

### Mock Exam 3

1. Long term insurance subcategory B1 refers to
  - a. Policies that require limited underwriting
  - b. Investment policy, which guarantees minimum return, at a specified date
  - c. Disability, health & life policies
  - d. A policy which doesn't give you the option to request change

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2. Which one of the following is an example of advice in terms of the FAIS Act?
  - a. Recommending termination of a financial product or investment
  - b. Providing information about a particular financial product
  - c. Recommending that a particular financial product be kept in safe custody
  - d. Providing advice in relation to the description of a particular financial product

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3. An individual who wants to work as an independent broker is obliged to register and obtain a license as an FSP in terms of FAIS if he wants to render:
  - a. Any services to clients
  - b. A financial service to client
  - c. An administrative service to clients
  - d. A legal service to clients

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4. Which one of the following is NOT an intermediary service?
  - a. Keeping a financial product in safe custody
  - b. Telling a client which product supplier to use
  - c. Processing a clients' claim against a product supplier
  - d. Collecting premium payments

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5. The function of a Key Individual.
  - a. May be outsourced, like compliance function
  - b. Must be performed by an official in the business, who is devoted to it full time
  - c. Must be performed by an authorised representative
  - d. May be performed by a director or manager in the business

6. Which one of the following statements correctly distinguishes between advice and intermediary services in terms of FAIS?
- a. John recommended to Sandy a financial product, while Tom helped her to process a claim against her short-term insurer.
  - b. John drafted a report on a financial product for Sandy, without indicating whether it meets her needs or not, while Tom collected arrear premiums from Sandy
  - c. John advised Sandy to terminate a financial product, while Tom afterwards guided her to purchase a new financial product.
  - d. John took Sandy's will and policy contracts to keep in safe custody, while Tom assisted her in reinstating a policy.
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7. Which one of the following does NOT describe an aspect of the role of a representative acting for on the behalf of a financial service provider?
- a. A person rendering legal, accounting or technical services to a client
  - b. A person rendering services to a client by offering advice on dealing with a financial product.
  - c. A person leading a client to a specific transaction in respect of a financial product in response to a general enquiry
  - d. A person who is required to exercise judgement when dealing with a client in respect of a financial product.
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8. Anele has been appointed as a key individual with Excel Life. She does not understand why she has to comply with the "Fit and Proper" requirement if the CPD (continuous professional development) because she will no longer give advice. How would you explain to her the objective of the CPD requirement for key individuals in terms of FAIS?
- a. Aneles professional competence as an adviser will be maintained and developed should she want to go back to being a representative at a later stage.
  - b. Aneles professional competence as a key individual will be maintained and developed if she keeps up to date with the latest knowledge and skills of financial services.
  - c. Aneles professional competence will be developed to prepare her for more senior positions that are linked to FAIS.
  - d. Aneles professional competence will be maintained and developed to prepare her for the position of compliance officer.
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9. The first and second level regulatory examinations must be completed :
- a. Within two years from the date of first appointment
  - b. Within two to six years respectively, from the date of first of appointment
  - c. Within five years from the date of first of appointment
  - d. Within three years and six years respectively, from the date of first of appointment

10. The disclosure required from the FSP's by the FAIS Act offers the following benefits to customers:
- a. The capacity to make unbiased purchase decisions
  - b. The assurance that all legal requirements have been met
  - c. The confidence to trust the integrity of the FSP
  - d. The ability to make well informed final decisions
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11. Accountable institutions in the FIC Act:
- a. Banks
  - b. Banks, estate agents, collective investment schemes and long term insurance companies (including an insurance broker and representative of an insurer)
  - c. Banks, estate agents, attorneys, trust companies, collective investment schemes and long term insurance companies (including an insurance broker and representative of an insurer)
  - d. Banks, estate agents, attorneys, trust companies and long term insurance companies
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12. Assume that you work for the Commissioner, and you are doing an inspection of the register of representatives at the office of a financial services provider in terms of FAIS. You notice that the only information contained in the register is about representatives, and it shows the persons name and address and the most complicated product category on which the representative is authorised to provide advice. Which one of the following recommendations should be contained in your feedback to the financial services provider?
- a. The additional information that must be included has to show all the categories for which each representative is working under supervision. The same information must be added for all key individuals.
  - b. The additional information that must be included has to show all the categories for which each representative is authorised, whether the representative acts for FSP as an employee or mandatory and whether the representative is working under supervision. The same information must be added for all key individuals.
  - c. The additional information that must be included has to show whether the representative acts for the financial services provider as an employee or mandatory, the representatives annual income and qualifications.
  - d. The additional information that must be included has to show whether the representative acts for the financial services provider as an employee or as mandatory, the number of years employed by the financial services provider and the persons qualifications.

