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**FPI RECOGNISED CPD PROVIDER**

# REGULATORY EXAMINATION RE5

## GENERAL MOCK EXAM

*September 2019*

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### **Ordering information**

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## Question 1

Which of the following is a duty of the key individual under the FAIS Act?

- i. Overseeing the compliance function and reporting to the Financial Sector Conduct Authority.
- ii. Debarment of representatives not meeting the requirements.
- iii. Ensuring that complaints are handled in an effective and fair manner.
- iv. Maintaining the register of representatives.

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

## Question 2

Kevin Goodyear took out a funeral policy through a union group. Upon his death the funeral policy did not want to pay out as Kevin did not apply for the paid-up benefits as he was unaware of this stipulation. All his children were nominated as beneficiaries on the policy. His son, John, is not happy with this and want to take the matter further after he already approached the Financial Services Provider. What are the rights of John?

- A) John is powerless as only Kevin can pursue the matter.
- B) John can pursue the complaint with the Short-term insurance Ombud.
- C) John can pursue the complaint with the FAIS Ombud.
- D) Johan must inform the Authority of the behaviour of the Financial Services Provider.

## Question 3

Jane Seno invested R1,4 million with Big Bank. She suffered a loss of R1 million on her investment due to misinformation from the representative. She wants to take the matter to the FAIS Ombud. What amount must Jane abandon in order to be able to refer the matter to the FAIS Ombud?

- A) R200 000
- B) R400 000
- C) R600 000
- D) R800 000

## Question 4

FSP A provides advice in long term insurance and wants to appoint John as representative. Which of the following experience John has can be considered in terms of the FAIS Act?

- A) Providing advice for a local financial services provider that sells short-term insurance products.
- B) Providing intermediary services 2 years ago at FSP B in relation to long term insurance products.
- C) Providing advice in long-term insurance for a company situated in London while working under supervision.
- D) Providing advice and intermediary services in relation to long-term insurance 6 years ago.

## Question 5

Which one of the following statements with regard to record keeping as stipulated in the FAIS Act is correct?

- A) The FSP must update all paper-based records electronically.
- B) Records must be made available within 7 working days after a request by a client.
- C) All records must be adequately secured at offsite storage facilities.
- D) Record of advice only need to be maintained if a transaction was entered into.

## Question 6

Which one of the following statements regarding the requirements pertaining to regulated officers as stipulated in the FAIS act are correct?

- A) The function of a key individual can be performed by one or more natural persons or by an entity.
- B) Representative must enter into an employment contract or mandate with a licensed financial services provider.
- C) A Financial Services Provider must inform the Authority of debarment of a representative within 10 days of date of debarment.
- D) The compliance officer is the person responsible to establish the compliance function of the Financial Services Provider.

## Question 7

Which one of the following statements with regard to the submission of CPD evidence by representatives is correct?

- A) A representative must submit evidence of their CPD activities to the Financial Services Provider within 15 days of the end of each CPD cycle.
- B) A representative must submit evidence of their CPD activities to the Authority within 15 days of the end of each CPD cycle.
- C) A representative must submit evidence of their CPD activities to the Financial Services Provider within 15 days of each activity completed.
- D) A representative must submit evidence of their CPD activities to the Authority within 15 days of each activity completed.

## Question 8

Which one of the following statements regarding the debarment process as stipulated under the FAIS Act is correct?

- A) The license of the Financial Services Provider will be suspended if he does not debar a representative that is no longer fit and proper.
- B) The compliance officer initiates debarment on behalf of the Financial Services Provider for representatives that contravened the FAIS Act.
- C) If the Financial Services Provider debarred a representative, the Financial Services Provider must amend the register or representatives within 5 days of such debarment.
- D) Debarment can still be affected after the representative resigned as long as the reason for debarment occurred while there was a contract with the Financial Services Provider.

## Question 9

Good Guys financial services wants to reappoint one of their representatives that did not make the necessary disclosures and that was debarred in January 2011. What course of action should be taken?

- A) Good Guys will have to wait until January 2014 until they can submit an application on behalf of the representative.
- B) Good Guys must ensure that the representative meets all the fit and proper requirements before submitting an application.
- C) The representative must submit prove to the Authority that he possesses qualities of honesty and integrity.
- D) The representative should submit an application to the FAIS Ombud for his debarment to be lifted.

