

# Services under Supervision Policy

V1 of 2017

To make provision for contracting with representatives who have not yet gained full competence in terms of Fit & Proper, and in compliance with the requirements of Exemption in respect of services under supervision (Requirements and Conditions) BN 104 the following applies:

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## Important Definitions

### **“Supervisee”**

A representative who acts under supervision until he/ she meets the prescribed competence requirements for a particular product category;

### **“Supervisor”**

An authorised FSP that is a natural person, or a representative or Key Individual of a FSP, who meets the competency requirements prescribed in this exemption.

### **“Services under supervision”**

Financial services rendered by a representative who does not yet meet the prescribed FAIS Fit & Proper competence requirements, which services are rendered under the guidance and instruction of a supervisor;

### **“Appointment date” or “Date of appointment”**

Means the date on which a representative was first appointed by **ANY** financial services provider to render financial services in relation to a specific Category or subcategory.

### **“Direct Supervision”**

Means the supervision of the financial services rendered by a representative under the guidance, instructions and supervision of a supervisor, and which occurs on a regular (ranging between daily and weekly) basis.

### **“Ongoing level of supervision”**

Means the way in which supervision is exercised after the initial period of services under direct supervision has been completed, but the supervisee still requires supervision, and such supervision occurs on at least a bi-weekly to monthly basis.

### **“Complaint”**

Means a specific complaint relating to a financial service rendered by a financial service provider or representative; who has contravened or failed to comply with a provision of the FAIS Act, willingly or negligently rendered a financial service or treated the complainant unfairly; as a result thereof the complainant has suffered or is likely to suffer financial prejudice or damage.

### **“Persistency”**

Means the representatives production vs their lapse ratio monthly.

## **1. Risk Rating and Supervision Levels**

All supervisees will be given a risk rating. The risk rating is determined as follows:

- Unmet experience requirements 1 rating point
- Unmet qualification requirements 1 rating point
- Unmet regulatory exam requirements 1 rating point
- Disciplinary concerns 1 rating point
- A persistency ratio of under 80% 1 rating point

Where a representative has a rating of between 1 and 2, and the representative is not in his/her first four months of service, the representative must be under ongoing (single) supervision.

Where a representative has a rating of between 3 and 5, and where the representative is in his/her first four months of service, the representative must be under direct (double) supervision.

The maximum period any representative can act under supervision is six (6) years from the date of appointment.

In the event that the assigned supervisor is not available to perform any of the prescribed supervision duties the financial service provider may assign another supervisor to perform such duties until such time as the specified supervisor is available or formally replaced.

## **2. Responsibilities of Senior Management**

Senior Management is responsible for the following:

- Setting and maintaining a total risk rating target in terms of Services under Supervision, taking into regard the FSP’s capacity for supervision. (Total risk rating is determined by combining the risk ratings of all representatives under supervision) – **Annexure A**
- Setting and maintaining a target ratio of representatives under supervision to total representatives.
- Allocating new representatives to a supervisor (and a second supervisor in the case of direct/double supervision) and informing all parties.
- Reallocation of supervisees where necessary.
- Enforcing compliance to this policy.

### 3. Responsibilities of the Supervisors

- Supervisors must have met the minimum criteria of competence to act as supervisor.
- The FSP must ensure that Supervisees are supervised at all times when executing their duties.
- It is the duty of the dedicated Supervisor to ensure that the Supervisee has a good understanding of and exposure to the Categories and/or Subcategories that financial services are rendered in.
- Supervisors will sign a supervision agreement with every supervisee – **Annexure B**
- Supervisors will check the content, suitability and integrity of all advice given by every supervisee before signing off thereon, and ensure that a second supervisor does the same in the case of supervisees under direct (double) supervision.
- Supervisors will schedule and conclude supervision meetings; 1 per month for supervisees under ongoing (single) supervision and 1 per week for supervisees under direct (double) supervision.
- Supervisors will keep minutes of supervision meetings on the prescribed form “Progress assessment for representatives acting under supervision”. – **Annexure C**

### 4. Responsibilities of the Supervisee

- Strict adherence to the supervision contract.
- Provide the Supervisor if requested, where applicable, with any supporting documents and/or records regarding the advisory and/or intermediary services rendered.
- Disclose to all Clients that he/she is acting under supervision.
- Actively pursue the completion of the required qualifying criteria within the prescribed limits.
- Undertake relevant product training
- Request guidance from the Supervisor if in any doubt when performing duties in accordance with the supervision contract.

