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**FPI RECOGNISED CPD PROVIDER**

# REGULATORY EXAMINATION RE1 & RE5

## MOCK EXAM 2

*September 2019*

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### **Ordering information**

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## Question 1

Which ONE of the following constitutes intermediary services as defined in the FAIS Act?

- A) Thandi works at product supplier A and processes clients' claims.
- B) FSP Z keep clients funds in safe custody.
- C) Patrick informs a client about the advantages a funeral policy will hold for her.
- D) Premiums are paid into product supplier D's account at Bank ABC.

## Question 2

On which date did the Financial Sector Conduct Authority become operational?

- A) 1 September 2004
- B) 20 April 1994
- C) 1 April 1991
- D) 18 April 2018

## Question 3

Which of the following fit and proper requirements are applicable to financial services providers?

- i. Competence
  - ii. Financial Soundness
  - iii. Operational Ability
  - iv. Continuous Professional Development
  - v. Honesty, Integrity & Good standing
- 
- A) ii, iii & v only
  - B) iii & v only
  - C) i & iii only
  - D) ii; iii & iv only

## Question 4

How many product categories are there in Category I?

- A) 10
- B) 16
- C) 20
- D) 26

## Question 5

Which ONE of the following statements is correct regarding the role players in the financial services industry?

- A) The compliance officer is responsible for oversight and management of financial services.
- B) A financial services provider must apply for a license with the Department of Finance.
- C) The Ombud for financial services providers is responsible for regulation of financial services.
- D) Juristic representatives are appointed and approved by the financial services provider.

## Question 6

Lucas invest 1.3 million in a new venture on advice of a representative of MM Advisors. He suffered a loss of R1.1 million. Lucas did not receive a positive response from MM Advisors when he submitted his complaint to them. He was advised that he can refer the matter to the FAIS Ombud. What amount must Lucas forego for his complaint to be considered by the FAIS Ombud?

- A) R200 000
- B) R300 000
- C) R400 000
- D) R500 000

## Question 7

Which of the following are a purpose of the register of representatives?

- i. Providing a record of representatives associated with the financial services provider .
- ii. Calculation of levies payable to the Financial Sector Conduct Authority.
- iii. Maintenance of a central register of representatives.
- iv. Assisting to make a look-up facility available on the FSCA official website.

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

## Question 8

Marian invested money on the advice of a representative of LMN Brokers. She suffered a loss of R950 000 and submitted a complaint through the FAIS Ombud. LMN brokers did not agree that the FAIS ombud limit for complaints may be exceeded in this specific complaint. What is the maximum financial compensation that the FAIS Ombud can award Marian with regard to the loss suffered?

- A) R800 000 plus interest for the period from the date of complaint until date of determination.
- B) R950 000 plus interest for the period from the date of complaint until date of determination.
- C) R800 000 plus interest for the period from the date of loss until date of determination.
- D) R950 000 plus interest for the period from the date of loss until date of determination.

## Question 9

Ace Insure is registered as a Category I financial services provider in short term personal lines and commercial lines for advice and intermediary services. The table below outlines the programs that their representatives embarked on during the CPD cycle as well as their date of appointment. Which one of the following representatives is deemed to have maintained the fit and proper status in terms of the qualification and continuous professional development requirements as at the end of the CPD cycle on 31 May 2019?

	Date of first appointment	Qualifications	CPD programs
i.	1 June 2007	Completed a skills program of 60 credits in 2008 Competency in RE5	None as the representative is exempted from this requirement
ii.	1 December 2018	Certified Financial Planner + RE5	Embarked on learning programs of 9 CPD hours of learning with the FPI
iii.	1 March 2017	Certified Financial Planner + RE1	Embarked on learning programs of 18 CPD hours of learning with the FPI
iv.	1 April 2015	B. Com Finance + RE1 + RE5	Embarked on learning programs of 12 CPD hours of learning with the FPI

- A) i
- B) ii
- C) iii
- D) iv

## Question 10

Which of the following conditions must be met before a debarred representative can apply for his/her name to be removed from the list of debarred representatives if debarred for not adhering to the FAIS Act in a material manner?

- i. The FAIS Ombud must have determined that the representative was not guilty of an offence.
- ii. Six months must have lapsed since the date on which the debarment has been initiated.
- iii. All unconcluded business of debarred representative must have been properly concluded.
- iv. The debarred representative must meet all fit and proper requirements.

