

# PREPARATION GUIDE FOR THE RE 3: KEY INDIVIDUALS AND SOLE PROPRIETORS CATEGORY II & IIA

All Sole Proprietors or Key Individuals who are responsible for managing and overseeing the business relating to the rendering financial services for FSPs in Category II (Discretionary FSPs) and IIA (Hedge Fund FSPs) are required to write this examination in *addition* to the RE1: Key Individual all Categories.



## Table of Contents

1. DISCLAIMER.....	2
2. BACKGROUND TO THE REGULATORY EXAMS.....	2
3. FORMAT OF THE REGULATORY EXAMS .....	2
4. REFERENCE MATERIAL .....	7
5. PREPARATION FOR THE EXAM .....	8
6. TAKING THE EXAM .....	11
7. FINDING RESULTS.....	12
8. FREQUENTLY ASKED QUESTIONS.....	12
9. MORE INFORMATION .....	13
APPENDIX A: List of examinations.....	14
Appendix B: Qualifying Criteria Compliance Officer Regulatory Examinations .....	15

## 1. DISCLAIMER

The material in this PREPARATION GUIDE FOR REGULATORY EXAMINATION LEVEL 1 SOLE PROPRIETOR / KEY INDIVIDUAL CATEGORY II AND IIA and APPENDIX B (the Guide) is made available for the purpose of providing preparation guidelines to KEY INDIVIDUALS. The Guide provides guidelines only for preparation and does not constitute professional or educational advice concerning the contents of examinations.

The Guide is not presented by the FSB as an exhaustive summary of the qualifying criteria and provisions of the Financial Advisory and Intermediary Services Act, 2002 inclusive of its subordinate legislation.

Where sections of the Acts, The General Code of Conduct, Board Notices, etc. are referred to they are given merely as a guideline for candidates preparing for the R3.

The FSB accepts no responsibility for any loss or prejudice which may be suffered by any user of the Guide.

## 2. BACKGROUND TO THE REGULATORY EXAMS

The amended fit and proper requirements announced in 2008 have introduced the financial services industry to a new concept – “REGULATORY EXAMINATIONS”. These examinations were introduced together with stricter minimal formal qualifications in order to better serve clients’ needs across the financial services industry in South Africa.

The regulatory exams are being developed and delivered under the direction and management of the FSB. Four examination bodies have been appointed to assist with the development of the regulatory exam questions and the delivery on a national basis. The approved examination bodies are as follow:

Financial Planning Institute (FPI):	<a href="http://re.fpi.co.za/">http://re.fpi.co.za/</a>
Leselo:	<a href="http://www.leseloexams.co.za">http://www.leseloexams.co.za</a>
Moonstone:	<a href="http://www.faisexam.co.za/">http://www.faisexam.co.za/</a>
SAIFM (South African Institute for Financial Markets):	<a href="http://www.regulatoryexams.co.za/">http://www.regulatoryexams.co.za/</a>

## 3. FORMAT OF THE REGULATORY EXAMS

### 3.1 TYPE OF EXAMINATION

The regulatory examinations will be multiple choice questions based on specified qualifying criteria. Exams are closed book and no material will be allowed in the examination room.

There will be no limit on the number of attempts made in order to achieve competence. There will be one national version of any regulatory examination for any category or subcategory.

There is only one right answer to each question, so please read the questions and answers carefully. There is no negative marking, an answer is either right, or wrong. You can choose to write exams electronically or paper based.

You can choose to write exams electronically, or on paper. Exam bodies will indicate on their registration pages what method they make available.

The regulatory examinations aim on testing the application of factual knowledge in relation to-

- the relevant legal provision as contained in the legislation, subordinate legislation and codes of conduct – Level 1
- the rendering of financial services applicable to specific categories and subcategories of clients – Level 2

### 3.2 QUALIFYING CRITERIA

The qualifying criteria provide the basis of knowledge and skills against which the regulatory examinations are set. The qualifying criteria were developed in a process of consultation between the FSB and industry representatives, spanning from 2006 to 2008.

Only questions based on these criteria will be included in the exams.

