RE5 MASTER
TEXT BOOK SERIES



2026 EDITION

RE5 Master Text Book

Regulatory Examination for Representatives (RE5)

All 47 FSCA qualifying criteria · 8 modules · 35 lessons

RE5 Master
A Culture Creatives (Pty) Ltd publication

Law stated as at 24 October 2026

RE5 Master Study Guide

Regulatory Examination for Representatives (RE5)
2026 Edition · Version 0.1 (draft preview)
Law stated as at 24 October 2026

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Important. This guide is educational material to help candidates prepare for the Regulatory Examination for Representatives (RE5). It is not legal, compliance or financial advice. It is not issued, endorsed or approved by the Financial Sector Conduct Authority (FSCA) or by any examination body. Practice questions are original RE5 Master material, not official examination questions. Passing the examination is not guaranteed.

The law is stated as at 24 October 2026. Financial-sector legislation changes often. Always check the current official text of the FAIS Act, its subordinate legislation and the FIC Act, and the FSCA's current RE5 preparation guide, before relying on any rule, amount or deadline.

All people and businesses in the scenarios (including Ubuntu Financial Advisers and Ubuntu Life) are fictional. Any resemblance to real persons or entities is coincidental.

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How to use this guide

This guide teaches everything the RE5 examination tests: all 47 qualifying criteria the FSCA publishes, organised into 8 modules and 35 lessons. Each lesson is built the same way, so you always know where you are.

50	33	8	47
questions in the exam, 2 hours, closed book	correct answers needed to pass	tasks; every one is tested in every exam	qualifying criteria, all covered here

Inside every lesson

1. **Lesson header:** module, the criteria covered and reading time
2. **Why this matters:** the client harm the rule prevents
3. **Scenario:** a real-life situation the lesson will answer
4. **Outcomes:** what you'll be able to do, linked to the criteria
5. **Core sections:** the rule, plain English, examples and traps
6. **Side by side:** a table of the distinctions examiners test
7. **Remember:** a memory aid where one genuinely helps
8. **Key points:** testable one-line statements with sources
9. **Check your understanding:** exam-style questions at all four levels
10. **Answers:** the correct answer, and why the others are wrong
11. **Where next and sources:** related lessons and the law used

The boxes you'll see

THE LAW · FAIS S1(1)
Exact words of the law. Learn the wording when the exam tests it closely.

EXAMPLE
A worked example using our recurring characters.

⚠ EXAM TRAP
A common wrong belief, and the correct position. Examiners build distractors from these.

REMEMBER
A short memory aid.

CHANGED · 2024
A rule that changed recently. Older study material may still show the old position.

TRY IT
A quick "what would you do?" check inside the lesson.

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References in square brackets, such as [FAIS s13(2)] or [GCOC s8(1)], point to the section of the law that supports the statement.

Meet the people in our scenarios

Thandi Mokoena
New representative at Ubuntu Financial Advisers (Pty) Ltd, working under supervision

Pieter van Wyk
Thandi's supervisor, a fully competent representative

Ayesha Patel
Key individual and director of Ubuntu Financial Advisers

Sipho Dlamini
External compliance officer for Ubuntu Financial Advisers

Mr and Mrs Naidoo
Young family looking for life cover and education savings

Gogo Nomsa Zulu
Retired client with funeral and investment products

Lerato Khumalo
Small-business owner with commercial insurance

Ubuntu Life Ltd
The insurer (product supplier) in many examples

A study rhythm that works

Read one lesson a day, then answer its questions without looking back. Score below 8 out of 10? Reread the traps and the side-by-side table before moving on. Every week, revise the key points of the lessons you've finished. Leave the mock examinations at the back for your final two weeks.

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Orientation: the RE5, the rules and how this guide works

You are preparing for a professional examination that decides whether you may advise or serve clients on your own. This unit explains what the RE5 is, what it tests, how it is marked, and how to use this guide to cover every part of it.

What the RE5 is, and who writes it

The Regulatory Examination for Representatives (RE5) is one of the competence requirements in the fit and proper framework under the FAIS Act. The regulatory examinations were introduced with the amended fit and proper requirements in 2008 and reviewed in 2017. They are developed and delivered under the direction of the Financial Sector Conduct Authority (FSCA).