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

## Question 11

Which ONE of the following is a minimum qualification requirement for a representative registered for friendly society benefits only?

- A) Class of business training only.
- B) Product specific training only.
- C) Regulatory examination for representatives and product specific training.
- D) Class of business training and product specific training.

## Question 12

Representatives may only work under supervision if the -

- A) Financial services provider has appointed a key individual that is only responsible to monitor services provide under supervision.
- B) Supervisor has been approved by the Authority in writing for supervising such services.
- C) Supervised representative has entered into a detailed supervision agreement with the financial services provider.
- D) Supervision period does not exceed 3 years', or a longer period agreed to by the Authority.

## Question 13

Jane has been appointed as a representative working under supervision at M&M Financial Services. M&M Financial Services must determine the supervision arrangements and the level of intensity of supervision that must apply to Jane, having regard to which of the following?

- i. The assessed level of competency of Jane.
  - ii. Complexity of the products offered.
  - iii. The supervisor's level of expertise and knowledge.
  - iv. The risk inherent to M&M Financial Services.
- A) ii & iv only
  - B) iii & iv only
  - C) i, ii & iv only
  - D) i, ii, iii & iv

## Question 14

A financial services provider is licensed to sell short and long-term deposits, long term insurance Cat B1 and short-term insurance personal lines. Sandy will complete her B. Com in Economics in 1 years' time and is joining the financial services provider as representative with no previous experience in the financial industry. Which of the following must take place if the financial services provider appoints Sandy as representative?

- i. Sandy must complete the product specific training before appointment.
- ii. Sandy may only sell short-term insurance personal lines since this subcategory has the least onerous requirements.
- iii. Sandy must complete a supervision agreement and then can be placed on the register under all product categories.
- iv. Sandy must undergo a lie detector test to ensure she meets the honesty and integrity requirements.

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

## Question 15

A client complains to you about an investment product you sold him two years ago that has not delivered the expected return. He threatens that due to poor advice he is going to lodge a complaint directly with the FAIS Ombud against your FSP. What is the most appropriate action for you to take?

- A) Pre-empt the complaint that the client will make and write an email to the Ombud explaining the circumstances surrounding the complaint.
- B) Wait until you hear from your key individual if the client does in fact complain.
- C) Inform the client of the internal complaints process and how the client can lodge a complaint with the FSP.
- D) Advise your key individual of the incident and provide him/her with a copy of your record of advice.

## Question 16

The supervisor became aware that an action of one of its supervised representatives resulted in an unfair treatment of a client. According to the exemption provisions for services rendered under supervision, what action is the supervisor required to take.

- A) Inform the client of the unfair treatment as soon as possible.
- B) Inform the client of the unfair treatment within 1 day.
- C) Report the incident to the FSP within reasonable time.
- D) Report the incident to the FSP immediately.

## Question 17

Which one of the following statements regarding supervision arrangements is incorrect?

- A) The supervised representative must disclose to clients that he / she is rendering services under supervision.
- B) The FSP must differentiate on the representative register between representatives working under supervision and those that does not.
- C) Representatives who provide financial services in multiple subcategories can gain the experience at the same time.
- D) The minimum period a supervisee can be placed under supervision is 6 years from date of first appointment.

## Question 18

Which of the following documentation is a financial services provider not required to keep in terms of the FAIS Act?

- A) The identity and proof of address of client.
- B) Known premature cancellation of transactions by clients.
- C) Voice logged records of advice rendered.
- D) Cases of non-compliance with the FAIS Act by the FSP.

## Question 19

BicMac Advisors, FSP license nr. 9119, did not adhere to a directive issued in terms of the FAIS Act. Which action is the Financial Sector Conduct Authority likely to take?

- A) Fine Bic Mac R100 million.
- B) Suspend license 9119.
- C) Withdraw license 9119.
- D) Debar license 9119.

## Question 20

Which ONE of the following statements regarding the lapsing of an FSP license is correct?

- A) The Authority must publish notification of the lapsing on the FSCA website or other media.
- B) The Authority may publish notification of the lapsing on the FSCA website or other media.
- C) The Authority must publish notification of the lapsing in the Government Gazette or other media.
- D) The Authority may publish notification of the lapsing in the Government Gazette or other media.