The qualifying criteria were published in Board Notice 105 of 2008, and amendments were published as below:

BN 151	31755	29 December 2008 w.e.f. 31 December 2008
BN 64	32268	29 May 2009
BN 95	32496	17 August 2009
BN 44	33052	26 March 2010
BN 60	33166	12 May 2010

All these documents are available on the FSB website – <http://www.fsb.co.za>

- Click on the top right hand corner on FAIS
- Select the link – Fit and Proper: All the relevant board notices are hosted on this page.

#### ***HOW DO I READ THE QUALIFYING CRITERIA?***

Each set of qualifying criteria are displayed in a table format with headings. Underneath the headings you will get the detail.

No.	Task	Knowledge Criteria	Skill Criteria
3	Manage and oversee the appointment of representatives.	Describe the Fit and Proper requirements that apply to representatives in terms of the legislation.	Verify that the necessary HR processes are developed/ amended to enable the FSP to check, at recruitment stage, whether a potential representative meets at least the entry level Fit and Proper requirements.
		Explain what recruitment and appointment procedures have to be implemented when appointing representatives.	

### 3.3 QUESTION DEVELOPMENT

Individual questions are based on one or more knowledge criteria, also taking into account the applicable skill. Every task will be covered at least once in an examination. Therefore do not skip any of the tasks or the underlying knowledge criteria and skills, even if you do not think it is relevant to how your FSP operates.

It is important to ensure that you understand every task, and the knowledge and skill criteria related to it. Each exam will contain questions at 4 different levels of complexity. These four levels deal with:

- Knowledge { • Test the recall of factual knowledge
- Comprehension { • Test understand and interpretation of factual knowledge and concepts
- Application { • Test the ability to apply factual knowledge to real life situations
- Analysis { • Test the ability to analyse factual knowledge presented in a situation and to decide on the best action to take

Each question has four options, and you must select the correct option. Questions can be posed in the following styles:

- A direct closed ended question: question must be answered by choosing the correct option
- An incomplete sentence: must be completed correctly by choosing the correct option
- The negative question: the negative option needs to be chosen. Applicant must be aware that these type of questions will be asked and therefore must read questions carefully
- The most/best/least format: applicant must choose most applicable option to the question
- Roman numeral format: A closed ended question where applicants must choose more than one correct option from a list of options
- Sequencing: the options should be listed in the correct sequence

Question examples:

**EXAMPLE OF A KNOWLEDGE QUESTION**

Within how many days must a financial services provider inform the Registrar of the debarment of its representative?

- A. 14 days
- B. 7 days
- C. 30 days
- D. 15 days

**EXAMPLE OF A COMPREHENSION QUESTION:**

Jane Chetty is a sole proprietor and has no representatives. What are the requirements regarding the compliance function of the FSP?

- A. Jane must appoint an external Compliance Officer
- B. Jane doesn't need to appoint a Compliance Officer
- C. Jane must appoint an internal Compliance Officer
- D. Jane must be appointed as the Compliance Officer

**EXAMPLE OF AN APPLICATION QUESTION:**

Jean Hill, the representative of DCB Investments must advise a client that is retiring on specific investments. Which of the following aspects is Jean NOT obliged to disclose about a recommended financial product unless enquired about by the client?

- A. The risk of possible capital loss in future due to fluctuations in the financial markets
- B. Information and graphs to illustrate the product's performance at intervals over a period of time
- C. Any income and other relevant tax issues of a material nature that need to be considered
- D. Any material illustrations about the product provided by the product supplier

**EXAMPLE OF ANALYSIS QUESTION**

Consider the following events that occurred on the same day. Each of these events has, in terms of the relevant legislation, varying periods of time during which the FSP must respond to the event, or otherwise adhere to the legislation. Arrange the events in order of shortest to longest applicable period and select the CORRECT option.

