

FAIS

REQUIREMENTS

2009
and beyond



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So far the requirements for FAIS for short-term insurance have been an interim requirement of a skills programme of 30 or 60 credits at NQF Level 4 for Personal and Commercial Lines respectively. This is required by 31 December 2009.

On 15 of October 2008, the additional requirements were published. Once the interim requirements are achieved, a key individual or representative are required to:

1. complete the Regulatory Exam Level 1 as appropriate for either the key individual or representative;
2. complete the Regulatory Exam Level 2 for the product category you are licensed;
3. inbark on Continuous Professional Development (CPD) of 30 hours for Personal Lines and 45 hours for Commercial Lines over a recurring cycle of 3 years.
4. If a person deals with both Commercial and Personal Lines they should only meet the most onerous requirement i.e. 45 hours per three year cycle.

What does this mean?

Regulatory Exam Level 1:

This exam contains content regarding the legislative framework within which the financial services industry is required to operate.

Therefore the questions are aimed at what the FSB requires a key individual or representative to know about the FAIS Legislation, the Code of Conduct and Money Laundering Control. *BN 105 Annexure 1 stipulates what would be covered in all regulatory examinations;*

This exam is **compulsory** to all key individuals and representatives and no exemptions will be granted by the FSB.

Representatives and key individuals already in the market prior to 31 December 2009, have until 31 December 2011 to successfully complete their Regulatory Exam Level 1.

Regulatory Exam Level 2:

These exams are based on technical and procedural knowledge regarding each relevant product category.

Exemptions may be granted for these exams if:

1. you hold a qualification which is recognised by the FSB as **specific** to the product category. (Information regarding specific qualifications can be obtained from the FSB website at www.fsb.co.za) (*BN 105 Part 3 (7) & (8)*); or
2. you do not operate in the capacity of a representative as defined in the Act. An example would be a key individual who does not have his/her own client base



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and merely manages the business or a part thereof, or a person who is not in a regulatory position.

Representatives and key individuals already in the market prior to 31 December 2009, have until 31 December 2013 to obtain their Regulatory Exam Level 2.

Should a person be licensed for more than one category, the examination for each of the categories will apply. For example, should a person be licensed for both Personal and Commercial Lines insurance, they will be required to either write both regulatory exams (unless they obtain exemption from one or both) depending on the qualification the individual holds.

Continuous Professional Development:

CPD is **compulsory** for all key individuals and representatives. CPD activities are activities as registered and recognized by the FSB for professional development purposes. It therefore relates to activities such as (but not exclusive to):

- Formal studies
- Conferences
- Seminars
- Distance learning
- E Learning
- Self study programmes

These activities must lead to the individual's own development within the short-term insurance industry, and therefore would not

relate to individuals imparting knowledge to others.

CPD activities may be business related in the case of a key individual.

Any company, individual or insurance association may register activities to be recognized by the FSB for FAIS purposes.

Once a representative or key individual obtains their regulatory exams (both levels 1 and 2 where appropriate), the CPD cycle starts.

For example:

- Key individual
 - Regulatory Examination 1 = 2011
 - CPD Cycle applicable from = 1 Jan 2012
- Key individual registered as a representative
 - Regulatory Examination 1 = 2011
 - Regulatory Examination 2 = 2013
 - CPD Cycle (Applicable from) = 1 Jan 2014

Should a person be licensed for more than one category the most onerous requirement would apply, i.e. a person licensed for both Personal and Commercial Lines insurance would have a requirement of 45 hours per 3 year cycle for CPD.

Qualifications:

The FSB have divided qualifications into two types, those that are generic to the



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financial services industry and those that are **specific** to a product category.

Generic qualifications would include general degrees containing financial subjects, or qualifications which apply to the wider financial services sector without covering any detail on a specific product category.

Specific qualifications are such qualifications which address information and knowledge regarding specific products and product category processes. Each qualification is judged against the qualifying criteria of the Regulatory Exam Level 2 to determine whether that qualification can be regarded as specific or not.

Should the qualification cover at least 80% of the Regulatory Exam Level 2 it is then considered to be specific, thus granting individuals who have achieved such qualifications exemption to the Regulatory Exam Level 2.

For the list of qualifications refer to notice *BN 105 Annexure 2* on the FSB website at www.fsb.co.za.

Applications for qualifications not on the list may be submitted to the FSB for consideration by:

- any training provider which offers a new or existing qualification not on the list
- any individual holding a qualification not listed; or

- any employer or association which represents a group of individuals who hold a particular qualification not on the list.

It is the FSB's intention to update the list during the year when necessary.

What about new people employed in the industry?

New entrants that enter the industry after 1 January 2010, will be required to complete a full industry related qualification in addition to the requirements listed above.

The timeframes imposed on such a person is as follows:

- Regulatory Exam Level 1 within 2 years of date of appointment in a regulatory role
- Full qualification within 5 years of date of appointment in a regulatory role
- Regulatory Exam Level 2 (if applicable) within 6 years of date of appointment in a regulatory role

All new entrants are subjected to working under supervision as per the FAIS regulations until such time as they have completed all of the above requirements.

This means that a new entrant may not be under supervision for a period longer than 6 years.



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Supervisory activities may include (but are not limited to)

- Pre-transaction sign off
- Sign off on advice given to clients
- Attending meetings with the client where advice is given
- Appropriate post transaction sampling
- Spot checking calls made to/from clients
- Follow up calls to clients after advice or financial service is rendered to the client

A formal supervision contract is required

as part of the employment pack of a person in a regulatory role which details the relationship of supervision between the appointed supervisor and supervisee.

The extent of supervision required is direct supervision for the first 2 months of appointment and thereafter ongoing supervision until such time as the person has completed all the FAIS requirements. Only then will the key individual or representative be allowed to operate without supervision. However from 2010 a key individual must meet the experience requirements on date of approval. ●

Transitional arrangements

2004 - 2007:

Qualification (BN91 of 2006)	: 31/12/2009
RE1	: 31/12/2011
RE2	: 31/12/2013

2008:

Qualification choices:

As per BN 91 of 2006	: 31/12/2011
OR	
As per BN 106 of 2008	: 31/12/2013
RE1	: 31/12/2011
RE2	: 31/12/2013

2009:

Qualification (Full)	: 31/12/2013
RE1	: 31/12/2011
RE2	: 31/12/2013

Operational ability	: 31/12/2009 (Effective from 1/1/2010)
Financial soundness	: 31/12/2010 (Effective from 1/1/2011)



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