



**Registration nr:** 2018/242685/07 | **Vat nr:** 4070281904

**Office:** 010 597 0835 | **Facilitator:** 083 821 8801

**E-mail:** [anna@compliancelearningcenter.net](mailto:anna@compliancelearningcenter.net)

**Website:** [www.compliancelearningcenter.net](http://www.compliancelearningcenter.net) |

10A Lever Street Brackenhurst, Alberton

**FPI RECOGNISED CPD PROVIDER**

# REGULATORY EXAMINATION RE1

## GENERAL MOCK EXAM

*September 2019*

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For permission request write to the author at the address below:

Anna Bouhail

10 A Lever Street Brackenhurst Alberton 1449 South Africa

E-mail: [anna@compliancelearningcenter.net](mailto:anna@compliancelearningcenter.net)

### **Ordering information**

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## Question 1

Which one of the following actions is considered as advise as defined under the FAIS Act?

- A) Thembi assists a client to complete a funeral policy application form.
- B) Maria processes a client claim against a policy after death of her husband.
- C) Patrick informs a client about the advantages a funeral policy will hold for her.
- D) Siphon informs a client that the funeral policy will lapse if the premium is unpaid.

## Question 2

Which of the following fit and proper requirements differ amongst product categories?

- i. Financial soundness requirements
  - ii. Honesty and integrity requirements
  - iii. Operational ability requirements
  - iv. Key individual fit & proper requirements
- 
- A) i & iii only
  - B) i & iv only
  - C) ii & iii only
  - D) ii & iv only

## Question 3

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 Minister of Finance.
- C) The FAIS Ombud is responsible for regulation of financial services.
- D) An authorised body is permitted to receive FSP license applications.

## Question 4

In which one of the following instances would the FAIS Ombud not summarily dismiss a complaint?

- A) The complainant referred the matter to a Court of Law for consideration.
- B) The respondent is not willing to participate in mediation of the matter.
- C) The Ombud has already made a determination regarding the matter.
- D) The relief sought is of an extreme nature and Ombud cannot assist the complainant.

## Question 5

Which one of the following statements regarding the key individual functions and appointment is correct?

- A) The appointment of juristical key individuals are subject to more strenuous requirements.
- B) Only financial services providers with more than two representatives need to appoint a key individual.
- C) Conditions regarding the key individual may be imposed on the FSP license.
- D) Key Individuals may only act as representatives on special permission form the Authority.

## Question 6

FSP A is looking to contract DocCom to maintain their electronic records. Which of the following does FSP A need to adhere to before using DocCom for this purpose?

- A) Ensuring that DocCom is an authorised financial services provider.
- B) FSP A must enter into a service level agreement that gives DocCom the authority to decide on the length of period for which the documents are to be held.
- C) FSP A must establish methods for assessing the standard of performance of DocCom.
- D) FSP A must provide the Authority with full particulars of the arrangement before entering into such an arrangement.

## Question 7

Which one of the following statements is correct regarding the management and oversight experience of key individuals in Category I as prescribed under the FAIS Act?

- A) The experience can be gained while working under supervision of another key individual.
- B) The experience must exist on appointment and approval of key individual.
- C) Management and oversight experience of any type of corporate entity is acceptable.
- D) Only experienced gained within Southern Africa is acceptable.

## Question 8

Who takes responsibility for the actions and omissions of the representative?

- A) The financial services provider.
- B) The client of the representative.
- C) The representative itself.
- D) The Financial Sector Conduct Authority.

## Question 9

AceInvestors is an investment company authorised as a Category II FSP in retail pension benefits and consider the following candidates on 1 January 2015 for appointment as the sole key Individual to replace their current key individual who is about to retire. Which one of the following candidates meets the fit and proper requirements under the FAIS Act?

	Honesty & Integrity Status	Class of business training	Qualifications	Management Experience	Product Experience
i.	Negative ITC rating	Completed class of business training for forex investments	BCom finance + RE1 + RE5	3 years in managing an investment company obtained 3 years ago	No experience
ii.	Judgement for driving under the influence and he received a fine	Completed class of business training for Investments	Certified Financial Planner + RE1 + RE3 + RE5	1 year in managing a discretionary equity investment advisor in London from 2012	2 years as a discretionary representative in retail pension fund benefits
iii.	FSP license suspended 2008	Completed class of business training in pension fund benefits	Certified Financial Planner + RE1 + RE3	5 years in general management of a retail business	1-year experience as an ordinary representative in all investment products
iv.	No issues	Completed class of business training in pension fund benefits	BCom Finance + RE1 + RE3 + RE5	1-year experience in a management and investment company authorised in all product categories	10 years as a discretionary representative for all product categories

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

## Question 10

Which of the following qualification requirements must a representative meet that only perform scripted execution of sales as defined in the fit and proper requirements and do not provide financial services under supervision?

- A) Found competent in the first level regulatory examinations
- B) Matric certificate or NQF level 4 qualification
- C) Class of business training
- D) Qualification recognised for the specific categories in which the financial services is to be provided

## Question 11

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 the representative was debarred for materially contravening the FAIS Act?

- i. The FAIS Ombud must have determined that the representative was not guilty of an offence.
  - ii. 6 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 under FAIS.
- A) i & iv only
  - B) iii & iv only
  - C) i; ii & iii only
  - D) ii; iii & iv only

## Question 12

Representatives may only work under supervision if the -

- A) Financial Services Provider has the required financial reserves to facilitate services under supervision.
- B) Supervisor has been approved by the Authority in writing for supervising such services.
- C) Supervisee has entered into a supervision agreement with the financial services provider.
- D) Supervision period will not exceed 3 years, or a longer period agreed to by the Authority.

