

FINANCIAL SERVICES BOARD**FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002****("FAIS ACT")****FAIS CIRCULAR 10/2012****DATE: 24 October 2012****Information Circular: Level 1 Regulatory Examinations Update****1. INTRODUCTION**

The FSB would like to express its appreciation to the FSPs, key individuals and representatives that have shown commitment and dedication in writing and completing the level 1 regulatory examination within the timelines provided.

The purpose of this circular is to provide a comprehensive update regarding the level 1 regulatory examinations. The following aspects will be addressed:

- Current statistics for the level 1 regulatory examinations;
- The extension of the date at which the level 1 regulatory examination can be "re-written" in order to successfully complete it;
- The availability of the Afrikaans level 1 regulatory examinations and the dates for the Afrikaans examination sessions;
- The FSB/INSETA Assistance Project aimed at providing additional assistance to those candidates who are struggling to successfully complete the level 1 regulatory examination;
- The dates that apply to the various level 1 regulatory examinations;
- Regulatory action that is to be taken against providers who did not comply with the level 1 regulatory examination deadline of 30 June 2012.

2. CURRENT STATISTICS FOR THE LEVEL 1 REGULATORY EXAMINATIONS

The statistics for the regulatory level 1 examinations as drawn on 10 October 2012 is provided below. In addition, for comparative purposes, the statistics drawn on 6 September 2012 is also provided.

2.1. RE1 - Key Individual Regulatory Examination Statistics

	Description	10 Oct 2012	%	6 Sept 2012	%	Comment
1	Number of FSPs/SP with affected KIs	10 339	-	10 204	-	Total number of FSPs that have key individuals that fall in the transitional period (prior to 2010)
Number of affected KIs & Sole Proprietors						
2	Number of affected KIs and SP	16 424	-	15 923	-	Total number of key individuals affected
Breakdown of affected KIs / SP						
3	Sole proprietors	2 492	15%	2 463	15%	Of the total number of affected key individuals, this is the number of sole proprietors
4	Key individuals	12 119	74%	11 675	73%	The total number of key individuals (that are not sole proprietors) that must write the examination
5	Key individuals of juristic representatives	1 813	11%	1 785	11%	The total number of key individuals (of juristic representatives) that must write the examination
Pass / Fail						
6	Persons attempted exam	13 294	81%	12 933	81%	The number of key individuals/SP that have attempted the RE1
7	Number of persons passed	11 151	84%	10 254	79%	The total number of key individuals/SP that was successful in completing the RE1
8	Number persons rewrite	2 143	16%	2 679	21%	The total number of key individuals/SP that must re-write the examination
Exclusions						
9	Number of persons exempted	97	0.59%	268	1.7%	Total number of key individuals / sole proprietors that applied for exemption in terms of BN102 of 2012
10	Number of persons invalid IDs	186	1.14%	207	1.3%	Total number of key individuals/SP with invalid identity numbers. They have been notified and must correct the numbers to ensure their results can be verified.
11	Number of persons not attempted	2 592	15.82%	2 534	16%	The total number of key individuals/SP that have not made any attempt to write the RE1.

2.2. RE5 - Representative Regulatory Examination Statistics

	Description	10 Oct 2012	%	6 Sept 2012	%	Comment
1	Number of Representatives	119 506	-	118 650	-	Total number of representatives

	Description	10 Oct 2012	%	6 Sept 2012	%	Comment
2	Number of representatives that must write by 30 June 2012	81 606	-	80 490	-	Total number of representatives that fall into the transitional period that must have written the RE 5 at least once by 30 June 2012
Pass / Fail						
3	Persons attempted exam not exempted	73 151	90%	71 980	89%	The number of representatives that have attempted the RE5
4	Number of persons passed	62 515	85%	58 840	82%	The total number of representatives that was successful in completing the RE5
5	Number persons rewrite	10 636	15%	13 140	18%	The total number of representatives that must re-write the examination
Exclusions						
6	Number of persons exempted	19 669	16%	19 580	17%	Total number of key individuals / sole proprietors that applied for exemption in terms of BN102 of 2012
7	Number of persons invalid IDs	1 081	1%	1 028	1%	Total number of representatives with invalid identity numbers. They have been notified and must correct the numbers to ensure their results can be verified
8	Number of persons not attempted	6 398	5%	6 753	6%	The total number of representatives that have not made any attempt to write the RE5

2.3. Afrikaans Regulatory Examination Statistics (Extracted from the overall statistics)

	Description	RE51	%	RE55	%	Comment
1	Persons registered for the Afrikaans examination	414	2.5%	1 334	1.6%	RE51* : Of the total number of 16 424 persons affected 2.5% registered for the Afrikaans examinations. RE55** : Of the total number of 81 606 persons affected 1.6% registered for the Afrikaans examinations.
2	Persons that have written	387	2.9%	1 292	1.8%	RE51 : 2.9% of the total number of attempts (13 294) were in Afrikaans. RE55 : 1.8% of the total number of attempts (73 151) were in Afrikaans.
3	Persons that have passed	124	32%	456	35%	RE51 : Out of 387 persons that have written the RE1 in Afrikaans, 32% were successful. RE55 : Out of the 1 292 persons that have written the RE 5 in Afrikaans, 35% were successful.
4	Persons that	263	68%	836	65%	RE51 : Out of 387 persons that have written