There are two regulatory examinations under FAIS:

RE5: REPRESENTATIVES
For representatives in all categories of FSPs. It tests what a representative is held responsible for: rendering advice and intermediary services to clients.

RE1: FSPS AND KEY INDIVIDUALS
For FSPs and key individuals, who manage and oversee the rendering of financial services. It is a longer paper with 80 questions across 16 tasks.

When you must pass the RE5 depends on your role, the products you work with and the date you were first appointed. As a rule you must pass the RE5 before you are appointed [BN 194/2017 s26(6)]. The "two years" you may have heard about applies only to a representative working under supervision, who must comply within 2 years from the date of first appointment [Notice 86/2018 Annex A cond 2(1)]. Lesson 13 explains the competence requirements in full, and Lessons 15 and 16 cover working under supervision.

The examination at a glance

50	2 h	33	0
multiple-choice questions, four options each, one correct answer	to write the paper	correct answers to pass (66%; each question is worth 2%)	negative marking: a wrong answer costs nothing extra

Source: the FSCA's preparation guide for the regulatory examinations. The guide explains the pass mark like this: a candidate who knows half the material and guesses the rest should score about 62.5%, so the pass mark is set slightly higher to confirm competence.

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Feature	What it means for you
Closed book	No material may be taken into the examination room.
Paper format, in pencil	You mark a bubble answer sheet in pencil, which is scanned and marked electronically. Mark only one option per question: the scanner can't tell a scratched-out answer from your final choice.
Random selection	Two people writing on the same day get different questions, but the same difficulty layout.
Every task tested	Each of the 8 tasks appears at least once in every paper. You can't skip a topic because it doesn't apply to your FSP.
Unlimited attempts	There's no limit on the number of attempts.
Photo identification	A South African identity document, a passport or a driver's licence.

Booking the examination

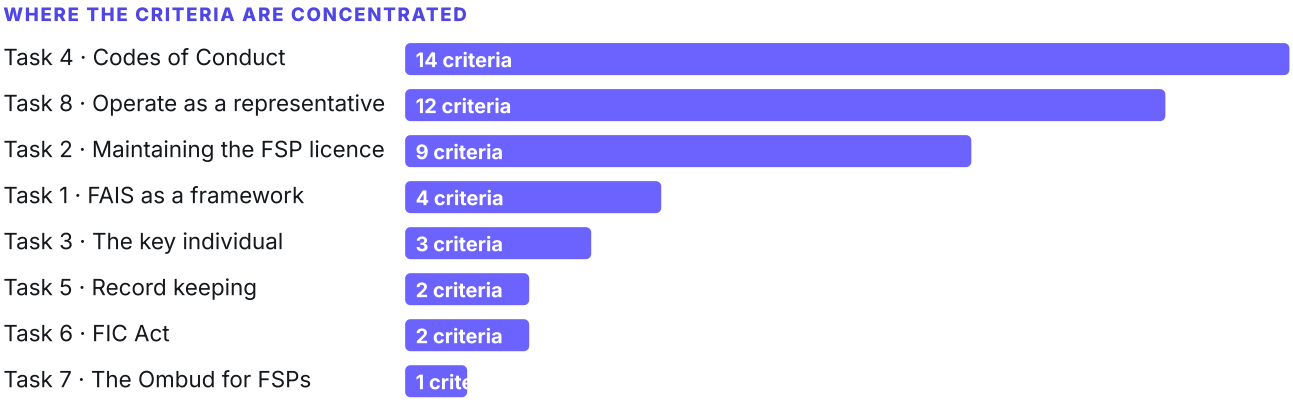
There is currently one examination body: **Moonstone**. Registration is at **faisexam.co.za**. Make sure you register for the correct examination, date, time and venue; that is your responsibility. If you have special needs, contact the examination body when you register, so that arrangements can be made.

