

If you are reading this newsletter, please remember to pass it around your office.

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EDUCATION

Peter Veal's Article's on..

Regulatory Exams

Having written both the Rep and KI 1st level Regulatory Exams I can categorically state that they are much more difficult than I ever imagined. The majority of questions have been extremely well thought out and definitely test the application of knowledge rather than the knowledge itself. Nevertheless, there are still some questions which I believe are unfair or ambiguous but I am told that all the questions are being reviewed on an on-going basis.

It is clear that the practitioner facing these exams must really study hard, and with so many different study options available there is no reason for any person to fail despite the level of difficulty. Study methods now include reading (the INSETA material is still free), fast-track classrooms, self-study modules, CD's, self-assessment programmes and others. There are even DVD's where lectures can effectively be attended at any time and as frequently as necessary all at home. Moreover, because there are a large number of learners that have to take these exams, training providers have been able to keep costs to an absolute minimum. Some study programmes are available for as little as R100.

With so many inexpensive offerings, it is recommended that the practitioner makes use of as many as he/she can afford, and choose those programmes which suit his/her learning style.

Regulatory Exams cont...

In our own experience of providing fast-track classroom workshops, we find that at the end of the programme there are still a number of learners that remain ill-equipped to meet the examiner with confidence. With this experience in mind, our recommendation is that fast-track workshops (including our own offering) be considered in the following circumstances:

- When practitioners have the ability to absorb a great deal of knowledge in a short time;
- When representatives have been well trained by key individuals;
- When representatives and key individuals have been kept well informed by their compliance officer;
- When practitioners are generally familiar with the FAIS Act;
- When new entrants to the market require a comprehensive but speedy introduction to their responsibilities;
- As an excellent 'refresher' immediately before the exams are attempted;

The money and time spent will not be wasted. The Regulatory Exams test professionalism and corporate governance, both of which are essential ingredients to future success in the financial services sector, so the return on investment will be enormous.

There is still no word about a possible extension of time, so at this stage we have to advise all our clients to ensure that they book soon for the exams to avoid the inevitable rush later in the year.

For more information about our workshops, contact James 0826793354

KI Qualifications update

At last we can report some good news.

In the 2010 qualification update register (Government Gazette 33052 of 26 March 2010) both the FETC: Retail Insurance qualification and the FETC: Short Term Insurance qualifications were excluded from the list of appropriate qualifications for Key Individuals operating in the short term insurance sector.

Although not yet published in the Gazette, we have been informed by the Financial Services Board that both these qualifications have now been approved as appropriate for Key Individuals. Having said this, it must be remembered that if a representative has only 60 credits as required in the transitional period, that representative must now complete the qualification and the RE exams before he/she can be approved as a Key Individual.

Additional institutions that are offering Regulatory Exam Workshops

The FIA will be hosting workshops on the Regulatory Exams during the months of March & April across the country. The workshops will be presented by Anton Swanepoel.

The allocated dates are as follows:

15 March 2011 – Pretoria	16 March 2011 – JHB
23 March 2011 – KZN	24 March 2011 – CT
25 March 2011 – Gordons Bay	29 March 2011 – PE
31 March 2011 – Benoni	1 April 2011 – Bloem
5 April 2011 – Secunda	6 April 2011 – Middlebur
8 April 2011 – Goerge	11 April 2011 – Potch
13 April 2011 – Polokwane	14 April 2011 – Vereeniging
15 April 2011 – Nelspruit	18 April 2011 – Upington
19 April 2011 – Kroonstad	20 April 2011 - Bethlehem

To find out more and to make bookings for this workshop contact, Ashleigh van Zyl – Ashleigh@fia.org.za or 012 665 0085.

Capital Campus has now announced the actual roll-out of their workshops for all those writing the 1st level Regulatory Examinations. This 2 day workshop will be taking place at various venues across the country. Corporate bookings can be made upon request.

