

Section 2: RE 2: First Level Regulatory Examination: Applicants And/Or Key individuals In Category II and/or IIA

All applicants and key individuals performing financial services in relation to category II and/or IIA are required to complete the first level regulatory examination, based on the qualifying criteria as published in Section 1 and 2 of this Determination.

No	Task	Knowledge Criteria	Skill Criteria
1	Apply the Category II and/or IIA FSP business model	<p>Describe 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.</p> <p>Discuss the separation of client assets from category II and/or IIA FSP's assets.</p> <p>Explain the role and responsibilities of the different parties involved, including but not limited to:</p> <ul style="list-style-type: none"> • different parties/ legal entities involved, • nominee, • MANCO, • insurers, • pension funds, • 3rd party FSPs, • Financial Advisors, • brokers, • clients <p>Describe the need for relevant contractual agreements to be in place with the relevant other party.</p>	<p>Take the difference between Category II and/or IIA FSPs and other financial services providers into account when making business related decisions</p> <p>Perform the fiduciary duty of the CAT II and/or IIA FSP.</p> <p>Identify which assets belong to the client and which belong to the category II and/or IIA FSP.</p> <p>Interpret basic financial systems.</p> <p>Implement systems and processes to separate client and CAT II and/or IIA FSP assets.</p> <p>Verify that the relevant contractual agreements are in place with the relevant other party.</p> <p>Business is conducted in accordance with the contractual agreements.</p>

No	Task	Knowledge Criteria	Skill Criteria
2	Manage the role of the independent nominee	Describe the duties the nominee company is responsible for. Explain the purpose of the nominee company.	Verify that there are processes in place to check that the nominee company executes its' responsibilities towards the Category II and/or IIA FSP. Confirm the nominee company complies with its duties. Manage client mandates in accordance to mandatory requirements.
3	Manage and oversee client mandates	Explain why the category II and/or IIA FSP must use mandates that have been approved by the FSB. Explain why a mandate cannot be used if it is not approved by the FSB. Explain why a mandate cannot be used if it is not signed by the client or his duly authorised representative. Explain why such a mandate must adhere to the requirements in the Discretionary Code of Conduct. Explain what the requirements are for mandates.	
4	Manage and oversee typical daily transactions	Explain how different products have different turnaround times and should be adhered to. Describe how there should be adequate controls in place to manage risks. Explain how to ensure transparency and manage conflict of interests. Explain the liquidity requirement. Explain the implications of the liquidity requirements, Describe the fidelity cover requirements.	Check that the systems and processes enable the implementation and execution of different turnaround times for different products. Check that the systems and processes have embedded controls to manage and contain risk. Confirm that disclosures are adequate to enable client's ability to make an informed decision. Apply the liquidity requirements to own business.
5	Manage and oversee disclosures		
6	Understand the legal environment of the CAT II and/or IIA FSP		Apply the fidelity requirements to own business.

No	Task	Knowledge Criteria	Skill Criteria
		<p>Explain the implications of the fidelity cover requirements.</p> <p>Describe the applicable capital requirement.</p> <p>Explain the implications of the capital requirements.</p> <p>Explain why the Category II and/or IIA FSP is not allowed to engage in the netting of transactions.</p> <p>Explain why 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.</p> <p>Describe what the continual compliance with the license requirements and conditions are.</p>	<p>Apply the applicable capital requirements to own business.</p> <p>Verify that there are systems in place to check that netting of transactions will not take place.</p> <p>Verify 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.</p> <p>Check 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.</p>
7	Apply the record keeping requirements	<p>Explain the period for which records must be kept.</p> <p>Describe the requirements specifically applicable to telephone and/or electronic requirements.</p>	<p>Incorporate the record keeping requirements when planning system updates and strategic initiatives.</p> <p>Verify that systems are in place to manage the record keeping risks of electronic and telephonic transactions.</p>
8	Comply with requirements when reporting to clients	<p>Explain why clients must receive written reports at quarterly intervals, that provide them with investment and related information.</p>	<p>Verify that there are systems and processes that enable the preparation and delivery of accurate quarterly reports.</p>
9	Institute a personal account Trading policy	<p>Describe why a Discretionary FSP should have a personal account policy and why this is important.</p>	<p>Check that there is a personal account trading policy and that there are controls to check that this is adhered to.</p>

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No	Task	Knowledge Criteria	Skill Criteria
10	Apply prohibitions in terms of the Discretionary Code of Conduct	Explain the prohibitions in terms of the Discretionary Code of Conduct.	Check 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.
11	Deal with Nominee Regulations	Describe the requirements of the Nominee Regulations, and what the FSP and the nominees must adhere to.	Check that there are processes and controls in place to ensure that the FSP adheres to the requirements in terms of the Nominee Regulations.