13. Mary, an investment adviser at a bank for several years, has established ties with several wealthy bank clients. She recommends that her clients invest in a particular product to improve her chances of winning a major sales competition, without telling them why. Which one of the following best describes her conduct?
- She acted dishonestly and unprofessionally in giving her clients advice that might not have been the best for them.
  - She acted dishonestly and unprofessionally in putting her interests above those of the clients.
  - She acted dishonestly and unprofessionally in giving her clients advice that might not have been the best for them and putting her interests above theirs
  - She acted dishonestly and unprofessionally in changing client investments in a way that could have cost them money.
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14. The Ombudsman's rulings has to do with :
- The nature of compliant
  - The complexity of the compliant
  - The time lapsed between the incident and receiving the complaint
  - Appropriate and fairness
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15. Which of the following does not amount to an undesirable business practice?
- Prejudicing clients
  - Not informing clients of a change in contact details
  - Deceiving clients
  - Unfairly affecting clients
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16. When an FSP's licence is suspended in terms of FAIS, the Commissioner may determine conditions for lifting the suspension of the licence. These conditions may include:
- Arrangements to ensure that FSP's interests are protected
  - That the FSP may not start or finalise any new business from two weeks after the suspension date
  - Arrangements for the finalisation of business not completed by the suspension date.
  - That existing and unfinished business should be cancelled before the client is referred to someone else.

17. One of the duties of the Commissioner of Financial Services Provider is to:
- Deal with complaints about poor or inappropriate advice.
  - Deal with complaints relating to contractual issues between a client and a financial services provider
  - Issue licenses to financial services providers
  - Examine periodic actuarial and financial reports from insurers
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18. Maria approached the Ombudsman for financial services providers to lodge a complaint against an FSP, who gave her poor advice two years ago, as a result of which she suffered a financial loss. She instituted court proceeding before she lodged the complaint. The Ombudsman would probably respond as follows:
- Each party will have the opportunity to be heard
  - He will decline to investigate a complaint based on something that happened more than two years ago
  - He will decline to investigate a complaint if the complainant instituted court proceedings before lodging the complaint with the Ombudsman
  - He will determine that the complaint be upheld unbiased judgement in adjudication disputes
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19. On suspension of a licence, the resources available to a financial services provider is applying to the Commissioner
- Reinstate the licence
  - Not to suspend the licence
  - Make submission on cancelling the suspension
  - Amend the period of the suspension of the licence
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20. Which of the following is NOT among the disclosures to be made by a financial product provider about the monetary obligations of that product provider to the financial services provider
- Any incentive payable
  - Any commission payable
  - Any fees payable
  - Any maintenance payable

21. Which of the following is not among the disclosure to be made by a financial product provider about the monetary obligations of the client:

- a. The frequency of the payment
  - b. The ability of the client to make the payment
  - c. The nature of the payment
  - d. The consequences of client non-payment
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22. Ethical conduct in the financial services environment is conduct which is:

- a. Consistent in its approach to clients and product providers according to the FAIS Act
  - b. Aligned with the FAIS General Code of Conduct and other relevant legislation
  - c. Appropriate having regard to the circumstances of each case according to the FAIS Act
  - d. Beneficial to the largest possible number of parties concerned according to the FAIS General Code of Conduct
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23. If a financial services provider does not resolve a complaint to the satisfaction of the client, the FSP must inform the client of other alternatives in terms of the law. Which of the following is included in those possibilities:

- a. Reporting the matter to the financial services board
  - b. Advising that the complaint may be pursued with the applicable.
  - c. Submitting the complaint to the relevant court law
  - d. Appealing the decision the FSP to the Banking Ombudsman or Long Term Insurance Ombudsman
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24. The impact of the disclosure requirements of FSP's is that they have to:

