

FSCA COMMUNICATION 1 OF 2019 (FAIS)

Scripted Execution Of Sales

22 May 2019

1. APPLICATION

This Communication applies to all Category I financial services providers (FSPs).

2. PURPOSE

The purpose of this Communication is to provide guidance to FSPs regarding the process to follow when amending the profiles of their representatives to include scripted execution of sales.

3. AMENDMENT OF FSPs' LICENCE PROFILE

3.1 It has come to the attention of the Financial Sector Conduct Authority ("Authority") that FSPs are not able to electronically upload representatives appointed to perform the execution of sales in terms of a script as referred to in section 22(b)(ii) of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017 ("scripted execution of sales"). This has resulted in FSPs submitting manual notifications of the appointments of representatives to the Authority.

3.2 Please note that a FSP who has not updated its licence profile to reflect that it performs scripted execution of sales will not be able to upload representatives. Therefore, a FSP who meets the requirements applicable to scripted execution of sales and who wants to apply the reduced competency requirements when appointing representatives for scripted execution of sales, must update its licence profile with the Authority to reflect that the FSP is performing scripted sales execution.

3.3 In order to update its licence profile, an FSP must -

3.3.1 on the FAIS e-portal platform, respond to the questions set out in the table below, which encompass the requirements applicable to scripted execution of sales:

| Questions – Scripted execution of sales | | | |
|---|--|-----|----|
| No. | Questions | Yes | No |
| 1. | Is the execution of sales performed in accordance with a script approved by a key individual and relevant governance structure of the FSP? | | |
| 2. | Is the scripted execution of sales performed under the direct oversight of a key individual? | | |
| 3. | Does the key individual/s referred to in question 2 have the required operational ability to oversee the scripted execution of sales? | | |

| Questions – Scripted execution of sales | | | |
|---|---|-----|----|
| No. | Questions | Yes | No |
| 4. | Is the scripted execution of sales performed by telephone? | | |
| 5. | If the answer to question 4 is yes, please indicate – 5.1 whether all telephone conversations with clients are recorded? | | |
| | 5.2 whether the recordings referred to in 5.1 are stored and retrievable? | | |
| 6. | Does the FSP have sufficient and adequate controls in place to ensure and monitor that its representatives appointed for scripted execution of sales does not furnish clients with advice and the sales practices and techniques employed by those representatives are not misleading, false, inappropriate to the expected target clients or will not result in unfair outcomes for clients? | | |
| 7. | Will the FSP, on a regular basis, be able to – 7.1 review the recordings referred to in question 5 and/or monitor the representatives to ensure that they do not deviate from the script or supplement the script with content not approved? | | |
| | 7.2 review and monitor the adequacy and efficiency of its controls and quality assurance processes in relation to the scripted execution of sales? | | |
| | 7.3 review the script for appropriateness and compliance with applicable legislation? | | |

3.3.2 confirm its compliance with the requirements applicable to scripted execution of sales on the FAIS e-portal platform in order for the FSP's license to reflect scripted sales execution; or

3.3.3 where the FSP does not meet the requirements applicable to scripted execution of sales, submit a completed FSP form 2 to FAISPFCA@fsc.co.za, and indicate clearly which requirement(s) it does not meet. The FSP must also inform the FSCA what steps will be taken to ensure that it meets the requirements, and the timeframe by when the FSP will meet the requirements.

3.4 Once the FSP's licence reflects scripted sales execution, it will be able to electronically upload (via the FAIS e-portal platform) the representatives that render scripted sales execution.

3.5 The following steps must be followed when uploading representatives via the FAIS e-Portal platform:

- 3.5.1 Log in to the FAIS e-portal;
- 3.5.2 Select "Profile Changes" from the options available and submit;
- 3.5.3 Select "add new" and select "Addition of Scripted Execution of Sales" from the drop-down menu – then select "create" button;
- 3.5.4 Select "capture" button and answer the relevant questions in respect of the conditions that apply; (Please note that should any of the requirements not be met, a manual submission must be made.)
- 3.5.5 Select "product/s affected" and submit; and
- 3.5.6 Select "validate" button.

Confirmation of the amendment will be provided if all the relevant information was validated successfully.

- 3.6 An FSP must ensure that its representatives are correctly linked to the type of intermediary services that they will be performing on behalf of the FSP and that they meet the competency and other requirements applicable to that activity. Failure to do so may result in regulatory action against the FSP and the representatives.

4. ENQUIRIES

- 4.1 Questions / queries in respect of logging on to the FAIS e-portal can be directed to Aldin.Lottering@fsca.co.za or 012 428 8185.
- 4.2 Any other queries / questions in respect of the amendment of the FSP license in respect of scripted execution of sales can be directed to Sidwell.Francis@fsca.co.za or 012 422 294; Constance.Masilela@fsca.co.za or 012 428 8198.