## Question 10

Jane Seno was appointed on 1 February 2012 as representative for Big Bank working under supervision. In March 2014 she moved to City Bank to also work as representative. Until when does Jane have to complete her recognised qualification?

- A) 31 January 2017
- B) 31 January 2018
- C) 1 March 2019
- D) 31 January 2020

## Question 11

Ace Investors is an investment company registered as a Category 1 FSP for Long Term Insurance B1 and C. Ace Investors considers the following candidates on 1 June 2018 for appointment as representative providing face to face advice. Ace investors will provide product specific training and class of business training before the representative starts employment. Which one of the following candidates is the most employable in terms of the fit and proper requirements?

	Honesty & Integrity Status	Qualifications	Product Experience
i.	Negative ITC rating	Matric + RE1 + RE5	1-year experience selling funeral policies
ii.	FSP license suspended 2011	Matric + RE1	1-year experience selling household cover in London
iii.	No issues	Certified Financial Planner + RE1	2 years' experience in selling endowment policies
iv.	Debarred in November 2014 for not having a RE5	BCom Finance + RE1 + RE5	10 years as a rep endowment policies

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

## Question 12

Which of the following statements regarding the fit and proper requirements for representatives are incorrect?

- i. Representatives appointed between 2011 and 2012 can opt to either meet the 30/60 requirement or have a recognised qualification.
- ii. Representative must complete the class of business training within 6 months of date of first appointment.
- iii. Representatives providing intermediary services in respect of Tier 1 financial product are exempted from the continuous professional development requirements.
- iv. Representatives providing ordinary financial services in all product categories must complete the product specific training before appointment as representative.

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

## Question 13

Which of the following statements regarding supervision arrangements are incorrect?

- i. An FSP that appoints a supervised representative must at least monthly review the appropriateness, effectiveness and adequacy of the supervision arrangements.
- ii. A supervisor can be a representative that meets the minimum competence requirements as well as the continuous professional development requirements.
- iii. The provider must ensure that the supervisee and supervisor is in regular face-to-face contact with each other.
- iv. The FSP must reflect on its register of representatives, the central register and the competency register that a representative is providing services under supervision.

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

## Question 14

Pamela is a representative for a Financial Services Provider and appears on the register of representatives. Which of the following changes to her circumstances must be reported to the registration department of the Financial Sector Conduct Authority?

- i. Completion of her first module of the Certificate in Financial Products.
- ii. Completion of each direct and on-going supervision event.
- iii. Completion of the regulatory exams.
- iv. Addition of product subcategories and start date thereof.

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

## Question 15

Which party is not a role player in the FAIS Act?

- A) An external Compliance Officer
- B) The Financial Intelligence Centre
- C) The commissioner for financial services
- A) A Product Supplier

## Question 16

Debbie is a representative with ABC Bank. Which of the following activities which she carries out every day are classified as giving advice in terms of the FAIS Act?

- i. Recommending a person to make an investment in a financial product.
- ii. Informing a person of the advantages a product will hold for the client.
- iii. Assisting an individual with completing the required documents.
- iv. Handing a product brochure and fees pamphlet to a group of employees.

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

## Question 17

Tabo Investments provides face to face advice in respect of unit trusts. Which of the following competency requirements must a representative that never has been appointed as representative before meet before Tabo Investments may appoint the person as a representative?

- i. Grade 10 certificate
- ii. Grade 12 certificate
- iii. Recognised Qualification
- iv. Product Specific training
- v. Class of business training

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

## Question 18

Which one of the following constitutes intermediary services as defined under the FAIS Act?

- A) Thandi works at product supplier A and processes client 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 19

The General Code of Conduct lays down certain steps to be followed when giving advice to a client in respect of financial products. If a representative takes the following steps in the order given, which sets of steps will be correct?

- i. Firstly, she ensures that the client is comfortable, then she asks for records of all existing financial products and investments.
- ii. Firstly, she gathers information about the customer's financial situation and objectives then she does an analysis of the information.
- iii. Her third step is to analyse the information and then explain the possible limitation of advice.
- iv. Her third step is to identify the products that may be suitable and then disclose any replacement options and all costs.

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

## Question 20

Which one of the following statements regarding the compliance function is correct?

- A) The compliance officer must establish the compliance function and is responsible for compliance.
- B) The compliance officer must establish and oversee the compliance function.
- C) The compliance officer must oversee the compliance function and monitor compliance.
- D) The compliance officer must maintain the compliance function and monitor compliance.