## Question 21

The owner of Platteland Brokers, a sole proprietor FSP died. His daughter inherits the business. Which of the following procedures need to be followed to adhere to the stipulations of the FAIS Act?

- i. The executor needs to inform the FSCA of the event, where after the license will be suspended.
  - ii. The executor needs to inform the FSCA of the event, where after the license will be lapsed.
  - iii. The daughter needs to adhere to all the fit and proper requirements and request reinstatement of the license.
  - iv. The daughter needs to adhere to all the fit and proper requirements and apply for a new FSP license.
- A) i & iii only  
B) i & iv only  
C) ii & iii only  
D) ii & iv only

## Question 22

Choose the incorrect option. In which of the following instances must the Authority report the incident on the official website of FSCA?

- A) Lifting of a suspended FSP license.  
B) Withdrawal of an FSP license.  
C) Lapsing of an FSP license.  
D) Suspension of an FSP license.

## Question 23

Complete the sentence. Representatives is \_\_\_\_\_ by the Financial Sector Conduct Authority.

- A) Authorised  
B) Appointed  
C) Approved  
D) Registered

## Question 24

The license of Buddy Advisors has been suspended. It must have been for which of the following reasons? Choose the INCORRECT option.

- A) Not appointing a key individual.  
B) Failing to pay a client's claim.  
C) Not adhering to a directive issued.  
D) No longer meeting the financial soundness requirements.



## Question 25

The FAIS Authority has declared the charging of certain fees as undesirable. The grounds for his decision might have been which of following?

- i. The practice harms the relationships between providers.
- ii. The practice is likely to deceive clients.
- iii. The practice received a lot of media attention.
- iv. The practice reasonable prejudice clients.

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

## Question 26

Which of the following actions regarding business rescue process of a financial services provider are subject to the approval of the Authority?

- i. The appointment of the judge presiding over the matter.
- ii. The manner in which clients must prove claims against financial services provider .
- iii. The adoption of a business rescue plan.
- iv. The resolution to begin business rescue proceedings.

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

## Question 27

Which ONE of the following financial services providers adheres to the requirements for the display of the license as prescribed by the FAIS Act?

- A) FSP A keeps the original copy of the license in a safe and produce it on request.
- B) FSP B displays a certified copy of the license in a frame at every business premises.
- C) FSP C displays the original copy of the license in a frame at the head office.
- D) FSP D gives a certified copy of the license to every client on conclusion of a transaction.

## Question 28

In which of the following events can the Authority issue a maximum fine of R10 000 000 and/or 10 years imprisonment?

- i. Non-payment of levies due to the FSCA and FAIS Ombud.
- ii. Failure to maintain records as prescribed under FAIS.
- iii. Not adhering to the provisions of an undesirable practice notice.
- iv. Appointing directors that do not meet the honesty, integrity and good standing requirements.

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

## Question 29

The General Code of Conduct prescribes that financial services providers must keep records relating to a transaction for a minimum of-

- A) Five years after the date on which the transaction was concluded.
- B) Five years after the date on which the product was terminated.
- C) Seven years after the date on which the transaction was concluded.
- D) Seven years after the date on which the product was terminated.

## Question 30

Which of the following is a general duty imposed on representatives and financial services providers under the General Code of Conduct? Choose the option that is FALSE?

- A) To render financial services honestly
- B) To render financial services in the best interest of the FSP.
- C) To act with due, skill, care and diligence.
- D) To render financial services in the interest of the integrity of the industry.

## Question 31

Thandeka is authorised to provide intermediary service in terms of all long and short-term product categories. Which of the following does she need to comply with, to meet the continuous professional development requirements?

- A) Complete learning programs that will award her 6 notional hours of learning per CPD cycle while working under supervision.
- B) Thandeka does not have to embark on any continuous professional development programs as she is exempted from this requirement.
- C) Undergo study programs for 12 hours per CPD cycle after completion of her recognised qualification.
- D) Complete learning programs that will award her 18 notional hours of learning per CPD cycle after completion of all the competency requirements.

## Question 32

Due to the administrative negligence of a short-term Insurer a client suffers financial loss. The insurer does not subscribe to any ombud scheme and disputes their negligence by blaming the client's bank for the fault causing the client's loss. Which institution should the client approach in order to determine this case?

