

FINANCIAL SERVICES BOARD



FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 ("FAIS ACT")

FAIS CIRCULAR 3/2013

DATE: 20 March 2013

Information Circular: Reporting of Material Irregularities by Compliance Officers / Compliance Practices

1. PURPOSE

Section 17(1)(c) of the FAIS Act read together with section 19(4) provides that the compliance officer of an authorised financial services provider ("FSP") must report to and inform the Registrar in writing of Financial Services Providers of any irregularity or suspected irregularity in the conduct or the affairs of the authorised FSP concerned of which the compliance officer became aware in performing functions as compliance officer, and which, in the opinion of the compliance officer, is material.

An event of non-compliance with or a breach of, the FAIS Act and any event that has or has a potential to have an adverse effect on the regulatory authorisation of the FSP or the clients of such provider will be referred to as an "irregularity" and any reference to "irregularity" will include a reference to "suspected irregularity". This means that this type of reporting should not be delayed to form part of the periodic compliance reports to the Financial Services Board ("FSB"). Reporting of material irregularities assists the FSB in its supervisory duties and contributes valuable information in identifying trends of non-compliance.

The compliance officers may consider other sources of information for guidance on determining Irregularities. A Guide on reporting of material irregularities was published by the Compliance Institute of Southern Africa for additional information.

2. METHODS OF REPORTING

There are currently two methods of reporting available to compliance officers:

- Hard copy submission; or
- Electronic submission by way of the FAIS online reporting system(preferred method)

It is important to note that:

- Irregularity reports submitted by approved compliance officers in respect of an FSP, for which they are the approved compliance officer, will be dealt with as a Section 17(1) (c) irregularity report and will be handled by the FAIS Supervision Department.
- Irregularity reports submitted by approved compliance officers in respect of an FSP for which they are not the approved compliance officer, will be dealt with as a complaint and will be handled by the FAIS Compliance Department.

When making a report and having given due regard to the facts of his report the compliance officer should proceed to complete the Material Irregularity Report which can be accessed on the FSB's website under the FAIS tab and sign the declaration accordingly. The online user process below will assist with the online submission of an irregularity report.

3. SUBMITTING AN IRREGULARITY REPORT VIA THE FAIS ONLINE SYSTEM

a. Registering to use the online system

- Go to www.fsb.co.za.
- Click on "FAIS" on the top right hand corner

- Scroll down to the heading “Supervision Department” and click on “Online submissions of compliance reports and financial statements”
- Click on “Online program” and you will be directed to **screen A** below
- Click on “Register” and you will be directed to **screen B** where you will be asked to enter your ID number
- After entering your ID number click on “register” and the password will be e-mailed to the e-mail address on record for the approved compliance officer.
- If your e-mail address has changed and the Registrar has not been notified you may send an e-mail to Faiscomp1@fsb.c.o.za or Faiscomp2@fsb.co.za requesting that the e-mail address of the compliance officer be updated.

SCREEN A:

Actuarial Information Center	Capital Markets Inspectorate	C.I.S Insurance	Communication Legal Policy	Consumer Education Market Abuse	FAIS Retirement funds
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Document Search

Please Logon

Please note that the logon procedure has changed and you should now logon using your ID number (and not your email address)

ID Number

Password

Logon

Register

Forgot Password

User Guides
[FAIS Compliance report online user guide](#)
[Financial Statement online user guide](#)

Should you experience any problems please send an email to faiscomp1@fsb.co.za

SCREEN B:

Actuarial	Capital Markets	C.I.S	Communication	Consumer Education	FAIS
Information Center	Inspectorate	Insurance	Legal Policy	Market Abuse	Retirement funds

Document Search

FAIS Online Registration

Please Complete Your ID Number!

ID Number	<input type="text"/>
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If you have any enquiries please contact the FSB call centre - 0800 110 443

b. Logging onto the system

- Go to www.fsb.co.za.
- Click on "FAIS" on the top right hand corner
- Scroll down to the heading "Supervision Department" and click on "Online submissions of compliance reports and financial statements"
- Click on "Online program" and you will be directed to **screen A** above
- Enter your ID number and password and click on the "login" button

c. Submitting the report

- Select the correct FSP from the drop down list of FSPs for the compliance officer
- Select that you want to submit an “Irregularity Report”
- Type in the date field will automatically be populated with the date on which the user is submitting the report.
- Click on the “submit” button

The screenshot shows a web application interface for submitting a report. At the top, there is a navigation bar with tabs: Actuarial Information Center, Capital Markets Inspectorate, C.I.S Insurance, Communication Legal Policy, Consumer Education Market Abuse, and FAIS Retirement funds. Below this is a 'Document Search' section with a dropdown menu set to 'ALL' and a 'Find!' button. The main content area displays 'Name: TEST TEST' and a dropdown menu for 'FSP: 2 - TEST 2 WITHOUT'. Below this is a list of report types: Compliance Reports, Query FSP Detail, Financial Statements, Extension Request for Financial statements, Update Contact Details, Profile Changes, Handover Report, and Irregularity Report. The 'Irregularity Report' option is selected and circled in red. Below the list is a 'Date:' field with the value '13/07/2012' circled in red. At the bottom, there are three buttons: 'Submit' (circled in red), 'Change Password', and 'Logout'.

