

FINANCIAL SERVICES BOARD**FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002****(“FAIS ACT”)****FAIS CIRCULAR 12/2012****DATE: 7 December 2012****Information Circular: Level 1 Regulatory Examinations Update****1. INTRODUCTION**

The purpose of this circular is to provide critical information regarding the level 1 regulatory examinations. The following aspects will be addressed in the circular:

- ✓ The extension of the re-write deadline for the following level 1 examinations:
 - RE3 – Key Individual: Category II and IIA
 - RE4 – Key Individual: Category III
- ✓ The extension of the date for representatives that have entered the industry for the first time from 1 January 2010 to 31 December 2010;
- ✓ A summary of all the dates applicable to the level 1 regulatory examinations;
- ✓ The specific dates that the examination bodies will be closing down over the December / January 2013 period and when they will be fully operational again;
- ✓ A short update on the FSB/INSETA Assistance Workshop Project aimed at providing additional assistance to those candidates who are struggling to successfully complete the level 1 regulatory examination;
- ✓ Regulatory action that is to be taken against affected individuals who did not comply with the level 1 regulatory examination deadline of 30 June 2012, and the importance of updating one’s profile on the FSB system.

2. THE EXTENSION OF THE “RE-WRITE” DEADLINE FOR RE3 AND RE 4

2.1. Background information

In May 2012 the following deadlines in terms of the level 1 regulatory examinations (RE 3 and RE 4) were communicated to the industry:

Level 1 Regulatory Examination	New deadline	Deadline for rewrite	Exemption notice
RE3 (Key Individual for Category II and IIA)	30 September 2012	31 December 2012	Board Notice 61 of 2012 (General exemption: level 1 regulatory examination)
RE4 (Key individual for Category III)	30 September 2012	31 December 2012	

The affected persons were required to have written the regulatory examination at least once by 30 September 2012, and if they were not successful, they would then have an additional three months in which to pass the examination. The three month period ends at 31 December 2012.

2.2. Current situation:

To meet this deadline, persons that prefer writing the paper-based examination must have registered for the examination by Monday, 3 December 2012 in order to secure a seat for the examination, and to allow sufficient time for the examination body to produce the examination paper and courier it to the examination venue.

Due to the festive season, the examination bodies will be closing, and will resume their duties during the second week in January 2013. Therefore it will not be possible for candidates to write the regulatory examination(s) during the last two weeks in December.

2.3. The extension of the “re-write” deadline for RE 3 and RE 4:

The Registrar has, after considering all the facts, made a decision to allow candidates who have written the RE3 and/or RE 4 at least once by 30 September 2012 the opportunity to re-write the examination up to 31 March 2013.

Please note: Key individuals who have a date of first appointment prior to 2010 (i.e. falls within the transitional period), **and** wrote the RE3 / RE 4 at least once before or on 30 September 2012 are included in the 31 March 2013 deadline.

The extension to the deadline is only applicable to these key individuals.

Key individuals that were appointed prior to 2010 (falls within the transitional period) who did not write the RE3 / RE4 by 30 September 2012, will not qualify for this extension, and are therefore in breach of the competency requirements as stipulated in the Determination of Fit and Proper Requirements for Financial Services Providers, 2008.

2.4. The publication of the exemption:

The exemption for this extension will be published as soon as is practicable.

3. THE EXTENSION OF THE DEADLINE FOR REPRESENTATIVES APPOINTED DURING JANUARY 2010 TO DECEMBER 2010

3.1. Background information

There has been a considerable amount of confusion regarding the new entrants appointed from January 2010 to June 2010 and which deadline applies to these representatives.

The confusion was created mainly as a result of the difference in the requirement for representatives in relation to the timeframe they have in which to complete the regulatory examination successfully.

To illustrate, the Determination of Fit and Proper Requirements for Financial Services Providers, 2008 (Board Notice 106 of 2008) with specific reference to (6)(1)(f), requires representatives to have successfully completed the level 1 regulatory examinations within two years of their date of first appointment.

Example: a representative is appointed for the first time on 12 October 2010 and is therefore required to have successfully completed the RE5 by 12 October 2012, i.e. two years from date of first appointment.

