

Quantum Asset Management (Pty) Ltd
Registration number 2001/020621/07
FSP862 Category I and II
("the Company")

FIT AND PROPER POLICY AND PROCEDURE
("the Policy")



Policy approval and information

Policy owner	Board of directors			
Policy type	Compliance			
Approver's signature				
Approved by (this version)	FC Greeff – CEO			
Adopted by (this version)	Board of directors			
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V01.01	Gigi Vorlauffer	January 2020	N/A	N/A

1. Executive summary

This policy expresses the main fit and proper requirements across financial services legislation, covering the Collective Investment Schemes Control Act 45 of 2002 (CISCA), Companies Act 71 of 2008 (CA), Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS), Financial Intelligence Centre Act 38 of 2001 (FICA), Financial Sector Regulation Act 9 of 2017 (FSRA), Insurance Act 18 of 2017 (IA), King IV Report on Corporate Governance for South Africa 2016 (King IV), Long-term Insurance Act 52 of 1998 (LTIA), Pension Funds Act 24 of 1956 (PFA), Short Term Insurance Act 53 of 1998 (STIA) and incorporating the subordinate legislation thereto. **Quantum Asset Management (Pty) Ltd** that hold licenses for any, or all, of the related legislation, are obliged to comply with the relevant regulatory requirements.

2. Policy overview

2.1. Objective



This policy is not intended to be a detailed description of the various fit and proper requirements, but expresses the main principles envisaged and, more importantly, the way Quantum Asset Management (Pty) Ltd is required to respond. The actual legislation is available on the FSCA website (<https://www.fsca.co.za/Regulatory%20Frameworks/Pages/Notices.aspx>).

For a more detailed interpretation of the requirements applicable to your business environment, please contact your Chief Operating Officer.

The purpose of this document is to set out the principles and provide a clear policy with respect to the fit and proper requirements for **Quantum Asset Management (Pty) Ltd**.

Quantum Asset Management (Pty) Ltd strives to apply the highest standards of ethics and integrity that promote sound corporate governance, during the conduct of its business activities and fit and proper behaviour is expected of all its key persons and employees.

2.2. Scope and application

The fit and proper requirements defined in this policy shall apply in full to all key persons.

The fit and proper requirements defined in this policy, shall apply, in full, to any function or activity, which is outsourced and that meets the definition of a key person as defined by this policy. This encompasses all business units, subsidiaries and other interests, irrespective of their legal structure or geographic location, where applicable.

The propriety considerations, defined in this policy shall be applicable to all the employees of **Quantum Asset Management (Pty) Ltd** and proportionality, may be applied for persons who aren't key persons in the company. This must be assessed on a case-by-case basis.

It is particularly important that directors and key individuals meet the fit and proper requirements set out by this Policy.

Each business unit within **Quantum Asset Management (Pty) Ltd** is responsible for ensuring compliance with this policy. Queries may be addressed to the Chief Operating Officer.

3. Legislative framework

- 3.1. Collective Investment Schemes Control Act 45 of 2002 (CISCA)
 - 3.1.1. Notice 910 of 2010: Determination for fit and proper requirements and conditions for managers of collective investment schemes
- 3.2. Companies Act 71 of 2008 (CA)
- 3.3. Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS)
 - 3.3.1. Board Notice 194 of 2017: Determination of fit and proper requirements for financial services providers
 - 3.3.2. FSCA FAIS Notice 86 of 2018: Exemption of services under supervision
- 3.4. Financial Intelligence Centre Act 38 of 2001 (FICA)
- 3.5. Financial Sector Regulation Act 9 of 2017 (FSRA)



3.5.1. **Draft Joint Standard 1 of 2019: Fitness and propriety of significant owners (not yet effective)**

3.6. Insurance Act 18 of 2017 (IA); Long-term Insurance Act 52 of 1998 (LTIA); Short Term Insurance Act 53 of 1998 (STIA)

3.6.1. Prudential Standard GOI 4: Fitness and propriety of key persons and significant owners of insurers

3.7. Pension Funds Act 24 of 1956 (PFA)

4. Definitions and terminology

4.1. **Company** means **Quantum Asset Management (Pty) Ltd.**

4.2. **Fit and proper requirements** means:

4.2.1. For a key person, personal character qualities of honesty, integrity and good standing, competence (including experience, qualifications, knowledge), continuous professional development (only in terms of FAIS), operational ability and financial soundness, as may be prescribed.

4.2.1.1. In terms of FAIS, competence includes experience, qualifications, regulatory examinations, class of business training and product specific training.

4.2.2. For a significant owner, qualities of honesty and integrity and financial standing, as may be prescribed.

4.3. **Control function** means each of the below functions:

4.3.1. Risk management function

4.3.2. Compliance function

4.3.3. Internal audit function

4.4. **Head of a control function** means a person appointed by a financial institution to ensure the performance of a control function and includes a person appointed through an outsourcing arrangement.

4.5. **Key person** (and key roles) means each of the below persons:

4.5.1. Board members of the financial institution (**this person is a senior manager, if this person is an executive member**);

4.5.2. Chief executive officer, or other person in charge of the financial institution (**this person is a senior manager**);

4.5.3. Person (**this person is a senior manager**), other than a board member of the financial institution, who makes, or participates in making, decisions that:

4.5.3.1. affect the whole, or a substantial part, of the business of the financial institution; and

4.5.3.2. have the capacity to significantly affect the financial standing of the financial institution;



- 4.5.4. Person (**this person is a senior manager**), other than a board member of the financial institution, who oversees the enforcement of policies and the implementation of strategies, approved, or adopted, by the board of the financial institution;
- 4.5.5. Head of a control function of the financial institution;
- 4.5.6. Head of a function of the financial institution that a financial sector law requires to be performed;
- 4.5.7. Auditor;
- 4.5.8. Key individual in terms of FAIS;
- 4.5.9. Representative in terms of FAIS; and
- 4.5.10. Compliance officer in terms of FAIS and FICA.