- i) The FSP uses a new postal address and must inform the Registrar of the change
  - ii) The FSP received cash funds, exceeding the cash threshold reporting requirement, and must inform the Financial Intelligence Centre
  - iii) The Registrar has requested that the FSP provide certain documents pertaining to a client's advice record
  - iv) A client terminated a financial product and the FSP is now required to maintain records of advice associated with this client's purchase for an additional period
  - v) The FSP received client funds and must pay the funds into the bank account designated for client funds
  - vi) During an office meeting, the FSP provided a client with the details of the product supplier, and must now provide the details to the client in writing
- A. (i) then (iii) then (ii) then (vi) then (v) then (iv)
  - B. (v) then (ii) then (iii) then (i) then (vi) then (iv)
  - C. (ii) then (vi) then (v) then (i) then (iii) then (iv)
  - D. (iii) then (v) then (ii) then (i) then (iv) then (vi)

**3.4 LAYOUT OF THE EXAMINATION (COMPLEXITY)**

As the purpose of the exam is to ensure that SOLE PROPRIETORS AND KEY INDIVIDUALS understand their regulatory role and responsibilities, the emphasis was placed on the understanding and application of the legislation.

This is a one hour examination and will consist of 30 multiple choice questions. The layout of the RE40 is as follows:

Cognitive level	% in exam paper	Number of questions in exam paper
Level 1 questions	20%	6 Questions
Level 2 questions	50%	15 Questions
Level 3 questions	25%	8 Questions
Level 4 questions	5%	1 Questions

It should also be noted that random selection of questions are used. In other words two people may write the same examination, but will not receive the same questions. However, the complexity of their examinations will be the same as the layout of the examinations is exactly the same.

The reason for the random selection of questions is to limit the leakage of questions. The questions bank will therefore have a longer lifespan and as a result the cost of the examinations can be contained as ongoing question development can be limited due to questions being used for a longer period of time before retiring the questions.

#### 4. REFERENCE MATERIAL

The following material was used in the development of the questions for the Regulatory level 1 exams, please refer to appendix B for the revised qualifying criteria for the compliance officer regulatory examination:

**PLEASE NOTE:** This list is not exhaustive and is meant to provide a guideline only. It is intended to assist examinees in preparation for the examination but must be viewed in conjunction with all other applicable legislation.

1. Financial Intelligence Centre Act (FICA), Act 38 of 2001
2. Financial Advisory and Intermediary Services Act (FAIS), Act 37 of 2002
3. Financial Advisory and Intermediary Services Regulations (GN879 of 2003)
4. Codes of Conduct for Administrative and Discretionary FSPs (Board Notice 79 of 2003)
5. General Code of Conduct for Authorised Financial Services Providers and Representatives (Board Notice 80 of 2003)
6. Amendment of Code of Conduct for Administrative and Discretionary FSPs (Board Notice 3196 of 2003)
7. Notice of specific Code of Conduct for Authorised Financial Services Providers and Representatives conducting Short-Term Deposit Business (Board Notice 102 of 2004)
8. Requirements imposed by the Financial Services Board for Nominees to operate in South Africa (Board Notice 63 of 2007)
9. Notice on Codes of Conduct for Administrative and Discretionary FSPs Amendment Notice (Board Notice 89 of 2007)
10. Determination of Fit and Proper Requirements for Financial Services Providers (Board Notice 106 of 2008)
11. Amendment Notice on the General Code of Conduct for Authorised Financial Services Providers and Representatives (Board Notice 152 of 2008)
12. Hedge Fund Risk Disclosures (Board Notice 571 of 2008)
13. Notice on Requirements for Professional Indemnity and Fidelity Insurance Cover for Providers (Board Notice 123 of 2009)
14. Amendment of the General Code of Conduct for Authorised Financial Services Providers and Representatives (Board Notice 58 of 2010)
15. Amendment of Fit and Proper Requirements, Exemption of Services under Supervision, Continuous Professional Development and Determination of Qualifications and Qualifying Criteria (Board Notice 60 of 2010)
16. FSP Licensing Application Documentation

## 5. PREPARATION FOR THE EXAM



Multiple choice exams cover a lot of detail and facts. The short term memory's capacity is very limited; therefore it is essential to start preparing for the regulatory exams at least 3 month prior to your examination date. The learner will have to be repeatedly subjected to the material in order to store the information effectively in the long term memory.

Although attending workshops and training will certainly be helpful, this is **no** replacement for extensive studying of the required material. And yes, it is necessary and very possible to study successfully for multiple choice exams!

