

Evaluating the effect of the legislative and regulatory requirements in the financial services industry

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Mini-dissertation submitted for the partial fulfilment of the requirements for the degree Masters in Business Administration at the Potchefstroom Campus of the North-West University

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November 2014

PREFACE

While this work may be but a blimp on the continuum of both space and time; it has significance as a tribute to many who have passed and still remain.

To those who have shown me how to “have a vision of the future that is brighter than the memory of the past”; and

To those that have taught me that *“hard work is always rewarded, maybe not today, maybe not tomorrow, but always rewarded”*

To my beautiful wife whose unwavering love and support has empowered me to take on challenge after challenge

To an almighty Creator who crated me in His image and likeness

I honour all of you with this

*“May the road rise to meet you,
May the wind be always at your back,
May the sun shine warm upon your face, and
The rains fall soft upon your fields,
Until we meet again,
May God hold you safely in the palm of his hand.”*

An Irish Blessing

ACKNOWLEDGEMENT

I wish to acknowledge the tremendous support and guidance afforded to me by my supervisor and editor. As well as the numerous colleagues and industry experts that have provided significant input into this study.

Without you, this would not have been possible.

Pieter van der Westhuijzen

November 2014

ABSTRACT

South Africa has faced many changes in the last 20 years. There are some glaringly obvious ones such as democracy while others, such as the considerable increase of the legislative and regulatory requirements in the financial-services industry, are more subtle. Both however, have far-reaching consequences for both individuals and businesses.

In Schaeffer's keynote address at the 2011 Financial Planning Convention, the global trends currently influencing the financial-planning profession were pointed out. These included the move towards a more relationship-based approach between financial planners and their clients, with holistic service offerings and regulatory change.

Currently close to 100 000 Financial Services Board (FSB)-registered brokers/ advisors/ planners/ consultants claim to offer financial advice. Of these representatives only 4 600 (approximately) are Certified Financial Planner® professionals. The Financial Planning Institute of Southern Africa (FPI) maintains that the regulatory environment governing the financial industry is dynamic. Coupled with a tumultuous economic environment, this enforces the importance of an expert to assist individuals and businesses in planning for the future.

The primary purpose of the *Financial Advisory and Intermediaries Services Act* (FAIS Act) is to:

1. protect the client against indecorous conduct by the financial service provider (FSP) and its representatives when providing financial advice and/or rendering intermediary services to clients;
2. ensure economic efficiency of the industry;
3. ensure that clients of FSPs are provided with sufficient information regarding their financial products, the representatives selling the products, the represented FSP and the product provider offering the products.

The effect of the FAIS Act is that key individuals and representatives are now being held responsible for their actions, which may include providing incorrect information or not having sufficient qualifications or experience.

According to the FSB the FAIS Fit and Proper requirements determine a set of requirements that all FSPs, key individuals and representatives need to comply with.

The Determination of Fit and Proper Requirements of 2008 outlines the categories of fit and proper requirements for FSPs, their key individuals and representatives. The categories of the FAIS Fit and Proper requirements are:

- honesty and integrity requirements for FSPs, key individuals and representatives;
- competency requirements of FSPs, key individuals and representatives;
- experience requirements of FSPs, key individuals and representatives;
- qualifications requirements of key individuals and representatives;
- regulatory examinations requirements of key individuals and representatives;
- continuous professional development requirements of FSPs, key individuals and representatives;
- operational ability of FSPs, key individuals and representatives; and
- solvency of FSPs.

The empirical study of the research was conducted nationally, within South Africa. The focus of the study was to investigate the perception of financial planners with regard to the regulatory and legislative prescriptions of the financial-services industry. The general objective of the study is to provide a quantitative measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the ethicality of the financial-planning industry. To achieve this objective, the empirical study focussed on the responsibilities of financial-services providers and the FAIS fit and proper requirements as set out by the FAIS Act.

The population identified for the empirical study consisted of financial planners that provide advisory and/or intermediary services in South Africa. The population of the study consisted of the full advisory complement, 826, which form part of the advisory division of a major South African financial-services provider. These financial planners are located across South Africa, in all nine provinces and in rural and metropolitan areas.

Based on the result of the adjusted sample size equation, the required sample size for the study is reduced from 266 to 201. A total of 260 responses were received for the study which ensures a high level of accuracy is achieved from the findings of the research.

The results of the empirical study provide ample proof that financial planners support the necessity and specificity of the FAIS fit and proper requirements as defined by the FAIS Act. Additionally, the financial planners agree that the determinants of the FAIS Act are not only beneficial to the sustainability and ethicality of the industry, but also support the success of the planner and ultimately ensure that clients receive the best possible financial advisory and/or intermediary services.

OPSOMMING

Suid-Afrika het in die laaste 20 jaar baie veranderinge in die gesig gestaar. Daar is 'n paar wat soos 'n paal bo water uitstaan — soos demokrasie — terwyl ander, soos die aansienlike toename van wetgewing en regulatoriese vereistes in die finansiële dienstebedryf, meer subtiel is. Beide het egter verreikende gevolge vir sowel individue as besighede.

In Schaeffer se toespraak by die 2011 Finansiële Beplanningskonvensie is die globale tendense wat tans die finansiële beplanningsberoep beïnvloed, uitgewys. Dit sluit die beweging na 'n meer verhoudingsgebaseerde benadering tussen finansiële beplanners en hul kliënte in, met holistiese diensaanbiedings en regulatoriese verandering.

Daar is tans nagenoeg 100 000 makelaars/adviseurs/beplanners/konsultante wat by die Financial Services Board (FSB) geregistreer is, wat daarop aanspraak maak dat hulle finansiële advies gee. Van hierdie verteenwoordigers is slegs (ongeveer) 4 600 geakkrediteerde Certified Financial Planner (CFP)® professionele praktisyns. Die Financial Planning Institute of Southern Africa beweer dat die regulatoriese omgewing van die finansiële bedryf dinamies is. Dít, tesame met 'n onstuimige ekonomiese omgewing, beklemtoon die belangrikheid van kundiges om individue en besighede by te staan om vir die toekoms te beplan.

Die primêre doel van die *Financial Advisory and Intermediaries Services Act* (FAIS-wet) is om:

1. kliënte te beskerm teen onvanpaste optrede van die finansiële diensteverskaffer en sy makelaars wanneer finansiële raad en/of lewering van tussengangerdienste aan kliënte verskaf word;
2. ekonomiese doeltreffendheid van die bedryf te verseker; en
3. te verseker dat kliënte van 'n finansiële diensteverskaffer voorsien word van genoeg inligting oor hul finansiële produkte, die makelaars wat die produkte verkoop, die verteenwoordigde finansiële diensteverskaffer en die produkverskaffer wat die produkte aanbied.

Die gevolg van die FAIS-wet is dat die gesaghebbende individue en verteenwoordigers nou verantwoordelik gehou word vir hul dade; wat die verskaffing van foutiewe inligting kan insluit of dat verteenwoordigers nie genoegsame kwalifikasies of ondervinding het nie.

Volgens die FSB bring die vereistes van geskiktheid en bevoegdheid van FAIS 'n stel voorwaardes tot stand waaraan alle finansiële diensteverskaffers, gesaghebbende persone en verteenwoordigers moet voldoen.

Die bepaling van vereistes van geskiktheid en bevoegdheid van 2008 omskryf die kategorieë van die vereistes van geskiktheid en bevoegdheid vir finansiëlediensteverkaffers, hul gesaghebbende persone en verteenwoordigers. Die kategorieë van die vereistes van geskiktheid en bevoegdheid van FAIS is:

- vereistes van eerlikheid en integriteit vir finansiëlediensteverkaffers, gesaghebbende persone en verteenwoordigers;
- bevoegdheidsvereistes van finansiëlediensteverkaffers, gesaghebbende persone en verteenwoordigers;
- ervaringsvereistes vir finansiëlediensteverkaffers, gesaghebbende persone en verteenwoordigers;
- kwalifikasievereistes vir gesaghebbende persone en verteenwoordigers;
- regulatoriese-eksamenvereistes van gesaghebbende persone en verteenwoordigers;
- vereistes van deurlopende professionele ontwikkeling vir finansiëlediensteverkaffers, gesaghebbende persone en verteenwoordigers;
- bedryfsvermoëns vir finansiëlediensteverkaffers, gesaghebbende persone en verteenwoordigers; en
- solvensie van finansiëlediensteverkaffers.

Die empiriese studie van die navorsing is landswyd in Suid-Afrika gedoen. Die fokus van die studie is om die siening van finansiële beplanners met betrekking tot die regulatoriese en wetgewende voorskrifte vir die finansiëledienstebedryf te ondersoek. Die algemene doelstelling van die studie is om 'n kwantitatiewe maatstaf aan te lê van die siening van finansiële beplanners van die uitwerking wat die wetgewende en regulatoriese vereistes op die etiese gehalte van die finansiëlebeplanningsbedryf het. Om hierdie doelwit te bereik fokus die empiriese studie op die verantwoordelikheid van die finansiëlediensteverkaffers en die vereistes van geskiktheid en bevoegdheid van FAIS, soos uiteengesit deur die FAIS-wet.

Die populasie wat geïdentifiseer is vir die empiriese studie het bestaan uit finansiële beplanners wat adviserende en/of tussengangerdienste in Suid-Afrika bied. Die populasie van die studie het bestaan uit die volle adviserende komplement, 826, van die adviserende afdeling van 'n groot Suid-Afrikaanse finansiële diensverskaffer. Hierdie finansiële beplanners is versprei oor Suid-Afrika, in al nege provinsies en in landelike en stedelike gebiede.

Gebaseer op die resultaat van die aangepaste vergelyking van steekproefgrootte, is die vereiste steekproefgrootte vir die studie verminder van 266 tot 201. 'n Totaal van 260 respondente het gereageer op die navorsingsuitnodiging, met die gevolg dat 'n hoë vlak van akkuraatheid vir die studie bereik is.

Gebaseer op die resultate van die empiriese studie is daar oorgenoeg bewyse dat finansiële beplanners die noodsaaklikheid en spesifisiteit van die vereistes van geskiktheid en bevoegdheid van FAIS, soos bepaal deur die FAIS-wet, ondersteun. Daarbenewens stem die finansiële beplanners saam dat die determinante van die FAIS-wet nie net voordelig vir die volhoubaarheid en etiese gehalte van die bedryf is nie, maar ook vir die welslae van die beplanner en dat dit verseker dat kliënte die beste moontlike finansiële advies en/of tussengangerdienste ontvang.

Keywords: FAIS, Adviser, broker, fit and proper, FSB, FPI, CFP, FSP.

Sleutelwoorde: FAIS, makelaars, adviseurs, finansiëlediensteverkaffers, FSB, FPI, CFP

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LIST OF ABBREVIATIONS

AFP™	Associate Financial Planner™
CFA	Chartered Financial Analyst
CFP	Certified Financial Planner
CPD	Continuous Professional Development
EIU	Economist Intelligence Unit
FAIS Act	Financial Advisory and Intermediaries Services Act
FPI	Financial Planning Institute of Southern Africa
FPSB	Financial Planning Standards Board
FSA™	Financial Services Advisor™
FSB	Financial Services Board
FSP	Financial Service Providers
ILPA	Institute of Life and Pension Advisors
NQF	National Qualifications Frameworks'
RFP™	Registered Financial Planner™

1. CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1. INTRODUCTION

South Africa has faced many changes in the last 20 years. There are some glaringly obvious ones such as democracy while others, such as the considerable increase of the legislative and regulatory requirements in the financial services industry, are more subtle. Both however, have far-reaching consequences for both individuals and businesses (Netto Invest, 2012).

In Schaeffer's (LexisNexis, 2011) keynote address at the 2011 Financial Planning Convention, the global trends currently influencing the financial planning profession were pointed out. These included the move towards a more relationship-based approach between financial planners and their clients, with holistic service offerings, and regulatory change. Schaeffer (LexisNexis, 2011) is quoted as saying

“As the global financial crisis highlighted the need for increased protection for consumers, regulators, including the Financial Services Board, are looking for ways to increase transparency, disclosure and improve the duty of care given to consumers. Regulators want greater consistency for best practices, which has opened dialogue about consumer protection, governance, transparency, and professionalism around the world,” (LexisNexis, 2011).

Owing to the aforementioned; the need for competent financial planners was growing globally at a rate of 6% per year. Studies have shown that individuals and businesses who worked with a financial planner felt more confident in their financial planning strategies (Schaeffer, 2011). According to the Financial Planning Institute of Southern Africa (FPI) (2014d); the number of Certified Financial Planners (CFPs) in South Africa grew by 4,1% during 2013 to a total of 4 513 compared to the global growth of 3,76% (FPI, 2014d). The total number of CFPs in South Africa, at the end of 2013, represents 2,9% of the global number. These figures are illustrated in Figure 1.1. Though the growth reported by the FPI is in accordance with the recommendation of Schaeffer, the potential risk of a growing financial planner population should be considered. The management of this potential risk falls within the ambit of the FSB.

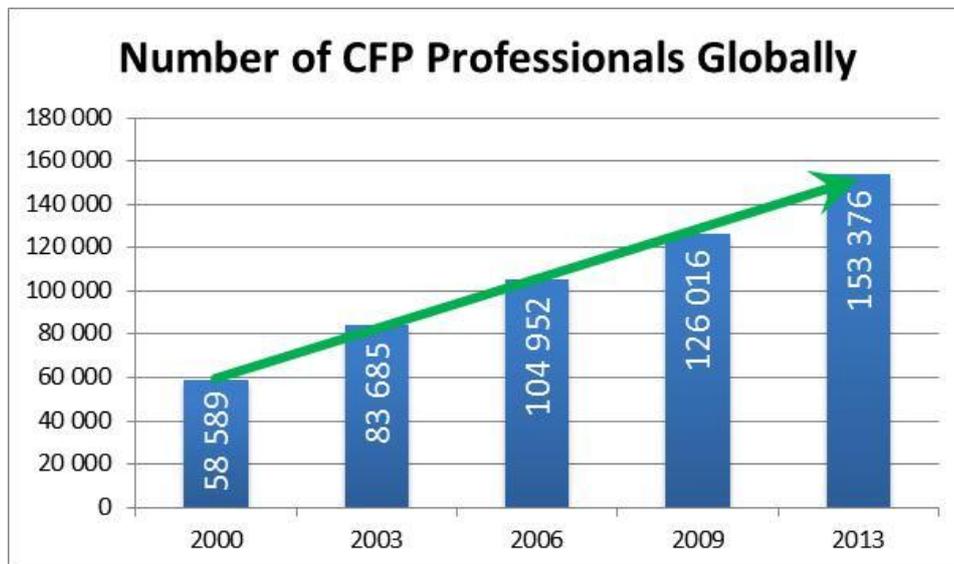


Figure 1.1: Number of CFP professionals globally

Source: Adapted from (FPI, 2014d)

1.1.1. South African financial-planning legislative and regulatory environment

As previously mentioned, the world economy is still recovering from the severe effects of the global recession. It is owing to this economic environment that the promotion and maintenance of a sound financial and investment environment is such an important task; and appropriately, the mandate of the FSB. According to Abel Sithole, chairman of the FSB, South Africa has been able to weather the economic storm without significant casualties; this can partly be attributed to its financial market sophistication and a robust financial regulatory framework (FSB, 2013b).

The FSB is an independent institution established by statute to oversee the South African Non-Banking Financial Services Industry in the public interest (FSB, 2013b). The vision of the FSB is to promote and to maintain a sound financial investment environment in South Africa and its mission is to promote the:

- Fair treatment of consumer's financial services and products;
- financial soundness of financial institutions;
- systemic stability of financial services industries; and
- the integrity of financial markets and institutions.

The FSB is responsible for the administration of 16 Acts of South Africa; these are listed below (FSB, 2013a):

- Collective Investment Schemes Control Act (45 of 2002)
- Credit Rating Services Act (24 of 2012)
- Financial Advisory and Intermediaries Services Act (37 of 2002)
- Financial Institutions (Protection of Funds) Act (28 of 2001)
- Financial Intelligence Centre Act (38 of 2001)
- Financial Markets Act (19 of 2012)
- Financial Services Board Act (97 of 1990)
- Financial Services Ombud Schemes Act (37 of 2004)
- Financial Supervision of the Road Accident Fund Act (8 of 1993)
- Friendly Societies Act (25 of 1956)
- Inspection of Financial Institutions Act (80 of 1998)
- Long-term Insurance Act (52 of 1998)
- Pension Funds Act, 24 (24 of 1956)
- Short-term Insurance Act (53 of 1998)
- Supervision of the Financial Institutions Rationalisation Act (32 of 1996)
- The Securities Services Act (36 of 2004)

Of these listed the Financial Advisory and Intermediaries Services Act (FAIS Act) forms the foundation of this study as it aims to provide a framework for the regulation of all the activities of all FSPs who give advice and/or provide intermediary services to clients with regard to certain financial products. The FAIS Act requires that these providers are licensed and that professional conduct is controlled through a code of conduct and specific enforcement measures (Eikos: Risk Applications, 2011). In the Risk Management Guide published by the FSB it is illustrated clearly that ethics should form the basis of risk management and that the reasoning behind regulatory supervision is to ensure that specific legislation is implemented. Conversely, the objective of legislation is to prescribe to FSPs how to act according to the law. The effect of the aforementioned is that the FAIS Act prescribes how FSPs should render services to their clients and what framework of control is required to minimize risk.