## Question 21

Which of the following statements regarding suspension, withdrawal and lapsing of a license is correct?

- A) Suspension is initiated by the provider whereas lapsing is initiated by the Authority.
- B) A lapsed license may be reinstated on approval of the Authority.
- C) Accreditation of medical schemes Act will also lapse if an FSP license is lapsed.
- D) If a license is lapsed, the person will not be permitted to apply for a new license for 5 years.

## Question 22

The financial products in respect of which a Category II FSP may render financial services only include certain product sub-categories. See the sub-categories listed below and choose the subcategory that is included in Category II product sub-category list.

- A) Short-term insurance personal and commercial lines
- B) A participatory interest in a hedge fund collective investment scheme
- C) Friendly society benefits
- D) Medical aid scheme benefits

## Question 23

Choose the incorrect option. When a representative is debarred by the Authority for material misconduct, it implies that-

- A) Any business that the representative concluded falls away and is null and void.
- B) The representative is unfit and improper for a period of at least 12 months.
- C) The representatives name is removed from the central Register of Representatives.
- D) The Financial Services Provider must apply for reappointment of representative before reinstatement.

## Question 24

The FAIS Ombud plays an important role in resolving disputes regarding the rendering of financial services. Which one of the following statements is correct?

- A) The FAIS Ombud takes direct instruction from the FAIS Authority.
- B) The amount of alleged loss or damage arising from any dispute may not exceed R1 000 000.
- C) The Ombud investigates and adjudicates complaints lodged against representatives
- D) The Ombud's role is to ensure systemic stability within the financial services industry.

## Question 25

Which one of the following statements regarding the undesirable practice declaration is correct?

- A) An FSP have 21 days to stop the practice after a practice has been deemed undesirable.
- B) If an FSP continued with a practice after being declared undesirable, the license may be suspended.
- C) The Authority can immediately deem a practice undesirable after review of the practice.
- D) An FSP may not on or after the date of the publication of the notice of declaration of an undesirable business practice carry on the business practice concerned.

## Question 26

The General Code of Conduct lay down specific requirements regarding the disclosures that must be made to clients. Which of the following statements are correct?

- i. Financial advice given to a client verbally must be confirmed in writing within 15 days.
- ii. The representative must disclose whether he/she is delivering services under supervision.
- iii. Disclosures are one of the elements of an ethical approach to financial services.
- iv. All of the above

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

## Question 27

Which one of the following statements regarding representation of information is correct?

- A) Information must be reflected in specific monetary terms with regard to all amounts, sums and values.
- B) Disclosures must be send to a client on a monthly basis together with the statement of account.
- C) All information provided to a client must contain the FSP license number and the registration number of the financial Services Provider.
- D) The Board of directors must approve and sign off any documentation given to clients during the course of the business relationship.

## Question 28

What is the purpose of the Financial Intelligence Centre Act?

- A) Criminalising money laundering and terrorist funding activities.
- B) Establishing the Financial Intelligence Centre.
- C) Allowing for civil forfeiture in respect of property involved in illegal conduct.
- D) All of the above

## Question 29

In order for an FSP to satisfactorily resolve a client complaint, various requirements must be in place. In this regard, which of the following statements are true?

- i. The Financial Services Provider must reduce the client complaint to writing if given by the client verbally.
  - ii. The client must be told what further steps can be taken should they not be satisfied with the outcome of their complaint.
  - iii. If the FSP disputes the complaint, the client must submit the complaint to the Ombud within six months.
  - iv. The Ombud can decline a complaint if the affected client has already attempted to resolve it with the responsible Financial Services Provider.
- A) i & ii only
  - B) i & iii only
  - C) ii & iii only
  - D) i, iii & iv only

## Question 30

Which ONE of the following statements with regard to the stipulations under the Financial Intelligence Centre Act is correct?

- A) Accountable institutions must register with Treasury and submit such particulars as is required for registration.
- B) An accountable institution must notify the Financial Intelligence Centre of any changes in details within 60 days after change.
- C) A client is defined as a natural person only who uses the services of an accountable or reportable institution.
- D) A business relationship is defined as an arrangement between a client and an accountable institution for concluding a single or series of transactions.

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<b>5</b>	D
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<b>7</b>	A
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