### 5.1 STUDY METHOD

#### You will need:

- ✓ A positive attitude
- ✓ Lots of will power
- ✓ Enough rest
- ✓ Quiet place to study
- ✓ Qualifying criteria
- ✓ Recourse material



#### Steps to follow:

1. Identify the regulatory examination(s) that apply to your situation.
2. Find the corresponding sets of qualifying criteria, for each of the relevant regulatory examinations that you must prepare for. See appendix B for the qualifying criteria for the regulatory level 1 exams.
3. Work through the qualifying criteria and make sure you understand them against the relevant acts and legislation.
4. Use of additional study material is advisable but optional.
5. Repeat step 3 as many times as necessary to store the factual knowledge in the long term memory.

### 5.2 STUDY MATERIAL AND TRAINING

Numerous training materials have been developed by various training providers for the purpose of the regulatory examinations.

It should be noted that the FSB does not endorse any of these training materials.

It is advisable to refer to the relevant legislation as contained in the acts and regulations in order to eliminate difference in terminology use, if you decide to use designed study material and/or training.

SAIFM may not provide training and/or study material for the regulatory exams. SAIFM will make FSB approved study guides with reference to suggested material available; however the sourcing of appropriate study material and/or training providers is the responsibility of the candidates.

### 5.3 STUDY TIPS FOR MULTIPLE CHOICE EXAMS

It is necessary and very possible to study successfully for multiple choices exam. Follow the following guidelines in order to help you in your preparation for the regulatory exams.

- ✓ Look for similarities and differences that might be used to distinguish between the options in the exam
- ✓ Start early with preparation
- ✓ Repeat information and detail
- ✓ Cover all knowledge criteria - do not spot, skim or cram the knowledge

### 5.4 STUDY STYLES FOR MULTIPLE CHOICE TESTS

There are numerous styles of learning and remembering facts. . Please remember that every person learns differently, and there is only the “right way” for you and a “wrong way” for you. Your method may be different from that of your friend.

One of the most effective ways to prepare for multiple choice tests is by study reading, but you are welcome to investigate other methods of studying.

**Study reading** is the reading style used when the purpose is to read difficult material at a high level of comprehension. When using the Study Reading style, you should read at a rate that is slower than your normal reading rate. Further, as you read you must challenge yourself to understand the material. Study Reading will often require you to read material more than once to achieve a high level of understanding. Sometimes, reading the material aloud will also help you improve your understanding.

### 5.5 IMPROVING CONCENTRATION

Many people have difficulty concentrating while studying. Being able to concentrate while you are studying is essential to doing well in exams.

Here are suggestions for improving your study concentration:

- Study in a quiet place that is free from distractions and interruptions. Try to create a space designated solely for studying.
- Make a study schedule that shows what tasks you need to accomplish and when you plan to accomplish each task. This will provide you with the structure you need for effective studying.

- Try to study at the time of day you work best. Some people work well early in the morning, others late at night. You know what works best for you.
  - Try to study at the same time every day, as you will start to adapt to study mode automatically at that time of the day.
  - Make sure you are not tired and/or hungry when you study. Otherwise, you won't have the energy you need to concentrate. Also, maintain your physical fitness.
  - Don't try to do two tasks at the same time. You won't be able to concentrate on either one very well. Concentration means focusing on one thing to the exclusion of all else.
  - Break large tasks into series of smaller tasks that you can complete one at a time. If you try to complete a large task all at once, you may feel overwhelmed and will be unable to maintain your concentration.
  - Relax. It's hard to concentrate when you're tense. It's important to relax when working on a task that requires concentration. Meditation is helpful to many students.
  - Clear your mind of worrisome thoughts. Mental poise is important for concentration. You can get distracted by your own thoughts. Monitor your thoughts and prevent yourself from following any that take you off track. Don't daydream.
  - Develop an interest in what you are studying. Try to relate what you are studying to your own life to make it as meaningful as possible. This can motivate you to concentrate.
  - Take breaks whenever you feel fatigued. There is no set formula for when to take breaks.
- You ENROLMENT FOR THE EXAM

## 5.6 REGISTERING FOR THE EXAM

There are four recognized examination bodies. Candidates must select the examination body through which they would like to enrol for the examinations.