- Complete Sections A, B and C and upload the signature page as well as any other supporting documentation applicable to the report.

Section A:

- The compliance officer name, ID number, practice number, FSP number and FSP name fields will all automatically be completed by the system
- The user should confirm their work telephone number, call phone number and e-mail address.
- The signature page that must be completed and signed must be downloaded here.

SECTION A - COMPLIANCE OFFICER DETAILS	
Compliance Officer name	TEST TEST
ID Number	3
Practice number	12
FSP number	2
FSP name	TEST 2 WITHOUT
Work phone no	
Cell phone no	
Email address	

Section B:

- Select whether the report is an “immediate” or “delayed” report (select one option only)
- Indicate what the irregularity is in respect of e.g. The FSP has rendered financial services in respect of financial product that they are not licensed for then the user would select “Product”

SECTION B - IRREGULARITY CATEGORY	
Please select the type of report :	<input type="checkbox"/> IMMEDIATE <input type="checkbox"/> DELAYED
Licence	<input type="checkbox"/>
Product	<input type="checkbox"/>
Finance / Capital	<input type="checkbox"/>
Litigation / Disciplinary	<input type="checkbox"/>
Custody of funds	<input type="checkbox"/>
Other	<input type="checkbox"/>

Section C:

- Enter the date of the discovery of the irregularity
- Enter the date that the event occurred
- Provide a brief explanation regarding the irregularity
- Indicate whether the matter has been resolved by the FSP or not
- Indicate whether the Key Individual has been notified of the irregularity or not

SECTION C - DETAILS AND NATURE OF IRREGULARITY	
Date of Discovery	<input type="text" value="01/01/1901"/> (DD/MM/YYYY)
Date of Occurrence	<input type="text" value="01/01/1901"/> (DD/MM/YYYY)
Details of irregularity	<div>1000 characters remaining</div> <div></div>
Has the matter referred to above been resolved by the FSP?	<input type="text" value="v"/>
Have the KIs been advised of this irregularity report?	<input type="text" value="v"/>

Attaching the signed declaration and any other supporting documentation:

- Save a copy of the signed declaration page any other supporting documents to your computer
- Click on the “upload documents” button

Please attach additional information to this submission as required using the button below