Sections 11 and 12 of the General Code of Conduct for Authorised Financial-services providers and their Representatives (the General Code) specifically deal with the responsibilities of the FSP pertaining to risk.

Section 11 of the General Code describes the required control measures a FSP should have in place.

“A provider must at all times have, and effectively employ, the resources, procedures and appropriate technological systems that can reasonably be expected to eliminate as far as reasonably possible, the risk that clients, product suppliers and other providers or representatives will suffer financial loss through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions” (General Code, 2003: 15-16).

Section 12 of the General Code identifies specific control measures required by a FSP:

“A provider, excluding a representative, must, without limiting the generality of section 11, structure the internal control procedures concerned so as to provide reasonable assurance that-

- a) The relevant business can be carried on in an orderly and efficient manner;
- b) financial and other information used or provided by the provider will be reliable;
- c) all applicable laws are complied with” (General Code, 2003: 16).

According to the Global Competitiveness Report (World Economic Forum, 2013:483-484; 2014:505-506) South Africa ranked first in the world for the regulation of securities exchanges and second for the availability of financial services in both the 2012/2013 and 2013/2014 studies. These accolades confirm the statements of the chairman of the FSB that South Africa has been able to weather the economic storm without significant casualties owing to its financial market sophistication and a robust financial regulatory framework (FSB: 2013b).

1.1.2. Perceptions within the financial services industry

Various perceptions exist within the financial-planning industry; these include that of the industry as a whole and its participants (financial planners, product providers and regulators). In 2013 the Chartered Financial Analyst (CFA) Institute funded two surveys relating to the perceptions of ethical conduct. The first survey focused on professionals working in the financial services industry and the second on clients of FSPs (Doggett, 2014).

In the study conducted by the Economist Intelligence Unit (EIU) among financial services executives it was found that 59% believe the industry has a positive reputation. Interestingly 71% believed that the ethical reputation of their firm was better than their competitors; with many respondents indicating that their peers were less ethical in their actions than they were. The study further found that financial services executives have a desire to improve the reputation of the industry and believe that ethical awareness and strengthened organisational codes of conduct will assist (Doggett, 2014).

In a second study on ethics and knowledge in financial services, the CFA Institute found that even though FSP executives place a significant amount of emphasis on ethical behaviour in the industry there is still a definite gap between belief and practice.

The disparity becomes even clearer when responses to questions relating to career growth and organisational performance are considered. The study found that 53% of respondents felt that it is necessary for them to be 'flexible' on ethical standards to be able to progress in their careers.

The aforementioned is supported by only 37% of financial-services professionals believing that the financials of their company would improve if the actions of employees were more ethical (CFA Institute, 2013).

The general conclusion from both the surveys was that ethical conduct is decisive to the success of the industry. This is however sharply contrasted by the view of FSPs that they are the source of client distrust (Doggett, 2014).

1.2. CAUSAL FACTORS

The causal factors for this study were as follows (see Figure 1.2):

- Not much research has been done on the impact of legislation and regulations on the ability of financial planners and the financial planning environment in terms of promotional or restraining effects;
- the objective of legislation is to prescribe to FSP's how to act according to the law. The effect of the aforementioned is that the FAIS Act (Act 37 of 2002) prescribes how financial-services providers should render services to their clients and what framework of control is required to minimize risk (FSB, 2013b)

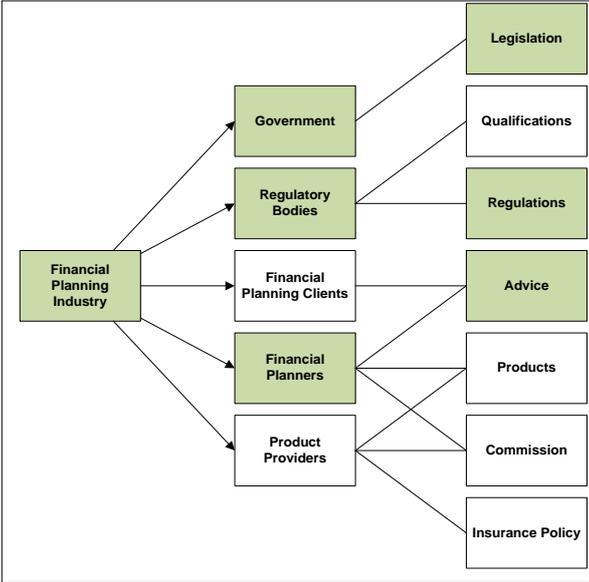


Figure 1.2: Causal factors

Source: Own construction

1.3. IMPORTANCE OF THE STUDY

The FAIS Act is clear as to the conduct required by financial planners; this legislation is wholly enforced and regulated by the FSB. In addition, the FPI provides a myriad of resources for financial planners as to the technical and practical aspects of financial planning.

Most financial planners earn commission from product providers for products sold and could therefore potentially earn no income in a particular month. This study aims to identify whether increased legislation and regulation in the financial-planning industry act in the best interest of the financial planner in the short, medium and long term.

1.4. PROBLEM STATEMENT

The uncertainty resulting from the global economic crisis of 2007-08, lead to a rapid increase in the number of financial planners (Netto Invest, 2012). This view is supported by Schaeffer, who pointed out that such increase occurred both nationally and globally (LexisNexis, 2011). In South Africa, the FSB responded with a proliferation of legislation and regulation of the industry. Research conducted by the CFA institute showed that problematic perceptions exist as to the ethicality of the industry (CFA Institute, 2013).

Owing to the aforementioned; the need for competent financial planners was growing globally at a rate of 6% per year. Studies have shown that individuals and businesses who worked with a financial planner felt more confident in their financial planning strategies (LexisNexis, 2011). According to the FPI (2014d); the number of CFPs in South Africa grew by 4,1% during 2013 to a total of 4 513 compared to the global growth of 3,76% (FPI, 2014d). The total number of CFPs in South Africa, at the end of 2013, represents 2,9% of the global number. These figures are illustrated in Figure 1.1. Though the growth reported by the FPI is in accordance with the recommendation of Schaeffer, the potential risk of a growing financial planner population should be considered. The management of this potential risk falls within the ambit of the FSB.

1.4.1. Basic hypothesis

Financial planners in South Africa perceive the increase in legislative and regulatory requirements as prohibitive or limiting to the growth of their practices; instead of viewing it as a necessary support structure to ensure long-term stability and success of the financial-services industry.

1.4.2. Null hypothesis

Financial planners in South Africa perceive the increase in legislative and regulatory requirements as necessary evolution of the support structure, to ensure long-term stability and success in the financial-services industry.

1.5. OBJECTIVE OF THE STUDY

1.5.1. Primary objective

The general objective of the study is to provide a quantitative measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the financial-planning industry. This quantitative measure provide insight into which portions of legislation financial planners believe to necessary and at what point there is a perception of over legislation and regulation in the industry.

1.5.2. Secondary objectives

To achieve the primary objective, the envisioned secondary objectives of the study are as follows:

- Developing perception evaluation scorecards that will facilitate the gathering of information;
- to identify which portions of legislation are perceived by financial planners to be necessary;
- to identify which portions of legislation are perceived by financial planners to be unnecessary.

1.5.3. Implementation

To achieve the research objectives identified in Section 1.5, a quantitative research approach is applied. The instrument to collect the quantitative data is a questionnaire (Annexure A), which will be developed by applying the literature study (Chapter 2) to form a method of collecting information relevant to the effects of legislation and regulation on the financial services industry. The questionnaire will be divided into four sections, with sections 2-4 utilizing a four-point Likert scale.

Once the questionnaire had been compiled it was stress tested by both the Statistical Consultation Services of the North-West University, Potchefstroom Campus and one of the professional bodies of the financial-planning industry. Approval from the aforementioned entities resulted in the questionnaire being converted to an electronic survey which was completed online.

A formal research invitation was sent to the entire target population via an email that contained background to the study as well as a direct link to the survey.

1.5.4. Literature/ theoretical study

The first phase of the research focusses on a literature survey aimed at defining a theoretical base for the empirical survey; which is conducted in the second phase.

The literature survey aimed to define the following:

- The value chain of the sales process and sales control process;
- the legislative and regulatory requirements in South Africa; and
- perception evaluation

The sources that are consulted include:

- Governing regulations and legislation relevant to the industry;
- books;
- journals; and
- articles.

Keywords that have been identified for the literature study are:

- Financial planning;
- legislation;
- regulations;
- back office support;
- quality assurance;
- quality control;
- value chain.

1.5.5. Empirical study

1.5.5.1. Measuring instrument

During the empirical survey, a set of 10 perception evaluation instruments were identified. These instruments were used to conduct a quantitative assessment of the following:

Primary data collection is done via questionnaires that is completed by the identified research participants. The information collected provide insight as to the perception of sales enablers and sales process controls as well as functionality and services required to facilitate these processes. The target participants currently work in the environment and therefore are able to provide clear and measureable data. The questionnaires include questions that are phrased both positively and negatively. A rating scale is used to capture responses to questions; the data from these scales are summarised into metrics that enable the formation of conclusions about the population.

1.5.5.2. Research participants

The participants are those individuals that form part of both the operational and sales teams of the financial planning environment; with specific focus placed on those of a leading financial institution. These participants are located nationally and are able to provide specialist insight into the requirements for sales process enablers and controls. The target population consists of approximately 826 individuals of which 266 responses are sought.

1.6. LIMITATIONS OF THE STUDY

Owing to the specific focus of the study on the sales process enablers and controls from a value stream approach, no detailed investigation is done in terms of the technical aspects to be considered when doing actual financial planning of individuals or businesses. In addition no specific research is done on the technological aspects and advancements required of the information technology architecture framework of the business. Recommendations to changes or review of current legislation or regulations pertaining to the financial planning environment are not researched.

1.7. LAYOUT OF THE STUDY

This dissertation is structured as follows:

- Chapter 1: Nature and scope of the study:
 - Introduction;
 - Causal factors
 - Importance of the study
 - Problem statement;
 - Objective of the study;
 - Research methodology;
 - Limitations of the study;
 - Layout of the study.
- Chapter 2: Overview of the organisation:
 - Introduction;
 - Overview of the financial-planning industry;
 - Purpose of the FAIS Act;
 - Requirements of the FAIS Act;
 - Key objectives of the FAIS Act;
 - Duties of financial service providers;
 - FAIS fit and proper requirements;
 - Financial planning professional association
 - Summary.

- Chapter 3: Empirical study:
 - Introduction;
 - Scope of empirical research;
 - Research design;
 - Data collection;
 - Data analysis;
 - Results and discussion;
 - Summary.
- Chapter 4: Conclusions and recommendations:
 - Introduction;
 - Conclusions;
 - Recommendations.
- References
- Annexure

1.8. CONCLUSION

As mentioned, the uncertainty resulting from the global economic crisis of 2007-08, lead to a rapid increase in the number of financial planners (Netto Invest, 2012). This view is supported by Schaeffer, who pointed out that such increase occurred both nationally and globally (LexisNexis, 2011). In South Africa, the FSB responded with a proliferation of legislation and regulation of the industry.

1.9. CHAPTER SUMMARY

The world economy is still recovering from the severe effects of the global recession. It is owing to this economic environment that the promotion and maintenance of a sound financial and investment environment is such an important task; and appropriately, the mandate of the FSB. According to Abel Sithole, chairman of the FSB, South Africa has been able to weather the economic storm without significant casualties; this can partly be attributed to its financial market sophistication and a robust financial regulatory framework (FSB, 2013b).

Owing to the aforementioned; the need for competent financial planners was growing globally at a rate of 6% per year. Studies have shown that individuals and businesses who worked with a financial planner felt more confident in their financial planning strategies (LexisNexis, 2011).

Not much research has been done on the impact of legislation and regulations on the ability of financial planners and the financial planning environment in terms of promotional or restraining effects. The objective of legislation is to prescribe to FSP's how to act according to the law.

The effect of the aforementioned is that the FAIS Act (Act 37 of 2002) prescribes how financial-services providers should render services to their clients and what framework of control is required to minimize risk (FSB, 2013b)

The general objective of the study is to provide a quantitative measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the financial-planning industry. This quantitative measure provide insight into which portions of legislation financial planners believe to necessary and at what point there is a perception of over legislation and regulation in the industry.

2. CHAPTER 2: OVERVIEW OF THE INDUSTRY

2.1. INTRODUCTION

According to the Banking Association South Africa (2013) the finance ministry of South Africa began identifying mechanisms to regulate the financial services industry as early as 1993. The overall goal was to improve the integrity of the financial services industry in South Africa and protect consumers of financial products. This culminated in the enacting, in November 2002, of the Financial Advisory and Intermediary Services Act (37 of 2002).

The FAIS Act was enacted to “regulate the rendering of certain financial advisory and intermediary services to clients; to repeal or amend certain laws; and to provide for matters incidental thereto (FAIS Act; 2002). Simply put, the FAIS Act prescribes how an FSP must conduct its business, must interact with customers and defines how customers should engage with their preferred provider (Banking Association South Africa, 2013).

In the financial-planning industry the FAIS Act is potentially best known for enforcing fit and proper requirements which demand that financial planners meet certain levels of experience and qualification to be licenced to provide financial advice (Eduflex, 2014).

2.2. OVERVIEW OF THE FINANCIAL PLANNING PROCESS

According to the FPI (2012) financial planning is the process of structuring and arranging the financial resources of a client to meet their life goals. The FPI continues in saying that financial planning aims to provide financial certainty and clarity on current and future financial wellbeing of an individual and/ or a business, both the short (vehicle and holiday) and long term (retirement). Broadly, the benefit of a financial plan is that it provides a framework to assist in making important life decisions and in ultimately achieving long term financial security.

The FPI recommends that financial planners apply a six-step financial planning sales process to ensure that all the needs of the customer are catered for (FPI, 2014b). Figure 2.1 provides an illustration of the six-steps as outlined by the FPI.

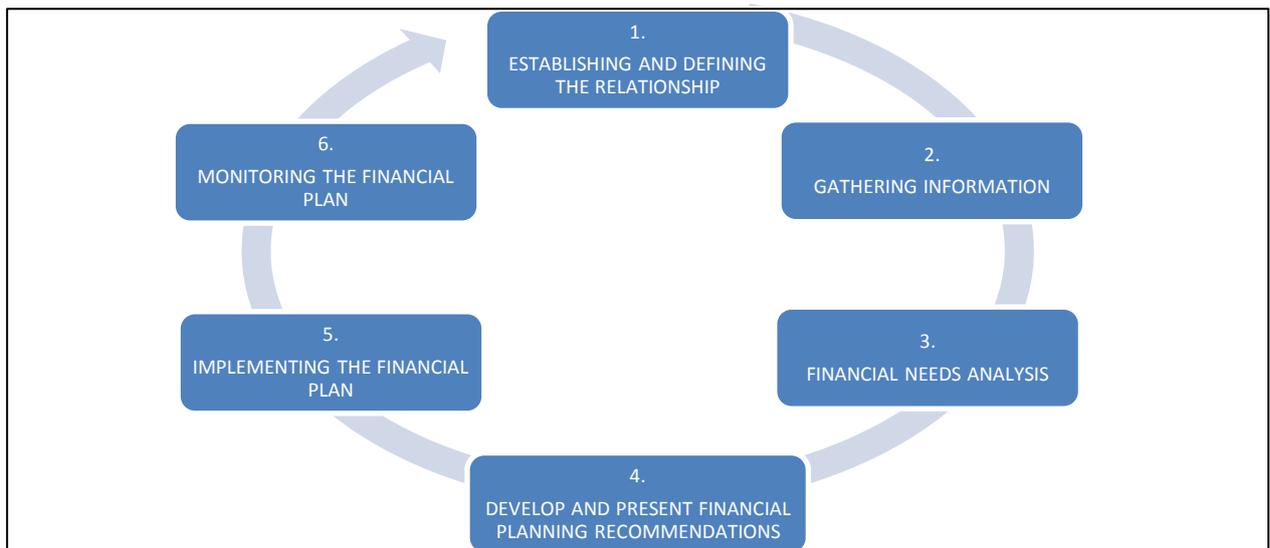


Figure 2.1: Illustration of the six-steps of financial planning

Source: Adapted from (FPI, 2014b)

Below follows a brief description of how the six-step process should be applied, as recommended by the FPI:

Step 1: Establishing and defining a professional relationship

The financial planner should clearly explain or document the services to be provided to the client and should define the responsibilities of both the planner and the client. In conjunction the planner should explain in full how they will be paid and by whom. An agreement should be made as to how long the professional relationship should last and on how decisions will be made.

Step 2: Gathering data, including goals

The financial planner should illicit information about the current financial situation of the client. Thereafter the client and the planner should jointly define the personal and financial goals, as well the time frame for results and should discuss, if relevant, the appetite for risk of the client. It is the responsibility of the financial planner to gather all the necessary documents and information before giving advice.