4.6. **Significant owner** means a significant owner of a financial institution, as described in section 157 of the FSRA.

4.7. **Key individual** means a key individual, as defined in section 1 of FAIS.

4.8. **Representative** means a representative, as defined in section 1 of FAIS.

4.9. FSP means an authorised financial services provider as defined in section 1 of FAIS.

5. Assessing fitness and propriety

5.1. Assessment criteria

5.1.1. To be deemed fit, an assessment of both managerial and technical competency must be considered, including at least:

- 5.1.1.1. Professional, industry and formal qualifications, including compliance with any applicable legislation, regulations, or standards, applicable to the person's professional qualification or area of work;
- 5.1.1.2. Knowledge and relevant experience within the insurance, investment, retirement benefits industries/sectors, other financial sectors, or other businesses;
- 5.1.1.3. Insurance, investment, financial, accounting and management skills of the person, where relevant; and
- 5.1.1.4. Demonstration of due skill, care, diligence and compliance with the relevant legislation, regulations and standards of the area/sector that he/she has worked in.

5.1.2. The assessment of whether an individual can be deemed fit, must explicitly consider the specific role and duties that would be allocated to the person, in the workplace. The knowledge, skills and resources necessitated by the size and nature of the business and the role in the business, must be considered.



- 5.1.3. When assessing the skills and suitability of a board member of the financial institution, the assessment should be done according to the terms of reference of an approval committee (if applicable), the Companies Act requirements and considering the collective knowledge, competence and experience of the board, especially:
 - 5.1.3.1. Market knowledge;
 - 5.1.3.2. Business strategy, specifically the company's business strategy and business model;
 - 5.1.3.3. Systems of governance, risk management and internal control, with specific reference to the risks faced by the company, which must give due consideration to the specific business systems and infrastructure of the company;
 - 5.1.3.4. Financial analysis; and
 - 5.1.3.5. Regulatory framework and requirements.
- 5.1.4. Assessing propriety must consider the person's reputation and integrity, encompassing an assessment of whether there are reasons to believe, from past conduct, that the person may not discharge their duties, in line with applicable rules, regulations and guidelines, including at least:
 - 5.1.4.1. Criminal, financial, or supervisory antecedents;
 - 5.1.4.2. Person's past business conduct;
 - 5.1.4.3. Financial stability; and
 - 5.1.4.4. Professional antecedents.
- 5.1.5. Assessing significant owners should consider their financial soundness, the integrity in their personal behaviour and their business conduct, including at least:
 - 5.1.5.1. Whether there are indicators that they will not be able to meet their debts, as they fall due;
 - 5.1.5.2. Whether the relevant prudential solvency requirements for financial institutions are met;
 - 5.1.5.3. Whether they have been subject to any judgments;
 - 5.1.5.4. Whether they have been liquidated, or sequestered; and
 - 5.1.5.5. Whether they have been able to provide a satisfactory credit reference.
- 5.1.6. The detailed fit and proper requirements for specific legislation are annexed to this policy.**

5.2. Assessment process

- 5.2.1. Key persons should be assessed according to the process defined in this policy.
- 5.2.2. Senior management shall ensure that a "key person questionnaire" and "fit and proper declaration for key persons" are implemented which reflects the minimum fit and proper requirements, as defined by this policy. Senior management must be satisfied that the "key person questionnaire" and "fit and proper declaration for key persons" captures enough



detail to enable an objective assessment of whether or not a person is fit and proper to discharge the duties being assigned to them. Senior management should review the “key person questionnaire” and “fit and proper declaration for key persons” at least annually.

- 5.2.3. All key persons must complete and sign the “key person questionnaire” and “fit and proper declaration for key persons”.
- 5.2.4. For prospective key persons, the “key person questionnaire” and “fit and proper declaration for key persons” should be submitted to senior management or the approval committee (if applicable), for consideration and approval BEFORE appointing the individual. Individuals who do not meet the fit and proper criteria for key persons, as defined in this policy, must not be appointed into the role of a key person.
- 5.2.5. The fit and proper appointment process shall extend to the internal recruitment and promotion process for key persons in the company.
- 5.2.6. All documents relating to the fit and proper assessments should be retained to demonstrate the fitness and propriety of key persons.

5.3. Ongoing assessment

- 5.3.1. Assessment must extend to arranging for further professional training as necessary, so that key persons are able to meet the changing requirements of their assigned duties.
- 5.3.2. Senior management should ensure that key persons receive training at least annually and that the training programme includes a training assessment, so that senior management is satisfied about the ongoing fitness and propriety of key persons within the company.
- 5.3.3. BEFORE any changes are made to the board, the company must be able to demonstrate that the collective knowledge of the board members will be maintained at an adequate level, so that the sound and prudent management of the company will continue.

5.4. Criteria for re-assessment

- 5.4.1. The company must take all prudent steps to ensure that a person does not continue to hold a key role position, if they are no longer fit and proper.
- 5.4.2. There is an onus on each key person to proactively declare any information that may deem them to not be fit and proper, or which may negatively affect their fitness and propriety. If a key person fails to declare the relevant information, disciplinary action may be taken and the Authority will be notified, as required.
- 5.4.3. The below criteria must initiate a review of a key person’s fitness and propriety;
 - 5.4.3.1. Events where the individual may discourage the company from doing business in a way that is consistent with the relevant legislation;
 - 5.4.3.2. Events where the individual may enhance the risk of financial crime to the company, such as money laundering, or the financing of terrorism;
 - 5.4.3.3. Events causing a reason to believe that the sound and prudent management of the company is at risk;
 - 5.4.3.4. Upon the request of the Authority, or other regulatory authorities;
 - 5.4.3.5. Upon the request of senior management, or the approval committee (if applicable), due to the failed approval of a fit and proper assessment; and
 - 5.4.3.6. Upon the request of the board.



5.4.4. A formal review process shall be carried out and concluded, in line with the company's review and disciplinary process. The review process shall be carried out according to the fit and proper criteria as defined in this policy.

