

**Section 3: RE 3: First Level Regulatory Examination: Applicants And/Or Key Individuals in Category III**

All applicants and key individuals performing financial services in relation to category III are required to complete the first level regulatory examination, based on the qualifying criteria as published in Section 1 and 3 of this Determination.

No	Task	Knowledge Criteria	Skill Criteria
1	Apply the Category III FSP business model	<p>Describe the characteristics of a category III FSP and how that differentiates it from other product providers such as insurers and unit trusts.</p> <p>Describe the reason for separation of client assets from Category III 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"> <li>• different parties/ legal entities involved,</li> <li>• nominee,</li> <li>• MANCO,</li> <li>• insurers,</li> <li>• pension funds,</li> <li>• 3rd party FSPs,</li> <li>• Financial Advisors,</li> <li>• brokers,</li> <li>• clients</li> </ul>	<p>Take the difference between Category III FSPs and other product providers into account when making business related decisions.</p> <p>Perform the fiduciary duty of the category III FSP.</p> <p>Identify which assets belong to the client and which belong to the category III FSP.</p> <p>Interpret basic financial systems.</p> <p>Check that there are systems and processes to separate client and Category III FSP assets.</p>
		<p>Explain the concept of bulking and pooling of assets into a single account with investment provider.</p>	<p>Verify that there are systems and processes to allow for the bulking of client assets without pooling or unitisation.</p>

No	Task	Knowledge Criteria	Skill Criteria
2	Understand the role of the independent nominee	<p>Explain the relevant contractual agreements need to be in place with the relevant other party.</p> <p>Explain the duties the nominee company is responsible for.</p> <p>Explain the purpose of the nominee company</p>	<p>Confirm that the relevant contractual agreements are in place with the relevant other party and business is conducted in accordance with the contractual agreements.</p> <p>Verify that there are processes in place to check that the nominee company executes its' responsibilities towards the Category III FSP – reporting independence.</p> <p>Check the nominee company complies with its duties.</p>
3	Manage and oversee client mandates	<p>Explain why the category III FSP must use mandates that have been approved by the FSB.</p> <p>Explain why a mandate cannot be used if it is not approved by the FSB.</p> <p>Explain why a mandate cannot be used if it is not signed by the client or his duly authorised representative.</p> <p>Explain why such a mandate must adhere to the requirements in the Discretionary Code of Conduct.</p> <p>Explain what the requirements are for mandates.</p>	<p>Manage client mandates in accordance to mandatory requirements.</p>
4	Manage/oversee typical daily transactions	<p>Explain how different products have different turnaround times and should be adhered to.</p> <p>Describe how there should be adequate controls in place to manage risks.</p> <p>Explain how Category III FSPS are only allowed to take in one day's interest.</p>	<p>Check that the systems and processes enable the implementation and execution of different turnaround times for different products.</p> <p>Check that the systems and processes have embedded controls to manage and contain risk.</p> <p>Check that the processes and systems only take one day's interest.</p>

No	Task	Knowledge Criteria	Skill Criteria
5	Manage and oversee disclosures	Explain how to ensure transparency and manage conflict of interests.	Confirm that disclosures are adequate to enable client's ability to make an informed decision.
6	Understand the legal environment of the Category III FSP.	<p>Explain the liquidity requirement.</p> <p>Explain the implications of the liquidity requirements.</p> <p>Describe the fidelity cover requirements.</p> <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 III FSP is not allowed to engage in the netting of transactions.</p> <p>Explain how a Category III 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 liquidity requirements to own business.</p> <p>Apply the fidelity requirements to own business.</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>Confirm 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> <p>Incorporate the record keeping requirements when planning system updates and strategic initiatives.</p>
7	Apply the record keeping requirements.	Explain the period for which records must be kept.	Verify that systems are in place to manage the record keeping risks of electronic and telephonic transactions.

No	Task	Knowledge Criteria	Skill Criteria
8	Comply with requirements when reporting to clients	Explain why clients must receive written reports at quarterly intervals, that provide them with investment and related information.	Verify that there are systems and processes that enable the preparation and delivery of accurate quarterly reports.
9	Apply knowledge of the accounting and unit reconciliations	Explain how the accounting and unit reconciliations work.	
10	Apply knowledge of how intermediaries must be licensed before they can do business.	Explain how intermediaries must be licensed before they can do business.	
11	Deal with rebates	Explain how rebates work.	
		Explain all the related disclosures as it applies to rebates.	

**Section 4: RE 4: First Level Regulatory Examination: Representatives**

(1) All representatives performing financial services in relation to category I, II, IIIA and/or III are required to complete the first level regulatory examination, based on the qualifying criteria:

No	Task	Knowledge Criteria	Skill Criteria
1.	Execute the required actions as a representative, in terms of the FAIS Act.	<p>Describe the roles, responsibilities and requirements regarding representatives as defined in the FAIS Act.</p> <p>Describe the role and responsibilities of the key individual as defined in the FAIS Act.</p> <p>Explain the requirements for licensing by the FSB for the role of the representative.</p> <p>Explain when an individual is obliged to be registered as a representative in terms of FAIS.</p> <p>Explain the fit and proper requirements that apply to the representatives.</p> <p>Discuss the purpose of the register of representatives.</p> <p>Distinguish between advice and intermediary services in terms of the Act.</p> <p>Explain when representatives can act under supervision.</p> <p>Describe the implications if a representative does not meet all the requirements in terms of Fit and Proper by the relevant date.</p> <p>Explain the record keeping requirements in terms of Section 18 of the FAIS Act and the General Code of Conduct.</p>	<p>Apply knowledge of the role of the representative in terms of the FAIS Act.</p>
2.	Contribute towards maintaining a FSP license.	<p>Explain the requirements a FSP must meet to maintain a FSP license.</p> <p>Explain what processes are required to remain updated with regards to other legislation, amendments, updates and requirements published that will affect the FSP.</p>	<p>Keep records in terms of the requirements of the Act and General Code of Conduct.</p> <p>Assist in maintaining a FSP license by executing the required actions as a representative, in terms of the Act.</p>