> ⚠ **EXAM TRAP**
> Fees, payment deadlines and change rules are set by the examination body and they change. Older study packs print a fee and booking rules from 2024. The fee is set by the FSCA and booking terms by the examination body, and both are reviewed from time to time. Always check the current fee and terms on faisexam.co.za before you book.

What the examination tests: 8 tasks, 47 criteria

The FSCA publishes the RE5 as a set of **tasks**, each broken into **qualifying criteria**. Only questions based on these criteria are included in the examination. Some criteria test knowledge ("explain", "describe"); others test skill ("apply", "check", "carry out").

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Tasks 4 and 8 hold more than half of the 47 criteria. The General Code of Conduct and your own role as a representative deserve the most study time. But every task is tested in every paper, so even the one-criterion Ombud task can cost you marks. Criteria per task are from the FSCA's preparation guide.

This guide doesn't follow the task order. It teaches the material in the order you need to understand it, and covers every criterion along the way:

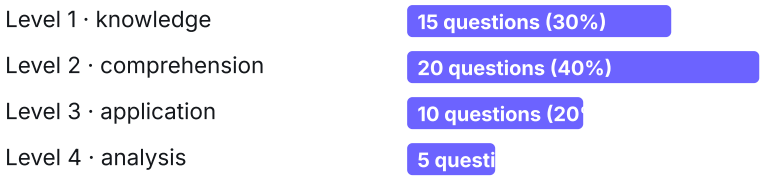
FSCA task	Where it is taught in this guide
1 · FAIS as a regulatory framework	Lessons 1, 2, 3 and 5, with applications in Lessons 21 and 24
2 · Maintaining the FSP licence	Module B (Lessons 6–10), plus Lessons 3, 11, 25 and 27
3 · The key individual	Lessons 4, 5, 7, 8 and 12
4 · Codes of Conduct	Lessons 17–25 and 27–30, plus Lessons 16 and 35
5 · Record keeping	Lessons 23, 26, 30, 33 and 35
6 · FIC Act	Module G (Lessons 31–33) and Lesson 35
7 · The Ombud for FSPs	Lessons 29 and 30
8 · Operate as a representative	Lessons 2, 4, 11–17, 19, 27, 34 and 35

The four levels of question

Every RE5 paper has the same mix of difficulty:

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THE RE5 DIFFICULTY LAYOUT

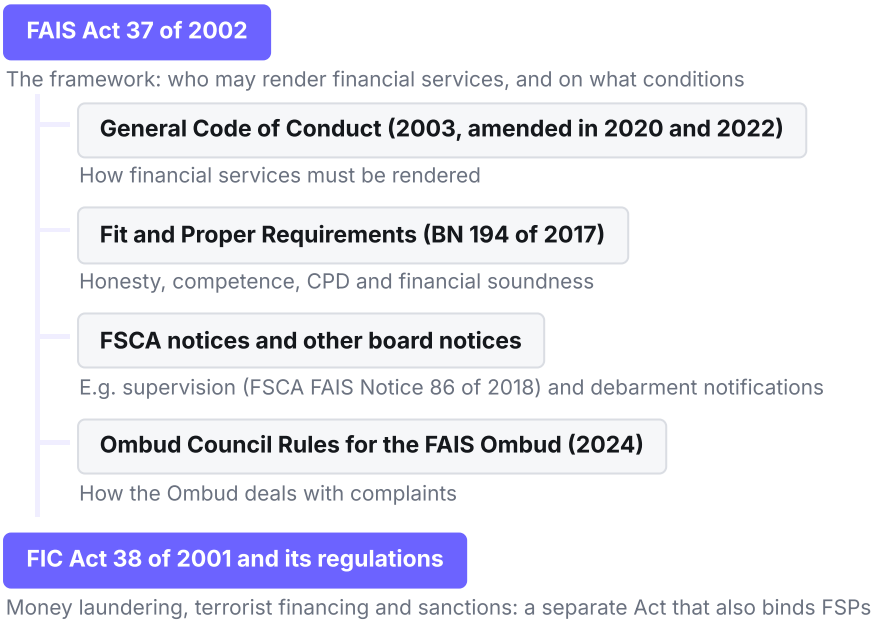


70% of the paper asks you to understand or apply the law, not just recall it. That's why every lesson in this guide explains why a rule exists and works through scenarios. The next unit, Exam technique, shows how to handle each level.