Step 3: Analysing and evaluating your financial status

The financial planner should analyse the information of the client to assess his/her current situation and to determine what is required to achieve his/her goals. This could include analysing assets, liabilities and cash flow, current insurance coverage, investments or tax strategies depending on what services were discussed and requested.

Step 4: Developing and presenting financial planning recommendations and or alternatives

The financial planner should offer financial-planning recommendations that address the goals of the client, based on the provisioned information. The planner should comprehensively explain the recommendations to ensure that the client can make informed decisions. Importantly, the planner should listen to the concerns raised by the client and should revise the recommendations as appropriate.

Step 5: Implementing the financial-planning recommendations

A decision should be made as to the role that the planner will play in carrying out the recommendations, as two distinctly different options exist. The planner may carry out the recommendations or serve as a 'coach', co-ordinating the whole process between the client and other professionals.

Step 6: Monitoring the financial-planning recommendations

Periodic monitoring and reporting responsibilities should be outlined. If the planner is in charge of the process, he/she should report as agreed to review the position of the client against the goal, and adjust the recommendations as required.

2.3. PURPOSE OF THE FAIS ACT

The primary purpose of the FAIS Act is to protect the client against indecorous conduct by the FSP and its representatives when providing financial advice and or rendering intermediary services to clients (Standard Bank, 2013) and ensure economic efficiency of the industry (Pan & Mosetlhi, May 2009). Additionally it ensures that clients of FSPs are provided with sufficient information regarding their financial products, the representatives selling the products, the represented FSP and the product provider offering the products (Banking Association, 2013). The FAIS Act has an effect on the key individuals and representatives of most FSPs but also on the institutions themselves and their clients (Sanlam, 2014). The effect of the FAIS Act is that key individuals and representatives are now being held responsible for their actions, which may include providing incorrect information or not having sufficient qualifications or experience (Pan *et al.*, May 2009).

2.4. REQUIREMENTS OF THE FAIS ACT

These regulations are imposed by requiring financial-services providers to accept the following responsibilities (Growth in Motion, 2012; Sanlam, 2014):

- Ensure that the financial needs of the client are evaluated;
- provide appropriate advice, having established the relevant facts;
- assist the client to make informed decisions;
- establish a formal complaints mechanism;
- ensure that FSP representatives are competent;
- ensure that product providers act in the best interest of the client with the necessary care and diligence.

2.5. KEY OBJECTIVES OF THE FAIS ACT

Outlined below are the key objectives the FAIS Act aims to achieve (Standard Bank, 2013); (Banking Association, 2013); (One 2 One Consultants, 2011):

- ensure that FSPs are licenced through a government-approved regulatory body that can provide clients with a method of recourse, should the FSP not comply with legislation and regulation;
- enforce that registered FSPs display their licenses prominently;
- allow FSPs to employ representatives to render advisory and/or intermediary services on behalf of the FSP. These representatives do not have to be individually licenced, but have to comply with the 'fit and proper' requirements as set out by the FAIS Act;
- ensure that key individuals and/or representatives who serve the FSPs through their product knowledge and managerial skill, manage FSPs.

2.6. DUTIES OF AUTHORISED FINANCIAL SERVICE PROVIDERS

Subsections 17 - 19 of Chapter 5 of the FAIS Act, detail the duties of authorised financial-services providers. These duties relate to compliance officers and compliance arrangements (subsection 17), maintenance of records (subsection 18) and accounting and audit arrangements (subsection 19) (FAIS Act, 2002). The duties as described by the aforementioned subsections are detailed below:

Subsection 17: Compliance officers and compliance arrangements

- FSPs who employ multiple key individuals and/or representatives are required to appoint one or more compliance officers. The compliance officer needs to ensure that the organisation fulfils its compliance obligation and operates in accordance with the FAIS Act. Additionally, the compliance officer takes responsibility for communication with the registrar.

- Compliance officers must fulfil the fit and proper requirements for the role;
- compliance officers must be approved according to the guidelines and criteria as set out by the registrar;
- the FSP must implement necessary procedures that the provider and its representatives must follow to ensure adherence to the FAIS Act;
- the compliance officer or the FSP must submit reports to the registrar as and when required.

Subsection 18: Maintenance of records

- Records must be maintained for a period of five years by the FSP. These records include all of the following:
 - premature cancellations of transactions or financial products by clients of the FSP, of which the FSP knew;
 - any and all complaints received, as well as supporting documentation indicating if the complaint has been resolved or not;
 - maintain all requirements relating to application for authorisation of FSPs (Section 8 of the FAIS Act);
 - all incidents of non-compliance to the FAIS Act, including reasons for non-compliance; and
 - continued adherence to the requirements for qualifications of representatives and duties of authorised FSPs (Section 13 of the FAIS Act).

Subsection 19: Accounting and audit requirements

- The FSP must maintain full accounting records;
- must prepare annual financial statements that reflect the financial position, results of operations, and changes in equity of the FSP for the financial year;
- all financial statements must be audited by an external auditor as defined in section 1 of the Auditing Profession Act, 2005 (26 of 2005);
- financial statements must fairly reflect the current state of the FSP and must provide an adequate indication of matters which may, in the short or long term, affect the financial position of the FSP;
- audited financial statements need to be submitted to the registrar within four months of the FSPs financial year end;
- in addition to the financial statements of the FSP, the FSP must submit an audited report of the amount of money and assets that are held by the FSP and that these monies and assets were kept separate from that of the FSP;
- the auditor for the FSP is obligated to report any irregularities, or suspected irregularities to the registrar;

- the registrar should be notified when the appointed auditor is terminated. The auditor must submit a statement to the registrar detailing why the auditor believes it was terminated; and
- the FSP may not change its financial year end without approval from the registrar or another regulatory authority, other than the Companies and Intellectual Property Commission, which regulates the FSP's financial position.

According to Swanepoel (2000:37) the foundation of compliance to the FAIS Act, for advice and intermediary service, lies in the prescriptions of the General Code of Conduct. The General Code of Conduct prescribes that the FSP must render its services as outlined in the contractual relationship and reasonable requests and or instructions of the client. These obligations should be performed within reasonable time, in the best interest of the client; which takes priority over the interest of the FSP (Swanepoel, 2000:37). According to the General Code of Conduct an FSP has a responsibility to act in a way that enables consumers to make informed decisions, and to ensure that appropriate solutions for the reasonable financial needs of the consumer are provided for. The General Code of Conduct outlines that an authorized FSP must (Standard Bank, 2013; Banking Association, 2013):

- Act in a way that, maintains the integrity of the financial-services industry, and that is fair and reasonable to the interests of the client;
- have access to sufficient resources, procedures, skills and technology and professional service;
- obtain information that is relevant to understanding the situation of the customers, exposure to financial products and current financial objectives;
- always treat consumers fairly, especially in situations of conflicting interests;
- conduct his/her business in accordance with the applicable requirements as stipulated in all statutory or common law.
- make adequate disclosures to information, including actual or potential FSP interests;
- maintain adequate and appropriate records for a prescribed period of five years;
- avoid false or deceptive advertising, marketing and recruitment;
- ensure adequate protection of consumer funds and transaction documents;
- provide adequate and appropriate guarantees or professional indemnity or fidelity insurance, with mechanisms warranties to match or covered by the registry.

2.7. FAIS FIT AND PROPER REQUIREMENTS

According to the FSB (2013a) the FAIS Fit and Proper requirements determine a set of requirements that all FSPs, key individuals and representatives need to comply with. These requirements are determined by the Registrar of FSPs in consultation with the Advisory Committee, as defined in Section 8 and set out in the Determinations of the FAIS Act.

Since the first determination was completed and enacted in 2008, several subsequent amendments have been effected as outlined in

Table 2.1 below.

Table 2.1: List of amendments to the FAIS Fit and Proper requirements

Amendment Name	Fit and Proper Section Impact	Board Notice Number	To be read in conjunction with
Amendments Notice of the Determination of Qualifying Criteria and Qualifications for Financial Services Provider	Competency Requirements	Board Notice 268 of 2013	
Amendment to the Fit and Proper Requirements - Paragraph 9	Financial Soundness Requirements	Board Notice 202 of 2012	Board Notice 106 of 2008
Amendment to the Qualifying Criteria and Qualifications – Qualification list	Competency Requirements	Board Notice 135 of 2012	Board Notice 105 & 151 of 2008, Board Notice 64 & 95 of 2009, Board Notice 44 & 60 of 2010
Amendments to the Fit and Proper Requirements, Exemptions in respect of services under supervision, Determination of Continues Professional Development and Qualifying Criteria and Qualifications	Competency Requirements	Board Notice 60 of 2010	Board Notice 105 & 151 of 2008, Board Notice 64 & 95 of 2009, Board Notice 44 of 2010
Amendments to the Qualifying Criteria and Qualifications, Determination of Continues Professional Development and Exemptions in respect of services under supervision	Competency Requirements	Board Notice 44 of 2010	Board Notice 105 & 151 of 2008, Board Notice 64 & 95 of 2009
Amendments to the Qualifying Criteria and Qualifications, Determination of Continues Professional Development and Exemptions in respect of services under supervision	Competency Requirements	Board Notice 95 of 2009	Board Notice 104 - 106 & 151 of 2008, Board Notice 64 of 2009
Amendments to the Fit and Proper Requirements, Qualifying Criteria and Qualifications and Exemptions in respect of services under supervision	Competency Requirements	Board Notice 151 of 2008	Board Notice 104 - 106 of 2008

Source: Adapted from FSB (2013a)

There are currently five determinations of the FAIS Act that are relevant to the fit and proper requirements of FSPs, key individuals, representatives and compliance officers. These determinations are listed below:

- Determination of Fit and Proper Requirements, 2008;
- Determination of Continuous Professional Development Requirements, 2008;
- Determination of Qualifying Criteria and Qualifications for FSP's, 2008;
- Determination of criteria and guidelines for the approval of compliance officers;
- Determination of requirements for reappointment of debarred representatives.

The Determination of Fit and Proper Requirements of 2008 outlines the categories of fit and proper requirements for FSPs, their key individuals and representatives. The implications of each category are defined in subsequent sections of this report.

Categories of FAIS Fit and Proper requirements (Standard Bank, 2013):

- Honesty and Integrity requirements for FSPs, key individuals and representatives;
- Competency requirements of FSPs, key individuals and representatives;
- Experience requirements of FSPs, key individuals and representatives;
- Qualifications requirements of key individuals and representatives;
- Regulatory examinations requirements of key individuals and representatives;
- Continuous professional development requirements of FSPs, key individuals and representatives;
- Operational ability of FSPs, key individuals and representatives; and
- Solvency of FSPs.

2.7.1. Personal character qualities of honesty and integrity

Summarised below are the fit and proper requirements relating to honesty and integrity of FSPs, key individuals and representatives (Determination of Fit and Proper Requirements, 2008:169-170):

- an FSP, key individual or representative must be honest and have integrity;
 - The aforementioned will be determined in all cases by the information available to the registrar.
- the following disqualifies an FSP, key individual or representatives from achieving the requirements relating to honesty and integrity:
 - within five years preceding application
 - been found guilty in criminal proceedings in a court of law;
 - been found liable in civil proceedings relating to fraud, dishonesty, unprofessional conduct or breach of fiduciary duty; in a court of law (in any country);

- been found guilty or denied membership by any statutory or voluntary professional body owing to any act of negligence, dishonesty, incompetence or mismanagement that call into question the honesty and or integrity of the FSP, key individual or representative;
 - had any licenses granted by regulatory or supervisory bodies suspended or withdrawn owing to negligence, dishonesty, incompetence or mismanagement that call into question the honesty and or integrity of the FSP, key individual or representative;
- if the FSP, key individual or representative has been disqualified or prohibited from managing a company or any other statutorily created, recognised or regulated body by a court of law.
 - the aforementioned applies regardless of the disqualification being lifted.
- all relevant information and disclosures must be made to registrar as part of the application.

2.7.2. Competency requirements

The following is a summary of the requirements as set out by part 3 of the determination of fit and proper requirements of 2008 (Determination of Fit and Proper Requirements, 2008:171-172):

- The registrar must, in consultation with the advisory committee, publish the qualifying criteria
 - 1) against which regulatory examinations will be set and
 - 2) for inclusion of qualifications of the list of recognised qualifications
- an FSP, key individual and representatives must meet the minimum experience and all applicable qualifications requirements, and complete the relevant regulatory examinations for specific license categories and/or subcategories.
 - The aforementioned is required before approval of key individuals before approval by the registrar;
 - The aforementioned is required at appointment of a representative, unless the representative will provide services under supervision, by the FSP.
- strict compliance to the requirements for continuous professional development;
- at least one key individual must be appointed to oversee and manage representatives.

2.7.3. Experience requirements

The experience requirements, as set out in the determination of fit and proper requirements of 2008 (Determination of Fit and Proper Requirements, 2008:172-177), outline specific periods of experience relating to the type of product or subcategory of product (Table 2.2).

The required experience had to be obtained while actively participating in the rendering of financial services, whether in South Africa or abroad, within five years of application for recognition. Experience may, for different subcategories, be obtained simultaneously.

Table 2.2: FAIS fit and proper experience requirements

Category 1 experience requirements for an FSP and representatives			
No	Column 1: Subcategory	Column 2: Advice – minimum experience	Column 3: Intermediary services – minimum experience
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 securitized debt	2 years	1 year
1.11	Securities and Instruments: Warrants, certificates and other instruments acknowledging debt	2 years	1 year
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

Source: Determination of Fit and Proper Requirements (2008:173)

2.7.4. Qualification requirements

The determination of fit and proper requirements of 2008 outlines specific requirements relating to qualifications that are recognised by the registrar for the proposed or fit and proper determination (Determination of Fit and Proper Requirements, 2008:177-178). These requirements are listed below:

- a list of recognised qualifications will be made available by the registrar, after consultation with the advisory committee;
- an FSP (who is a sole proprietor) must have recognised qualifications for the categories and subcategories for which financial services are provided;
- a key individual must, at approval, have recognised qualifications for the categories and subcategories for which the FSP provides services;
- a representative must, at appointment, have recognised qualifications for the categories and subcategories for which the representative want to provide financial services;
 - the representative may be exempted by the registrar if the representative will be working under supervision. In this case the representative only needs to have grade 12 or an equivalent school leaving certificate which meets the criteria of the National Qualifications Frameworks' (NQF) criteria for level 4;
- FSP's (who are sole proprietors), key individuals and representatives only have to meet the most onerous qualification requirement with regards to all the categories and/or subcategories they are authorised, approved or appointed for.

2.7.5. Regulatory examinations

Part 6 of the determinations for fit and proper requirements of 2008 outlines the principles by which the scope and content of the regulatory examinations for an FSP (who is a sole proprietor), key individuals and representatives are set out (Determination of Fit and Proper Requirements, 2008:178-180). The principles of the regulatory examinations are summarised below:

- an FSP (who is a sole proprietor), key individuals and representatives must pass the regulatory examinations set by the registrar;
- examination bodies must be approved by the registrar, according to criteria developed in consultation with the advisory committee, to administer the examinations;
- the examinations have two key parts:
 - core examinations: referred to as level one. Focusing on legislation, specifically the FAIS Act, directly associated with the FSP, key individuals and representatives;

- specific examinations: referred to as level two. These examinations relate to the category and subcategories for which an FSP is authorised to provide financial services;
- the requirements for completion of the first and second level regulatory examinations are outlined in Table 2.3 below.
- the examinations specifically concentrate on determining the ability of the examinee to apply his/her knowledge to the following:
 - providing suitable financial services to clients which is in line with specific categories and subcategories;
 - the understanding of legal requirements, particularly the rights and responsibilities of the provider and the client. Secondly, the legal implication of these requirements and lastly their ability to apply these requirements correctly.
- the registrar, in consultation with the advisory committee undertake to determine the following:
 - curriculum to be included;
 - drafting of examination papers;
 - criteria that will be applied to determine if a candidate has passed his/her examination;
 - appointment of examiners;
 - times and dates at which examinations will take place;
 - supervision requirements and responsibilities during examinations;
 - marking and evaluations of examinations;
 - moderation of examinations; and
 - communication of results to the FSB.