The examination bodies do not offer all the same exams; refer to appendix A for a list of the exams and the examining bodies that offer them.

Once you have identified an examination body that offers the examination you need to write, you must check whether they offer the exam at a venue that suits you. If you are satisfied with the venue, check for a date and time that suits you. You must then enrol for the examination with the exam body.

Each exam body has their own registration procedures, which they explain on their websites. They allow for different methods of registration. It is important to check carefully before you register for an examination, to ensure that you selected the correct examination, and the venue, date and time that suits you.

## 5.1 SPECIAL NEEDS

Candidates with special needs must contact the examination body when they are registering in order to make arrangements for any assistance they might require. The examination bodies will do everything they can to assist with the requests of the candidates. Candidates may be required to produce a valid medical certificate in order to verify their special need or disability.

## 6. TAKING THE EXAM

### 6.1 WHAT TO EXPECT WHEN WRITING THESE EXAMINATIONS

Strict examination procedures will apply at all times. This will help to ensure that the integrity of the exams is protected. You will have to identify yourself before the exams start, using a photo ID document. The acceptable documents include a SA identity document, a passport or a driver's license.

### 6.2 EXAM TAKING TIPS FOR MULTIPLE CHOICE EXAMS

Read the directions carefully. Many people often make the mistake of skipping the directions. Write what is on your mind. Write down your mental stimulus or associations on the scrap paper provided.

Pace yourself. Try to answer all the questions but do not procrastinate around a question – rather return to the question later. The following is a guideline for the allowable time per type of question:

- Knowledge: ½ - 1 minutes per question
- Understanding: 1 - 1½ minutes per question
- Application and analysis: 1½ - 2 minutes per question

Read through the question carefully. Be watchful for negative questions and all or nothing words such as all/any/most ex.

Know if the question has one or more correct options – roman numeral type of questions.

Read through all the options carefully. Do not mark the first option which you think may be correct.

Do not assume facts. The only facts that you have to take note of are the facts given in the question. If the question tells you that unicorns exist, do not argue with the question.

Do not ignore your answer. Many examinees ignore answers because they assume that every multiple choice question is a trick question. Remember that if you are ready, you should know the answer and if you know the answer, there should be nothing stopping you from answering correctly.

Every question is an isolated question. There are no patterns in multiple choice exams. Just because you have answered "C" for ten consecutive times, it doesn't mean the next answer will be "C". Many myths have been told that the answer that appears more commonly is the best guess. There is no truth in that belief.

If time allows, review both questions and answer. It is possible you misread questions the first time.

Improve your odds, think critically:

- Cover the options, read the stem, and try to answer.
- Select the option that most closely matches your answer.
- Read the stem with each option.
- Treat each option as a true-false question, and choose the "most true".

Multiple choice exams are not intimidating if you are prepared to face them. If you are prepared, multiple choice exams are not as formidable as they may seem.

## 7. FINDING RESULTS

The exam bodies will make the exam results available. Exam results will also be made available on the FSB website. Please check the FSB website 6 weeks after the exams, under the FAIS page. You will use your ID number to access your results

## 8. FREQUENTLY ASKED QUESTIONS

### ***WHAT IS THE DIFFERENCE BETWEEN A KEY INDIVIDUAL AND A REPRESENTATIVE EXAMINATION?***

The key individual level 1 examination addresses the tasks, knowledge and criteria that is relevant to the role and function of a key individual (KI). Remember that the KI is responsible to “manage and oversee” the rendering of financial services within a FSP. The questions will thus be aimed at finding out whether the KI understands the aspects he/she is held accountable for in terms of the legislation.

The level 1 regulatory examination for representatives focuses on those tasks, knowledge and skill criteria that describe what they are held responsible for in terms of the legislation. Remember that the representative actually gives advice and/or renders the intermediary service. The questions will thus focus on these activities that are performed by the representative.



### ***WHEN WILL THE REGULATORY EXAMS BE UPDATED IF THE LEGISLATION IS CHANGED/AMENDED?***

The regulatory examinations will be updated within 6 months of the publication of the amendment to the legislation.