Description	RE51	%	RE55	%	Comment
must re-write					<p>the RE1 in Afrikaans, 68% must re-write the RE1 by 31 March 2013.</p> <p>RE55: Out of the 1 292 persons that have written the RE 5 in Afrikaans, 65% must re-write the RE5 by 31 March 2013.</p>

* RE51 is the Afrikaans version of the RE1 and refers to the level 1 regulatory examination for key individuals for Category I, II, IIA, III and IV.

**RE55 is the Afrikaans version of the RE5 and refers to the level 1 regulatory examination for representatives.

3. THE EXTENSION OF THE “RE-WRITE” DEADLINE

The Determination of Fit and Proper Requirements for Financial Services Providers and Representatives, 2008, requires that FSPs, key individuals and representatives authorised, approved or appointed prior to 2010 to successfully complete the relevant level 1 regulatory examination by 31 December 2011.

However, in July 2011 the Registrar announced that he was going to extend the deadline from 31 December 2011 to **30 June 2012**. He further announced that a person who has written the examination applicable to him/her at least once by 30 June 2012 but who was unsuccessful in his/her attempt would have an additional 3 months until **30 September 2012** (the rewrite deadline) to re-write and pass the examination. This extension was called the General Exemption: Level 1 Regulatory Examination, 2011, and was published by Board Notice 199 of 2011(the General Exemption).

In April 2012, the General Exemption was extended to representatives who were required to successfully complete the relevant level 1 regulatory examination between 1 January 2012 and 30 June 2012 and foreign providers.

Examination statistics that were drawn on 6 September 2012 reflected that, in total, 15 819 sole proprietors, key individuals and representatives still had to successfully complete the level 1 regulatory examination(s) by 30 September 2012.

The Registrar, after due consideration of, *inter alia*, the examination statistics, decided to extend the 30 September 2012 rewrite deadline to 31 March 2013. It is important to note that the extension of the 30 September 2012 deadline only applies to those persons who have already demonstrated their commitment to complete the regulatory examinations, i.e. those who have written the examinations at least once before 30 June 2012. In addition, the Registrar extended the date by which foreign providers must write the relevant level1 regulatory examination from 31 December 2012 to 30 June 2013. The extension was called the Amendment of the General Exemption: Level 1 Regulatory Examination, 2012, and was published by Board Notice 162 of 2012.

4. AVAILABILITY OF THE AFRIKAANS EXAMINATIONS

It is necessary, as a result of the extension of the re-write deadline from 30 September 2012 to 31 March 2013, to translate additional examination questions into Afrikaans in order to provide for extra Afrikaans examinations before 31 March 2013.

The translation process previously followed with the Afrikaans examinations must therefore be repeated in order to make these additional examinations available. However, the dates for the Afrikaans examinations have been set, and the details regarding these dates are provided below:

	DATE	DAY	TIME	REGULATORY EXAMINATION LEVEL 1	NUMBER OF SESSIONS
1.	20 November 2012	Tuesday	11H30	Key Individual (RE51)	1
	20 November 2012	Tuesday	11H30	Representative (RE 55)	1
2.	4 December 2012	Tuesday	11H30	Key Individual (RE51)	1
	4 December 2012	Tuesday	11H30	Representative (RE 55)	1
3.	29 January 2013	Tuesday	11H30	Key Individual (RE51)	1
	29 January 2013	Tuesday	11H30	Representative (RE 55)	1
4.	19 February 2013	Tuesday	11H30	Key Individual (RE51)	1
	19 February 2013	Tuesday	11H30	Representative (RE 55)	1
5.	12 March 2013	Tuesday	11H30	Key Individual (RE51)	1
	12 March 2013	Tuesday	11H30	Representative (RE 55)	1
6.	26 March 2013	Tuesday	11H30	Key Individual (RE51)	1
	26 March 2013	Tuesday	14H30	Representative (RE 55)	1

Please remember that all registrations for the Afrikaans examinations must take place via Moonstone. Therefore, registrations for the Afrikaans examinations must be made directly with them.

5. FSB/INSETA REMEDIAL INTERVENTION

Research conducted in terms of the regulatory examinations have shown that where candidates have written the examination twice or more, the following key factors can be ascribed towards their failure to pass the regulatory examinations:

- The candidate cannot see any link between the content of the examination and his/her job role. As a result, the content that should be studied appears to be

irrelevant. A candidate will therefore attempt to memorise the content instead of understanding the content.