The law you are being examined on

The questions were developed from the FAIS Act (as amended), the General Code of Conduct, the FIC Act and the board notices and other subordinate legislation listed in the FSCA's preparation guide. The examination uses the technically correct legal terms, because simplifying them would change their meaning. This guide therefore quotes the law exactly in every "The law" box, and explains it in plain English straight after.

THE INSTRUMENTS BEHIND THE RE5



The Act sets the framework; the subordinate instruments carry most of the detail. When a question quotes a rule, ask which instrument it comes from. The same section number can mean different things in the Act and in the Code.

Older material uses old names. The examination uses the new ones:

Old term	Current term
FSB / Financial Services Board	FSCA / Financial Sector Conduct Authority / "the Authority"
Registrar	The Authority

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REMEMBER

The FSCA's own guide is blunt: candidates who rely only on study material and mock questions, and never read the FAIS Act or the General Code of Conduct, fail. Use this guide to understand the law, then read the provisions quoted in each lesson's "The law" boxes and Sources.

Changes that older study material may still get wrong

Financial-sector law changes often. This guide states the law as at the date on its imprint page. These changes are often missing from older study packs, and each one is taught in its lesson:

RECENT CHANGES YOU MUST KNOW

26 JUNE 2020
General Code of Conduct amended
Including a wider definition of direct marketing that covers digital application platforms (Lessons 2 and 24).

19 OCTOBER 2022
Crypto assets declared a financial product
Under FAIS (Lesson 3).

14 NOVEMBER 2022
Cash threshold reporting changed
Cash transactions above R49 999.99 must be reported to the FIC within 3 days (Lesson 33).

DECEMBER 2022
General Code of Conduct amended again
Including disclosure when a product or service sold alongside is not regulated under FAIS (Lesson 20).

1 MARCH 2024
National Financial Ombud Scheme recognised
Separate from the statutory FAIS Ombud (Lesson 29).

1 JULY 2024
New Ombud Council Rules for the FAIS Ombud
The compensation limit rose from R800 000 to R3.5 million for complaints received from this date (Lessons 29 and 30).

17 JANUARY 2026
Current FSCA preparation guide
Version 1. Appendix A maps every criterion to the law.

If a study pack teaches R800 000 for the Ombud, or R24 999.99 for cash reporting, it is out of date. Our currency register tracks every changeable fact, and each lesson is checked against it before it is published.

CHANGED · ON THE HORIZON

A Conduct of Financial Institutions (COFI) Bill and an anti-money-laundering amendment bill (B15–2026) are in the parliamentary process. Neither is law yet, so neither is examinable. The FSCA has said that draft legislation cannot be used to update the examinations: new law must first be published. FAIS remains in force.

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A 12-week study plan

The FSCA suggests starting at least three months before your examination date, and studying at least two hours a day. Here is how this guide fits into twelve weeks:

TWELVE WEEKS TO THE RE5

WEEK 1
Orientation and Module A
This unit, Exam technique, and Lessons 1–5: the framework, financial services and products.

WEEKS 2–3
Modules B and C
Lessons 6–16: the licence, enforcement, and becoming a competent representative.

WEEKS 4–6
Module D
Lessons 17–23: the General Code of Conduct and the advice process. This is the largest task, so take your time.

WEEK 7
Modules E and F
Lessons 24–30: advertising, client money, records, complaints and the Ombud.

WEEK 8
Modules G and H
Lessons 31–35: the FIC Act, debarment and recourse.

WEEKS 9–10
Read the law and revise
Read the provisions in each lesson's sources. Work through the key points, the contrast pairs and the numbers and deadlines sheet.

WEEKS 11–12
Mock examinations
Write the five mock papers (50 questions each) under exam conditions: 2 hours, closed book. Revisit every lesson behind a wrong answer.

Spread your learning out. Short daily sessions with regular recall beat one long session the night before. Answer each lesson's questions without looking back, and reread the traps before moving on if you score below 8 out of 10.