Workshop dates and venues are as follows:

FEB 11	Venue	MAR 11	Venue	APR 11	Venue	MAY 11	Venue
3&4	Johannesburg	2&3	Johannesburg	6&7	Cape Town	4&5	Johannesburg
8&9	Johannesburg	8&9	Johannesburg	11&12	Cape Town	10&11	Johannesburg
15&16	Cape Town	15&16	Bloemfontein	13&14	Johannesburg	12&13	Bloemfontein
17&18	Durban	17&18	Johannesburg	19&20	Johannesburg	19&20	Johannesburg
JUN 11	Venue	JUL 11	Venue	AUG 11	Venue	SEP 11	Venue
2&3	Cape Town	4&5	Johannesburg	1&2	Joahnesburg	1&2	Cape Town
7&8	Durban	7&8	Polokwane	22&23	Bloemfontein	8&9	Johannesburg
12&14	Johannesburg	21&22	Port Elizabeth	25&26	Durban	26&27	Johannesburg
21&22	Johannesburg	25&26	Johannesburg	29&30	Johannesburg	29&30	Johannesburg
OCT 11	Venue	NOV 11	Venue	DEC 11	Venue		
3&4	Johannesburg	1&2	Johannesburg	1&2	Cape Town		
20&21	Polokwane	3&4	Johannesburg	5&6	Johannesburg		
24&25	Port Elizabeth	24&25	Durban	7&8	Johannesburg		
27&28	Johannesburg	28&29	Johannesburg	12&13	Johannesburg		

For more information and to book for these workshops, you can contact Leander Lee (011) 547 8800 or info@capitalcampus.co.za

Electronic enrolments can be done by logging onto www.capitalcampus.co.za

Moonstone – have been approached by a provider offering to provide a collection of 10 CD's containing the regulatory examination level 1 legislation in audio format. So while sitting in traffic, you can pop this into your car CD player and a professional will read the FAIS and FIC Acts to you.

If this is something that might interest you, please let amarais@moonstoneinfo.com know by either saying yes (you are interested) or no (it's not for you). Also please advise as to how much you would like to pay for this collection.

They're waiting to hear from you!

The FSB have released a circular explaining which Regulatory exams should be written by whom and which examining bodies offer these exams.

For a copy of this circular, please contact Pranisha at our offices (Pranisha@pretium.co.za) and she will gladly forward you a copy.

The FSB have also published a Preparation Guide for those writing RE 1 and RE 5. For those interested, this can be downloaded from the FSB website – www.fsb.co.za on the FAIS Page.

The FSB are also hosting a First Level Regulatory Workshop on the 10th February 2011. This workshop is currently fully booked however there will be a DVD made available to all those that could not secure a seat. This cost of this DVD is R100 incl VAT. Should you wish to have a copy, please advise by sending a mail to nerine@moonstoneinfo.com before the 10th February 2011.

FROM PRETIUM

Complaints handling

We obviously get involved in reviewing potential FAIS Ombud matters and are increasingly being approached by disgruntled clients as they become more familiar with the role of the Compliance Officer.

When this happens we ask for the details and pass these through to the client for input. However, what we often find is that the FSP goes into panic mode and starts wanting to address the issue to avoid an approach to the Ombud. Two things to be aware of:

1. If the stance adopted was not correct in the first place then it should never have been applied, this should be addressed with the individual who did so.
2. Just because a client wants to complain to us and potentially the Ombud, does not mean a valid approach be turned on its head.

In both scenarios any potential complaint situation should be reviewed early in the process and decisions reviewed against your obligations in terms of FAIS i.e. did you breach a standard that has caused or contributed to the complaint situation? If so you may need to review your decision. If you are waiting to see what the client will do then you are not following the complaints handling regulations nor your own complaints handling procedures.

If you are confident of your position then stick to your guns - just make sure the client is well informed of the reasons and their rights – be it the FAIS or Short-term Ombuds offices.

If you need help evaluating your position get in touch with us. All too often when we get involved it is far down the road and your initially irritated client is now hopping mad and spreading less than savoury stories of your company.

Managing complaints is all about managing your reputation!

What should you do, as an Insurer, UMA or Administrator if one of your brokers ceases to operate?

We recently had a complaint situation where a contributing factor to the lead up to the incident in question was that the broker who had sold the original policy to a client had passed away some years before, unbeknown to the client. The Administrator involved was aware of this and that he was the sole Key Individual so the juristic entity effectively ceased to trade.

The Administrator continued to pay the residual commissions due on business previously placed with them, to the trust that was previously the broker as that entity continued to exist. There was no question at the time as to who was going to be looking after the clients, what had been done to notify them of the situation – if anything. This lack of enquiry from the Administrator contributed to the eventual complaint situation as these commissions affected the surrender value of the policy.

Whilst the matter did not get to the FAIS or Long-term Ombud's office we did take the opportunity to chat to the FAIS Ombud's office as the case overall was an interesting one, not just because of the death of the broker, to see how they might view the actions, or lack thereof, of the Administrator. Whilst this was an informal approach and the views provided not binding in any way, the opinion provided was that as the Administrator is governed by the very same set of regulations within the General Code of Conduct as was the broker, that the obligation to act in the client's best interest and keep the client advised of all changes, applied to the Administrator as much as the broker.

