) Dinah would have to be placed under supervision until February 2013.

## Question 27

Which statement regarding the FAIS compliance function is false?

- A) Representatives can be expected to do self-monitoring.
- B) The key individual should conduct monitoring on the financial services activities of their representatives.
- C) The key individual must ensure that compliance officers conduct periodic monitoring.
- D) The compliance officer is responsible for establishing the compliance function.

## Question 28

Contravention of the following event may result in a fine of up to R10 000 000. Choose the INCORRECT answer.

- A) The compliance officer does not submit the annual compliance report.
- B) Representatives do not comply with the fit and proper requirements.
- C) The necessary compliance function has not been established as part of the FSP's risk management framework.
- D) Business of a financial services nature continues to be conducted with a non-licensed financial entity.

## Question 29

Choose the INCORRECT answer. For clients to adequately lodge a complaint, a financial services provider must-

- A) Provide the clients with names and contact details of the relevant compliance or complaints departments of the product supplier.
- B) Request that any client who has a complaint against the provider must lodge such complaint in writing.
- C) Maintain an internal complaint resolution systems and procedures.
- D) Ensure the client sends a copy of their complaint to the FAIS Ombud.

## Question 30

Which of the following actions are regarded as intermediary services as defined in the FAIS Act?

- i. Managing a financial product on behalf of a client.
  - ii. Keeping a financial product in safe custody for a client.
  - iii. Advising a client on a financial product.
  - iv. Collecting premiums from a client on behalf of a product supplier.
- A) i & ii only
  - B) iii & iv only
  - C) i, ii & iv only
  - D) i, ii, iii & iv

## Question 31

Smalltown Investments, an authorised FSP, is appointing a representative. Which of the following must be done?

- i. The candidate must meet all the fit and proper requirements at the time of appointment as representative.
  - ii. Smalltown Investments must look up on the FSCA website to see if the candidate has been debarred.
  - iii. The candidate must verify the appropriateness of his qualifications with the Financial Sector Conduct Authority.
  - iv. Small town Investments must obtain and verify details of the candidate's previous experience.
- A) i & iii only
  - B) ii & iv only
  - C) i & iv only
  - D) i, ii & iii only

## Question 32

Which of the following is false as far as the FAIS Act is concerned?

- A) The FAIS Act was introduced to regulate the business of all Financial Service Providers who give advice or provide intermediary services to clients, regarding a wide range of financial products.
- B) Administration of the FAIS Act is done by the Authority. The Authority has defined functions, powers and obligations.
- C) The FAIS Act only applies to Financial Service Providers who give advice in relation to financial products.
- D) The enforcement part of the FAIS Act deals with the FAIS Ombud and related matters.

## Question 33

The Authority may declare a business practice undesirable, after consultation, if which of the following factors are present?

- i. The business practice must have had a lot of bad publicity in local media, alerting the general public to potential harm.
  - ii. The business practice must have, or be likely to have, a direct effect resulting in unreasonable prejudice to clients.
  - iii. The business practice must be likely to have an effect resulting in unfairly affecting a client and, if allowed to continue, defeating one or more objectives of the FAIS Act.
  - iv. The business practice must have been reported to the FAIS Ombud.
- A) i & iv only
  - B) iii & iv only
  - C) ii & iii only
  - D) i, ii; iii & iv

## Question 34

Choose the INCORRECT answer. The Ombud may dismiss a complaint without referral to any other party if on the facts provided by the complainant it appears to the Ombud that ...

- A) The complaint does not have any reasonable prospect of success.
- B) The matter has previously been considered by the Ombud.
- C) The respondent has failed to co-operate in resolution of the complaint.
- D) The essential subject of the complaint has been decided in court proceedings.

### Question 35

The FAIS act states the requirements for the displaying of the license certificate. Which one of these is NOT a requirement pertaining to the FSP's license certificate?

- A) Certified copy of license must be displayed at each branch.
- B) Original certificate must be kept in a fire-proof safe.
- C) The license must be displayed prominently in a durable manner.
- D) A copy of the licence certificate may be given to clients.

### Question 36

Which ONE of the following statements regarding the record of advice is correct?

- A) A record of advice only needs to be kept if a transaction was entered into.
- B) Records of advice furnished to a client telephonically must be provided to the client within 30 days.
- C) Records of advice must be lodged to the responsible key individual for sign-off.
- D) Record of advice must be retrievable within 7 working days of request by client or the Authority.

### Question 37

Kate Johnson is a representative of Future Advisors. A client purchases a product from Multisure, a short-term insurer on advice rendered by Kate. Which of the following must be disclosed by Kate?

- A) The FSP number of Multisure.
- B) The registration number of Multisure
- C) Physical address of Future Advisors.
- D) The contact number of the complaints department of Future Advisors.

### Question 38

Who carries the overall responsibility within an FSP for compliance with the FAIS Act and related legislation as prescribed in the FAIS Act?

- A) The licensee
- B) Directors, members or owner (Whichever is relevant)
- C) Compliance officer
- D) Key Individual

## Question 39

When a person does not submit a return, information or document to the Authority as required by the FAIS Act, that person is liable to penalties. What penalties may be charged?

- A) A fine of up to R1 000 per day for every day that the return, information or document is late, plus interest.
- B) A fine of up to R1 000 per day for every day that the return, information or document is late.
- C) A fine of R1 000 per day for every day that the return, information or document is late, plus interest.
- D) A fine of R1 000 per day for every day that the return, information or document is late.

## Question 40

Which of the following statements with regard to the Ombud proceedings are correct?