The Exemption of Services Under Supervision in Terms Of Requirements and Conditions, 2008 (Board Notice 104 of 2008) with specific reference to (4)(5)(e), that stipulates that the period in which the regulatory examination level 1 must be completed ends on 31 December of the year in which the second year falls.

Example: a representative is appointed for the first time on 12 October 2010 and is therefore required to have successfully completed the RE5 by 31 December 2012, i.e. within two years from date of first appointment with the second year ending on 31 December.

Board Notice 61 of 2012 (General exemption: Level 1 regulatory examination) was published on 10 April 2012, and this exemption provided for the affected persons required to write and complete the RE1 and RE5 to write the examination at least once by 30 June 2012, and to re-write the examination and successfully complete it by 30 September 2012.

The representatives appointed during the period January 2010 to June 2010 were included in this exemption based on the requirement of Board Notice 106 of 2008 as stated above. The rationale was that they would not be required to have to completed the examination before those persons appointed during the transitional period have to meet the level 1 regulatory examination requirement.

However, the Exemption of Services Under Supervision did provide for them to only have to completed the level 1 regulatory examination by 31 December 2012. This created confusion as to which deadline actually applied.

Thereafter, on 3 October 2012 an amendment to Board Notice 61 of 2012 (General exemption: Level 1 regulatory examination) was published where the re-write deadline for the RE 1 and RE 5 of 30 September 2012 was extended to 31 March 2013 for the persons falling into the transitional period only.

This created further confusion as there was uncertainty as to whether or not this extension applied to the representatives appointed during January 2010 to June 2010. This extension did not apply to representatives falling into this category, and their deadline remained 31 December 2012.

3.2. Current status:

There are representatives that were appointed for the first time during January 2010 to June 2010 who did not successfully completed the RE 5 as yet, but have attempted the examination. The examination bodies are closing for the festive season and as a result, these representatives are unable to register to re-write the examination during the last two weeks of December in order to meet the 31 December 2012 deadline.

The confusion regarding the deadline has also exasperated the situation, and therefore the Registrar has made the decision to accommodate these representatives.

3.3. The extension of the re-write deadline:

The re-write deadline applicable to representatives appointed for the first time during January 2010 and December 2010 will be extended to 31 March 2013, provided that the representative has written the examination at least once by December 2012.

3.4. Publication of the exemption:

The exemption for this extension will be published as soon as is practicable.

4. SUMMARY OF THE DATES APPLICABLE TO THE LEVEL 1 REGULATORY EXAMINATION

- 4.1. Based on the information in item 2 and 3 above a summary of the applicable deadlines as it applies to persons falling into the transitional period as well as representatives with a date of first appointment from January 2010 to December 2010, is provided below:

RE	MUST HAVE WRITTEN AT LEAST ONCE BY:	RE-WRITE DEADLINE	EXEMPTION NOTICE
RE1 (Key individual for Category I, II, IIA, III and IV)	30 June 2012	31 March 2013	Board Notice 162 of 2012 read with Board Notice 61 of 2012

RE	MUST HAVE WRITTEN AT LEAST ONCE BY:	RE-WRITE DEADLINE	EXEMPTION NOTICE
RE3 (Key Individual for Category II and IIA)	30 September 2012	31 March 2013	Exemption notice to be published in due course.
RE4 (Key individual for Category III)	30 September 2012	31 March 2013	
RE5 (Representatives of Categories I, II, IIA, III and IV excluding representatives for subcategories 1.1 and 1.19)	30 June 2012	31 March 2013	Board Notice 162 of 2012 read with Board Notice 61 of 2012
Foreign FSPs	Not applicable	No re-write date stipulated at this stage	Board Notice 162 of 2012
Representatives appointed for the first time between 1 January 2010 and 31 December 2010	31 December 2012	31 March 2013	Exemption notice to be published in due course.

4.2. Important to note:

This is not a general extension of the level 1 regulatory examination deadline. To qualify for the extended re-write deadline a person must have written the level 1 examination applicable to him/her at least once, i.e. these persons must have attempted the examination at least once.