Upload Documents

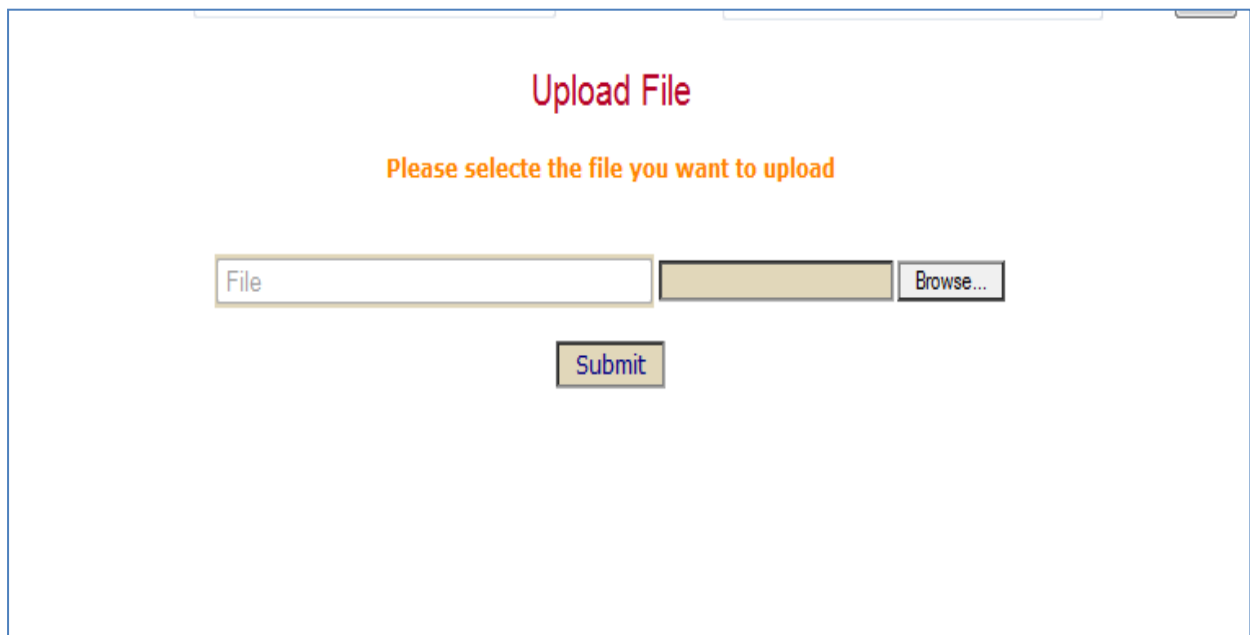
Please complete the Work telno

Submit

Back Log Out

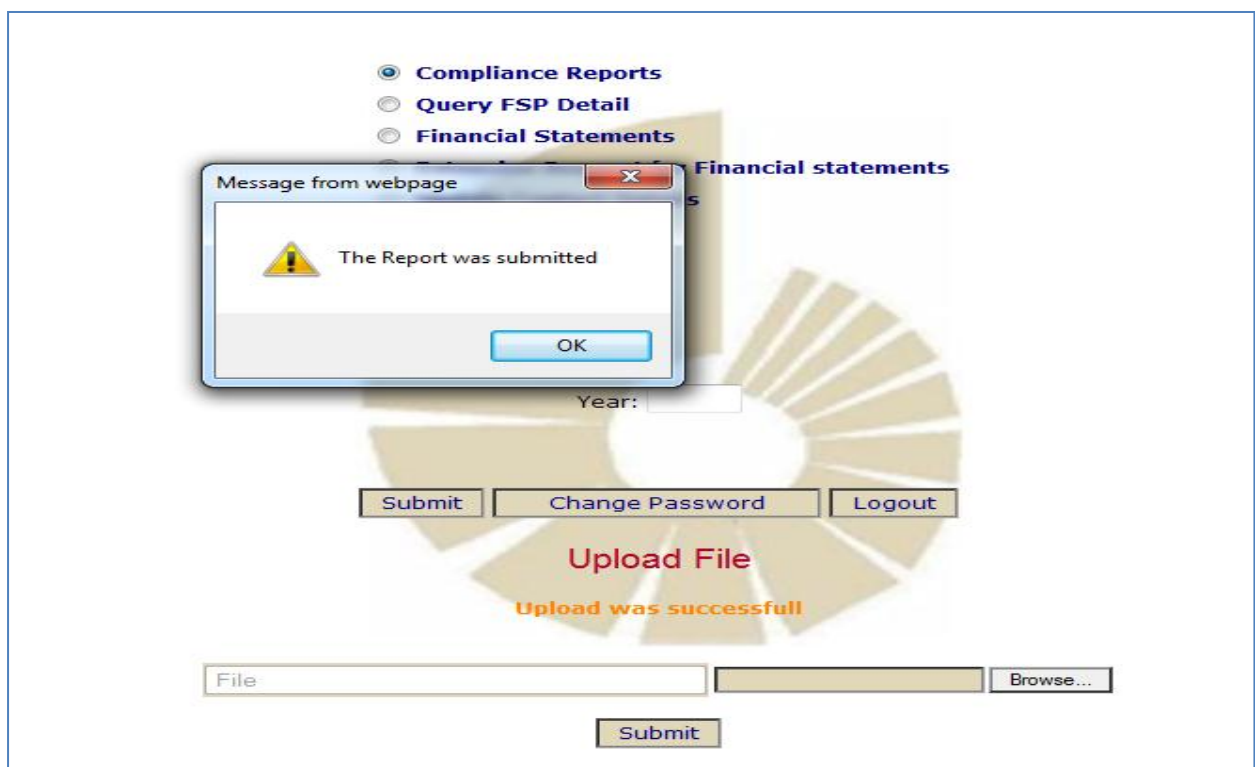
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- Click on the “browse” button
- Select the document for upload from the folder on your computer
- Click on “open”
- Click on “submit”



The screenshot shows a web form titled "Upload File" in red text. Below the title is an orange instruction: "Please selecte the file you want to upload". The form contains a text input field labeled "File", a "Browse..." button, and a "Submit" button.

- The user will receive a message stating that the report was submitted
- Click on “ok”



The screenshot shows the same "Upload File" web form as before, but with a "Message from webpage" dialog box overlaid. The dialog box has a yellow warning icon and the text "The Report was submitted". It includes an "OK" button. In the background, the form shows a "Year:" input field, "Submit", "Change Password", and "Logout" buttons. Below the dialog box, the text "Upload File" and "Upload was successfull" are visible, along with the "File" input field and "Browse..." button.

Once the report is submitted, an automated receipt will be received by the FSB. Compliance officers are required to check that the report reflects on the client profile correctly and keep the receipt for future reference.