### ***WHAT DO I DO IF I HAVE SPECIAL NEEDS?***

Candidates with special needs must contact the examination body when they are registering, to make arrangements for any assistance they require. The examination bodies will do everything they can to assist with the requests of the candidates.

### ***WHAT ARE THE NAMES OF THE REGULATORY EXAMINATIONS?***

The names of the regulatory examinations are included in Appendix A of this document. Each examination has a number and a name.

## 9. MORE INFORMATION

You can visit the following websites for more information on study styles and test taking skills:

[http://www.ehow.com/way\\_5375891\\_tips-answering-multiple-choice-questions.html](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html)

<http://www.test-preparation.ca/study-center/answering-multiple-choice-questions/>

<http://studygs.net/tsstak3.htm>

[http://en.wikipedia.org/wiki/Study\\_skills](http://en.wikipedia.org/wiki/Study_skills)

[Best Way - Tips on Answering Multiple Choice Questions | eHow.com](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html#ixzz0ywPhccy8)

[http://www.ehow.com/way\\_5375891\\_tips-answering-multiple-choice-questions.html#ixzz0ywPhccy8](http://www.ehow.com/way_5375891_tips-answering-multiple-choice-questions.html#ixzz0ywPhccy8)

**APPENDIX A: LIST OF EXAMINATIONS**

RE No	Description	Section in BN 105	Examination body that will offer			
			Moon stone	FPI	Leselo	SAIFM
<b>LEVEL 1 EXAMS</b>						
1	KI Level 1: Cat I, II, IIA, III and IV (General)	1	X	X	X	X
2	KI Level 1: Cat 1.1 & 1.19	1&5	X	X	X	X
3	KI Level 1: Cat II & IIA	2	X	X	X	X
4	KI Level 1: Cat III	3	X	X	X	X
5	Representatives	4	X	X	X	X
40	Compliance Officer Regulatory Examination					X
<b>LEVEL 2 EXAMS</b>						
6	Category IV level 2 exam	14	X	X		
7	Long-term insurance category B1 (risk)	15	X	X		
8	Long-term insurance category B2 (Investment)	16	X	X		
9	Long-term insurance category C and retail pension benefits	7	X	X		
10	Collective Investment Schemes	8	X	X		
11	Health Care Benefits	12	X	X		
12	Short-term insurance: Personal lines	10	X		X	
13	Short-term insurance: Commercial lines	11	X		X	
14	Pension Fund Benefits	13	X		X	
15	Deposits	6	X		X	
16	S & I: Shares Cat I & III	9	X			X
17	S & I: Money markets Cat I & III	9	X			X
18	S & I: Debentures Cat I & III	9	X			X
19	S & I: Warrants Cat I & III	9	X			X
20	S & I: Bonds I & III	9	X			X
21	S & I: Derivatives I & III	9	X			X
22	Forex Investment business I & III	9				X
23	Long Term Insurance category A	5	X			X
24	S&I - General exam - Cat I & II & III	9	X			X
25	S & I: Shares Cat II	9	X			X
26	S & I: Money markets Cat II	9	X			X
27	S & I: Debentures Cat II	9	X			X
28	S & I: Warrants Cat II	9	X			X
29	S & I: Bonds Cat II	9	X			X
30	S & I: Derivatives Cat II	9	X			X
31	Forex Investment business Cat II	9				X