5.4.5. Depending on the nature of the non-compliance with the fit and proper requirements, a key person may be considered for another role within the company. This will be considered and approved, by senior management, or the approval committee (if applicable), depending on the seniority of the role, including the reasons for approving the consideration for another role.

5.5. Consent for assessment

5.5.1. According to the Company's Code of Conduct and this policy, prospective key persons, existing key persons, other prospective employees and other existing employees, consent to undergoing a fit and proper declaration, criminal check, credit check, qualification check, employment history check, debarment check, adverse information check and disqualified director performed by a reputable verification agency, before an appointment is finalised and that the checks may be repeated annually, or more frequently (if necessary), during the time of their appointment. Reference checks may also be performed, if deemed necessary.

6. Outsourcing

6.1. The fit and proper requirements and assessments stated in this policy shall extend to the persons working within the relevant outsourced function at the relevant service provider, as well as to the person within the company who is responsible for the relevant outsourced function.

6.2. Assessing the fitness and propriety of the person within the company who is responsible for the relevant outsourced function, must consider the role of that person. For example, the level of knowledge required by the person responsible for overseeing the relevant outsourced function would not necessarily need to be as extensive as that of the person performing the relevant outsourced function, at the relevant service provider. However, the person within the company who is responsible for the relevant outsourced function must at least possess suitable knowledge and experience about the relevant outsourced function, to be able to properly question and review the performance and results of the relevant outsourced function.

6.3. Assessing the fitness and propriety of outsourced functions must include the assessment of the relevant regulatory requirements applicable to the outsourcing of specific functions.

6.4. The company must ensure that it exercises due skill, care and diligence when establishing (including the selection process), managing, or terminating, any arrangement for the outsourcing of a function that FAIS, or another law, requires to be performed, or requires to be performed, in a specific way, or by a specific person, a function that is integral to the nature of the financial services for which the company is authorised, or any material important operational function.



- 6.5. The company must ensure that it has developed and is able to implement appropriate contingency plans to ensure the continued function of its business and the continued service to clients, if the appointment of a service provider is terminated or becomes ineffective.
- 6.6. The company must ensure that a service provider to whom a function has been outsourced, does not outsource, or sub-delegate, any activity or part thereof, if prohibited in terms of the relevant regulatory requirements or service level agreement.
- 6.7. For specific requirements relating to outsourcing, refer to the relevant delegation, or outsourcing, policy.

7. Continuous professional development (FAIS)

- 7.1. In terms of the fit and proper requirements promulgated under FAIS, the company, being an FSP, its key individuals and representatives must maintain the required competence to render, manage or oversee the financial services for which they are authorised, approved, or appointed.
- 7.2. The continuous professional development (CPD) requirements are prescribed to ensure that the required competence is maintained.
- 7.3. Each key person who is a key individual, or a representative, must ensure that they maintain their knowledge and skills that are appropriate for their activities and responsibilities.
- 7.4. Each key person who is a key individual or a representative, must ensure that they complete the minimum number of CPD hours during each CPD cycle ending on 31 May of each year.
- 7.5. Each key person who is a key individual or a representative, must ensure that the CPD activities that they undertake:
 - 7.5.1. are relevant to their functions and roles, contributes to their skill, knowledge, expertise, professional standards and ethical standards;
 - 7.5.2. addresses identified needs or gaps in technical knowledge, generic knowledge and understanding the environment in which the financial service is rendered, or managed, or overseen, knowledge and understanding of applicable laws; and
 - 7.5.3. adequately considers changing internal and external conditions that are relevant to the classes and subclasses of business, the category of financial services and the relevant financial products.
- 7.6. At the beginning of each CPD cycle, each key person, who is a key individual, or representative, assisted by the compliance function, should populate their CPD training plan to ensure compliance.
- 7.7. Each key person, who is a key individual or a representative, must ensure that the CPD process, including the planning of the CPD activities for each CPD cycle, forms part of the employment performance management process undertaken between each individual and their line manager.
- 7.8. Each key person who is a key individual or a representative, must provide the compliance function with the evidence of having completed each CPD activity without delay, after completing the CPD activity.



- 7.9. The compliance function will monitor the CPD process regularly and record the CPD activities performed in the competence register within 30 days after the end of each CPD cycle.

8. Operational ability (FAIS)

- 8.1. The company, being an FSP, must ensure that it has the operational ability including adequate and appropriate human, technical and technological resources, to effectively function as the category of FSP and to render the financial services for the financial products authorised.
- 8.2. The company must ensure that it has adequate and appropriate key individuals to effectively manage or oversee its activities relating to financial services, including having **at least one key individual per class of business** for which it is authorised.
- 8.3. The company must ensure that its governance framework is proportionate to the nature, scale, risks and complexity of its business.
- 8.4. Key persons who are representatives of the company, must ensure that they have the operational ability to effectively function as representatives of the company and perform the activities for which they are appointed.
- 8.5. The company must ensure that its juristic representatives, currently not applicable to the Company but in the event that it becomes applicable, always have **at least 1 key individual** responsible for managing or overseeing the financial services rendered by the juristic representative.
- 8.6. Key persons who are key individuals, must ensure that they have the operational ability to effectively manage or oversee the financial services of the activities of the company or the juristic representative and the financial services for the financial product for which the key individual is approved or appointed.
- 8.7. The company must regularly assess the operational ability of its key individuals, to adequately and effectively perform their functions considering the individual circumstances, nature, scale, range and complexity of its financial services of activities and whether the key individuals are approved as key individuals or appointed as representatives, of other FSPs.
- 8.8. Key persons, who are key individuals, must ensure that they are able to **demonstrate to the Authority that they have the required operational ability** to effectively and adequately manage or oversee the financial services of the activities of ALL the FSPs or juristic representatives, for which they are approved or appointed, **if approved or appointed as a key individual of more than 1 FSP or juristic representative, currently not applicable to the Company.**
- 8.9. Key persons, who are key individuals must ensure that they are able to **demonstrate to the Authority that they have the required operational ability** to effectively and adequately manage or oversee the financial services of the activities of ALL the FSPs or juristic representatives for which they are approved or appointed, **if approved or appointed as a key individual of the company or juristic representative and appointed as a representative of another FSP, currently not applicable to the Company.**
- 8.10. The compliance function will perform monitoring and provide regular refresher training to ensure that the FSP, its key individuals and representatives, are aware of their operational ability responsibilities.