Table 2.3: Regulatory exam requirements

No	Column 1: subcategory	Column 2: Advice – first level	Column 3: Second level
1.1	Long-term Insurance subcategory A	Applies	Only Key Individuals
1.2	Short-term Insurance Personal Lines	Applies	Applies
1.3	Long-term Insurance:		
1.3.1	subcategory B1	Applies	Applies
1.3.2	subcategory B2	Applies	Applies
1.4	Long-term Insurance subcategory C	Applies	Applies
1.5	Retail Pension Benefits	Applies	Applies
1.6	Short-term Insurance Commercial Lines	Applies	Applies
1.7	Pension Fund Benefits	Applies	Applies
1.8	Securities and instruments: Shares	Applies	Applies

Table 2.3: Regulatory exam requirements (continued)

1.9	Securities and Instruments: Money market instruments	Applies	Applies
1.10	Securities and Instruments: Debentures and securitized debt	Applies	Applies
1.11	Securities and Instruments: Warrants, certificates and other instruments acknowledging debt	Applies	Applies
1.12	Securities and Instruments: Bonds	Applies	Applies
1.13	Securities and Instruments: Derivative instruments excluding warrants	Applies	Applies
1.14	Participatory Interests in one or more collective Investment schemes	Applies	Applies
1.15	Forex Investment Business	Applies	Applies
1.16	Health Service Benefits	Applies	Applies
1.17	Long-term Deposits	Applies	Applies
1.18	Short-term Deposits	Applies	Applies
1.19	Friendly Society Benefits	Applies	Only Key Individuals

Source: Determination of Fit and Proper Requirements (2008:180)

2.7.6. Continuous professional development

The principles for continuous professional development (CPD) are outlined in part 7 of the determinations of the fit and proper requirements of 2008 (Determination of Fit and Proper Requirements, 2008:181-182). These principles as described below:

- An FSP (who is a sole proprietor), key individuals and representatives must meet the CPD requirements for the relevant categories and subcategories as determined by the registrar, with the advisory committee, as set out in Table 2.4;
 - the required notional hours range between 15 and 60 hours over a three-year period;
 - the three-year period commences either when the highest level of regulatory examination has been passed or after the sixth year of date of authorisation, approval or appointment;
 - future amendments of the licensing requirements will not affect CPD requirements that have already been met by the FSP (who is a sole proprietor), key individuals and representatives;
 - should an FSP (who is a sole proprietor), key individuals or representatives be licensed to provide financial services in more than one category of subcategory; the highest requirement for notional hours will apply;
 - outcomes of CPD activities must be reported to the registrar;
- a list of programmes approved for contribution to CPD will be maintained by the registrar;

- learning institutions may apply to the registrar for recognition of their programmes for this purpose;
- the CPD requirements listed in Table 2.4 may be waived by the registrar if a key individual and/or representative holds a membership in a statutory or voluntary professional body that requires similar CPD outcomes to maintain membership. Additionally the professional body must be able to monitor, to enforce and to report annually to the registrar on the performance of members.

Table 2.4: Continuous professional development requirements

	Column 1: Subcategory	Column 2: Notional hours in a 3 year cycle
1.1	Long-term Insurance subcategory A	15
1.2	Short-term Insurance Personal Lines	30
1.3	Long-term Insurance:	
1.3.1	subcategory B1	60
1.3.2	subcategory B2	60
1.4	Long-term Insurance subcategory C	60
1.5	Retail Pension Benefits	60
1.6	Short-term Insurance Commercial Lines	45
1.7	Pension Fund Benefits	60
1.8	Securities and instruments: Shares	60
1.9	Securities and Instruments: Money market instruments	60
1.10	Securities and Instruments: Debentures and securitized debt	60
1.11	Securities and Instruments: Warrants, certificates and other instruments acknowledging debt	60
1.12	Securities and Instruments: Bonds	60
1.13	Securities and Instruments: Derivative instruments excluding warrants	60
1.14	Participatory Interests in one or more collective Investment schemes	60
1.15	Forex Investment Business	60
1.16	Health Service Benefits	45
1.17	Long-term Deposits	15
1.18	Short-term Deposits	15
1.19	Friendly Society Benefits	15

Source: Determination of Fit and Proper Requirements (2008:182)

2.7.7. Operational ability

Part 8 of the determinants of the FAIS Act defines the operational abilities than an FSP must be able to maintain to fulfil its responsibilities as determined by the FAIS Act (Determination of Fit and Proper Requirements, 2008:183-184).

These responsibilities are listed below:

- fixed business address;
- access to communication facilities (telephone/cell-phone, typing, document duplicating);
- sufficient document storage facilities for records, business communications and correspondence;
- an account with a registered bank and a separate account for client funds (if required);
- policies, procedures and systems to enable the FSP to comply with FAIS legislation.

In addition to the aforementioned, an FSP is required to have detailed service-level agreements with third-party providers which include agreed services, delivery times, roles and responsibilities and applicable penalties.

Thirdly, FSPs are required to have the following minimum control structures and procedures:

- clear operational segregation of duties, roles and responsibilities of staff;
- sensible access control;
- where applicable, access and electronic data security;
- adequate security of records and assets;
- documented operational policies, procedures and processes;
- documented system testing;
- clearly defined disaster-recovery plans to ensure business continuity;
- training records of key individuals and representatives regarding the FAIS Act, as well as giving advice and providing intermediary services.

Further determinations of part 8 of the Determination of Fit and Proper Requirements (2008: 183-184) relate to providing sufficient mechanisms to ensure compliance with the provisions of the Act, financial accounting reports and assurance of data integrity. All applicants must be able to provide suitable guarantees and/or professional indemnity insurance to provide for the risk of losses to fraud, dishonesty and/or negligence.

2.7.8. Financial soundness

The primary determinants of part 9 of the Determinants of the FAIS Act (2008:184-185) state that an FSP may not be a rehabilitated insolvent or under liquidation or in provisional liquidation. Additionally, the assets (excluding goodwill, intangible assets and investment in related parties) of all Category 1 FSPs must at all times exceed the liabilities (excluding loans validly subordinated in favour of all other creditors) of the said FSP. Thirdly, the FSP must maintain current assets which are at least sufficient to meet current liabilities; and finally, the FSP must always maintain sufficient liquid assets to provide for a minimum of four weeks of annual expenditure (Determination of Fit and Proper Requirements, 2008:184-185).

2.8. FINANCIAL PLANNING PROFESSIONAL ASSOCIATION

The FPI is an independent professional association for financial planners in South Africa. It was formed in 1981 - then known as the Institute of Life and Pension Advisors (ILPA) - to promote professionalism in the industry. The FPI firmly believes that South African financial planners should meet international standards of best practice. To enable this, the FPI affiliated itself with the Certified Financial Planner Board of Standards Inc. in the United States of America in 1998 (as ILPA). The FPI adopted its new name in 2000 and became founding members of the Financial Planning Standards Board (FPSB) (FPI, 2014a).

In addition to the FPSB, the FPI is currently partnered with similar organisations in 24 other countries. This association enables the FPI to be the sole institution in Southern Africa to offer the CFP® certification (FPI, 2014a). The CFP® certification confirms that a financial-planning professional has proven his/her competency, ethics, and professional practice standards to provide holistic financial-planning services to individuals. Table 2.5 briefly describes the CFP® certification requirements. The FPI believes that compliance in these four areas ensures CFP® professionals are well prepared and qualified to give sound, professional advice.

Table 2.5: CFP® Certification Requirements

Criteria	Description
Examination	CFP® Professionals must successfully complete a comprehensive certification examination, which tests knowledge on various key aspects of financial planning.
Experience	CFP® Professionals must gain at least three years of related experience
Ethics	CFP® Professionals must voluntarily ascribe to the FPI's Code of Ethics and Professional Responsibility and additional requirements as mandated
Education	CFP® Professionals must have obtained a B-Com Honours in Financial Planning or a Post Graduate Diploma in Financial Planning at one of the approved higher education institutions. All designated financial planning professionals must complete 65 hours of continuous professional development every two years

Source: Adapted from (FPI, 2012)

In addition to the CFP® certification, the FPI has three trademarked tiers of membership: Financial Services Advisor™ (FSA™), Associate Financial Planner™ (AFP™) and Registered Financial Planner™ (RFP™) (FPI, 2014a).

The FPI pride itself on being uncompromising in establishing and maintaining professional financial-planning standards in Southern Africa, and has drafted its strategic objectives to promote public access to competent and qualified financial planners who are professionally qualified, are experienced and have agreed to abide by the FPI Code of Conduct, Ethics and Practice Standards. Many top financial institutions have adopted the FPI as an independent standards partner and its members include both general practitioners and specialists in particular branches of financial planning (FPI, 2014a).

2.9. CONCLUSION

Currently close to 100 000 FSB-registered brokers/ advisors/ planners/ consultants claim to offer financial advice. Of these representatives only 4600 (approximately) are CFP® professionals (FPI, 2012). The FPI (2012) maintains that the regulatory environment governing the financial industry is dynamic, this coupled with a tumultuous economic environment, and this enforces the importance of an expert to assist individuals and businesses in planning for the future.

There are currently five determinations of the FAIS Act that are relevant to the fit and proper requirements of FSPs, key individuals, representatives and compliance officers. These determinations are listed below:

- Determination of Fit and Proper Requirements, 2008;
- Determination of Continuous Professional Development Requirements, 2008;
- Determination of Qualifying Criteria and Qualifications for FSP's, 2008;
- Determination of criteria and guidelines for the approval of compliance officers;
- Determination of requirements for reappointment of debarred representatives.

The Determination of Fit and Proper Requirements of 2008 outlines the categories of fit and proper requirements for FSPs, their key individuals and representatives. The implications of each category are defined in subsequent sections of this report.

Categories of FAIS Fit and Proper requirements (Standard Bank, 2013):

- Honesty and Integrity requirements for FSPs, key individuals and representatives;
- Competency requirements of FSPs, key individuals and representatives;
- Experience requirements of FSPs, key individuals and representatives;
- Qualifications requirements of key individuals and representatives;
- Regulatory examinations requirements of key individuals and representatives;
- Continuous professional development requirements of FSPs, key individuals and representatives;
- Operational ability of FSPs, key individuals and representatives; and
- Solvency of FSPs.

2.10. CHAPTER SUMMARY

The FAIS Act was enacted to firstly, regulate the financial advisory and intermediary services to clients; secondly, to reverse or modify certain laws; thirdly, to provide for matters supplementary to these laws.

Simply put, the FAIS Act prescribes how an FSP must conduct its business, must interact with customers and defines how customers should engage with their preferred provider.

The primary purpose of the FAIS Act is to protect the client against:

1. indecorous conduct by the FSP and its representatives when providing financial advice and or rendering intermediary services to clients;
2. ensure economic efficiency of the industry; and
3. ensure that clients of FSPs are provided with sufficient information regarding their financial products, the representatives selling the products, the represented FSP and the product provider offering the products.

The effect of the FAIS Act is that key individuals and representatives are now being held responsible for their actions, which may include providing incorrect information or not having sufficient qualifications or experience.

The FAIS Fit and Proper requirements determine a set of requirements that all FSPs, key individuals and representatives need to comply with. These requirements are determined by the Registrar of FSPs in consultation with the Advisory Committee, as defined in Section 8 and set out in the Determinations of the FAIS Act.

The Determination of Fit and Proper Requirements of 2008 outlines the categories of fit and proper requirements for FSPs, their key individuals and representatives. The implications of each category are defined in sections 2.7.1 -2.7.8 of this report.

Categories of FAIS Fit and Proper requirements:

- Honesty and Integrity requirements for FSPs, key individuals and representatives;
- Competency requirements of FSPs, key individuals and representatives;
- Experience requirements of FSPs, key individuals and representatives;
- Qualifications requirements of key individuals and representatives;
- Regulatory examinations requirements of key individuals and representatives;
- Continuous professional development requirements of FSPs, key individuals and representatives;
- Operational ability of FSPs, key individuals and representatives; and
- Solvency of FSPs

3. CHAPTER 3: EMPIRICAL STUDY

3.1. INTRODUCTION

The empirical study of the research was conducted nationally, within South Africa. The focus of the study was to investigate the perception of financial planners with regards to the regulatory and legislative prescriptions of the financial services industry. The general objective of the study is to provide a quantitative measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the ethicality of the financial-planning industry. This quantitative measure will provide insight into which legislation and regulation financial planners believe to necessary and at what point there is a perception of over legislation and regulation in the industry. To achieve the primary objective, the identified secondary objectives of the study need to be accomplished. These objectives are:

- developing perception evaluation scorecards that will facilitate the gathering of information;
- to identify which areas of the financial-planning industry are perceived to be over regulated; and
- to identify which areas of the financial-planning industry are perceived to be over legislated.

3.2. SCOPE OF THE EMPIRICAL RESEARCH

To research the effects of regulations and legislation on the financial services industry the empirical study focussed on the responsibilities of financial-services providers and the FAIS Fit and Proper requirements as set out by the FAIS Act.

3.3. RESEARCH DESIGN

3.3.1. Population

Levine, Stephan, Krehbiel & Berenson (2011:34) provide the following as a definition for a population:

“A population consists of all the items or individuals about which you want to draw a conclusion”

The population identified for the empirical study consists of financial planners that provide advisory and/or intermediary services in South Africa.

This study was, however, limited to financial planners that form part of the advisory division of a major South African financial-services provider.

These financial planners are located across South Africa, in all nine province and in rural and metropolitan areas. These financial planners are supported by a national head office, which is located in Johannesburg, as well as provincial head offices located in Johannesburg, Pretoria, Port Elizabeth, Durban, Bloemfontein and Cape Town. This study included the full advisory complement, 826, of the financial-services provider but is limited to the sample population that responded to the research invitation.

3.3.2. Sample type and size

A simple random, probability sample was used to obtain respondents for the empirical study. The probability sampling type was used as it provides members of the population equal opportunity to form part of the representative sample (Rivera & Rivera, 2007:65) and allows inferences to be made about the population (Levine, *et al.*, 2011:252). Further, simple random sampling ensured that each member of the representative sample had equal opportunity to take part in the research (Rivera & Rivera, 2007:65).

For the purposes of this study members of the sample were sent an invitation to participate in the research in two ways. Firstly via an email invitation sent directly to their email address; and secondly via an open invitation contained in the weekly corporate news letter of the financial services provider. Further to these invitations, the population was encouraged to support the research through reminder emails that were sent to their corporate email addresses; to ensure that the required sample size was reached.

Levine, *et al.* (2011:34) define sample as the section or part of the population that was analysed. In a business context sample sizes are calculated prior to data collection to ensure that the confidence intervals are narrow enough to enable statistically significant decision-making (Levine, *et al.*, 2011:297). To determine the appropriate sample size of a population, to ensure a representative sample is used, the Equation 3.1 is applied. The sample size n is equal to the product of the $Z_{\alpha/2}$ squared, the population portion, π , and 1 minus the population portion, π , divided by the square of the sampling error, e (Levine, *et al.*, 2011:300).

Equation 3.1: Sample size

$$n = \frac{Z_{\alpha/2}^2 \pi (1 - \pi)}{e^2}$$

(Levine, *et al.*, 2011:300)

When the relevant values are then replaced the following equation is the results

$$266 = \frac{1,96^2(0,5)(1 - 0,5)}{0,06^2}$$

The three factors required to determine the sample size are as follows:

1. The desired confidence level, which determines the value of $Z_{\alpha/2}$, the critical value from the standardized normal distribution;
2. The acceptable sampling error, e , to within 0,06;
3. The population proportion, π . To achieve maximum population size 0,5 was used.

This provides for a required sample size of 266.

The above formula sample size can be adjusted for finite populations as follows:

Equation 3.2: Sample size correction for finite population

$$\text{Adjusted sample size} = \frac{n}{1 + \frac{n-1}{\text{population}}}$$

(Creative Research Systems, 2014)

$$201 = \frac{266}{1 + \frac{266-1}{826}}$$

Based on the result of the adjusted sample size equation, the required sample size for the study is reduced from 266 to 201. A total of 260 responses were received for the study which ensures a high level of accuracy is achieved from the findings of the research.

3.3.3. Survey design

To achieve the research objectives identified in Section 1.5, a quantitative approach was selected. The instrument used to collect the quantitative data was a questionnaire. The questionnaire was developed by applying the literature study (Chapter 2) to form a method of collecting information relevant to the effects of legislation and regulation on the financial-services industry. The questionnaire was divided into four sections, with sections 2-4 utilizing a four-point Likert scale. The sections for the questionnaire are listed in Table 3.1.

Table 3.1: Survey design

Section	Topic	Number of questions
Section 1	Demographics	12
Section 2	Responsibilities of Financial-services providers	11
Section 3.1	Honesty and Integrity Requirements	2
Section 3.2	Competency Requirements	6
Section 3.3	Experience Requirements	4
Section 3.4	Qualification Requirements	5
Section 3.5	Regulatory Requirements	8
Section 3.6	Continuous Profession Development	5
Section 3.7	Operational Ability	10
Section 3.8	Financial Soundness	2
Section 4	Financial-planning industry	5

Source: Own creation

3.4. DATA COLLECTION

3.4.1. Proof of concept

Once the aforementioned questionnaire was developed it was subjected to a number of pilot tests to ensure validity and reliability of the research data that would be received. Two prominent pilot tests were done. Firstly, a draft of the questionnaire was sent to the Statistical Consultation Services of the North-West University, Potchefstroom Campus to assist in 1) identifying weaknesses in the construction of the questionnaire and 2) formulation of the questions. The second prominent pilot test was done in consultation with the FPI, to ensure that the construction and formulation of questions were theoretically sound when compared to relevant legislation and regulation, pertaining to the financial-services industry. Feedback from all pilot testing was carefully considered and applied to form the final questionnaire. The final version of the questionnaire was captured onto FluidSurveys to enable electronic completion by respondents.

3.4.2. Selection method

A formal research invitation was sent to the entire target population, 826, of the study via an email that contained background to the study as well as a direct link to the survey created in FluidSurveys. The email was sent to all 826 financial planners of a leading financial services provider; no notifications with regard to undeliverable addresses and out of office were received. The survey remained active for three weeks.