*APPENDIX B: QUALIFYING CRITERIA COMPLIANCE OFFICER REGULATORY EXAMINATIONS*

	<b>TASK CRITERIA</b>	<b>KNOWLEDGE CRITERIA</b>	<b>SKILL CRITERIA</b>
<b>1</b>	Understand the Category II and/or IIA FSP business model	Understand the characteristics of a Category II and/or IIA FSP and how that differentiates it from other financial services providers in Cat I and/or III	Take the difference between Category II and/or IIA FSPS and other financial services providers into account when making business related decisions
		Separation of client assets from category II and/or IIA FSP's assets	Able to perform the fiduciary duty of the CAT II and/or IIA FSP, and identify which assets belong to the client and which belong to the category II and/or IIA FSP
			Able to interpret basic financial systems
			Able to ensure that there are systems and processes to separate client and CAT II and/or IIA FSP assets
		The parties involved in the category II FSP environment: different parties/ legal entities involved (nominee, MANCO, insurers, pension funds, 3rd party FSPs, Financial Advisors, brokers, clients)	Explain the role and responsibilities of the different parties involved
Understand that the relevant contractual agreements need to be in place with the relevant other party	Ensure that the relevant contractual agreements are in place with the relevant other party and business is conducted in accordance with the contractual agreements		
<b>2</b>	Understand the role of the independent nominee	Understand the duties the nominee company is responsible for	Ensure that there are processes in place to check that the nominee company executes its' responsibilities towards the Category II and/or IIA FSP.
		Understand the purpose of the nominee company	Ensure the nominee company complies with its duties
<b>3</b>	Understand that client mandates are required	Know that the category II and/or IIA FSP must use mandates that have been approved by the FSB	Understand that a mandate cannot be used if it is not approved by the FSB.
		Know what the requirements are for mandates	Understand that a mandate cannot be used if it is not signed by the client or his duly authorised representative, and that such mandate must adhere to the requirements in the Discretionary Code of Conduct.
<b>4</b>	Understand typical daily transactions	Understand that different products have different turnaround times and should be adhered to.	Check that the systems and processes enable the implementation and execution of different turnaround times for different products
		There should be adequate controls in place to manage risks	Check that the systems and processes have embedded controls to manage and contain risk

	<b>TASK CRITERIA</b>	<b>KNOWLEDGE CRITERIA</b>	<b>SKILL CRITERIA</b>
<b>5</b>	Understand the importance of disclosures	Know how to ensure transparency and manage conflict of interests	Ensure that disclosures are adequate to enable client's ability to make an informed decision
<b>6</b>	Understand the legal environment of the CAT II and/or IIA FSP	Understand the liquidity requirement	Able to explain the implications of the liquidity requirements
		Understand the fidelity cover requirements	Able to explain the implications of the fidelity cover requirements
		Understand the applicable capital requirement	Able to explain the implications of the capital requirements
		Understand that the Category II and/or IIA FSP is not allowed to engage in the netting of transactions	Ensure that there are systems in place to check that netting of transactions will not take place
		Understand that a Category II and/or IIA FSP must ensure that it only conducts business with another FSP that has the appropriate categories/ subcategories on its license, and that business must also be conducted within the parameters of the client mandate	Ensure that it only conducts business with another FSP that has the appropriate categories/ subcategories on its license, and that business must also be conducted within the parameters of the client mandate, to ensure that all business is legitimate
		Understand what the continual compliance with the license requirements and conditions are	Ensure that there are systems in place to check that new products or proposed business ventures will meet the limitations of the license requirements and conditions are
<b>7</b>	Understand the record keeping requirements	Understand the period for which records must be kept	This must be kept in mind when planning system updates and strategic initiatives
		Know the requirements specifically applicable to telephone and/or electronic requirements	Ensure that systems are in place to manage the record keeping risks of electronic and telephonic transactions
<b>8</b>	Understand the requirements relating to reporting to clients	Understand that clients must receive written reports at quarterly intervals, that provide them with investment and related information	Ensure that there are systems and processes that enable the preparation and delivery of accurate quarterly reports
<b>9</b>	Institute a personal account Trading policy	Understand why a Discretionary FSP should have a personal account policy and why this is important	Ensure that there is a personal account trading policy and that there are controls to check that this is adhered to.
<b>10</b>	Understand the prohibitions in terms of the Discretionary Code of Conduct	Understand the prohibitions in terms of the Discretionary Code of Conduct	Ensure that there are processes and controls in place to ensure that the FSP adheres to the prohibitions in terms of the Discretionary Code of Conduct.

	<b>TASK CRITERIA</b>	<b>KNOWLEDGE CRITERIA</b>	<b>SKILL CRITERIA</b>
<b>11</b>	Understand the Nominee Regulations	Understand the requirements of the Nominee Regulations, and what the FSP and the nominees must adhere to	Ensure that there are processes and controls in place to ensure that the FSP adheres to the requirements in terms of the Nominee Regulations.