9. Financial soundness



- 9.1. The company must ensure that it and its juristic representatives (if applicable) always complies with the financial soundness requirements of all the relevant regulatory requirements.
- 9.2. The company must ensure that it submits all financial soundness related statutory submissions to the Authority in a timely way.
- 9.3. The compliance function will perform monitoring to establish whether the company and its juristic representatives (if applicable) always complies with the financial soundness requirements of all the relevant regulatory requirements and that financial soundness related statutory submissions are submitted to the Authority, in a timely way.
- 9.4. **The detailed fit and proper requirements for specific legislation are annexed to this policy.**

10. Debarment of key persons that are representatives (FAIS)

- 10.1. In terms of Section 14 of FAIS, the company being an FSP, is required to withdraw the authority of an appointed representative if the representative fails to comply with the fit and proper requirements, or has materially contravened, or failed to comply with, a provision of FAIS. This withdrawal of authority is referred to as Debarment.
- 10.2. Refer to the “FAIS representative debarment policy and procedure” for the details relating to the debarment policy and procedures which should be followed if a representative fails to comply with the fit and proper requirements.

11. Reporting to the Authority

- 11.1. The compliance function shall ensure that the Authority is notified with the following:
 - 11.1.1. Details of the key roles in the business including an analysis and the reasons for defining them as key roles, together with the names of the relevant key persons;
 - 11.1.2. Details of specific key persons appointed in specific key roles;
 - 11.1.3. Details of changes to specific key persons in specific key roles;
 - 11.1.4. Details of key persons who no longer meet the fit and proper requirements; and
 - 11.1.5. Details of changes in the circumstances that may adversely affect the fitness and propriety of a specific key person, including any actions taken against the specific key person.
- 11.2. Notification must be made in writing and submitted to the Authority within the prescribed timeframes.
- 11.3. The compliance function shall ensure that the “key person questionnaire” accompanied by the person’s curriculum vitae, is submitted to the Authority for each fit and proper assessment.
- 11.4. If a key role is outsourced, the company shall notify the Authority of the person responsible for overseeing the outsourced key role.
- 11.5. The company through its authorised persons, consents to any previous key persons providing information to the Authority including their reasons for resignation, retrenchment, early retirement, or removal.



- 11.6. Employees and/or key persons who wish to report information about fitness and propriety confidentially to the Authority and the company, may do so through the independent whistle-blowing process (if applicable) or through the company's compliance function.

- 11.7. **The detailed fit and proper requirements for specific legislation are annexed to this policy.**



Annexure A: Regulatory requirements

The relevant regulatory requirements on fit and proper should be adhered to, as detailed below.

1. Collective Investment Schemes Control Act 45 of 2002 (CISCA)

- 1.1 Notice 910 of 2010: Determination for fit and proper requirements and conditions for managers of collective investment schemes
 - 1.1.1 **Prior written approval** must be obtained from the Authority, for the appointment of new directors and shareholders and for director and shareholder changes. **Submission should be made to the Authority at least 30 days before appointment.**
 - 1.1.2 Annexure B, supporting documents and the prescribed fee must be completed, signed and submitted to the Authority for each proposed new director.
 - 1.1.3 Annexure C with the prescribed fee must be completed, signed and submitted to the Authority for **each outgoing director within 1 month of the termination of the appointment.**
 - 1.1.4 The financial soundness requirements include but are not limited to, the capital adequacy requirements, as determined in **Board Notice 91 of 2014** (for managers of collective investment schemes in securities) and **Board Notice 84 of 2015** (for managers of collective investment schemes in hedge funds).
 - 1.1.5 Authority must be **notified of any non-compliance with the capital requirements** (where the CIS manager is not exempted) in writing, **within 30 days** of the non-compliance.
 - 1.1.6 The capital adequacy reports must be submitted to the Authority in the prescribed format, **monthly, within 14 business days after each month-end.**
 - 1.1.7 A **written statement** signed by the chairperson or managing director, describing the **compliance and/or non-compliance with Notice 910 of 2010**, must be submitted to the Authority **annually, within 90 days after the financial year end.**
 - 1.1.8 Application forms, notification forms and supporting documents
 - 1.1.8.1 Annexure B of Board Notice 910 of 2010 (applicant must complete and sign)
 - 1.1.8.2 MIE forms (Applicant must complete and sign. Referees should be made aware that they will be contacted by MIE and contact details must be current.)
 - 1.1.8.3 Curriculum vitae (detailed)
 - 1.1.8.4 Employment history and directorships must match exactly on the Annexure B, the MIE forms and the detailed curriculum vitae.
 - 1.1.8.5 Declaration (Applicant must complete and sign. Found after Annexure C)
 - 1.1.8.6 Police clearance certificate (Refer to requirements in CISCA Circular 16. Must be requested and obtained directly from a police station. Third party provider reports are not accepted.)
 - 1.1.8.7 Certified copy of identity document
 - 1.1.8.8 Copies of qualifications
 - 1.1.8.9 Any other applicable documents requested in Annexure B
- 1.2 In terms of Section 73 of CISCA, a CIS manager must **apply to the Authority** for the **approval of the appointment of the auditor within 30 days of the appointment.**
- 1.3 In terms of Section 101 of CISCA, the **Authority** must **be informed of a public officer change in writing, within 30 days of the change.**



- 1.4 In terms of Section 101 of CISCA, the **Authority must be informed of principal office address changes, within 30 days of the change.**
- 1.5 **Prior written approval** must be obtained from the **Authority for all delegations of administration.**