During the three-week period all six of the operational managers of the provincial head offices sent emails to the financial planners in their area, encouraging them to take part in the survey. This encouragement proved to be very successful as the number of respondents grew daily. The final result of 260 completed surveys was used in the empirical study.

When the final size is compared to the adjusted required sampled size, it can be concluded that a sufficient sample size was achieved to form a representative sample (Rivera & Rivera, 2007:65) and to make inferences about the population (Levine, *et al.*, 2011:252).

3.5. DATA ANALYSIS

3.5.1. Frequency analysis and description statistics

The data collected from the responding financial planners was drawn from the FluidSurveys website in Excel spreadsheet format and provided to the Statistical Consultation Services of the North-West University, Potchefstroom Campus. The Statistical Consultation Services of the North-West University, Potchefstroom Campus performed frequency analysis and descriptive statistics on the data.

According to Levine, *et al.* (2011:114) arithmetic mean (mean), denoted as \bar{X} , is most commonly used as a measure of central tendency. This is owing to all values playing an equal role, thus providing an average of the data set. Furthermore, standard deviation is the primary measure of distribution around the mean. Consequently, a large standard deviation indicates that the data are spread far apart, as opposed to a small standard deviation indication data being closely concentrated (Levine *et al.*, 2011:120).

3.5.2. Validity and reliability

Rivera & Rivera (2007:75) indicate that for instruments to be used in the gathering of data for research to be effective, they need to be reliable and valid. According to the Webster dictionary (2014a), if information is reliable it is “conforming to fact and worthy of belief”.

Further, the Webster dictionary (2014b) mentions that for information to be valid it must “have sufficient strength or force, founded in truth, capable of being justified, defended or supported; not weak or defective; sound; goof; efficacious; as, a valid argument; a valid objection”. In the case of research, validity refers to the “degree to which an instrument measures what it intends to measure” (Rivera & Rivera, 2007:75). As described in section 3.4.1, a series of pilot tests were done to ensure the reliability and validity of the questionnaire as a measuring instrument.

Once the data had been gathered Cronbach’s alpha coefficient was applied to measure the internal consistency of each section or sub-section of questions. The internal consistency indicates how closely related a set of items in a group are. Importantly, Cronbach’s alpha is not a statistical test but rather a coefficient of reliability (IDRE, 2014). Cronbach’s alpha is indicated as a number between 0 and 1. A low value of alpha indicates poor inter-relatedness of constructs. This may be the result of questions changing from positive to negative views. In some instances it may be required to review or to invert the value to obtain the appropriate alpha value. It is generally accepted that alpha values between 0,7 and 0,95 are statistically significant (Tavakol & Dennick, 2011:54). The resulting Cronbach’s alpha coefficients of the sections and subsections of the measuring instrument will be detailed in subsequent sections. The calculation for Cronbach’s alpha is illustrated in

Equation 3.3: Cronbach’s alpha

$$Cronbach's\ alpha = \frac{n}{n - 1} \left[\frac{SD^2 - \sum variance}{SD^2} \right]$$

Where:

n = number of items in the analysis

SD = item standard deviation

∑ = sum of.

(Gravetter & Forzano, 2009:461)

Kaiser-Meyer-Olkin (KMO) statistics is a measure of sampling, for both the overall and each individual variable. The overall KMO is found in the "KMO and Bartlett's Test" table of the Factor Analysis output (IBM, 2011).

KMO statistics is a summary of how small the partial correlations are, compared with the original (zero-order) correlations. If the variables have common factors, there will be limited partial correlations, which would result in a KMO close to 1.0, KMO values that are greater than 0,8 may be considered as representative of the component.

KMO values which are less than 0,5 requires either of the following interventions: 1) removing the offending variables or 2) inclusion of other variables related to the offenders. These interventions may result in higher KMO values (IBM, 2011).

3.6. RESULTS AND DISCUSSIONS

3.6.1. Introduction

The following sections delineate the results received from the 260 respondents that participated in the study. The results are discussed in the same sequential order as posed in the research questionnaire. Discussions are based on the results of the Kaiser-Meyer-Olkin factor for sample adequacy, the result of Cronbach’s alpha which indicates internal consistency of each section and sub-section, and the correlation factor of the identified components of the sections and/or sub-sections.

3.6.2. Section 1: Demographics

Section 1 consists of demographic data of the respondents relating to gender, age, region, qualifications, financial service provided, experience, and organizational information. The aim was to identify if there is any correlation or differences in the population when compared to responses to subsequent questions. Based on the result found in section 3.3.2, it is clear the sample is representative of the target population at a confidence level of 95% at an error rate of 0,6%.

3.6.2.1. Gender

The responding financial planners were 58% male and 42% female (Figure 3.1)

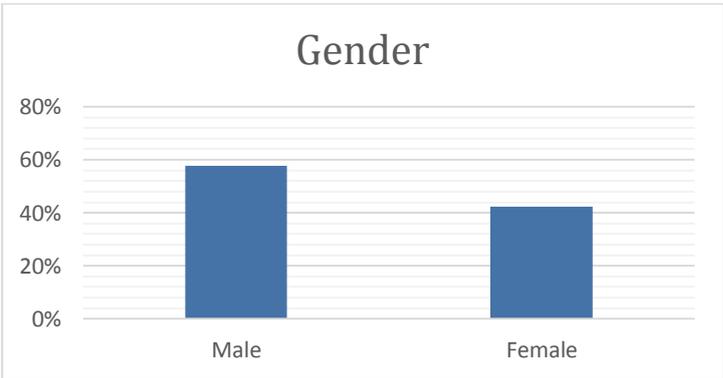


Figure 3.1: Gender demographic of respondents

Source: Own creation

3.6.2.2. Age

Close to 65% of respondents were between the ages of 26 and 55. No respondents were below the age of 20 (Figure 3.2).

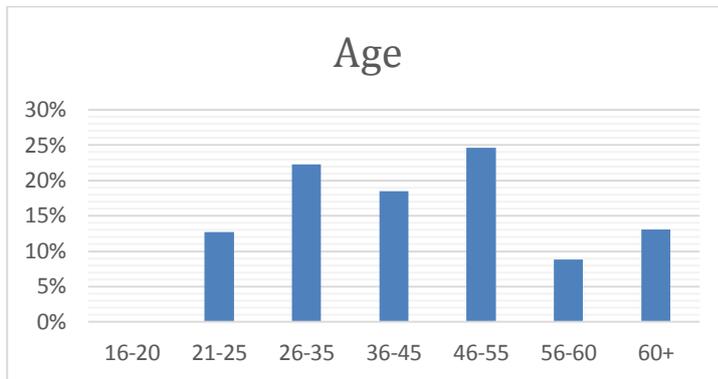


Figure 3.2: Age demographic

Source: Own creation

3.6.2.3. Region

Respondents from all nine of South Africa's provinces participated in the research, with the highest being the Western Cape with 30% and Gauteng with 29% of respondents (Figure 3.3).

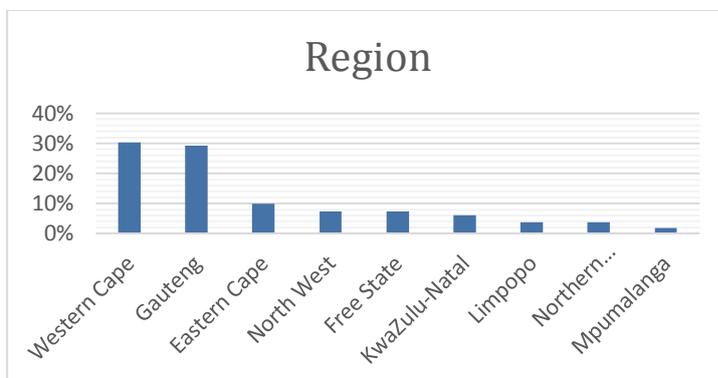


Figure 3.3: Region demographic

Source: Own creation

3.6.2.4. Highest qualification

Most of the respondents' highest qualification was either a diploma - 29%, a bachelor degree - 28%, or a matriculation certificate - 22%. No respondents indicated that they had any doctorate level qualifications (Figure 3.4).

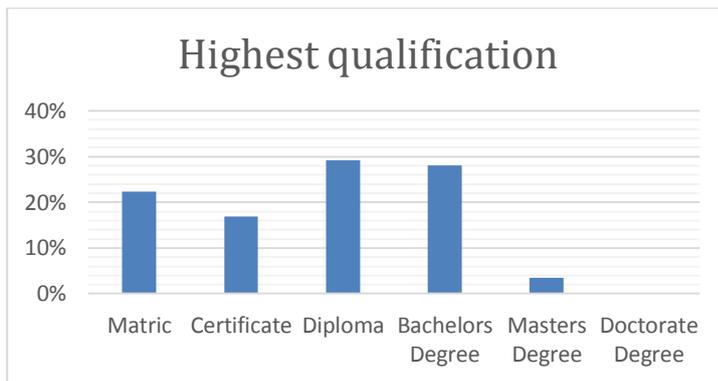


Figure 3.4: Highest qualification demographic

Source: Own creation

3.6.2.5. Professional qualification

Question 1.5 of the questionnaire requested the respondent to indicate his/her highest professional qualification (Figure 3.5). Further, the instrument allowed for the respondent to indicate any other professional qualification attained i.e. admitted attorney, Project Management Professional. Of the 258 responses received, only 190 selected one of the options provided. Analysis of the responses for other professional qualifications attained showed that respondents regarded certificate, diploma and industry-specific qualifications as professional qualifications. According to the South African Qualifications Authority (SAQA) a professional qualification is a qualification that is obtained with a professional body of community experts (Jobs.co.za, 2014).

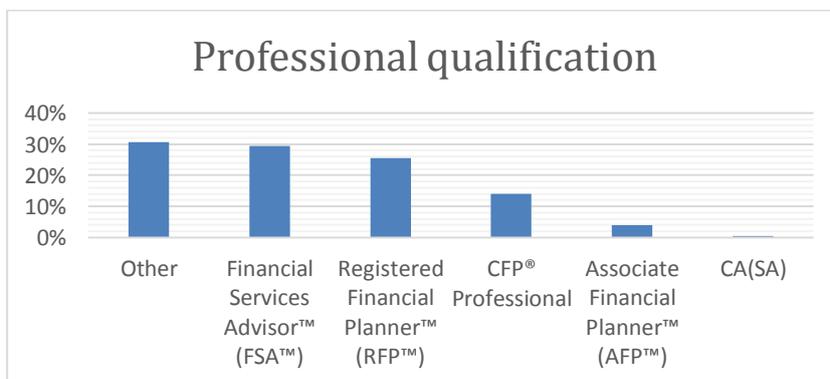


Figure 3.5: Professional qualification demographic

Source: Own creation

3.6.2.6. Practice type

When respondents were asked to indicate which type of practice they were part of 70% indicated that they were part of a corporate model and 22% indicated broker franchise. No respondents indicated that they were sole proprietors (Figure 3.6).

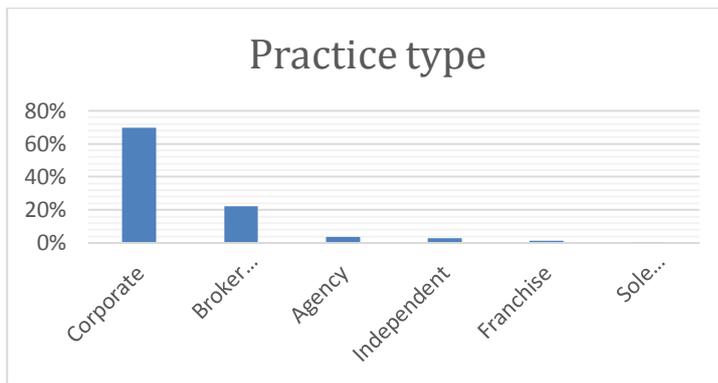


Figure 3.6: Practice type demographic

Source: Own creation

3.6.2.7. Product category financial services are provided for

A list of ten broad categories of financial products were identified. Respondents had to indicate to which they provide financial advisory and/or intermediary services. Analysis of the responses show that 63% of respondents provide financial advisory and or intermediary services form products that for part of investment, life insurance and retirement planning categories.

Interestingly, an almost equal number of respondents indicated that they provide financial advisory and/or intermediary services relating to personal-short term insurance - 34%, and commercial short-term insurance - 30%. No respondents indicated that they provide financial advisory and/or intermediary services relating to foreign exchange (Figure 3.7).

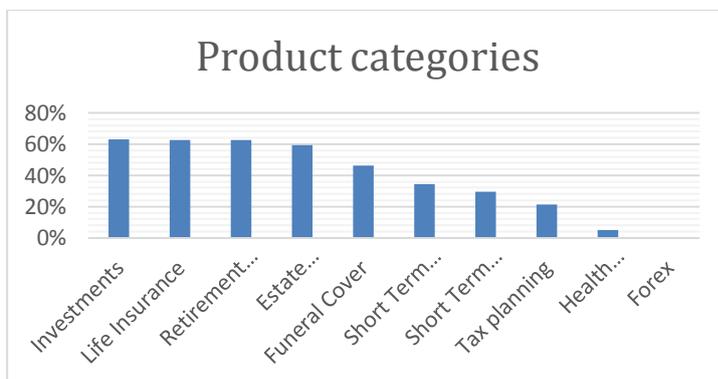


Figure 3.7: Product category demographic

Source: Own creation

3.6.2.8. Number of years in the industry

When evaluating the number of years that respondents have been in the financial-planning industry it was found that 30% of respondents had more than twenty years of experience, whereas 25% have less than three year of experience.

Individually, the aforementioned statistics are more than the sum of those respondents that have between 11 and 20 years' experience (Figure 3.8).

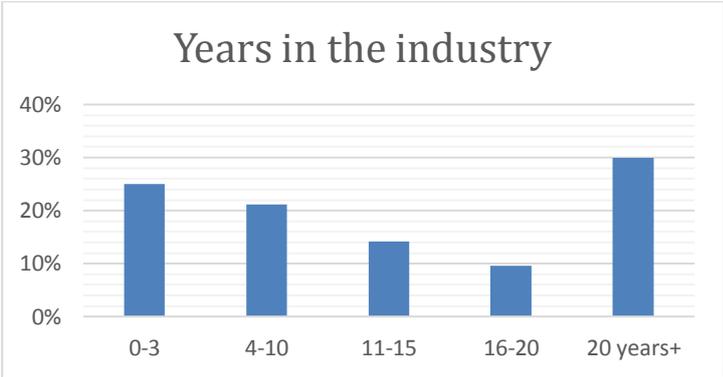


Figure 3.8: Years in the industry demographic

Source: Own creation

3.6.2.9. Number of key individuals/ representatives in the organisations

The statistics relating to the number of key individuals and or representatives in the organization are contradictory to those of section 3.6.2.6. This is owing to the fact that no respondents indicated that they were sole proprietors, but 16% of respondents indicated that the organization only had one key individual and/or representative. Additionally, the statistics relating to 2 to 249 are also surprising considering that the respondents all form part of the same organisation which has 826 key individuals and/or representatives. These findings may be ascribed to respondents not knowing what key individuals and or representatives are compared to the definition held by this study (Figure 3.9).

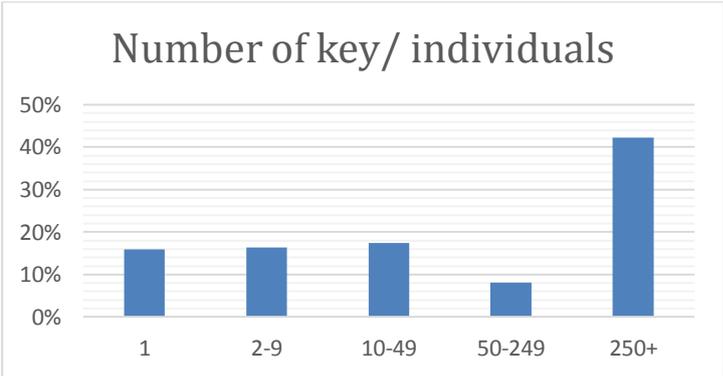


Figure 3.9: Key individual/ representative demographic

Source: Own creation

3.6.2.10. Supervision

When asked whether they were under supervision for certain categories and/or sub-categories of products, 98% of respondents indicated that they (Figure 3.10). The high percentage of respondents indicating that they are under supervision begs the question: Are there sufficient supervisors and supervision processes available in the FSP to support the high demand and the dynamisms of the supervision within the ambit of the FAIS Act.