- Candidates do not read the multiple-choice questions carefully to ensure that they understand what they have read and what the question requires of them. Often the candidate makes certain assumptions while reading the question and then chooses an answer before ensuring that he/she understands what is being asked.
- Candidates do not know how to analyse multiple-choice questions and as a result, some candidates become overwhelmed with the information that is supplied.
- Candidates are not aware of the examination techniques that can be used to make writing the examination easier and more effective.
- Candidates are not aware how the information supplied in the Preparation Guide that is available on the FSB website can actually assist them in their preparation as well as enhance their understanding of the content of the examination. Further, how to use the information supplied to obtain the maximum benefit for them.

In an attempt to assist candidates that are faced with some, or all of these challenges, the FSB and the INSETA will be joining forces to assist the candidates to pass the relevant level 1 regulatory examination.

PLEASE NOTE: In order to co-ordinate an effective roll-out strategy, information is required from the affected candidates. This is extremely important as the information supplied will inform how, when and where assistance sessions can be provided. It is therefore critical for all candidates that will require assistance to submit their details via the “Preliminary Registration” process that is available on the websites provided below.

5.1. Preliminary registrations

The preliminary registration process is split into two different types of registrations:

- Individual registrations – this registration process is for individuals in the industry that would want to attend one of the sessions that will be rolled out. Individuals must therefore supply the FSB / INSETA with his/her details so that assistance can be made available to him/her. By supplying contact details, the candidate would enable the FSB/INSETA to communicate with him/her directly in order to supply him/her with any relevant information regarding this intervention.
- Corporate registrations – this registration process is for corporates who would like their internal Training Departments to receive “Train-the-Trainer” sessions where

their own trainers are up-skilled to incorporate the content of this assistance session into their normal regulatory examination training. To assist the candidates in their organisation that are required to re-write the level 1 regulatory examination by 31 March 2012.

The benefit for an organisation taking part in the assistance sessions is that apart from assisting its employees/agents to pass the level 1 examination, it will assist an organisation to enhance its training programs relating to the regulatory examinations.

The Registrar, once sufficient information has been obtained through the preliminary registration process, will make available a final registration process where a person can register for an assistance session at a specific

5.2. Website details

The INSETA website will be used for all registration related activities, and those who would like to submit their details for the preliminary registrations should please go to:

www.inseta.org.za

On the home page please go to “*Learner Registration for Remedial Intervention*”. All the information regarding both preliminary registration processes can be found here.

Alternatively, the link to the INSETA website is available on the FSB website.

5.3. Cost for the assistance events

There is no cost for a candidate to attend one of the assistance sessions, but candidates must please bear in mind that this initiative is there to assist those candidates that are finding it difficult to pass the regulatory examinations. Individuals should, therefore, not register for multiple sessions as the content of the sessions is exactly the same. In addition, registering for multiple sessions may lead to some candidates not being accommodated due to a lack of space.

Candidates are further requested to attend the sessions for which they have registered and that if they cannot attend to cancel their registration well in advance in order to ensure that other candidates can be accommodated.

6. CLARIFICATION OF THE DATES FOR THE LEVEL 1 REGULATORY EXAMINATIONS

RE	DEADLINE	RE-WRITE DEADLINE	EXEMPTION NOTICE
RE1 (Key individual for Category I, II, IIA, III and IV)	30 September 2012	31 March 2013	Board Notice 162 of 2012 read with Board Notice 61 of 2012
RE3 (Key Individual for Category II and IIA)	30 September 2012	31 December 2012	Remains unchanged
RE4 (Key individual for Category III)	30 September 2012	31 December 2012	
RE5 (Representatives of Categories I, II, IIA, III and IV excluding representatives for subcategories 1.1 and 1.19)	30 September 2012	31 March 2013	Board Notice 162 of 2012 read with Board Notice 61 of 2012
Foreign FSPs	30 June 2013	No re-write date stipulated at this stage	Board Notice 162 of 2012
Representatives appointed between 1 January 2010 and 30 June 2010	30 September 2012	31 March 2013	Board Notice 162 of 2012 read with Board Notice 61 of 2012

7. REGULATORY ACTION AGAINST FSPs THAT ARE NO LONGER COMPLIANT WITH THE FIT AND PROPER REQUIREMENTS

The majority of the industry responded positively and made every attempt to meet the regulatory examination requirements. The effort that FSPs, and individuals have made to meet the deadlines did not go unnoticed and the Registrar commends those individuals and the FSPs that went through great lengths in order to ensure compliance with the deadlines.

As can be seen from the statistics supplied in item 2.1 and 2.2 above, there are a number of FSPs, key individuals and representatives that have chosen not to make any effort to comply with the regulatory examination requirements.

The Registrar, therefore, will commence with regulatory action against those persons who are in non-compliance with the level 1 regulatory examinations.