- a. Print the disclosure on all their official correspondence and voice -recorder communications to clients
- b. Ensure that disclosure are displayed in such a way that they are clearly visible to any person, whether a client or not
- c. Draw up the required disclosure documents an ensure that representatives use them during client interactions
- d. Design interactive business processes support by technology to ensure that disclosures are made consistently

25. The definition of a complaint in terms of the FAIS Act means a complaint concerning the rendering of a financial service to the complainant which results in:
- a. The complainant having suffered losses to market volatility
  - b. An unpleasant interaction between the complainant and the representative
  - c. The complainant suffering financial damage or damage caused to the complainant
  - d. The representative failed to comply with the provisions of the FICA Act
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26. The first and second regulatory level examinations must be completed :
- a. Within two years from the date of first appointment
  - b. Within two to six years respectively, from the date of first appointment
  - c. Within three years and six years respectively, from the date of first appointment
  - d. Within three and six years respectively
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27. Which of the following is NOT included in the definition of a product supplier in terms of the FAIS act? Any person:
- a. Authorised to issue a financial product
  - b. Approved to issue a financial product
  - c. Granted the right to issue a financial product
  - d. With the ability to issue a financial product
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28. If the financial services are rendered by a person NOT authorised as a financial services provider or representative, the agreement between the product supplier and the client will:
- a. Still be enforceable, although the service was rendered by an unauthorised person
  - b. Not be enforceable, because the service was rendered by an unauthorised person
  - c. Regarded as though it never existed because the service was rendered by an unauthorised person
  - d. In enforceable only by the client because the service was rendered by an unauthorised person
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29. To keep their knowledge up to date the representatives are required to complete:
- a. 6 hours of CPD activities between 31 May – 1 June
  - b. 6 hours of CPD activities between 1 June – 31 May
  - c. 8 hours of CPD activities between 1 June – 31 May
  - d. 8 hours of CPD activities between 31 May – 1 June
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30. Debarment means that a representative :
- a) May work under supervision for at least 12 months
  - b) May not work for the same FSP for longer than a year
  - c) May not work as representative for a period of 12 months or more
  - d) Had to submit a new application for registration to the Registrar
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31. Debarment of representative means:
- a. An FSP grants a representative the authority to act on its behalf
  - b. An FSP withdraws the authority granted to a representative to act on its behalf
  - c. A representative retires
  - d. A representative resigns
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32. A representative is debarred if:
- a. He failed to meet any of the fit and proper requirements before applying for a licence to the Commissioner
  - b. He failed to comply with the fit and proper requirements of being a representative
  - c. He was convicted of a criminal offense within five years prior to applying for a licence
  - d. He lacked the required operational ability before applying for a licence to the Commissioner
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33. The purpose of debarment is to ensure that:
- a. The Commissioner is able to maintain proper records of representatives who do not meet "Fit and Proper" requirements
  - b. Representatives who do not meet "Fit and Proper" requirements are punished
  - c. Financial services providers are protected against the consequences of employing people who do not meet "Fit and Proper" requirements
  - d. Representatives are removed from rendering financial services to clients
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34. The term natural person is used in the Financial Advisory and Intermediary Services Act to:
- a. Include incorporated or unincorporated bodies, State organs or trusts
  - b. Distinguish a human being from a legal person, such as a company
  - c. Distinguish a human being from a State organ or partnership
  - d. Exclude unincorporated bodies, such as certain State organs or partnerships
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35. Key individuals are:
- a. Financial intermediaries who oversee the activities of FSP's and their representatives
  - b. Legal; persons who regulate the compliance of FSP's with the requirements of FAIS
  - c. Natural persons responsible for overseeing and managing the activities of FSP's and representatives
  - d. Legal persons appointed to resolve disputes between consumers' and FSP's
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36. The individual appointed by a FSP to report the FSCA on compliance issues is:
- a. A key individual
  - b. A representative
  - c. A compliance officer
  - d. An internal auditor
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37. Which of the following is NOT part of the role of a compliance officer?
- a. Monitoring compliance with the Act
  - b. Identifying weak areas in the business and making the necessary changes within the business to strengthen them
  - c. Supervising the compliance function
  - d. Submitting reports to the Commissioner, as required by the Act
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38. A financial services provider may appoint the following persons as a compliance officer:
- a. Any internal member of staff, whether administrative staff or salesperson
  - b. Any external person prepared to undertake the role for a fee