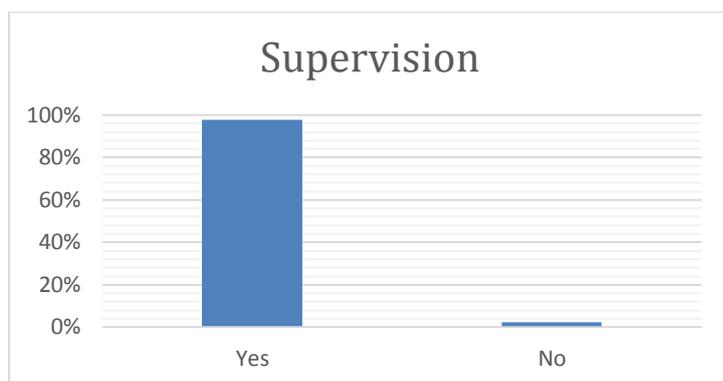


Figure 3.10: Supervision demographic

Source: Own creation

3.6.2.11. Regulatory exams

Question 1.11 enquired which of the regulatory examinations (RE) the respondents had completed. Section 2.7.5 discussed, in detail, the levels and requirements of RE. It was indicated by 66% of respondents that they had completed RE 1, which aims to test the ability of key individuals and sole proprietors to manage and to oversee the rendering of financial-services providers. Only 1% of respondents indicated that they had completed RE 3, which deals with ability of key individuals and sole proprietors to manage and to oversee Discretionary and Hedge Fund financial-services providers (Figure 3.11)

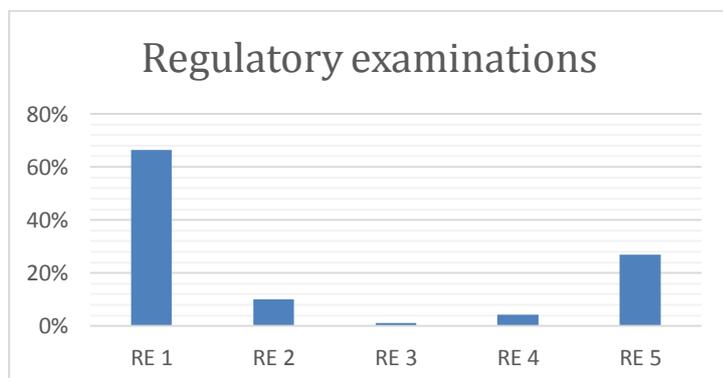


Figure 3.11: Regulatory examination demographic

Source: Own creation

3.6.3. Section 2: Responsibilities of the financial-service provider

Section 2 of the questionnaire investigated the perception of respondents relating to the subscriptions of the FAIS Act, with specific reference to the responsibilities of the financial-services providers. The section and all of its factors achieved a very high sampling adequacy and relevancy score; with a KMO value of 0,924 and Cronbach's alpha of 0,93, for the section.

The results, as illustrated in Table 3.2, show that the respondents were in agreement that the requirements for the responsibilities of FSP's, as set out by the FAIS Act, achieves the following objectives:

- promoting the integrity of the financial-planning industry;
- protecting clients against inappropriate conduct of financial planners;
- adherence ensures that clients obtain sufficient information regarding financial products;
- protecting clients against inappropriate conduct of financial-service providers;
- following the FPSB six-steps in financial planning ensures that the needs of the client are met;
- maintaining records for five years ensures that sufficient information is available for client service;
- failing to follow the subscriptions of FAIS legislation will result in unfair and unreasonable treatment of clients;
- ensuring economic efficiency of the financial-planning industry;
- prohibiting false and deceptive advertising owing to its negative effect on the financial-planning industry;
- providing sufficient mechanisms for recourse to client's through Ombud offices;
- instilling confidence in the FSP by displaying the FSP's license.

Table 3.2: Component matrix - Section 2

Section 2	Strongly Disagree	Disagree	Agree	Strongly Agree	Component 1	Cronbach's alpha
The FAIS Act promotes the integrity of the financial-planning industry	2.4%	2.4%	60,8%	34.4%	0,852	0,922
FAIS legislation protects clients against inappropriate conduct of financial planners	3.3%	5.3%	58.4%	33.0%	0,816	0,923
Adherence to FAIS legislation ensures that clients obtain sufficient information regarding financial products	3.3%	21.1%	56.5%	19.1%	0,800	0,926

Table 3.2: Component matrix - Section 2 (Continued)

FAIS legislation protects clients against inappropriate conduct of financial service providers	2.9%	7.7%	60,8%	28.7%	0,788	0,922
Following the FPSB six-steps in financial planning ensures that client's needs are met	2.4%	10,1%	60,6%	26.9%	0,775	0,923
Maintaining records for 5 years ensures that sufficient information is available for client service	2.9%	18.8%	55.8%	22.6%	0,756	0,927
Failing to follow the subscriptions of FAIS legislation will result in unfair and unreasonable treatment of clients	2.9%	12.0%	65.9%	19.2%	0,731	0,926
FAIS legislation ensures economic efficiency of the financial-planning industry	2.4%	13.0%	62.5%	22.1%	0,721	0,927
False and deceptive advertising has a negative effect on the financial-planning industry	1.4%	6.7%	56.7%	35.1%	0,713	0,920
The FSB provides sufficient mechanisms for recourse to client's	3.4%	11.5%	54.8%	30,3%	0,709	0,925
Ombud offices provide sufficient mechanisms for recourse to client's	2.4%	1.9%	45.2%	50,5%	0,694	0,926
Displaying the FSP license instils confidence in the client	2.9%	8.2%	56.2%	32.7%	0,692	0,924

Source: Own creation

When considering the correlations and significance values of section 2 (Table 3.3) the following can be deduced:

- four out of the sixteen components have no correlation of statistical significance;
- seven components had a small correlation of statistical significance;
- three components had a medium correlation of statistical significance; and
- section 2 had a high correlation of statistical significance with the operational ability requirements of the FAIS Act and the effect of legislation on the financial-planning industry, as investigated in section 4 of the questionnaire.

Table 3.3: Correlations -Section 2

Section 2	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,05	0,47	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,05	0,48	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,163	0,02	There is a small statistically significant correlation at the 0,01 level
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,01	0,94	There is no statistically significant correlation
Section 3.1	-0,154	0,04	There is a small statistically significant correlation at the 0,01 level
Section 3.2: Component 1	0,406	0	There is a medium statistically significant correlation
Section 3.2 Component 2	0,242	0	There is a small statistically significant correlation
Section 3.3	0,352	0	There is a small statistically significant correlation
Section 3.4: Component 1	0,415	0	There is a medium statistically significant correlation
Section 3.4: Component 2	0,13	0,09	There is a small correlation which is statistically significant at the 0,05 level
Section 3.5	0,352	0	There is a medium statistically significant correlation
Section 3.6: Component 1	0,327	0	There is a small statistically significant correlation
Section 3.6: Component 2	0,264	0,68	There is a small correlation which is statistically significant at the 0,05 level
Section 3.7	0,498	0	There is a high statistically significant correlation
Section 3.8	0,03	0,72	There is no statistically significant correlation
Section 4	0,521	0	There is a high statistically significant correlation

Source: Own creation

3.6.4. Section 3: FAIS Fit and proper requirements

3.6.4.1. Honesty and integrity requirements

Section 3.1 of the questionnaire investigated the perception of respondents relating to honesty and integrity requirements as defined by the FAIS Act. The section and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,785 for the section.

The Cronbach's alpha scores of section 3.1 (Table 3.4) indicate that respondents support the honesty and integrity requirements, as set out by the FAIS Act. Further, Source: Own creation

Table 3.5 illustrates that there is no statistically significant correlation between the honesty and integrity requirements with neither the qualification nor the RE requirements. The remaining 14 have either a small or medium statistically significant correlation.

Table 3.4: Component matrix - Section 3.1

Section 3.1	Strongly Disagree	Disagree	Agree	Strongly Agree	Cronbach's alpha
Individuals with criminal records should be able to practice as financial planners	56.8%	27.8%	11.2%	4.1%	0,648
Those found guilty of negligence, dishonesty, incompetence and mismanagement should be allowed to practice as financial planners	59.8%	32.0%	3.6%	4.7%	0,648

Source: Own creation

Table 3.5: Correlations - Section 3.1

Section 3.1	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	-0,1	0,21	There is a small statistically significant correlation
Question 1.4 Indicate your highest qualification	0,11	0,17	There is a small statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,11	0,14	There is a small statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,186	0,02	There is a small statistically significant correlation at the 0,01 level
Section 2	-0,154	0,04	There is a small statistically significant correlation
Section 3.2: Component 1	0,02	0,82	There is a small statistically significant correlation
Section 3.2: Component 2	-0,11	0,15	There is a small statistically significant correlation

Table 3.5: Correlations - Section 3.1 (Continued)

Section 3.3	0,12	0,11	There is a small statistically significant correlation
Section 3.4: Component 1	-0,01	0,89	There is no statistically significant correlation
Section 3.4: Component 2	0,13	0,09	There is a small statistically significant correlation
Section 3.5	0,01	0,89	There is no statistically significant correlation
Section 3.6: Component 1	-0,12	0,12	There is a small statistically significant correlation
Section 3.6: Component 2	0,184	0,02	There is a medium statistically significant correlation
Section 3.7	-0,153	0,05	There is a small statistically significant correlation at the 0,05 level
Section 3.8	0,194	0,01	There is a small statistically significant correlation at the 0,05 level
Section 4	-0,11	0,17	There is a small statistically significant correlation

Source: Own creation

3.6.4.2. Competency requirements

Section 3.2 of the questionnaire investigated the perception of respondents relating to competency requirements as defined by the FAIS act. The KMO value of sampling adequacy was acceptable at 0,689. However, two components had a high variance which resulted in a split of the section into two components. Once rotated, both components scored a KMO value of 0,689. Additionally, after rotation of the section, all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,809 for the section.

The factor analysis (Table 3.6) identified two distinct components within section 3.2. The first relates to the competency criteria of product knowledge and qualifications which support the ability of financial planners to provide financial advisory and or intermediary services to clients. The second component contains the RE sections of the competency requirements. The results show that there was some disparity between respondents regarding the effectiveness of the RE to test the necessary skills and theoretical understanding of financial planes.

Table 3.6: Component matrix – Section 3.2

Section 3.2	Strongly Disagree	Disagree	Agree	Strongly Agree	Component		Cronbach's alpha
					1	2	
Minimum competency criteria for products are sufficient to ensure competence of financial planners to adequately explain products to clients	1.8%	14.9%	66.1%	17.3%	0,880		0,755
The criteria measured by the Regulatory Exams test the correct set of skills required by financial planners	4.1%	34.9%	51.5%	9.5%	0,454	0,644	0,760
Minimum competency and qualification standards provide a suitable basis for successful financial planning	5.3%	36.1%	48.5%	10,1%	0,911		0,766
Completion of Regulatory Exams provide sufficient theoretical understanding of the financial-planning industry	6.5%	45.6%	40,8%	7.1%	0,439	0,609	0,775
The qualifications approved by the FSB represent the required skills required to be successful in the financial-planning industry	6.5%	38.5%	47.9%	7.1%	0,622		0,800
Key individuals have a significant management and oversight responsibility	0,6%	4.8%	64.9%	29.8%	-0,218	0,756	

Source: Own creation

A correlation and statistically significance test (Table 3.7) showed that there was no correlation of statistical significance between the competency requirements and the honesty and integrity requirements, or the financial soundness requirements. There was however a high correlation with the experience, qualification and regulatory examination requirements of the FAIS Act (37 of 2002).

Table 3.7: Correlations - Section 3.2

Section 3.2	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,1	0,2	There is a small statistically significant correlation
Question 1.4 Indicate your highest qualification	0,07	0,35	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,2	0,01	There is a small statistically significant correlation at the 0,01 level
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,203	0,01	There is a small statistically significant correlation at the 0,01 level
Section 2	0,406	0	There is a medium statistically significant correlation
Section 3.1	0,02	0,82	There is no statistically significant correlation
Section 3.3	0,546	0	There is a high statistically significant correlation
Section 3.4: Component 1	0,498	0	There is a high statistically significant correlation
Section 3.4: Component 2	0,294	0	There is a medium statistically significant correlation
Section 3.5	0,528	0	There is a high statistically significant correlation
Section 3.6: Component 1	0,226	0	There is a small statistically significant correlation
Section 3.6: Component 2	0,330	0	There is a medium statistically significant correlation
Section 3.7	0,233	0	There is a low statistically significant correlation
Section 3.8	0,08	0,31	There is no statistically significant correlation
Section 4	0,438	0	There is a medium statistically significant correlation

Source: Own creation

3.6.4.3. Experience requirements

Section 3.3 of the questionnaire investigated the perception of respondents relating to experience requirements as defined by the FAIS act. The section achieved a very high KMO value of 0,745. The components and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,793 for the section (Table 3.8).

Table 3.8: Component matrix - Section 3.3

Section 3.3	Strongly Disagree	Disagree	Agree	Strongly Agree	Component 1	Cronbach's alpha
Minimum experience criteria for products is sufficient to ensure competence of financial planners to adequately explain products to clients	7.1%	37.1%	49.4%	6.5%	0,862	0,684
Minimum experience criteria is clear and simple to adhere to	4.1%	21.2%	67.1%	7.6%	0,810	0,743
Experience requirements relates to the complexity of the product	1.2%	18.3%	65.7%	14.8%	0,782	0,798
Experience supervision periods are sufficient to ensure competency of financial planners	3.5%	15.3%	70,0%	11.2%	0,677	0,725

Source: Own creation

The Cronbach's alpha confirms that the experience criteria of the FAIS Act achieve their objectives in:

- ensuring competence of financial planners to explain adequately products to clients;
- minimum experience criteria is clear and simple to adhere to; that
- experience requirements relates to the complexity of the product; and
- experience supervision periods are sufficient to ensure competency of financial planners.

The correlation and statistical significant test, Table 3.9, shows that there is no correlation of statistical significance between experience requirements and the age of financial planners, or their highest qualification. There was a high correlation between experience requirements and competency and qualification requirements of the FAIS Act.

Table 3.9: Correlations - Section 3.3

Section 3.3	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,01	0,93	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,04	0,59	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,2	0,01	There is a small statistically significant correlation at the 0,01 level

Table 3.9: Correlations - Section 3.3 (Continued)

Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,172	0,02	There is a small statistically significant correlation at the 0,01 level
Section 2	0,352	0	There is a medium statistically significant correlation
Section 3.1	0,12	0,11	There is a small statistically significant correlation
Section 3.2: Component 1	0,546	0	There is a high statistically significant correlation
Section 3.2: Component 2	0,05	0,55	There is no statistically significant correlation
Section 3.4: Component 1	0,474	0	There is a high statistically significant correlation
Section 3.4: Component 2	0,185	0,02	There is a small statistically significant correlation
Section 3.5	0,309	0	There is a medium statistically significant correlation
Section 3.6: Component 1	0,245	0	There is a small statistically significant correlation
Section 3.6: Component 2	0,433	0	There is a medium statistically significant correlation
Section 3.7	0,172	0,03	There is a low statistically significant correlation
Section 3.8	0,214	0,01	There is a small statistically significant correlation at the 0,01 level
Section 4	0,360	0	There is a medium statistically significant correlation

Source: Own creation

3.6.4.4. Qualification requirement

Section 3.4 of the questionnaire investigated the perception of respondents relating to qualification requirements as defined by the FAIS Act. The KMO value for the section was acceptable at 0,675 but identified two components owing to question 4 producing a large variance. Once rotated, the section and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,730 for the section.

The high relevancy shown by the Cronbach's alpha is confirmed by the frequency analysis shown in Table 3.10. The results show that respondents mostly agreed that the qualification requirements of the FAIS Act achieved their objectives.

There was however not as much agreement regarding the minimum qualification levels for entry to the industry; with 58.6% of respondents agreeing that Grade 12 or NQF 4 was sufficient compared to 31.4% responding the negative.

Table 3.10: Component matrix - Section 3.4

Section 3.4	Strongly Disagree	Disagree	Agree	Strongly Agree	Component		Cronbach's alpha
					1	2	
Qualification requirements ensure that financial planners have a good knowledge base	1.2%	4.7%	75.7%	18.3%	0,676		0,723
The FSB list of approved qualifications is sufficient	1.2%	16.5%	70,6%	11.8%	0,724		0,692
Required qualifications are relational to the complexity of the product	0,6%	13.0%	75.1%	11.2%	0,779		0,643

Source: Own creation

Table 3.10: Component matrix - Section 3.4 (Continued)

Qualification requirements are sufficient to ensure competence of financial planners	1.2%	26.6%	60,9%	11.2%	0,776	0,323	0,602
The minimum qualification of Grade 12 or NQF level 4 certificate is sufficient for entry to the financial-planning industry	16.0%	25.4%	50,9%	7.7%		0,976	

Source: Own creation

Correlation and statistical significance testing showed that there was no correlation between the qualification and financial soundness requirements. There was a strong correlation with the competency and experience requirements, as well as the effect of legislation of the industry. These results are listed in Table 3.11.

Table 3.11: Correlations - Section 3.4

Section 3.4	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,05	0,53	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,1	0,2	There is a small statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,206	0,01	There is a small statistically significant correlation at the 0,01 level
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,08	0,33	There is a small statistically significant correlation
Section 2	0,415	0	There is a medium statistically significant correlation
Section 3.1	-0,01	0,89	There is a small statistically significant correlation
Section 3.2: Component 1	0,498	0	There is a high statistically significant correlation
Section 3.2: Component 2	0,1	0,19	There is a small statistically significant correlation
Section 3.3	0,474	0	There is a high statistically significant correlation
Section 3.5	0,396	0	There is a medium statistically significant correlation
Section 3.6: Component 1	0,372	0	There is a medium statistically significant correlation
Section 3.6: Component 2	0,377	0	There is a medium statistically significant correlation
Section 3.7	0,385	0	There is a medium statistically significant correlation
Section 3.8	0,03	0	There is no statistically significant correlation
Section 4	0,562	0	There is a high statistically significant correlation

Source: Own creation

3.6.4.5. Regulatory examinations

Section 3.5 of the questionnaire investigated the perception of respondents relating to RE requirements as defined by the FAIS Act. The section generated a very high KMO value of 0,852. Additionally, the section and all of its factors achieved a high relevancy score (Table 3.12); with a Cronbach's alpha of 0,892 for the section.