How the guide is built

The eight modules follow a representative's working life: understanding the system, working in a licensed business, becoming and staying competent, advising fairly, running sound operations, handling complaints, preventing financial crime and, finally, accountability when things go wrong.

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THE EIGHT MODULES

1. **A · Framework** What FAIS regulates and who the role players are	2. **B · Licence** The FSP licence and enforcement	3. **C · Competence** Fit and proper, CPD and supervision	4. **D · Advice** The General Code and suitable advice
1. **E · Operations** Advertising, client money, records	2. **F · Complaints** Internal complaints and the Ombud	3. **G · Financial crime** The FIC Act	4. **H · Accountability** Debarment, recourse and the full client journey

Each module builds on the one before it. Lesson numbers match the RE5 Master app, audio lessons and video classroom: Lesson 13 is Lesson 13 everywhere. "How to use this guide", at the front of the book, explains the parts of each lesson and the boxes you'll see.

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Exam technique: reading questions, combination items and time

Knowing the law gets you most of the way. The rest is reading each question exactly as it is asked, managing two hours well, and not losing marks you have already earned. This unit shows you how.

Know what each level is asking

The 50 questions are spread across four levels of thinking in a fixed layout. Each level asks something different of you:

LEVEL 1 · 15 QUESTIONS

Knowledge. Recall a fact, period, definition or list item. "Within how many days...", "Which of the following is..."

LEVEL 2 · 20 QUESTIONS

Comprehension. Show you understand a rule well enough to recognise it in a short situation.

LEVEL 3 · 10 QUESTIONS

Application. Apply a rule to a client scenario and choose what the representative must do.

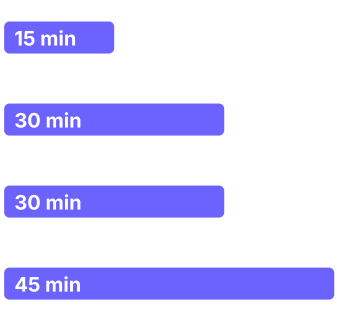
LEVEL 4 · 5 QUESTIONS

Analysis. Weigh several facts or statements together, often in Roman-numeral or sequencing format.

Budget your two hours

The FSCA's guide suggests these times per question: knowledge ½–1 minute, understanding 1–1½ minutes, application and analysis 1½–2 minutes. Even at the slowest end, that leaves you a generous review period:

A TIME PLAN FOR 120 MINUTES



Plan on finishing your first pass in about 75 minutes. Use the remaining time to return to marked questions and to check that every bubble sits in the right row. If a question is taking more than 3 minutes, mark it, move on and come back.

The six question styles

RE5 questions come in six styles. Recognise the style before you start answering, because each one needs a slightly different approach. The examples below are original RE5 Master questions based on Lesson 2.

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1. The direct question

EXAMPLE · DIRECT QUESTION · LEVEL 1

Under the FAIS Act, an intermediary service is any act performed for or on behalf of a client or product supplier, other than:

A the furnishing of advice
B the collection of premiums
C the processing of claims
D the servicing of a financial product

Approach. Cover the options and answer in your own words first: "other than advice". Then find the option that matches. B, C and D are all *examples* of intermediary services, which is exactly why they're tempting. **Answer: A** [FAIS s1(1) "intermediary service"].

2. The incomplete sentence

EXAMPLE · INCOMPLETE SENTENCE · LEVEL 1

A "client" under the FAIS Act is a specific person or group of persons, but excludes...

A the beneficiary of a financial service
B the general public
C the successor in title of a client
D a person who may become the subject of a financial service

Approach. Read the stem with each option as one complete sentence, and ask: "Is this sentence true?" Only one reads correctly. **Answer: B**. The others are expressly *included* in the definition [FAIS s1(1) "client"].

3. The negative question

EXAMPLE · NEGATIVE QUESTION · LEVEL 2

Which of the following is NOT excluded from the definition of advice?