2. Companies Act 71 of 2008 (CA)

- 2.1 The CA determines the specific standards of conduct applicable to directors, alternate directors, prescribed officers, board committee members and audit committee members (all defined as “director”).
 - 2.1.1 The standards of conduct include but are not limited to, acting in good faith and for a proper purpose, acting in the best interests of the company, acting with the degree of care, skill and diligence that may reasonably be expected of such a person.
 - 2.1.2 The CA prescribes specific criteria that determines a director (broad definition) to be ineligible or disqualified, to serve or to act. A company must not knowingly permit an ineligible or disqualified person to serve or to act as a director.
 - 2.1.3 **Changes to directors** must be submitted to the CIPC on a Form COR 39 within **10 business days after the change.**

3. Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS)

- 3.1 Board Notice 194 of 2017: Determination of fit and proper requirements for financial services providers
 - 3.1.1 The fit and proper requirements are applicable to FSPs, key individuals, representatives and directors who are not key individuals or representatives (only the personal character qualities of honesty, integrity & good standing requirement).
 - 3.1.2 The fit and proper requirements include:
 - 3.1.2.1 Personal character qualities of honesty, integrity & good standing
 - 3.1.2.1.1 If a key person or significant owner, answers YES to any of the questions asked within the “Fit and proper declaration for key persons and significant owners”, it constitutes *prima facie* evidence that the person may lack integrity.
 - 3.1.2.1.2 A key person is deemed to not be honest and not have integrity, if they failed to disclose information that must be disclosed, including the failure to disclose promptly and on their own initiative, fully and accurately, all other information which may be relevant to determine whether that person complies or continues to comply, with the honesty, integrity and good standing requirements.
 - 3.1.2.2 Competence
 - 3.1.2.2.1 Key persons must have adequate, appropriate and relevant skills, knowledge and expertise for financial services, financial products and the functions performed.
 - 3.1.2.2.2 FSPs must demonstrate and record that they have regularly evaluated and reviewed the competence of representatives and key individuals and have taken appropriate action to ensure that they remain competent for the activities they perform.
 - 3.1.2.2.3 FSPs must **notify the Authority immediately after they becomes aware** or have information that reasonably suggests, that a **key individual does not comply** or no longer complies with any competence requirement.
 - 3.1.2.2.4 **Experience**



- 3.1.2.2.4.1 Experience gained by a representative or a FSP, lapses when the representative or FSP has not rendered a specific financial service for a specific financial product for a specific category of FSP, for 5 consecutive years.
- 3.1.2.2.4.2 Experience gained by a key individual lapses when the key individual has not managed or overseen the rendering of a specific financial service for a specific category of FSP, for 5 consecutive years.
- 3.1.2.2.4.3 Key individuals must have at least 1 year's experience in management or oversight of specific financial services for each category of FSP for which they are approved.
- 3.1.2.2.4.4 Representatives of Category I (financial advice and non-discretionary services) and Category II (discretionary intermediary services) FSPs must have at least the minimum experience stated in the table in the Notice, for each relevant subcategory.
- 3.1.2.2.4.5 Representatives of Category IIA (hedge fund manager) and Category III (administrative FSP) FSPs must have at least 3 years' experience in rendering Category IIA and Category III financial services.
- 3.1.2.2.4.6 Representatives of Category IV FSPs (assistance FSP) must have at least 1 year's experience in rendering Category IV financial services.
- 3.1.2.2.5 Qualifications**
 - 3.1.2.2.5.1 FSPs, key individuals and representatives must have qualifications recognised by the Authority, which may differ per category of financial services.
- 3.1.2.2.6 Regulatory examinations**
 - 3.1.2.2.6.1 Representatives, key individuals and FSPs must successfully pass the applicable regulatory examinations BEFORE that person's appointment, approval or authorisation.
 - 3.1.2.2.6.2 All representatives to whom regulatory examinations apply must pass RE5.
 - 3.1.2.2.6.3 All key individuals (including compliance officers) must pass RE1.
 - 3.1.2.2.6.4 Key individuals of Category II & Category IIA FSPs must pass RE3.
 - 3.1.2.2.6.5 Key individuals of Category III FSPs must pass RE4.
- 3.1.2.2.7 Class of business training**
 - 3.1.2.2.7.1 Applies to key individuals only for classes of business for which they are approved to act as key individuals, or for which approval is sought.
 - 3.1.2.2.7.2 Before rendering any financial service for any specific financial product, representatives and FSPs must complete class of business training for that financial product and for which they are authorised, or for which authorisation is sought.
 - 3.1.2.2.7.3 Before managing or overseeing the rendering of any financial service, key individuals must complete class of business training for the classes of business for



which they are approved or for which approval is sought.

3.1.2.2.7.4 FSPs must ensure that they, their key individuals and representatives are proficient with, understand and have completed adequate and appropriate class of business training for the specific financial products for which they render financial services, or manage, or oversee, the rendering of financial services.

3.1.2.2.7.5 FSPs must **record the class of business training** of the FSP, key individuals and representatives **in the competence register within 15 days after the training has occurred.**

3.1.2.2.8 Product specific training

3.1.2.2.8.1 Product specific training is only applicable to representatives and only for Category I and Category IV financial services.

3.1.2.2.8.2 Before rendering any financial service for any specific financial product, representatives and FSPs must complete product specific training for that financial product and for which they are authorised, or for which authorisation is sought.

3.1.2.2.8.3 Representatives are not permitted to be supervised for product specific training.

3.1.2.2.8.4 FSPs must ensure that they, their key individuals and representatives are proficient with, understand and have completed adequate and appropriate product specific training, for specific financial products for which they render financial services, or manage, or oversee, the rendering of financial services.

3.1.2.2.8.5 FSPs must **record the product specific training** of the FSP and representatives **in the competence register within 15 days after the training has occurred.**

3.1.2.3 Continuous professional development (CPD)

3.1.2.3.1 FSPs, key individuals and representatives must maintain the required competence to render, manage, or oversee the financial services for which the FSPs, key individual and representatives are authorised, approved, or appointed.