Table 3.12: Component matrix - Section 3.5

Section 3.5	Strongly Disagree	Disagree	Agree	Strongly Agree	Component 1	Cronbach's alpha
Sufficient regulatory exam providers are available	1.8%	17.8%	71.6%	8.9%	0,942	0,900
Sufficient regulatory exam training providers are available	5.9%	29.6%	58.0%	6.5%	0,925	0,912
The curriculum included in the Regulatory Exams provide a holistic understanding of the financial-planning industry	2.4%	24.3%	67.5%	5.9%	0,921	0,879
Regulatory Exams 1 adequately test the ability of key individuals and sole proprietors to manage and oversee the rendering of financial-services providers	0,6%	27.2%	64.5%	7.7%	0,890	0,874
Regulatory Exams 2 adequately test the ability of key individuals and sole proprietors to manage and oversee the rendering of Assistance Business Policies and Friendly Society Benefits types of financial services	1.8%	20,7%	69.8%	7.7%	0,811	0,864
Regulatory Exams 3 adequately test the ability of key individuals and sole proprietors to manage and oversee Discretionary and Hedge Fund financial-services providers	1.2%	22.5%	68.6%	7.7%	0,735	0,862

Table 3.12: Component matrix - Section 3.5 (Continued)

Regulatory Exams 4 adequately test the ability of key individuals and sole proprietors to manage and oversee Administrative financial-services providers	1.2%	20,7%	69.8%	8.3%	0,424	0,860
Regulatory Exams 5 adequately test the ability of representatives to render financial services	1.2%	23.7%	65.7%	9.5%	0,379	0,867

Source: Own creation

Correlation and statistical significance analysis (Table 3.13) showed that there was a high correlation between the RE and competency requirements. There was no correlation with the number of representatives/key individuals demographic or honesty and integrity, financial soundness requirements.

Table 3.13: Correlations - Section 3.5

Section 3.5	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	-0,05	0,54	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,156	0,04	There is a medium statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,273	0	There is a small statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	0,05	0,49	There is no statistically significant correlation
Section 2	0,352	0	There is a medium statistically significant correlation
Section 3.1	0,01	0,89	There is no statistically significant correlation
Section 3.2: Component 1	0,528	0	There is a high statistically significant correlation
Section 3.2: Component 2	0,194	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.3	0,309	0	There is a medium statistically significant correlation

Table 3.13: Correlations - Section 3.5 (Continued)

Section 3.4: Component 1	0,396	0	There is a medium statistically significant correlation
Section 3.4: Component 2	0,226	0	There is a small statistically significant correlation
Section 3.6: Component 1	0,176	0,02	There is a small statistically significant correlation
Section 3.6: Component 2	0,495	0,03	There is a medium statistically significant correlation
Section 3.7	0,262	0	There is a low statistically significant correlation
Section 3.8	-0,02	0,84	There is no statistically significant correlation
Section 4	0,420	0	There is a medium statistically significant correlation

Source: Own creation

3.6.4.6. Continuous professional development

Section 3.6 of the questionnaire investigated the perception of respondents relating to continuous professional development requirements as defined by the FAIS Act. The KMO value of 0,593 was acceptable for the section. A large variance was calculated between some of the variables which lead to the establishment of two components for the section. Once rotated, the section and all of its factors achieved a medium-to-high relevancy scores; with a Cronbach's alpha of 0,734 for component 1 and 0,464 for component 2.

Factor analysis (Table 3.14) showed that respondents agreed that CPD ensured that financial planners stayed current with industry trends and that it improved their knowledge and skills. Additionally, respondents also agreed that prescribed minimum notional hours for categories and sub-categories was sufficient to ensure competence in providing financial advisory and or intermediary services. 73.2% of respondents indicated that they believed that CPD was not a waste of time.

Table 3.14: Component matrix - Section 3.6

Section 3.6	Strongly Disagree	Disagree	Agree	Strongly Agree	Component		Cronbach's alpha
					1	2	
The minimum notional hours for product sub-categories is sufficient to ensure understanding and competence to provide financial planning for those sub-categories	0,6%	14.3%	79.2%	6.0%		0,675	0,409
CPD ensures that financial planners stay current with industry trends	0,0%	5.4%	73.2%	21.4%	0,837		
CPD is a waste of time and money	27.4%	45.8%	20,2%	6.5%		0,694	0,413
CPD provides an opportunity to improve the knowledge and skills of financial planners	2.4%	4.8%	66.1%	26.8%	0,853		
The available programmes accredited for CPD contribution is sufficient	3.0%	30,4%	61.3%	5.4%		0,749	0,279

Source: Own creation

There was a high correlation (Table 3.15) between the CPD requirements and the effect of legislation on the financial-planning industry. Conversely, there was no correlation with age or highest qualification demographics or honesty and integrity, financial soundness requirements.

Table 3.15: Correlations - Section 3.6

Section 3.6	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,07	0,38	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,05	0,54	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,13	0,08	There is a small statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	0,06	0,43	There is no statistically significant correlation
Section 2	0,327	0	There is a medium statistically significant correlation

Table 3.15: Correlations - Section 3.6 (Continued)

Section 3.1	-0,12	0,12	There is no statistically significant correlation
Section 3.2: Component 1	0,226	0	There is a small statistically significant correlation
Section 3.2: Component 2	0,249	0	There is a small statistically significant correlation
Section 3.3	0,245	0	There is a small statistically significant correlation
Section 3.4: Component 1	0,372	0	There is a medium statistically significant correlation
Section 3.4: Component 2	-0,02	0,76	There is no statistically significant correlation
Section 3.5	0,176	0,02	There is a small statistically significant correlation
Section 3.7	0,395	0	There is a medium statistically significant correlation
Section 3.8	-0,06	0,43	There is no statistically significant correlation
Section 4	0,470	0	There is a high statistically significant correlation

Source: Own creation

3.6.4.7. Operational ability

Section 3.7 of the questionnaire investigated the perception of respondents relating to the operational ability of financial-service providers as defined by the FAIS Act. The KMO value for sampling adequacy was very high at 0,896. The section and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,925 for the section.

Table 3.16: Component matrix - Section 3.7

Section 3.7	Strongly Disagree	Disagree	Agree	Strongly Agree	Component 1	Cronbach's alpha
Fixed business addresses for Financial Planners provide a form of security for clients	0,6%	7.1%	67.3%	25.0%	0,850	0,923
Communication facilities ensures that financial planners are able to fulfil the responsibility imposed by legislation	0,0%	3.0%	75.6%	21.4%	0,834	0,915
Document storage and record management plays a significant part in the operational ability of financial planners	0,0%	2.4%	71.4%	26.2%	0,834	0,920
Defined sales processes improve the operational ability of financial planners	0,0%	5.4%	77.4%	17.3%	0,829	0,918
Defined processes ensure consistent quality of financial services provided to clients	0,6%	6.0%	75.0%	18.5%	0,799	0,917
Clear segregation of roles and responsibilities provide clarity to clients	1.8%	5.4%	75.0%	17.9%	0,759	0,922
Access control is important to ensure safety of information	0,6%	1.8%	67.3%	30,4%	0,744	0,913
Access control is important to ensure safety of staff	0,0%	3.6%	69.0%	27.4%	0,715	0,914
Access control is important to ensure safety of clients	0,0%	3.6%	67.3%	29.2%	0,692	0,913
Business continuity plans ensure that consistent financial services can be provided to clients	0,0%	1.8%	72.6%	25.6%	0,690	0,913

Source: Own creation

The component matrix for section 3.7 (Table 3.16) shows that most respondents supported the operational ability requirements as determined by the FAIS Act. Interestingly, there was only a correlation with the honesty and integrity, experience, qualification, CPD and financial soundness sections of the FAIS Fit and Proper requirements as set out in the FAIS Act.

All of the other 11 identified components showed no correlation. The results are displayed in Table 3.17.

Table 3.17: Correlations - Section 3.7

Section 3.7	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0	0,98	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,08	0,31	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	0,02	0,81	There is no statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,07	0,34	There is no statistically significant correlation
Section 2	0,03	0,72	There is no statistically significant correlation
Section 3.1	0,194	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.2: Component 1	0,08	0,31	There is no statistically significant correlation
Section 3.2: Component 2	0	0,98	There is no statistically significant correlation
Section 3.3	0,214	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.4: Component 1	0,03	0,7	There is no statistically significant correlation
Section 3.4: Component 2	0,249	0	There is a small statistically significant correlation
Section 3.5	-0,02	0,84	There is no statistically significant correlation
Section 3.6: Component 1	-0,06	0,43	There is no statistically significant correlation
Section 3.6: Component 2	0,11	0,82	There is a small statistically significant correlation
Section 3.8	-0,11	0,15	There is a small statistically significant correlation
Section 4	-0,08	0,32	There is no statistically significant correlation

Source: Own creation

3.6.4.8. Financial soundness

Section 3.7 of the questionnaire investigated the perception of respondents relating to the operational ability of financial-service providers as defined by the FAIS Act. The section and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,745 for the section.

When asked if practices which are not financially sound could provide suitable financial advice, 78% of respondents disagreed. Table 3.18 shows that there was some disparity between whether or not financially rehabilitated entities could practice as financial planners; 58.8% responded in the negative and 44.3% in the positive. This may indicate a willingness within the industry to review the requirements relating to financial soundness of FSPs, key individuals and representatives.

Table 3.18: Component matrix - Section 3.8

Section 3.8	Strongly Disagree	Disagree	Agree	Strongly Agree	Cronbach's alpha
Financial planning practices that are not financially sound can provide suitable advice to clients	26.8%	51.2%	16.7%	5.4%	0,745
Financially rehabilitated entities should be able to register as financial planners	13.7%	41.1%	41.1%	4.2%	0,745

Source: Own creation

The correlation and statistical analysis showed that the financial-soundness requirements correlated in their responses with those received for honesty and integrity, experience, CPD and operational ability requirements. All other requirements showed no correlation, as listed in Table 3.19.

Table 3.19: Correlations - Section 3.8

Section 3.8	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0	0,98	There is no statistically significant correlation
Question 1.4 Indicate your highest qualification	0,08	0,31	There is no statistically significant correlation
Question 1.8 Number of years of service in the industry	0,02	0,81	There is no statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,07	0,34	There is no statistically significant correlation
Section 2	0,03	0,72	There is no statistically significant correlation

Table 3.19: Correlations - Section 3.8 (Continued)

Section 3.1	0,194	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.2: Component 1	0,08	0,31	There is no statistically significant correlation
Section 3.2: Component 2	0	0,98	There is no statistically significant correlation
Section 3.3	0,214	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.4: Component 1	0,03	0,7	There is no statistically significant correlation
Section 3.4: Component 2	0,249	0	There is a small statistically significant correlation
Section 3.5	-0,02	0,84	There is no statistically significant correlation
Section 3.6: Component 1	-0,06	0,43	There is no statistically significant correlation
Section 3.6: Component 2	0,11	0,16	There is a small statistically significant correlation
Section 3.7	-0,11	0,15	There is a small statistically significant correlation
Section 4	-0,08	0,32	There is no statistically significant correlation

Source: Own creation

3.6.5. Section 4: Financial-planning industry

Section 4 of the questionnaire investigated the perception of respondents relating to the effect of legislation of the financial-planning industry as defined by the FAIS Act. Factor analysis calculated a KMO value of 0,774 for the section which indicates a common trait for the section. The section and all of its factors achieved a high relevancy score; with a Cronbach's alpha of 0,813 for the section (Table 3.20).

The high Cronbach's alpha coefficient for section 4 confirms that legislative and regulatory requirements have the following effects on the financial-planning industry:

- promotes practice growth;
- protects the integrity of the industry;
- promotes the sustainability of the financial-planning industry; and that
- financial planners who conform to legislative and regulatory requirements will have a successful financial-planning careers.

Table 3.20: Component matrix - Section 4

Section 4	Strongly Disagree	Disagree	Agree	Strongly Agree	Component 1	Cronbach's alpha
Legislative and regulatory requirements promotes practice growth	1.2%	24.8%	62.7%	11.2%	0,861	0,750
Legislative and regulatory requirements limits practice growth	6.8%	54.0%	33.5%	5.6%	0,815	0,765
Legislative and regulatory requirements protects the integrity of the financial-planning industry	0,6%	8.7%	67.1%	23.6%	0,815	0,742
Legislative and regulatory requirements promotes the sustainability of the financial-planning industry	1.2%	10,6%	67.1%	21.1%	0,782	0,772
Financial planners who conform to legislative and regulatory requirements will have a successful financial planning careers	1.2%	18.6%	56.5%	23.6%	-0,530	0,846

Source: Own creation

The results of section 4 (Table 3.20) correlated to a large extent to the components identified through factor analysis. High correlations were found with FAIS fit and proper requirements for FSPs, qualification and operational ability requirements. There was no correlation found between the number of representative/key individuals and the minimum education requirements. These results are displayed in Table 3.21.

Table 3.21: Correlations - Section 4

Section 4	Correlation Coefficient	Significance (2-tailed)	Comment
Question 1.2 Indicate your age	0,1	0,21	There is a small statistically significant correlation
Question 1.4 Indicate your highest qualification	0,12	0,14	There is a small statistically significant correlation
Question 1.8 Number of years of service in the industry	-0,312	0	There is a medium statistically significant correlation
Question 1.9 Indicate the number of key individuals/ representatives in the organisation	-0,04	0,6	There is no statistically significant correlation
Section 2	0,521	0	There is a high statistically significant correlation

Table 3.21: Correlations - Section 4 (Continued)

Section 3.1	-0,11	0,17	There is a small statistically significant correlation
Section 3.2: Component 1	0,438	0	There is a medium statistically significant correlation
Section 3.2: Component 2	0,232	0	There is a small statistically significant correlation
Section 3.3	0,360	0	There is a medium statistically significant correlation
Section 3.4: Component 1	0,562	0	There is a high statistically significant correlation
Section 3.4: Component 2	0,03	0,67	There is no statistically significant correlation
Section 3.5	0,420	0	There is a medium statistically significant correlation
Section 3.6: Component 1	0,470	0	There is a medium statistically significant correlation
Section 3.6: Component 2	0,209	0,01	There is a small statistically significant correlation at the 0,01 level
Section 3.7	0,529	0	There is a high statistically significant correlation
Section 3.8	-0,08	0,32	There is a small statistically significant correlation

Source: Own creation

3.7. CONCLUSION

The preceding sections delineated the results received from the 260 respondents that participated in the study. Based on the results of the Kaiser-Meyer-Olkin factor for sample adequacy, the result of Cronbach's alpha which indicates internal consistency of each section and sub-section, and the correlation factor of the identified components of the sections and/or sub-sections specific conclusions were drawn. From the results it is evident that there is, to a large extent, consensus in the industry regarding the requirements of the FAIS Act.

3.8. CHAPTER SUMMARY

The empirical study of the research was conducted nationally, within South Africa. The focus of the study was to investigate the perception of financial planners with regards to the regulatory and legislative prescriptions of the financial services industry.

The general objective of the study is to provide a quantitative measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the ethicality of the financial-planning industry.

To achieve this objective the empirical study focussed on the responsibilities of financial-services providers and the FAIS Fit and Proper requirements as set out by the FAIS Act.

The population identified for the empirical study consisted of financial planners that provide advisory and/or intermediary services in South Africa. The population of the study consisted of the full advisory complement, 826 which form part of the advisory division of a major South African financial-services provider. These financial planners are located across South Africa, in all nine provinces and in rural and metropolitan areas.

Two prominent pilot tests were done. Firstly, a draft of the questionnaire was sent to the Statistical Consultation Services of the North-West University, Potchefstroom Campus to assist in 1) identifying weaknesses in the construction of the questionnaire and 2) formulation of the questions. The second prominent pilot test was done in consultation with the FPI, to ensure that the construction and formulation of questions were theoretically sound when compared to relevant legislation and regulation, pertaining to the financial services industry. Feedback from all pilot testing was carefully considered and applied to form the final questionnaire. The final version of the questionnaire was captured onto FluidSurveys to enable electronic completion by respondents.

For the purposes of this study members of the sample were sent an invitation to participate in the research in two ways. Firstly via an email invitation sent directly to their email address; and secondly via an open invitation contained in the weekly corporate news letter of the financial services provider. Further to these invitations, the population was encouraged to support the research through reminder emails that were sent to their corporate email addresses; to ensure that the required sample size was reached.