A Handing a client a product brochure
B Objective information about a particular product, given merely as information
C A recommendation to replace an existing policy
D An answer to a routine administrative query

Approach. Underline the negative word ("NOT", "EXCEPT", "incorrect", "false"). Then treat the question as "Which one of these IS advice?" Three options are on the excluded list, and one is not. **Answer: C**, because replacement is a transaction link in the definition of advice [FAIS s1(1) "advice"(d); s1(3)(a)(i)].

> ⚠ EXAM TRAP
> Negative questions catch candidates who answer the question they expected instead of the one in front of them. The FSCA warns about this style specifically. Read the stem twice when you see "NOT".

4. Most, best or least

EXAMPLE · BEST ANSWER · LEVEL 2

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Mrs Naidoo wants to cancel her life policy. Pieter says, "With your bond and two young children, I'd strongly suggest you keep it." She keeps it. Which statement BEST describes what Pieter did?

A No advice was given, because nothing was sold
B Advice was given: guidance on the termination of a financial product
C Only an intermediary service was rendered
D Advice was given only if Pieter charged a fee

Approach. More than one option may sound partly reasonable, so rank them. Treat each option as a true-or-false statement and choose the "most true". **Answer: B**. Advice covers guidance on termination, and it applies whether or not anything results from it [FAIS s1(1) "advice"(d), (ii)].

5. The Roman-numeral (combination) question

EXAMPLE · ROMAN NUMERAL · LEVEL 4

Consider the following statements:

i. Advice can be given by telephone or through an app.
ii. A recommendation is only advice if the client buys the product.
iii. An intermediary service may be performed on behalf of a product supplier.
iv. A billboard advertisement aimed at the public is advice to everyone who sees it.

Which statements are correct?

A i and ii only
B i and iii only
C ii, iii and iv only
D i, ii, iii and iv

These carry the heaviest thinking load in the paper. Use the same routine every time:

1. **Judge each statement on its own**
   Write T or F next to i, ii, iii and iv before you look at the options. Here: i is T ("by any means or medium"), ii is F (no sale is needed), iii is T ("client or product supplier"), and iv is F (the general public isn't a client).
2. **Strike out every option that contains a false statement**
   A, C and D each include ii or iv, so they go.
3. **Check that the survivor contains every true statement**
   B contains i and iii, so **B is the answer**.
4. **If you're unsure of one statement, work with the others**
   Knowing just two statements often eliminates three options. That's the advantage of this format.

6. The sequencing question

EXAMPLE · SEQUENCING · LEVEL 3

Arrange the RE5 question levels from the one with the most questions in a paper to the one with the fewest: (i) Level 1, (ii) Level 2, (iii) Level 3, (iv) Level 4.

A (i), (ii), (iii), (iv)
B (ii), (i), (iii), (iv)

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C (ii), (iii), (i), (iv)

D (i), (iii), (ii), (iv)

Approach. Find the first and the last items in the sequence before worrying about the middle; that usually leaves only one option standing. Level 2 has the most questions (20) and Level 4 the fewest (5), which leaves A and D out because they don't start with (ii). Between B and C, Level 1 (15) comes before Level 3 (10). **Answer: B**.

Words that change the answer

Examiners use precise legal language. A single word can make a statement true or false:

Word	What it does	Ask yourself
must / may	"Must" is an obligation; "may" is a permission or discretion	Is this compulsory, or allowed?
all / any / every	Make a statement absolute	Is there a single exception? If so, the statement is false.
only	Excludes every alternative	Could anything else also qualify?
NOT / EXCEPT / incorrect	Reverse what you're looking for	Am I choosing the odd one out?
before / after / within	Fix timing	Does the period run from the right event?
provider / representative	Duties often sit with one, not the other	Who carries this duty under the law?

Five habits that protect your marks

1. **Answer before you look**
   Cover the options, read the stem, and form your answer. Then pick the option that matches it.
2. **Use only the facts given**
   Don't add facts to a scenario or argue with it. If the question says something happened, it happened.
3. **Read every option**
   Don't mark the first option that looks right. A later option may be more complete or more precise.
4. **Trust prepared knowledge**
   Not every question is a trick. If you have studied the rule and the answer is clear, choose it and move on.
5. **Ignore patterns**
   Every question is independent. Ten Cs in a row says nothing about the next answer.