- i. The Ombud must send a copy of the determination to the Clerk of the court if no appeal is lodged.
  - ii. The decision of the Ombud is subject to appeal by either party within one month of determination.
  - iii. The Ombud may issue a directive to the complainant after a determination has been made.
  - iv. The Ombud will not entertain any complaint which is made against a person subject to the provisions of the FAIS Act.
- A) i & ii only
  - B) i & iii only
  - C) ii & iii only
  - D) ii, iii & iv only

## Question 41

Which ONE of the following statements pertaining to advertising financial services as stipulated in the General Code of Conduct is correct?

- A) Advertisements must contain the physical address of the Financial Services Provider.
- B) Projected return on investments must be included where a financial product has an investment component.
- C) Performance data, if included must be compared to that of a risk-free investment.
- D) A warning statement regarding the risks involved in trading in financial products must be displayed.

## Question 42

Pulane is a representative at 7<sup>th</sup> Avenue financial services and her client informed her in person that she would like to lodge a complaint against her. What should Pulane do?

- A) Provide the client with the details of the FAIS Ombud.
- B) Reduce the complaint in writing and forward it to the complaints department.
- C) Inform the client that she must put the complaint in writing.
- D) Ask the complaints department to contact the client to assist her further.

### Question 43

Mandy started working at Piggy Bank brokers and was appointed to provide advice in long term insurance Category B1 and B2 to work under supervision as she has not written her RE5 exam as yet. Which of the following persons can be appointed to supervise the activities performed by Mandy? The table below indicate the position, qualification an experience for each of the possible supervisors.

Name	Position	Qualifications	Experience and date first appointed (MM/YYYY)
Ronald	Representative	NQF 4, 30 Credits skills module + RE1	Selling funeral policies (01/01/2005)
Leo	Representative	Matric + RE5	Sales experience across all long- and short-term products (01/01/2011)
Cleopatra	Representative	Bcom in Finance + RE5	Selling life and endowment policies (01/04/2012)
Marko	Key individual	CFP + RE1	Supervising the processing of claims of life and endowment policies (01/09/2014)

- A) Ronald
- B) Leo
- C) Cleopatra
- D) Marko

### Question 44

Which ONE of the following legislations criminalises money laundering?

- A) Prevention of organised Crime Act
- B) Financial intelligence Centre Act
- C) Prevention of Combating of Corrupt Activities Act
- D) Anti-money laundering Act

### Question 45

Which ONE of the following statements with regards to the issuance of directives by the Authority is correct?

- A) A financial services provider must immediately comply with any directive issued by the Authority.
- B) All directives issued must be published on the FSCA official website and other media the Authority may deem appropriate.
- C) A directive is not allowed to deviate from the promotion of Administrative Justice Act.
- D) The Authority may issue a directive to anyone whom the provisions of the FAIS Act applies.

## Question 46

Which of the following recourse actions are available to the Authority should a financial services provider not comply with an undesirable practice notice?

- i. Imposing a fine of R10 million and/or 10 years imprisonment on the Financial Services Provider.
- ii. Issue a notice to the financial services provider to reinstate any damage or loss caused to a client by the carrying on with the practice within 30 days.
- iii. Taking such a financial services provider to the enforcement committee to enforce compliance.
- iv. Imposing unlimited cost orders on the financial services provider as per the Protection of Funds Act.

- A) i & ii only
- B) i & iii only
- C) ii & iii only
- D) i, iii & iv only

## Question 47

Which ONE of the following statements regarding the Financial Intelligence Center Act is correct?

- A) Representatives of the Financial Intelligence Centre is free to access documentation kept by accountable institutions at any time.
- B) Suspicious transactions must be reported to the Financial Intelligence Centre within 5 working days.
- C) Records may be kept in recorded format but must be available within 7 days from request.
- D) The board of directors of an accountable institution must ensure compliance of its employees with the Financial Intelligence Centre Act.

## Question 48

What is the maximum penalty that can be awarded to a person that tampers with records in terms of the Financial Intelligence Centre Act?

- A) R100 million- or 15-years imprisonment.
- B) R100 million and/or 15 years imprisonment.
- C) R10 million- or 5-years imprisonment.
- D) R10 million and/or 5 years imprisonment.

## Question 49

Which ONE of the following is not considered an accountable institution in terms of the Financial Intelligence Center Act?

- A) Short-term insurer
- B) Money remitter
- C) Attorney
- D) An estate agent

## Question 50

What does the Financial Intelligence Centre Act require the FSP to keep records of?

- A) Proceeds of insurance products or investments that are paid out on maturity.
- B) The number and identities of representatives working for it.
- C) Documents used to identify and verify the client.
- D) Annual compliance reports.

# RE MOCK EXAM 1

## MEMO

<b>1</b>	C
<b>2</b>	C
<b>3</b>	D
<b>4</b>	D
<b>5</b>	B
<b>6</b>	B
<b>7</b>	B
<b>8</b>	B
<b>9</b>	C
<b>10</b>	A
<b>11</b>	B
<b>12</b>	D
<b>13</b>	D
<b>14</b>	C
<b>15</b>	B
<b>16</b>	A
<b>17</b>	D

<b>18</b>	D
<b>19</b>	B
<b>20</b>	B
<b>21</b>	A
<b>22</b>	A
<b>23</b>	D
<b>24</b>	D
<b>25</b>	A
<b>26</b>	D
<b>27</b>	D
<b>28</b>	C
<b>29</b>	D
<b>30</b>	C
<b>31</b>	B
<b>32</b>	C
<b>33</b>	C
<b>34</b>	C

<b>35</b>	B
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<b>42</b>	C
<b>43</b>	C
<b>44</b>	A
<b>45</b>	D
<b>46</b>	D
<b>47</b>	D
<b>48</b>	A
<b>49</b>	A
<b>50</b>	C