Persons that have made no attempt to write the level 1 examination to date will not qualify for the extension.

5. AVAILABILITY OF THE EXAMINATION BODIES DURING THE DECEMBER 2012 AND MARCH 2013 PERIOD

- 5.1. For those persons that qualify for the extended re-write date of the level 1 regulatory examination, the time schedules provided below would be important in order for them to register for the examination prior to the deadline:

Examination Body	Last Exam Date 2012	Closure Date 2012	Opening Date 2013	First Exam Date 2013	Public Holidays Jan – March 2013
Moonstone	13/12/2012	14/12/2012	03/01/2013	14/01/2013	<ul style="list-style-type: none"> • 21st March – Human Rights Day • 29th March - Good Friday
FPI	11/12/2012	14/12/2012	07/01/2013	14/01/2013	
Leselo	14/12/2012	14/12/2012	16/01/2013	18/01/2013	

- 5.2. To date, a minuscule number of on-line examinations have taken place. The majority of regulatory examinations taking place continue to be paper-based examinations, as this is the preferred format of candidates registering for the examination.

However, on-line examinations are available as an option especially for those candidates under pressure to meet the deadline. Registration for an on-line examination should only take place 2 days prior to the examination date, where paper-based examinations require a 10 day lead time.

The suggestion made to keep on-line examinations in mind as an option, is not meant to encourage candidates to wait until 2 days before the deadline to re-write the examination. Candidates are strongly advised to plan the examination dates well in advance and to ensure that they have ample time to write the examination and meet the deadline.

6. FSB/INSETA ASSISTANCE WORKSHOPS PROJECT

- 6.1. The preliminary registration period referred to in our previous Information Circular 10/2012 is now drawing to a close, and the roll-out of this initiative is being finalised. The intention is to make these workshops available to the industry from the third week in January 2013 up to the second week in March 2013.

The specific dates and venues of all the workshops will be communicated within next week in an Information Circular and will also be available on the INSETA and FSB websites. Registration will take place via the INSETA website.

7. REGULATORY ACTION AGAINST FSPs THAT DO NOT MEET THE LEVEL 1 REGULATORY EXAMINATION REQUIREMENTS

- 7.1. The correct identification details of FSPs, key individuals and representatives are critical especially the correct ID numbers and/or passport numbers.

The FSB has distributed several communications and requests to FSPs to update their records, and more specifically the ID numbers of all their key individuals and representatives, to ensure that the FSB records are up to date and correct. FSPs are also requested to check the records regularly to ensure that they remain up to date

All examination records are linked to the ID number of the person writing the examination, and since the roll-out of the examinations, problems were experienced in relation to ID numbers specifically. Below are a few examples of the most common problems encountered:

- a. A person would have a particular ID number recorded on the FSB system (this number may be "old" or outdated) and then the person would write the examination with his/her new ID number. When the examination record is uploaded to the FSB then the two different ID numbers for the same person do not link up;
- b. A person is a South African citizen and has an ID number recorded on the FSB system. When the person writes the examination, he/she writes the examination using his/her passport number. When the examination record is uploaded to the

FSB, the two different numbers do not link up and two separate records are created;

- c. A persons' ID number has become outdated and the person is required to obtain a new ID book from the Department of Home Affairs. The ID number on the FSB system is the "old" ID number, because at the time that this ID was recorded on the FSB system, the number was in fact valid, and became outdated after it was captured on the system.

Now that the person uses this same ID to write the examination, and the examination is uploaded to the FSB, the system validates the ID number, and it rejects the number because it has become outdated. Therefore, the examination body cannot upload the exam result until the person has supplied them with an updated ID number, and the FSB has updated its records with the new ID number as well.

- 7.2. The updating of these records is the responsibility of the FSP, and if these records are not accurate, then the accuracy of the communication issued by the Registrar may also be affected. It is therefore of utmost importance for all FSPs to check and confirm that all their records are accurate.
- 7.3. Regulatory action has nevertheless commenced by means of letters of intention to suspend being issued to sole proprietors that, according to the FSB records, are in breach of the level 1 regulatory examination requirements. This process will continue in January 2013.