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The answer sheet

You'll answer on a bubble sheet in pencil, which is scanned and marked electronically. Most lost marks here are mechanical, not legal:

- ✅ Fill in exactly one bubble per question. A second mark, even one rubbed out badly, can be scored as wrong.
- ✅ Lay a ruler under each row as you go, so your answer lands next to the right question number.
- ✅ If you skip a question, skip its row on the sheet too, and mark it in the question paper so you come back to it.
- ❌ Don't leave transferring answers to the last five minutes.

On the day

- ✅ Photo ID: a South African identity document, a passport or a driver's licence
- ✅ Your booking confirmation: the correct examination, date, time and venue
- ✅ Pencils, an eraser and a ruler
- ✅ Arrive early enough to settle before the start
- ❌ No notes, books or study material: the examination is closed book

If you have less than twelve weeks

The 12-week plan in the Orientation unit is the safest route. If your date is closer, compress it, but don't drop any module: every task is tested in every paper.

Week	Four-week plan (at least 2 hours a day)
1	Orientation, Exam technique, Modules A and B (Lessons 1–10)
2	Modules C and D (Lessons 11–23)
3	Modules E to H (Lessons 24–35)
4	Key points, contrast pairs and the numbers sheet; at least two of the five mock examinations under exam conditions; revise every lesson behind a wrong answer

REMEMBER

In the exam: **recognise the style**, **answer before you look**, **eliminate** using what you're sure of, then **check the bubble**.

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A

MODULE A

Understand the regulatory framework

1	Scope of the FAIS Act: purpose, people and protection
2	Advice, intermediary services and the boundary of administration
3	Financial products and FSP categories
4	Who does what: FSPs, representatives and key individuals
5	The compliance officer and the compliance system

Qualifying criteria covered: 1.1, 1.2, 1.3, 1.4, 2.1, 3.1, 3.2, 3.3, 8.1, 8.2, 8.4

MODULE A UNDERSTAND THE REGULATORY FRAMEWORK ABOUT 46 MIN

LESSON

1

Scope of the FAIS Act: purpose, people and protection

Orientation → **Lesson 1** → Lesson 2

FSCA exam criteria covered: 1.1

Why this matters

Most people buy financial products on trust. A funeral policy, a retirement annuity or an education plan can't be inspected like a car or a fridge. Its quality only shows years later, when a claim is paid or refused, or when the savings are needed. By then a bad recommendation is expensive or impossible to undo. The person on the other side of the desk usually knows far more than the client, and is often paid when the client buys.

The FAIS Act (Financial Advisory and Intermediary Services Act 37 of 2002) exists to manage that gap. It decides who may advise clients and arrange financial products for them, the standards they must meet, who watches them, and where a client can go when things go wrong. This lesson gives you the map. Every later lesson fills in one part of it. The exam tests the map directly: Task 1, qualifying criterion 1.1 asks you to "describe the FAIS Act and subordinate legislation".

SCENARIO

Mr and Mrs Naidoo have two young children and a new home loan. Thandi Mokoena, a representative at Ubuntu Financial Advisers (Pty) Ltd, does a needs analysis and recommends an Ubuntu Life Ltd family protector policy. She submits the application, and Ubuntu Life issues the policy.

Three years later the Naidoos are unhappy about two things. First, the premium has risen steeply every year, and they say nobody explained that it would. Second, when Mr Naidoo injured his back and couldn't work, Ubuntu Life declined his disability claim, relying on an exclusion in the policy wording.

Mrs Naidoo asks, "Who was supposed to protect us here? And who do we complain to: Thandi, Ubuntu FA, Ubuntu Life, or the government?" **By the end of this lesson you'll be able to name every role player in this story, say which rules applied to each of them, and point the Naidoos to the right complaint route for each problem.** You won't decide who is to blame. That needs the evidence, and the later lessons.