- A) The FAIS Ombud.
- B) The Ombud for short term insurance.
- C) The South African Reserve Bank.
- D) The Financial Sector Conduct Authority.

## Question 33

Which of the following actions are allowable under the amended Code of Conduct in terms of the conflict of interest stipulations?

- i. Product supplier A pays representatives of FSP B a bonus of R800 per annum if they reach their sales target in relation to product lines.
  - ii. Product supplier A pays representatives employed by them a bonus of R1 500 per annum if they reach their sales and compliance targets.
  - iii. Client A agrees in writing to pay representative C a fee for advised rendered during the course of the business relationship.
  - iv. Product supplier A makes customer services training to the value of R2 000 available to representatives of FSP B if they reach their sales target in relation to product lines.
- A) ii & iii only
  - B) i & ii only
  - C) i, ii & iii only
  - D) ii, iii & iv only

### Question 34

FSP A sells products across the three long-term insurance categories (categories A, B and C). As per the agreement with the product supplier, FSP A is permitted to only market the products of that product supplier to clients. Choose the CORRECT statement.

- A) FSP A must disclose to their clients the restriction that product supplier 2 has imposed upon them.
- B) This constitutes a conflict of interest and the agreement must be changed.
- C) The product supplier must disclose this information in the policy document sent to the client.
- D) The compliance officer must report this as a material financial interest.

### Question 35

Choose the INCORRECT option. Frank has been approved by the Financial Sector Conduct Authority to act as a key individual. Which best describes a responsibility that Frank must carry out on behalf of the financial services provider ?

- A) Frank must review the financial services provider's recruitment process and ensure that all new representatives are verified in terms of honesty, integrity and good standing.
- B) Frank will periodically review the client advice records of sales made by representatives and debar those who have continued with misconduct.
- C) Frank must continue to gain experience across all the product categories the FSP is authorised for.
- D) Frank must verify with the compliance officer that a suitable compliance framework is in place.

### Question 36

Which of the following statements regarding the conflict of interest management policy are correct?

- i. The policy must contain the names of any third parties in which the financial services provider holds an ownership interest.
  - ii. The policy must explain how qualifying financial interest complies with the amended Code of Conduct.
  - iii. The FSP must publish its conflict of interest management policy in the Government Gazette.
  - iv. The policy must be adopted by the compliance officer of the FSP who must ensure compliance thereof.
- A) i & ii only
  - B) ii & iii only
  - C) i, ii & iii only
  - D) ii, iii & iv only

### Question 37

Choose the incorrect answer. Under the FAIS Act, a client is defined as \_\_\_\_\_

- A) A specific person or group of person to whom a financial service is rendered intentionally.
- B) A member of the general public.
- C) The successor in title of a specific person to whom a financial service is rendered.
- D) The beneficiary of a financial product.

### Question 38

Which of the following products are regulated under Category II?

- A) Short-term bank deposits
- B) Funeral Policies
- C) Business Insurance
- D) Hospital Plan Benefits

### Question 39

Which of the following information must be disclosed to a client regarding the product supplier as stipulated in the General Code of Conduct?

- i. That the financial services provider has received more than 30% of total remuneration, including commission in the past year, from the product supplier.
  - ii. That the product supplier is an authorised financial services provider .
  - iii. That the financial services provider holds a substantial financial interest in the product supplier.
  - iv. That the product supplier is in negotiations with another financial services provider to also market their products.
- A) i & ii only
  - B) i & iii only
  - C) iii & iv only
  - D) i, iii & iv only

### Question 40

In which of the following incidents will the FSP license of a financial services provider lapse?

- A) The owner of FSP A, a sole proprietor, becomes temporarily incapable of carrying on with the business.
- B) FSP B is a close corporation and is provisionally sequestrated.
- C) The business operations of FSP C, a private company, is dormant.
- D) FSP D, a partnership, does not have an approved key individual.

## Question 41

Which of the following additional disclosures should be made regarding financial product that is marketed as an investment as stipulated in the General Code of Conduct?

- i. The nature and terms of any rebate agreements disclosed in percentage terms.
- ii. The actual monetary amount of platform fees payable to the administrative FSP concerned.
- iii. Information pertaining to the past performance of the product over certain periods on request.
- iv. The amount of the increased fees for the first ten years and thereafter on a five-year basis.