  - c. Any internal or external person with a legal or accounting degree and three years financial services experience
  - d. Any internal or external person who has been accredited by the Financial Services Board as a compliance officer
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39. Once a financial services provider has appointed a compliance officer:
- a. The compliance officer becomes accountable for compliance in the organisation
  - b. The financial services provider remains accountable for compliance in the organisation
  - c. The financial services provider and the compliance officer are jointly accountable for compliance in the organisation
  - d. The financial services provider is accountable for compliance in the organisation only when issues are referred by the compliance officer
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40. FICA allows for third parties to keep records on behalf of an accountable institution. The condition(s) attached to this allowance is/are that:
- The third party is responsible for the distribution of documents after the prescribed period of five years
  - No one expect the staff of the accountable institution has access to the records
  - The accountable institution has free and easy access to the records and that the FIC has been informed of the particulars of the third party
  - The compliance officer of the FSP has to approve the third party's storage facilities in terms of FICS's requirements
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41. The FAIS Act requires that every FSP must maintain records for a period of five years after termination of the product concerned or after:
- The rendering of the financial service concerned
  - The inception date of the product concerned
  - The last contact with the client
  - The date on which the proposal form for the product was signed
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42. Maximum penalties under the Prevention of Organised Crime Act can be as high as a fine of:
- R100 million or imprisonment for 30 years
  - R50 million or imprisonment for 30 years
  - R100 million or imprisonment for 15 years
  - R10 million or imprisonment for 10 years
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43. The object of the Financial Intelligence Centre includes exchanging information with:
- Interpol regarding money laundering activities
  - The United Nations Special Committee on Money Laundering and Terrorism
  - The South African Revenue Services (SARS) to ensure the prosecution of offenders
  - Similar bodies in other countries regarding money laundering activities
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44. Experience gained lapses when :
- The FSP, KI, Rep has not rendered financial services for a consecutive period of 5 years
  - The FSP, KI, Rep has not rendered financial services for a consecutive period of 3 years
  - The FSP, KI, Rep has not rendered financial services for a consecutive period of 2 years
  - The FSP, KI, Rep has not rendered financial services for a consecutive period of 4 years
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- 45 . The purpose of the FICA Act is to combat money laundering activities. Which of Mr X's transactions constitutes a money laundering activity?
- Mr X buys a house with the proceeds of a second-hand policy that he purchased from his brother, who is in jail for fraud. One year later he sells the house to fund an overseas trip
  - Mr X buys a brand-new Volvo car with undeclared profits from his taxi business. Six months later he sells the car to fund an overseas trip
  - Mr X buys unit trusts with the proceeds from the sale of his adult entertainment club. Eight months later he sells his unit trust interest and uses it as a deposit for a house he is purchasing
  - Mr X buys a second-hand policy with money he won in the local casino. Nine months later he surrenders the policy to buy a car
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46. In simple terms, FICA requires the creation of a paper trail, which means:
- Sufficient paperwork to show all the details of a transaction concluded with an accountable institution
  - Sufficient paperwork to prove the accountable institution was entitled to conduct the specific transaction
  - Detailed records of the origin of the money placed with an accountable institution and people involved
  - Detailed records of any investments made through an accountable institution
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47. Which of the following is NOT indicator of money laundering?
- The client has numerous bank accounts, which have been verified
  - Transactions involving large cash amounts
  - Transferring a large amount electronically into an account and refusing to disclose its source
  - Constant movement of money among different business entities
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48. If an accountable institution established a business relationship with a client before the commencement of FICA:
- The provision of FICA will not apply to the relationship
  - The identity of the client must still be verified
  - The identity of the client need only be verified in the event of suspicious transaction
  - The identity of the client need only be verified in the event of an exceptionally large transaction
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49. All accountable institutions are required to report information regarding possible money laundering activities to the Financial Intelligence Centre, which:
- Investigates and prosecutes the matter in court
  - Hands it over to the appropriate authorities for further recourse
  - Requests the money laundering reporting officer in the accountable institution to investigate the matter
  - Requests the South African Police Service to investigate the matter and report back to it

50. The duties FICA imposes on Financial services provider relating to its employees are training of staff and:
- a. Formulating a code of conduct binding on all staff members
  - b. Ensuring that all staff meet the fit and proper requirements
  - c. Formulating and implementing internal rules
  - d. Formulating and implementing internal rules and reporting all breaches by staff to the Financial Intelligence Centre