What should you do, as an Insurer, UMA or Administrator if one of your brokers ceases to operate? Cont...

Ignoring the clients potential plight in this situation would likely be seen as a breach of these obligation and if it resulted in or contributed to a financial loss by the client the Administrator would be found wanting should a formal complaint be lodged.

Moral of the story – if there are serious issues such as the death of a sole trader or sole KI FSP at any of your brokers ensure you ascertain what has been done to appraise clients of the situation so they can make alternative arrangement. If you don't it may come back to haunt you – literally.

Conflict of interest management plan development

We recently sent a note to all clients who had not provided us with any details as to their action plans to achieve completion of their new standards by the overall deadline of 19 April this year or asked us to assist in doing so. Some have replied, some not.

Given the high profile status of this new regulation we want to be aware of your plans and monitor these accordingly. We don't want to see you in late March or April to find that you have not even started. Whilst the last minute syndrome works for some it is not one of our preferred methods!

Fit & Proper summary

We released an overview towards the end of last year of the various Fit & Proper requirements to assist in the understanding of these in applying the standards with your companies. We thought it was easy enough to understand – as you do when you write it we suppose – maybe understanding is in the mind of the author? We have changed the format due to the positive feedback from you. We thank you for this.

We have updated the technical content and draw your attention to the requirements surrounding Long-term Category A and Category IV. We also addressed the issues from a 2011 perspective, that are the final rules as the transitional arrangement for entrants in 2010, notably KIs, has now fallen away. The missing piece of the puzzle, the latest version of the approved qualifications has also now been released (as referred to above in Peter Veal's article)

If you would like a copy of this latest version please pop a mail through to pranisha@pretium.co.za and we will oblige.

PS Administration manual

The latest version of our draft administration manual is almost ready. It will be launched on our new website in the coming month.

We have taken the decision not to place all the various draft documents on the site, as the feedback we often got on the disc version was that there were just too many options and too many places to look, notwithstanding the interactive index on the last version. The site will be driven from an index and will also provide details of all additional documents we have that you can obtain by simply sending is a request via the site.

We hope this slimmer version will make the tool more effective.

PS Administration manual CONT...

All new or amended documents will be highlighted to make reviewing the changes against your current standards that much easier.

Access to the manual will be on a secured user login basis. Details of the login process will be explained on the website.

Once we go live we will issue a special Newsletter on the subject.

On the subject of our website

Don't forget that all our previous Newsletters are available from the site. Go to www.pretium.co.za and click on "Newsletters".

Return of earnings

Late last year we received a letter from a debt collection agency saying we owed some R 4,000 to the Department of Labour – 2 days after the deadline for replying to the letter! And that failure to pay by said deadline would result in us being handed over to the courts. Whilst not a pleasant thought that in itself was not the problem.

The problem was that we submitted our returns for 2007 in 2009. We admit that the initial return covered a number of years as we realised that these had not been done as required. We never received any acknowledgment, invoice for amounts due, letters chasing us, phone calls nagging us – you know the usual credit control activities so we were blissfully unaware of the problem. All subsequent returns had been done via our bookkeeper and they have also never had any acknowledgement to those returns either.

On contacting the agency concerned we were advised that our outstanding invoices were part of a batch sent to them by the department.

We provided all the information to the agency, as requested, in early December with a promise of a response, which would include copy invoices, now inclusive of interest for our late payment and confirmation we would not be dragged off to court. As we write we have heard nothing despite reminders.

So if you don't recall having paid levies for your return of earnings - we suggest you check.

The need to visit all branches and Reps

Some discussion is being undertaken with the FSB on whether or not there is any option for an FSP with an external Compliance Officer to “get out” of the need for the extensive new monitoring program. If there is it is likely to be for those FSPs with well developed internal audit structures and where there is no advice component. This is likely to limit any dispensation to insurers and maybe UMAs.

We are working actively with other interested parties on this and will provide specific feedback to those of you as and when clarity is obtained.

PPR

Don't forget the new PPR regulations, applicable to personal insurances in both the short and long-term sectors became effective 1 January 2011. As brokers you should be receiving endorsements noting the amendments with renewals and new business should have these incorporated already.

Check though – efficiency of administration is apparently not a strong point for some insurers (or so we are told). If you are a UMA, Administrator or Broker with an issuing mandate make sure you have the required information to issue those policies correctly.