Once the data had been gathered Cronbach's alpha coefficient was applied to measure the internal consistency of each section or sub-section of questions. The internal consistency indicates how closely related a set of items in a group are. Importantly, Cronbach's alpha is not a statistical test but rather a coefficient of reliability. Cronbach's alpha is indicated as a number between 0 and 1. It is generally accepted that alpha values between 0,7 and 0,95 are statistically significant.

Based on the results of the empirical study there is ample proof that financial planners support the necessity and specificity of the FAIS fit and proper requirements as defined by the FAIS Act. Additionally, the financial planners agree that the determinants of the FAIS Act are not only beneficial to the sustainability and ethicality of the industry, but also support the success of the planner and ultimately ensure that clients receive the best possible financial advisory and/or intermediary services.

4. CHAPTER 4: CONCLUSION

4.1. INTRODUCTION

As mentioned in the introduction of this research, South Africa has faced many changes in the last 20 years. There are some glaringly obvious ones – such as democracy - while others, such as the considerable increase of the legislative and regulatory requirements in the financial services industry, are more subtle. Both however, have far-reaching consequences for both individuals and businesses (Netto Invest, 2012).

The uncertainty resulting from the global economic crisis of 2007-8, lead to a rapid increase in the number of financial planners (Netto Invest, 2012). This view is supported by Schaeffer, who pointed out the fact that such increase occurred both nationally and globally. In South Africa, the FSB responded with a proliferation of legislation and regulation of the industry to increase transparency, and disclosure and to improve the duty of care given to consumers. Further, the regulator aimed to achieve greater consistency for best practices (LexisNexis, 2011).

Owing to the aforementioned; the need for competent financial planners was growing globally at a rate of 6% per year. Studies have shown that individuals and businesses who worked with a financial planner felt more confident in their financial planning strategies (LexisNexis, 2011).

4.2. CONCLUSIONS

The primary objective of the study is to provide a measure of the perception of financial planners of the effect that the legislative and regulatory requirements in South Africa have on the financial-planning industry.

From the research conducted in chapter 3 it is evident that the null hypothesis proposed for the research has been proven due to financial planners in South Africa perceiving the increase in legislative and regulatory requirements as necessary evolution of the support structure, to ensure long-term stability and success in the financial services industry. Furthermore, it is clear that the FAIS Act, as administered by the FSB, has successfully enforced adherence to the FAIS fit and proper requirements which has, in turn, realised the purpose of the FAIS Act, as set out in chapter 2:

1. to protect the client against indecorous conduct by the FSP and its representatives when providing financial advice and or rendering intermediary services to clients (Standard Bank, 2013)
2. ensure economic efficiency of the industry (Pan & Mosetlhi, 2009); and
3. ensures that clients of FSPs are provided with sufficient information regarding their financial products, the representatives selling the products, the represented FSP and the product provider offering the products (Banking Association, 2013).

Responsibilities of the FSP

The results of the empirical research show that the respondents were in agreement that the requirements for the responsibilities of FSPs, as set out by the FAIS Act, achieve the following objectives:

- promoting the integrity of the financial-planning industry;
- protecting clients against inappropriate conduct of financial planners;
- adherence ensures that clients obtain sufficient information regarding financial products;
- protecting clients against inappropriate conduct of financial-service providers;
- following the FPSB six steps in financial planning ensures that needs of the client are met;
- maintaining records for five years ensures that sufficient information is available for client service;
- failing to follow the subscriptions of *FAIS* legislation will result in unfair and unreasonable treatment of clients;
- ensuring economic efficiency of the financial-planning industry;
- prohibiting false and deceptive advertising owing to its negative effect on the financial-planning industry;
- providing sufficient mechanisms for recourse to clients through ombud offices;
- instilling confidence in the FSP by displaying the FSP's license.

Honesty and integrity requirements

The research showed that respondents supported the honesty and integrity requirements, as set out in the FAIS Act. This requirement has small to medium statistically significant correlations with 14 of the 15 components. There was, however, no statistically significant correlation with the qualification or RE requirements.

Competency requirements

The factor analysis identified two distinct components within section 3.2. The first relates to the competency criteria of product knowledge and qualifications which support the ability of financial planners to provide financial advisory and/or intermediary services to clients.

The second component contains the RE sections of the competency requirements. The results show that there was some disparity between respondents regarding the effectiveness of the RE to test the necessary skills and theoretical understanding of financial planes.

Experience requirements

The Cronbach's alpha for the section confirms that the experience criteria of the FAIS Act achieve their objectives in:

- ensuring competence of financial planners to explain adequately products to clients;
- minimum experience criteria is clear and simple to adhere to; that
- experience requirements relate to the complexity of the product; and
- experience supervision periods are sufficient to ensure competency of financial planners.

Qualification requirements

The results show that respondents mostly agreed that the qualification requirements of the FAIS Act achieved their objectives. There was, however, not as much agreement regarding the minimum qualification levels for entry to the industry; with 58,6% of respondents agreeing that Grade 12 or NQF 4 was sufficient compared to 31,4% responding in the negative.

Regulatory examinations

Completion of RE provides sufficient theoretical understanding of the financial-planning industry. The results show that there was some disparity between respondents regarding the effectivity of the RE to test the necessary skills and theoretical understanding of the financial-planning industry, as required by financial planners. Correlation and statistical significance analysis showed that there was a high correlation between RE and competency requirements. There was no correlation with the number of representatives/key individuals demographic or honesty and integrity, financial soundness requirements.

Continuous professional development

Factor analysis showed that respondents agreed that CPD ensured that financial planners stayed current with industry trends and that it improved their knowledge and skills.

Additionally, respondents also agreed that prescribed minimum notional hours for categories and subcategories was sufficient to ensure competence in providing financial advisory and/or intermediary services. 73,2% of respondents indicated that they believed that CPD was not a waste of time.

There was a high correlation between the CPD requirements and the effect of legislation on the financial-planning industry. Conversely, there was no correlation with age or highest qualification demographics or honesty and integrity, financial soundness requirements.

Operational ability

The results of the empirical study showed that most respondents supported the operational ability requirements as determined by the FAIS Act. Interestingly, there was only a correlation with the honesty and integrity, experience, qualification, CPD and financial soundness sections of the FAIS fit and proper requirements as set out in the FAIS Act. All of the other 11 identified components showed no correlation.

Financial soundness

When asked if practices which are not financially sound could provide suitable financial advice, 78% of respondents disagreed. Some disparity was found between whether or not financially rehabilitated entities could practice as financial planners; 58,8% responded in the negative and 44,3% in the positive.

The correlation and statistical analysis showed that the financial-soundness requirements correlated in their responses with those received for honesty and integrity, experience, CPD and operational ability requirements. All other requirements showed no correlation

Financial-planning industry

The high Cronbach's alpha coefficient for section 4 confirms that legislative and regulatory requirements have the following effects on the financial-planning industry:

- promotes practice growth;
- protects the integrity of the industry;
- promotes the sustainability of the financial-planning industry; and that

- financial planners who conform to legislative and regulatory requirements will have a successful financial-planning career.

Additionally, the results of section 4 correlated to a large extent to the components identified through factor analysis. High correlations were found with FAIS fit and proper requirements for FSPs, qualification and operational ability requirements. There was no correlation found between the number of representative/key individuals and the minimum education requirements.

4.3. RECOMMENDATIONS FOR FUTURE STUDY

While the research has proven that financial planners in South Africa perceive the increase in legislative and regulatory requirements as necessary evolution for the industry to be sustainable; some areas have been indicated as requiring revision or justification. These areas are listed and described below:

Qualification requirements

The current minimum qualification for entry into the financial-planning industry is Grade 12 or an equivalent NQF level 4 qualification. There were some respondents (31.4%) who believed that this is not a suitable minimum qualification for entry to the industry.

Supervision

When asked whether they were under supervision for certain categories and/or sub-categories of products, 98% of respondents indicated that they were (

Figure 3.10). The high percentage of respondents indicating that they are under supervision begs the question: Are there sufficient supervisors and supervision processes available in the FSP to support the high demand and the dynamisms of the supervision within the ambit of the FAIS Act.

Substantial further study can be done to better understand the requirements of supervision pertaining to the supervisee, the supervisor and the FSP.

Regulatory examinations

Completion of RE provides sufficient theoretical understanding of the financial-planning industry. The results show that there was some disparity between respondents regarding the effectivity of the RE to test the necessary skills and theoretical understanding of the financial-planning industry, as required by financial planners.

Financial soundness

Many (45.3%) respondents indicated that financially rehabilitated entities should be able to register as financial planners

4.4. FINAL REMARKS

The results of the research has provided significant insight into which legislation and regulation financial planners believe to be necessary and at what point there is a perception of over-legislation and -regulation in the industry.

From the research it is evident that an overall perception exists that the industry is, to a large extent, not over regulated or legislated regarding the FAIS fit and proper requirements. Further it can be concluded the FSB is, and has been, successful in administrating the FAIS Act and is achieving its vision to promote and to maintain a sound financial investment environment in South Africa and its mission is to promote the:

- Fair treatment of consumer's financial services and products;
- financial soundness of financial institutions;
- systemic stability of financial services industries; and
- the integrity of financial markets and institutions.

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ANNEXURES

ANNEXURE A: RESEARCH QUESTIONNAIRE

Section 1: Demographics

1.1 Indicate your gender:

a) Male	b) Female
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1.2 Indicate your age category:

a) 16-20	b) 21-25	c) 26-35	d) 36-45	e) 46-55	f) 56-60	g) 60+
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1.3 Indicate your region:

a) Gauteng	b) Limpopo	c) North West	d) Mpumalanga
e) Kwa Zulu Natal	f) Eastern Cape	g) Western Cape	h) Northern Cape
i) Free State			

1.4 Indicate your highest qualification:

a) Matriculation certificate	b) Certificate	c) Diploma	d) Bachelor's Degree	e) Master's Degree	f) Doctorate Degree
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1.5 Indicate your professional designation(s) (Multiple)

a) CFP® Professional	b) CA(SA)	c) Financial Services Advisor™ (FSA™)
d) Associate Financial Planner™ (AFP™)	e) Registered Financial Planner™ (RFP™)	f) Other:

1.6 Indicate the type of financial services provider that you represent:

a) Corporate	b) Independent	c) Agency	d) Sole proprietor	e) Franchise	f) Broker franchise
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1.7 Indicate for which category(s) do you provide financial services (Multiple)

a) Life Insurance	b) Investments	c) Estate Planning	d) Retirement planning
e) Short Term Insurance (Personal)	f) Short Term Insurance (Commercial)	g) Health Services Benefits	h) Funeral Cover
i) Tax planning	j) Forex		

1.8 Number of years of service in the financial services industry:

a) 0-3	b) 4-10	c) 11-15	d) 16-20	e) 20 years+
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1.9 Indicate the number of Key Individuals/ Representatives in the organisation:

a) 1	b) 2-9	c) 10-49	d) 50-249	e) 250+
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ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

1.10 Does the organisation have a Compliance Officer?

a) Yes	b) No
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1.11 Are you currently under supervision:

a) Yes	b) No
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1.12 Which level of Regulatory Examination have you completed (Multiple):

a) RE 1	b) RE 2	c) RE 3	d) RE 4	e) RE 5
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Section 2: Responsibilities of Financial-services providers

List of Abbreviations	
CPD	Continuous Professional Development
FAIS	Financial Advisory and Intermediary Services Act 37 of 2002
FPI	Financial Planning Institute of Southern Africa (NPC)
FPSB	Financial Planning Services Board
FSB	Financial Services Board
FSP	Financial Services Provider
GCOC	General Code of Conduct for authorised financial-services providers and representatives
RE	Regulatory Exam
NQF	National Qualifications Framework

ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

Please indicate your response to the following statements

No	Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
2.1	FAIS legislation protects clients against inappropriate conduct of financial planners				
2.2	FAIS legislation protects clients against inappropriate conduct of financial service providers				
2.3	FAIS legislation ensures economic efficiency of the financial-planning industry				
2.4	Adherence to FAIS legislation ensures that clients obtain sufficient information regarding financial products				
2.5	Following the FPSB six-steps in financial planning ensures that the needs of the client are met				
2.6	Displaying the FSP license instils confidence in the client				
2.7	The FSB provides sufficient mechanisms for recourse to client's				
2.8	Ombud offices provide sufficient mechanisms for recourse to client's				
2.9	The FAIS Act promotes the integrity of the financial-planning industry				
2.10	Failing to follow the subscriptions of FAIS legislation will result in unfair and unreasonable treatment of clients				
2.11	False and deceptive advertising has a negative effect on the financial-planning industry				
2.12	Maintaining records for five years ensures that sufficient information is available for client service				

ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

Section 3: FAIS Fit and Proper Requirements

Please indicate your response to the following statements

No	Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
3.1	Honesty and Integrity Requirements				
3.1.1	Individuals with criminal records should be able to practice as financial planners				
3.1.2	Those found guilty of negligence, dishonesty, incompetence and mismanagement should be allowed to practice as financial planners				
3.2	Competency requirements				
3.2.1	The qualifications approved by the FSB represent the skills required to be successful in the financial-planning industry				
3.2.2	The criteria measured by the Regulatory Examinations test the correct set of skills required by financial planners				
3.2.3	Completion of Regulatory Examinations provide sufficient theoretical understanding of the financial-planning industry				
3.2.4	Minimum competency criteria for products are sufficient to ensure competence of financial planners to explain adequately products to clients				
3.2.5	Minimum competency and qualification standards provide a suitable basis for successful financial planning				
3.2.6	Key individuals have a significant management and oversight responsibility				
3.3	Experience requirements				
3.3.1	Minimum experience criteria for products is sufficient to ensure competence of financial planners to explain adequately products to clients				
3.3.2	Minimum experience criteria is clear and simple to adhere to				
No	Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
3.3.3	Experience requirements are relational to the complexity of the product				
3.3.4	Experience supervision periods are sufficient to ensure competency of financial planners				

ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

3.4	Qualification requirements				
3.4.1	Qualification requirements ensure that financial planners have a good knowledge base				
3.4.2	The FSB list of approved qualifications is sufficient				
3.4.3	Required qualifications are relational to the complexity of the product				
3.4.4	Qualification requirements are sufficient to ensure competence of financial planners				
3.4.5	The minimum qualification of Grade 12 or NQF level 4 certificate is sufficient for entry to the financial-planning industry				
3.5	Regulatory examinations				
3.5.1	Sufficient regulatory examinations providers are available				
3.5.2	Sufficient regulatory examinations training providers are available				
3.5.3	The curriculum included in the regulatory examinations provides a holistic understanding of the financial-planning industry				
3.5.4	Regulatory examinations 1 adequately test the ability of key individuals and sole proprietors to manage and to oversee the rendering of financial-services providers				
3.5.5	Regulatory examinations 2 adequately test the ability of key individuals and sole proprietors to manage and to oversee the rendering of Assistance Business Policies and Friendly Society Benefits types of financial services				
3.5.6	Regulatory examinations 3 adequately test the ability of key individuals and sole proprietors to manage and oversee Discretionary and Hedge Fund financial-services providers				
3.5.7	Regulatory examinations 4 adequately test the ability of key individuals and sole proprietors to manage and to oversee Administrative financial-services providers				
3.5.8	Regulatory examinations 5 adequately test the ability of representatives to render financial services				

ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

3.6	Continuous Professional Development				
3.6.1	The minimum notional hours for product sub-categories is sufficient to ensure understanding and competence to provide financial planning for those sub-categories				
3.6.2	Continuous Professional Development ensures that financial planners stay current with industry trends				
3.6.3	Continuous Professional Development is a waste of time and money				
3.6.4	Continuous Professional Development provides an opportunity to improve the knowledge and skills of financial planners				
3.6.5	The available programmes accredited for CPD contribution is sufficient				
3.7	Operational Ability				
3.7.1	Fixed business addresses for Financial Planners provide a form of security for clients				
3.7.2	Communication facilities ensures that financial planners are able to fulfil the responsibility imposed by legislation				
3.7.3	Document storage and record management play a significant part in the operational ability of financial planners				
3.7.4	Defined sales processes improve the operational ability of financial planners				
3.7.5	Defined processes ensure consistent quality of financial services is provided to clients				
3.7.6	Clear segregation of roles and responsibilities provide clarity to clients				
3.7.7	Access control is important to ensure safety of information				
3.7.8	Access control is important to ensure safety of staff				
3.7.9	Access control is important to ensure safety of clients				
3.7.10	Business continuity plans ensure that consistent financial services can be provided to clients				
3.8	Financial Soundness				
3.8.1	Financial planning practices that are not financially sound can provide suitable advice to clients				
3.8.2	Financially rehabilitated entities should be able to register as financial planners				

ANNEXURE A: RESEARCH QUESTIONNAIRE (Continued)

Section 4: Financial-planning industry

Please indicate your response to the following statements

No	Statement	Strongly Disagree	Disagree	Agree	Strongly Agree
4.1	Legislative and regulatory requirements promote practice growth				
4.2	Legislative and regulatory requirements limit practice growth				
4.3	Legislative and regulatory requirements protect the integrity of the financial-planning industry				
4.4	Legislative and regulatory requirements promote the sustainability of the financial-planning industry				
4.5	Financial planners who conform to legislative and regulatory requirements will have successful financial-planning careers				