3.1.2.3.2 FSPs, key individuals and representatives must ensure that the CPD activities undertaken:

3.1.2.3.2.1 are relevant to their functions and roles

3.1.2.3.2.2 contributes to their skill, knowledge, expertise, professional standards and ethical standards

3.1.2.3.2.3 addresses identified needs or gaps in technical knowledge, generic knowledge and understanding the environment in which the financial service is rendered, managed or overseen, as well as knowledge and understanding of applicable laws

3.1.2.3.2.4 adequately considers changing internal and external conditions that are relevant to the classes and subclasses of business, the category of financial services and the relevant financial products



- 3.1.2.3.3 FSPs must establish and maintain policies and procedures on CPD that include:
 - 3.1.2.3.3.1 how the FSP, key individuals and representatives will maintain knowledge and skills that are appropriate for their activities and responsibilities
 - 3.1.2.3.3.2 how the FSP, key individuals and representatives will update their knowledge and skills.
 - 3.1.2.3.3.3 how the FSP, key individuals and representatives will develop new knowledge and skills to assist with their current functions and responsibilities, or functions contemplated in future.
- 3.1.2.3.4 training plans for each CPD cycle to ensure that CPD is relevant and appropriate for the authorisation, approval and appointment of the FSP, key individuals and representatives that addresses any identified needs, knowledge and skills gaps, that it continually improves the professional standards and practices of the FSP, its key individuals and representatives.
- 3.1.2.3.5 Information to be populated on the CPD training plan at the beginning of each CPD cycle, by each key individual and representative:
 - 3.1.2.3.5.1 proposed CPD activities
 - 3.1.2.3.5.2 details of the CPD activity
 - 3.1.2.3.5.3 proposed date of undertaking the activity
 - 3.1.2.3.5.4 number of CPD hours for the CPD activity
 - 3.1.2.3.5.5 type of need that the CPD activity addresses
 - 3.1.2.3.5.6 reasons for the relevance and appropriateness of the CPD activity
 - 3.1.2.3.5.7 name of the training provider
 - 3.1.2.3.5.8 name of the accreditation body
- 3.1.2.3.6 Key individuals and representatives must complete a **minimum of 6 CPD hours**, if they are approved or appointed for **1 subclass of business within 1 class of business**, **12 CPD hours** if they are approved or appointed for **more than 1 subclass of business within 1 class of business** and **18 CPD hours** if they are approved or appointed for **more than 1 class of business**.
- 3.1.2.3.7 Key individuals and representatives must **submit to the FSP within 15 days after each CPD cycle (by 15 June)**, evidence of their **CPD activities** performed during the CPD cycle.
- 3.1.2.3.8 FSPs must **record in the competence register within 30 days after each CPD cycle (by 30 June)**, the **CPD activities** performed and any reduction of CPD hours during the CPD cycle.
- 3.1.2.4 Operational ability
 - 3.1.2.4.1 FSPs must have the operational ability, including adequate and appropriate human, technical and technological resources, to effectively function as the category of FSP and to render financial services for the financial products authorised.
 - 3.1.2.4.2 FSPs must have adequate and appropriate key individuals to effectively manage or oversee the activities of the FSP relating to financial services, including having **at least one key individual per class of business** for which FSP is authorised.
 - 3.1.2.4.3 Governance framework must be proportionate to the nature, scale, risks and complexity of the business of the FSP.



- 3.1.2.4.4 FSPs must exercise due skill, care and diligence when establishing (including the selection process), managing, or terminating, any arrangement for the outsourcing of a function that FAIS or another law requires to be performed, or requires to be performed in a specific way or by a specific person, a function that is integral to the nature of the financial services for which the FSP is authorised, or any material important operational function.
 - 3.1.2.4.5 Representatives of the FSP must have the operational ability to effectively function as a representative of the FSP or perform the activities for which that person was appointed.
 - 3.1.2.4.6 Juristic representatives must always have **at least 1 key individual** responsible for managing or overseeing the financial services rendered by the representative.
 - 3.1.2.4.7 Key individuals must have the operational ability to effectively manage or oversee the financial services of the activities of the FSP or juristic representative and the financial services for the financial product for which the key individual was approved or appointed.
 - 3.1.2.4.8 FSPs must regularly assess the operational ability of their key individuals to adequately and effectively perform their functions, considering the individual circumstances, nature, scale, range and complexity of the FSP's financial services of activities and whether key individuals are approved as key individuals or appointed as representatives of other FSPs.
 - 3.1.2.4.9 Key individuals must be able to **demonstrate to the Authority that they have the required operational ability** to effectively and adequately manage or oversee the financial services of the activities of ALL the FSPs or juristic representatives, for which the key individual was approved or appointed, **if approved or appointed as a key individual of more than 1 FSP or juristic representative.**
 - 3.1.2.4.10 Key individuals must be able to demonstrate to the Authority that they have the required operational ability to effectively and adequately manage or oversee the financial services of the activities of all the FSPs or juristic representatives, for which the key individual was approved or appointed, if approved or appointed as a key individual of the FSP or juristic representative and appointed as a representative of an FSP other than the first mentioned FSP.
- 3.1.2.5 Financial soundness
- 3.1.2.5.1 FSPs and their juristic representatives must always maintain financial resources that are adequate both in amount and quality, to carry out their activities and supervisory arrangements and to ensure that liabilities are met, as they fall due.
 - 3.1.2.5.2 FSPs and their juristic representatives must have sound, effective and comprehensive strategies, processes and systems, to continually assess and maintain the amounts, types and distribution of financial resources that it considers adequate to cover the nature and level of risks to which it is or might be exposed and the risk that the FSP or its juristic representative might not be able to meet the financial soundness requirements.
 - 3.1.2.5.3 No person may become or continue as an FSP or juristic representative, if they are declared insolvent or provisionally insolvent, are placed under liquidation or provisional liquidation, if it is subject to any pending proceedings which may lead to insolvency



or liquidation, or if it seriously and persistently failed or fails to manage any of its financial obligations satisfactorily.