FROM THE FSB

In addition to the FAIS circular referred to under the education section two other circulars have been issued since our last Newsletter;

Circular 11/2010 that dealt with the requirement to obtain PI and/or FG covers and how a suitable guarantee can be used. This added some clarity to this option.

Guidance Note on Intermediary services and Representatives in early January. This one had a specific focus on the furniture industry and motor dealers and the issues of credit life covers in particular, although the impact of the contents were by no means restricted to these areas or products. The main aspect for us was that it clarified that the handing out of brochures on a product by a person did not constitute an intermediary service and as such these people need not be registered as Representatives. If however they were handed out and a sale was then actively pursued and/or judgement is required in explaining the product to a client then these actions are seen as an intermediary service and the person/s concerned would be seen as Reps.

The entity as a whole must be an FSP and must have access to a representative to interact with customers. Our view is that these reps need not be, for example, at the dealership – they simply need to be available.

This clarity may have some applicability in those FSPs handling access or simple products e.g. funeral, travel, cell phone, credit life but will have no real impact in the more complex product types where judgement and advice are an integral part of the selling process.

We have sent the full Guidance Note to those of you we believe this may be useful – so if you don't have but would like to see the full document send a mail through to pranisha@pretium.co.za.

FROM THE FAIS OMBUD

A broker who failed to ensure that a client's claim was reported to the insurer within the stipulated 7 days reporting period which was the cause of repudiation of a loss of some R170, 000 was ordered to pay the client by the FAIS Ombud. See FA News December edition for the full story and ensure your claims staff fully understand the terms and conditions of policies - a slip up here could be costly.

FROM THE FINANCIAL INTELLIGENCE CENTRE

Cash Threshold reporting – 1 December 2010 saw the introduction of these regulations that apply to all Accountable and Reporting Institutions. Each has to report all cash transactions of R 25,000 or more within 2 business days. The administrative burden on larger organisations that have numerous such transactions will be great. We fear that smaller organisations with very few such transactions will simply forget to lodge the report.

We will be building this requirement into our monitoring process going forward so it is essential that you develop systems to manage this requirement. The reporting system to the FIC is electronic - referred to as the CTR system. Guidelines on the system and for access to the CTR reporting tools visit www.fic.gov.za.

We have already had one query. Where there are two or more AIs involved in any such transaction e.g. a broker, a bank, an administrator and an insurer, all of whom have knowledge of the transaction which one reports it? The bank as the recipient of the cash transaction itself? The insurer as the ultimate destination of the funds? Well it is all 4! If you have knowledge of a transaction you are obliged to report it.

Be prepared for your next monitoring visit. There is also the minor issue of fines up to R 10 million personal and R 50 million company fines for non compliance.

There has been a circular released by the Financial Intelligence Centre – this relates to the amendment when choose the type of institution the FSP is.

The main changes is should you, the FSP, decide to register as an Accountable Institution with the Financial Intelligence Centre, please note that when asked for a type of institution, you should select number 12. If you have already been registered with the FIC, you need not worry as your profile will be automatically updated.

INTERESTING ARTICLES WE HAVE READ

RiskSA

More players in the niche product arena. November had a focus on the motor sector and December all products types starting with the letter P – everything from pensions to pets and plastics.

The December edition also has an overview of the upcoming legislation for 2011 by Patrick Bracher and some input on the Consumer Protection Act – especially on the risks for the transporter, clearing and forwarding agent industry – things, as a broker with these clients, you need to know.

NB: a reminder to the brokers – when you use a specialist UMA always ensure that your record of advice provides details on both the UMA and the insurer.

November edition - A quote in an article on the general code of conduct by Moonstone. "Ignoring FAIS will not make it go away.....Only two things you ignore: things that aren't important and things you wish weren't important, and wishing never works" Need we say more?

The December/January edition of Enterprise Risk has a few useful articles and worth a read, namely:

- Two articles on business continuance plans,
- Document security and electronic signatures,
- Protection of personal information bill – about to become an act this year (we hope).

And lastly this was supplied to us – not sure it would comply with the regulations but we liked to the ultimate advice offered;

Retirement Planning

If you had purchased \$1,000.00 of Nortel stock one year ago, it would now be worth \$49.00.

With Enron, you would have had \$16.50 left of the original \$1,000.00.

With WorldCom, you would have had less than \$5.00 left.

If you had purchased \$1,000 of Delta Air Lines stock, you would have \$49.00 left.

But, if you had purchased \$1,000.00 worth of wine one year ago, drunk all the wine, then turned in the bottles for the recycling REFUND, you would have had \$214.00.

Based on the above, the best current investment advice is to drink heavily and recycle.

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