### 5. Responsibilities of the Administrators

- Administrators should clarify for all representatives assigned to them; both under supervision and not; that all required compliance documentation is collected before the processing of that documentation is finalised.
- That Records of Advice for supervisees are signed off by the relevant supervisor/manager and by an additional supervisor if the supervisee is under direct (double) supervision.

### 6. Responsibilities of the Compliance Department

- The compliance officer will send out an updated supervision list to all supervisors and the head of the administration department when any changes are made to it, at least quarterly.
- All queries regarding the supervision process may be directed to the compliance department.
- The compliance officer will update the FSB on all supervision statuses on the FSB representative register.
- The compliance manager will assist management in the assessment and review of supervision statuses, as well as the risk rating target in terms of the services under supervision.-**Annexure A**
- The compliance department will monitor the duties of administrators and supervisors as part of the services under supervision framework.

## 7. Period of supervision

- The period of supervision will range from 2 months to 3 years depending on the category and sub-category under which the service is performed as prescribed by the Financial Services Board.
- Representatives providing advisory and/or intermediary services in respect of multiple subcategories or categories can gain the experience at the same time and will remain under supervision until the most onerous subcategory or category is met.

## 8. Interruption of supervision

- In the event of a significant interruption of 6 consecutive weeks or more while gathering experience under supervision, the supervision period should be extended with an additional period equal to the interrupted period.

## 9. Specific Provisions applicable to Category II supervision

- In the case of discretionary financial services being rendered (Categories II and IIA) the Supervisor is obliged to review and approve in writing the rendering of such services prior to the conclusion or execution of any transaction.
- In the case of Categories II and IIA FSP's, the Supervisor must ensure that all actions taken by the Representative adheres to the relevant client mandate and/or decisions taken during regular investment team meetings.
- The Supervisor is also required in the case of Categories II and IA FSP's, to ensure that the Supervisee does not deviate from a relevant mandate and/or investment team meeting decisions, by performing appropriate random checks on a weekly basis.
- The intensity of supervision must be maintained during the full period of supervision

## 10. Supervision Table

- The period of supervision as prescribed by the Financial Services Board is set out in table "A" for category I and table "B" for category II.

<b>TABLE A: CATEGORY I EXPERIENCE REQUIREMENTS FOR AN FSP AND REPRESENTATIVE</b>			
	<b>Column One Subcategory</b>	<b>Column Two Advice: Minimum Experience</b>	<b>Column Three Services: Minimum Experience</b>
1.1	Long-term Insurance subcategory A	6 months	2 months
1.2	Short-term Insurance Personal Lines	1 year	6 months
1.3	Long-term Insurance		
1.3.1	Subcategory B1	1 year	6 months
1.3.2	Subcategory B2	1 year	6 months
1.4	Long-term Insurance subcategory C	1 year	6 months
1.5	Retail Pension Benefits	1 year	6 months
1.6	Short-term Insurance Commercial Lines	1 year	6 months
1.7	Pension Fund Benefits	1 year	6 months
1.8	Securities and instruments: Shares	2 years	1 year
1.9	Securities and Instruments: Money market instruments	2 years	1 year
1.10	Securities and Instruments: Debentures and securitised debt	2 years	1 year
1.11	Securities and Instruments: Warrants, certificates	2 years	1 year