- 3.1.2.5.4 No person may become an FSP or juristic representative if business rescue proceedings have commenced for that person.
- 3.1.2.5.5 **Assets of Category I FSPs that don't hold**, control, or have access to client assets, or that don't collect, hold, or receive premiums or other monies payable for financial products and juristic representatives thereof, **must always exceed the liabilities** of that FSP or that juristic representative.
- 3.1.2.5.6 **Assets (excluding goodwill, intangible assets and investments in and loans to, related parties) of all other applicable FSPs** and juristic representatives thereof **must always exceed the liabilities** of that FSP or that juristic representative.
- 3.1.2.5.7 **Category I FSPs that hold**, control, or have access to client assets, or that collect, hold, or receive premiums or other monies payable for financial products, **Category IV FSPs** and juristic representatives thereof must have **current assets that exceed current liabilities and liquid assets equal to, or greater than 4/52 weeks of annual expenditure.**
- 3.1.2.5.8 **Category II FSPs** and juristic representatives thereof must have **current assets that exceed current liabilities and liquid assets equal to, or greater than 8/52 weeks of annual expenditure.**
- 3.1.2.5.9 **Category IIA, Category III FSPs** and juristic representatives thereof, must have **assets that exceed liabilities by at least R3 million, current assets that exceed current liabilities and liquid assets equal to, or greater than 13/52 weeks of annual expenditure.**
- 3.1.2.5.10 **Category II, IIA and III FSPs must submit Form A of Annexure Six to the Authority half-yearly** (calculated in terms of the FSP's financial year) **within 45 days after every half year-end.**
- 3.1.2.5.11 **Category I FSPs that hold**, control, or have access to client assets or that collect, hold, or receive premiums or other monies payable for financial products and **Category IV FSPs, must submit Form A of Annexure Six to the Authority annually, together with the annual financial statements.**
- 3.1.2.5.12 **Juristic representatives of FSPs must submit Form A of Annexure Six to its FSP half-yearly** (calculated in terms of the representative's financial year), **within 45 days after every half year-end.**
- 3.1.2.5.13 FSPs must **immediately notify the Authority in writing, certified by the head of the FSP** when:
 - 3.1.2.5.13.1 **assets** of the FSP or that of its juristic representative, **exceed the liabilities by less than 10%**
 - 3.1.2.5.13.2 **current assets** of the FSP or that of its juristic representative, **exceeds the current liabilities by less than 10%**
 - 3.1.2.5.13.3 **minimum of R3 million for the assets to exceed the liabilities** of the FSP or that of its juristic representative, **exceeds the minimum value by less than 10%**
 - 3.1.2.5.13.4 FSP or its juristic representative **doesn't meet any of the financial soundness requirements**



requirements, or after 6 years from the date of first appointment, whichever occurs first.

until they meet the competency requirements, within the specific time period and while adhering to the specific conditions.

3.2.2 Representatives are **not allowed to be supervised for product specific training.**

3.2.3 Before rendering services under supervision, the FSP and the supervised representative must enter into a written supervision agreement, which may form part of any other relevant agreement or the FSP's performance management process.

3.3 In terms of Section 8 of FAIS, the **Authority** must be **notified of a change in director or managing executive within 15 days of the change.** The FSP must submit a notification of change in the form of a letter or email.

3.4 In terms of Section 8 of FAIS, the FSP must **notify the Authority of changes to its business information within 15 days of any change** occurring.

4. Financial Intelligence Centre Act 38 of 2001 (FICA)

4.1 The FICA does not specify the fit and proper requirements that must be adhered to. However, it provides for the supervisory body (FSCA) to determine whether a person is fit and proper to hold office in an accountable institution.

4.2 Accountable institutions must **notify the FIC of changes to any details provided during registration with the FIC, within 90 days of the change.**

5. Financial Sector Regulation Act 9 of 2017 (FSRA)

5.1 **Draft Joint Standard 1 of 2019: Fitness and propriety of significant owners (not yet effective)**

5.1.1 .

6. Pension Funds Act 24 of 1956 (PFA)

6.1 Directive PF No. 5: Appointment and termination of appointments of principal officers of pension funds

6.1.1 Principal officers must have the necessary skills, knowledge and experience to perform their duties, as well as have personal characteristics of honesty and integrity.

6.1.2 The board of trustees are responsible for the appointment of the principal officer and must be satisfied that he/she is fit and proper to hold the office of principal officer and must **annually review** the fitness and propriety of the principal officer.

6.1.3 If the Authority deems the appointee to not be fit and proper to hold office, the Authority will notify the board of trustees to terminate the appointment **within 30 days** of notifying the board of trustees.

6.1.4 Outgoing principal officers must submit Annexure C to the Authority **within 21 days of the termination of appointment.**



6.1.5 Incoming principal officers must submit Annexure A and Annexure B to the Authority **within 30 days of the appointment.**



Annexure B: Fit and proper declaration for key persons and significant owners

1. Purpose

Key persons and significant owners as defined in the Fit and Proper Policy, must be fit and proper because they are obliged to comply with the applicable regulatory requirements. The Fit and Proper Policy expresses the main fit and proper requirements across financial services legislation, covering the Collective Investment Schemes Control Act 45 of 2002 (CISCA), Companies Act 71 of 2008 (CA), Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS), Financial Intelligence Centre Act 38 of 2001 (FICA), Financial Sector Regulation Act 9 of 2017 (FSRA), Insurance Act 18 of 2017 (IA), King IV Report on Corporate Governance for South Africa 2016 (King IV), Long-term Insurance Act 52 of 1998 (LTIA), Pension Funds Act 24 of 1956 (PFA), Short Term Insurance Act 53 of 1998 (STIA) and incorporating the subordinate legislation thereto.

2. Declaration

Please answer each question below. If you answer YES to any question, please provide a detailed explanation.