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

## Question 42

Which ONE of the following is a definition of immaterial financial interest?

- A) Any financial interest paid by different third-party providers, the aggregate of which does not exceed a thousand Rand in any calendar year.
- B) Any financial interest paid by the same third-party provider, the aggregate of which does not exceed a thousand Rand in any calendar year.
- C) Any financial interest paid by different third-party providers, the aggregate of which does not exceed a thousand Rand in any financial year.
- D) Any financial interest paid by the same third-party provider, the aggregate of which does not exceed a thousand Rand in any calendar year.

## Question 43

Choose the incorrect statement. Giant Insurance opens a new call centre and employs 200 new Representatives. Only 30% of these Representatives have had prior experience in conducting direct marketing for long-term insurance category B products. When the register of representatives is sent to the Financial Sector Conduct Authority, it must contain the following information.

- A) Whether the representative acts for the Giant Insurance as employee or as mandated representative.
- B) The licence conditions applicable to each representative.
- C) The names, ID"s and home addresses of all 200 representatives.
- D) The supervision commencement dates for 140 of the representatives.

## Question 44

When a representative compares products from different product suppliers to a client, which of the following things may the representative do?

- i. Explain to the client which product supplier offers the worst product.
- ii. Compare the differing characteristics of each product.
- iii. Evaluate the sales methods of competing financial services providers and representatives.
- iv. Present accurate and substantiated criticism of products offered by the different product suppliers.

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

## Question 45

Which of the following statements regarding the requirements pertaining to the giving of advice as stipulated in the General Code of conduct are correct?

- i. If advice is given to replace an existing long-term insurance policy, the issuer of the existing policy must be notified of such advice.
- ii. A representative is not permitted to provide advice with respect to a financial product if a client opts not to provide all required information.
- iii. A representative must only need to maintain the record of advice if a transaction is concluded as a result of advice furnished.
- iv. The record of advice must include the income and expense statement of the client as well as a list of assets and liabilities.

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

## Question 46

Which of the following statements is not incorrect? The General Code of Conduct stipulates that a direct marketer must furnish a client with which of the following particulars pertaining to the direct marketer when rendering a financial service to a client that was initiated by the direct marketer?

- A) The telephone number of the compliance department.
- B) The registration number of the direct marketer.
- C) The business address of the direct marketer.
- D) The contact details of the complaints department.

## Question 47

John is a representative of Big Boy Brokers and is conducting a needs analysis. The client is in a hurry and does not want to provide John with all the requested information. What should John do in order to be compliant with the FAIS Act?

- A) Reschedule the session to an appropriate time for the client where a full analysis can be made.
- B) Advise the client in writing that the FSP cannot take responsibility for an unsuitable product.
- C) Inform the client that advice appropriateness might be limited as a full analysis could not be completed.
- D) Inform the key individual of the incident by completing the prescribed advice incident form.

## Question 48

Choose the correct statement. Pompies Financial Services is an accountable institution under the FAIS Act and has been issued with a maximum penalty imposed of R100 million for this type of transgression. The penalty imposed was most likely for which one of the following misconduct?

- A) Failure to register with the Financial Intelligence Center.
- B) Only providing the staff with training material as there was no time for a training session.
- C) Splitting a cash transaction of R26 999.00 into two separate transaction to avoid making a report.
- D) Failure to verify the identity of a person acting on behalf of a client.

## Question 49

Which ONE of the following statements regarding the keeping of records as prescribed under the Financial Intelligence Center Act is correct?

- A) Records may be kept in electronic or recorded format as long as it is readily printable.
- B) Records kept is admissible as evidence before a Court.
- C) Records must be retrievable within 7 working days from request.
- D) Records may not be kept by a third-party provider.



## Question 50

How many money laundering acts are there?

- A) 1
- B) 2
- C) 4
- D) 5

# RE MOCK EXAM 2

## MEMO

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

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

<b>35</b>	C
<b>36</b>	A
<b>37</b>	B
<b>38</b>	A
<b>39</b>	B
<b>40</b>	C
<b>41</b>	B
<b>42</b>	B
<b>43</b>	B
<b>44</b>	C
<b>45</b>	B
<b>46</b>	A
<b>47</b>	C
<b>48</b>	C
<b>49</b>	B
<b>50</b>	C