### Question 13

Which of the following is a requirement to receive phase I compliance officer approval? The compliance officer must-

- A) Have the ability to conduct regular reviews of the applicable financial services provider.
- B) Have at least one years' general experience in a compliance or risk management position.
- C) Not be an unrehabilitated insolvent at the time of application.
- D) Demonstrate the ability to render services independently and objectively.

### Question 14

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 15

Which of the following statements regarding the application procedures for the various role-players in the FAIS Act are correct?

- i. A financial services provider's licensing application must be accompanied by an application for approval of the key individual.
  - ii. Representatives of a financial services provider applies for recognition via an authorised body.
  - iii. A sole proprietor financial services provider without any additional representatives is not required to appoint a compliance officer.
  - iv. An auditor of a financial services provider may be appointed as compliance officer without having to comply with the compliance officer competency requirements.
- A) ii & iii only
  - B) iii & iv only
  - C) i & iii only
  - D) i, ii, iii & iv

## Question 16

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 17

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

- i. The executor need to inform the Financial Sector Conduct Authority of the event, where after the license will be suspended.
  - ii. The executor need to inform the Financial Sector Conduct Authority 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 18

Which of the following actions regarding the 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 FSP.
- 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 19

Which of the following financial soundness requirements are applicable to Category IV financial services providers?

- i. Current assets must exceed current liabilities.
- ii. Current assets must exceed current liabilities by at least 3 million.
- iii. Liquid assets must be equal to 4 weeks of annual expenditure.
- iv. Liquid assets must be equal to 13 weeks of annual expenditure.

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



## Question 20

In which of the following events can the Authority impose the maximum prescribed fine to a Financial Services Provider?

- i. Non-payment of levies due to the Authority and FAIS ombud.
- ii. Failure to maintain records as prescribed under the FAIS Act.
- iii. Not adhering to the provisions of an undesirable practice notice.
- iv. Appointing representatives that do not meet the honesty & integrity requirements.

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

## Question 21

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

- 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 22

Which of the following actions are permitted under the General Code of Conduct in terms of the conflict of interest stipulations?

- i. Product provider A pays representatives of FSP B a bonus of R800 per annum if they reach their sales target in relation to their products for direct benefit of the representative.
- ii. Product provider 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 advice rendered during the course of the business relationship.
- iv. Product provider A makes customer services training valued at R1 500 available to representatives of FSP B if they reach their sales target in relation to their products.

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

## Question 23

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 General Code of Conduct.
- iii. The financial services provider must publish its conflict of interest management policy in the Government Gazette.
- iv. The policy must be adopted by the compliance officer of the financial services provider who must ensure compliance therewith.

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

## Question 24

Which of the following statements regarding the financial records and statements of a financial services provider are correct?

- i. Financial statements must fairly represent the state of affairs of the financial services provider's business.
- ii. Financial statements must be audited by an approved auditor registered in terms of the Auditing Professions Act.
- iii. Statements must be submitted to the Authority within six months after the financial year-end of the financial services provider.
- iv. Financial records must be kept up to date on a quarterly basis by a Chartered Accountant.

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

## Question 25

Which one of the following statements regarding the manner in which complaints must be handled by the financial services provider is correct?

- A) The complaints policy of the financial services provider must be available at each branch or electronically.
- B) A complaint received must be forwarded to the correct department within 3 weeks of date of complaint.
- C) A copy of all complaints received by the financial services provider must be forwarded to the FAIS Ombud.
- D) If complaint is resolved in favour of client, redress should be offered within 6 months.

## Question 26

Client A pays R10 000 in cash into the trust account of FSP B. Which one of the following statements regarding the liability and rights in respect of this transaction is correct?

- A) The client is responsible for paying the cash deposit fee relating to the transaction and has the right to any interest that accrues on the money.
- B) The client is responsible for paying the cash deposit fee relating to the transaction, but the financial services provider has the right to any interest that accrues on the money.
- C) The financial services provider is responsible for paying the cash deposit fee relating to the transaction, but the client has the right to any interest that accrues on the money.
- D) The financial services provider is responsible for paying the cash deposit fee relating to the transaction and has the right to any interest that accrues on the money.

## Question 27

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 28

Which one of the following statements regarding the keeping of records as prescribed under FICA 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 29

Which of the following statements regarding requirements pertaining to advertising as set out in the General Code of Conduct are correct?

- i. Where a financial services provider advertises by telephone a copy of records must be provided on request within 14 days of the request.
- ii. Radio advertisements need only provide the business name of the financial services provider.
- iii. If a transaction is concluded as result of telephone advertising, the full details about the financial services provider and product supplier must be provided in writing within 30 days.
- iv. A financial services provider is not permitted to advertise instruments of which the return is not guaranteed.

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

## Question 30

FSP X has received the maximum penalty of R100 million- or 15-years imprisonment under the Financial Intelligence Center Act. This penalty could have been awarded for which one of the following transgressions?

- A) Failure to register with the Financial Intelligence Centre.
- B) Failure to report cash transactions as prescribed.
- C) Failure to provide training to employees with regard to FICA.
- D) Hindering or obstructing the appeal board in the execution of their duties.

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

<b>16</b>	B
<b>17</b>	D
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<b>20</b>	D
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<b>22</b>	C
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<b>24</b>	A
<b>25</b>	A
<b>26</b>	A
<b>27</b>	B
<b>28</b>	B
<b>29</b>	C
<b>30</b>	B