Full name		
Identity number		
Designation/job description		
Questions for key persons and significant owners	Yes	No
Have you ever been convicted, or are subject to any pending proceedings which may lead to a conviction under any law, in any jurisdiction, of		
a) an offence under a law relating to the regulation or supervision, of a financial institution as defined in the Financial Institutions (Protection of Funds) Act 28 of 2001, or a corresponding offence under the law of a foreign country;		
b) theft, fraud, forgery, uttering a forged document, perjury, or an offence involving dishonesty, misrepresentation or embezzlement;		
c) an offence under the Prevention of Corruption Act 6 of 1958, the Corruption Act 94 of 1992, or Parts 1 to 4, or section 17, 20, or 21 of the Prevention and Combating of Corrupt Activities Act 12 of 2004, or a corresponding offence under the law of a foreign country, where the penalty imposed for the offence was, or may be imprisonment or a significant fine;		
d) any other offence, committed after the Constitution of the Republic of South Africa, 1996, took effect, where the penalty imposed for the offence is or was imprisonment without the option of a fine?		
Have you ever accepted civil liability for, or have been the subject of a civil judgment in respect of theft, fraud, forgery, uttering a forged document, misrepresentation or dishonesty under any law?		
Have you ever been the subject of frequent or severe, preventative, remedial or enforcement actions, including prohibition from operating in the financial services industry by the Authority or any other regulatory authority?		
Have you ever breached a fiduciary duty?		
Have you ever had impaired ability to discharge your duties in respect of the insurance business of an insurer because of a conflict of interest or any other reason?		



Have you ever been disqualified by a court from acting in the management or conduct of the affairs of any company?		
Have you ever been a director, alternate director, managing executive or in a similar position of responsibility, of a company that has been put into liquidation, or been put under business rescue proceedings, or had an administrator, or executor, appointed?		
Have you ever been removed from an office of trust on the grounds of misconduct involving dishonesty, or for any other reason other than your own request?		
Have you ever had a court grant an order declaring you to be delinquent or placing you under probation in terms of Section 162 of the Companies Act and/or Section 47 of the Close Corporations Act?		
Have you ever been a party to a scheme of arrangement or made any other form of compromise with your creditors?		
Have you ever been found guilty in disciplinary proceedings by an employer due to dishonest activities?		
Have you ever been or are being suspended, dismissed or disqualified from acting as a director, managing executive, public officer, auditor or statutory actuary (or alternate) under any law?		
Have you ever been refused a registration, authorisation, membership, or a licence to carry out a trade, business, or profession, or had that registration, authorisation, membership, or licence, revoked, withdrawn, or terminated by a regulatory authority?		
Have you ever been or are being, disciplined, reprimanded, disqualified, or removed, in relation to matters relating to honesty, integrity or business conduct by a professional body or regulatory authority?		
Have you ever been denied membership of any professional body because of matters relating to dishonesty, integrity, negligence, incompetence or mismanagement?		
Have you ever been refused the right to carry on, or restricted from carrying on a trade, business or profession, for which a specific licence, registration, or other authority is required by law in any country?		
Have you ever been involved with a corporation which has been privately and/or publicly censured, disciplined, suspended, or refused, membership, or registration by a stock exchange, futures exchange, other market or regulatory authority?		
Have you ever been untruthful or provided false or misleading, information to, or have been uncooperative in any dealings with the Authority or any other regulatory authority?		
Have you ever demonstrated a lack of readiness and willingness to comply with legal, regulatory and/or professional requirements and standards?		
Have you ever been found to be not fit and proper by the Authority or any other regulatory authority, in any previous assessments of fit and propriety?		
Have you ever seriously or persistently failed to, or are failing to, manage any of your financial obligations, including debts satisfactorily, including:		
a) having been the subject of a civil judgment, in respect of unpaid debts, which debt remains unpaid, or the subject of any pending proceedings, which may lead to such a judgment;		
b) having been sequestered, or the subject of any pending proceedings, which may lead thereto, under the Insolvency Act 24 of 1936, or a corresponding law of a foreign country and have not been rehabilitated, in terms of that Act, or law; and/or		
c) having been unable to provide a satisfactory credit record?		
Additional questions for significant owners	Yes	No
Are you in a situation where you do not have adequate financing, or funding and future access to capital?		
Are you in a situation where you are unable, or unlikely to be able, to meet any of your financial obligations (including debts) as they fall due?		



Have you ever been the subject of a civil judgment in respect of an unpaid debt, which debt remains unpaid, or are the subject of pending proceedings, which may lead to such a judgment?		
Do you have anything else to declare? Please specify.		

I hereby confirm that I am fit and proper and that all the information I have provided above, is true and accurate. I consent to undergoing a fit and proper declaration, criminal check, credit check, qualification check, employment history check, debarment check, adverse information check and disqualified director check, performed by a reputable verification agency (where applicable), before my appointment is finalised and that the checks may be repeated annually, or more frequently (if necessary), during the time of my appointment. I acknowledge that any false statement that I make in this declaration may lead to my dismissal and/or removal from the responsible person role, to which I have been appointed.

Signature: _____

Full name: _____

Date: _____



Annexure C: Key role questionnaire

The key role questionnaire should address the following aspects and should be accompanied by the person's curriculum vitae:

1. Professional qualifications, as well as the previous and current positions held and experience gained, by the individual;
2. Bankruptcy, or winding-up, of an entity, in which the individual is, or was, in a key role;
3. Liability incurred by the individual, because of unpaid debts;
4. Suspension, dismissal, or disqualification, of the individual, from a key role;
5. Preventative, or corrective, measures, imposed by a regulatory authority, on entities in which the individual is, or was, in a key role;
6. Convictions, or pending proceedings, against the individual, in his/her capacity, in respect of civil or criminal cases;
7. Convictions in criminal cases, of an entity in which the individual is, or was, in a key role;
8. Outcome of previous assessments of the suitability of the individual, or sanctions, or disciplinary actions, taken against that individual, by a regulatory supervisor;
9. Disciplinary action taken against the individual, by a professional organisation, in which the individual is, or was, a member; and
10. Any other fact, or circumstance, that could reasonably be relevant, in the assessment of that individual.