**TABLE A: CATEGORY I EXPERIENCE REQUIREMENTS FOR AN FSP AND REPRESENTATIVE**

	<b>Column One Subcategory</b>	<b>Column Two Advice: Minimum Experience</b>	<b>Column Three Services: Minimum Experience</b>
	and other instruments acknowledging debt		
1.12	Securities and Instruments: Bonds	2 years	1 year
1.13	Securities and Instruments: Derivative instruments excluding warrants	2 years	1 year
1.14	Participatory Interests in one or more collective Investment schemes	1 year	1 year
1.15	Forex Investment Business	2 years	1 year
1.16	Health Service Benefits	2 years	2 years
1.17	Long-term Deposits	6 months	3 months
1.18	Short-term Deposits	6 months	3 months
1.19	Friendly Society Benefits	6 months	2 months

**TABLE B: CATEGORY II EXPERIENCE REQUIREMENTS FOR AN FSP AND REPRESENTATIVE**

	<b>COLUMN ONE: SUBCATEGORY</b>	<b>COLUMN TWO: MINIMUM EXPERIENCE</b>
2.1	Long-term Insurance	
2.1.1	Subcategory B1	2 years
2.1.2	Subcategory B2	2 years
2.2	Long-term Insurance subcategory C	2 years
2.3	Retail Pension Benefits	2 years
2.4	Pension Fund Benefits	2 years
2.5	Securities and Instruments: Shares	3 years
2.6	Securities and Instruments: Money market instruments	3 years
2.7	Securities and Instruments: Debentures and securitised debt	3 years
2.8	Securities and Instruments: Warrants, certificates and other instruments acknowledging debt	3 years
2.9	Securities and Instruments: Bonds	3 years
2.10	Securities and Instruments: Derivative instruments excluding warrants	3 years
2.11	Participatory interests in one or more collective investment scheme	2 years
2.12	Forex Investment Business	3 years
2.13	Long-term deposits	1 year
2.14	Short-term deposits	1 year

## 11. Review of the Services Under Supervision Policy

The Services under Supervision Policy will be regularly reviewed, internally or by an outside party such as an auditor or compliance officer, and where necessary, updated to ensure that the policy remains effective to ensure adequate supervision as required by the FAIS Act.

The policy will be overseen by the Operations Committee who carries responsibility for the implementation, reviewing and updating process.

## Annexure A:

# The Process and Procedure on Assessing and Reviewing Supervision Statuses and Risk Ratings on Services under Supervision

## 1. Supervision Factors

### 1.1 Competence of Representatives:

- Experience: In the experience section a list of product categories that the representative is under supervision for will be listed, due to him/her not meeting the minimum experience requirement (Referring to the specific time frame) as set out in the FAIS Act.
- Qualification:
  - ✓ The qualification section will be ticked if the representative has not yet obtained a relevant qualification, as per the FSB approved qualifications list, thus increasing the overall risk rating of the representative.
  - ✓ The qualification section will not be ticked if the representative has obtained a relevant qualification, as per the FSB approved qualifications list, thus decreasing the overall risk rating of the representative.
- RE:
  - ✓ The RE section will be ticked if the representative has not yet passed his/her RE, as per one of the requirements in terms of the FAIS Act, thus increasing the overall risk rating of the representative.
  - ✓ The RE section will not be ticked if the representative has passed his/her RE, as per one of the requirements in terms of the FAIS Act, thus decreasing the overall risk rating of the representative.

### 2.1 Risk of Representative:

- Discipline:
  - ✓ The discipline section will be ticked if the representative has had two or more complaints lodged against him/her within a period of 6 months(unless severe), thus increasing the overall risk rating of the representative.
  - ✓ The discipline section will not be ticked if the representative has not had a complaint lodged against him/her within a period of 6 months, thus decreasing the overall risk rating of the representative.
- Persistency:
  - ✓ The persistency section will be ticked if the representative's production vs lapse ratio is below 80% for 3 consecutive months, thus increasing the overall risk rating.
  - ✓ The persistency section will not be ticked if the representatives production vs lapse ratio is above 80% on a monthly bases, thus decreasing the overall risk rating.

## **2. Total Risk Rating**

All the above mentioned supervision factors will be added up accordingly to determine the representatives overall risk rating.

## **3. Direct(Double) and Ongoing(Single) Supervision**

Direct and ongoing supervision will be determined as previously mentioned under the risk rating and supervision list clause.