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BY THE END OF THIS LESSON YOU WILL BE ABLE TO

- Explain what FAIS stands for, why it regulates financial services and what it does *not* promise clients.
- Explain **functional regulation**: FAIS follows the activity, whether a bank, an insurer, a brokerage or a sole trader performs it.
- Use the **scope map** (financial product, financial service and client) to decide whether an interaction falls within FAIS.
- Identify the main role players (the FSCA, FSP, representative, key individual, compliance officer and FAIS Ombud) and what each one does and doesn't do.
- Distinguish the Act, binding subordinate instruments (codes, fit and proper requirements, regulations, notices, rules) and non-binding guidance, and name the main instruments.

1.1 A client receives unsuitable advice: what needs protecting?

Start with the harm, not the law. Look at what went wrong for the Naidoos, or might have, and ask what would have prevented it.

The information gap. Thandi understands premium patterns, exclusions and waiting periods. The Naidoos don't, and they can't easily find out. If the escalating premium wasn't explained, they agreed to something they didn't understand.

The delayed result. The damage showed up three years later. With a long-term product, a client may only discover an unsuitable recommendation when it is too late to buy cover elsewhere at the old price, or at all.

The incentive. An adviser is often paid by commission when the client buys. That isn't wrong in itself, but it creates a pull towards selling rather than advising. Clients need to know about it, and the pull must be managed.

Accountability. If Thandi made a mistake, who answers for it? A client can't sensibly sue every individual consultant. Someone with a licence, a business and a compliance system needs to stand behind the person who gave the advice.

A way to complain. Going to court is slow and expensive. A family like the Naidoos needs a cheaper, informal route to have a dispute decided.

FAIS answers each of these needs with a specific tool. You'll study every one of them later; for now, see how they fit together.

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FIGURE 1.1 SIX PROTECTIONS FAIS BUILDS AROUND THE CLIENT

A LICENCE
Only an authorised FSP may render financial services as a business, within the services and products its licence allows. [FAIS s7(1)(a), s8(4)(a)]

AN ACCOUNTABLE FSP
A representative acts for an FSP, which confirms the mandate and accepts responsibility for the representative's activities within it. [FAIS s13(1)(b)(i)]

FIT AND PROPER PEOPLE
Honesty and integrity, competence, operational ability, financial soundness and CPD. [FAIS s6A(2)]

RULES OF CONDUCT
Codes of conduct require honest, fair and skilled service, disclosure and suitable advice. [FAIS s15, s16]

MONITORING
Compliance officers monitor FSPs, and the FSCA supervises and enforces. [FAIS s17; FSR Act s58(1)(a)]

A COMPLAINT ROUTE
The FSP's own complaints process, then an independent ombud. [GCOC Part XI; FAIS s20]

FAIS protects the client through people, firms and processes. It doesn't guarantee the product's performance. Each card is taught in its own lesson: licensing in Module B, fitness and propriety in Module C, conduct in Modules D and E, and complaints in Module F.

Now apply this to the Naidoos. If the premium pattern wasn't explained, the question is whether Ubuntu FA and Thandi met their *conduct* duties: disclosure and a suitable recommendation (Lessons 20 to 23). If the disability claim was declined under a policy exclusion, the question is whether *Ubuntu Life*, the insurer, applied its contract fairly. That's mainly a product-supplier question, not a FAIS advice question, unless the exclusion should have been explained when the policy was recommended. The two complaints follow different routes (section 5).

⚠ **EXAM TRAP**
"FAIS guarantees that clients won't lose money." Wrong. FAIS regulates the *conduct* of people and firms who render financial services. It doesn't promise investment returns, and it doesn't make every disappointing outcome someone's fault. A client who received suitable, properly disclosed advice can still lose money when markets fall.

⚠ **EXAM TRAP**
"FAIS sets insurance premiums and investment fees." Wrong. Product suppliers price their own products. FAIS regulates how financial services are rendered: for example, that costs and charges are disclosed to the client in specific monetary terms where they can be determined [GCOC s3(1)(a)(vii)]. Disclosure is not price-setting.

1.2 What FAIS stands for and its purpose

FAIS is short for the **Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002)**. The President assented to it on 15 November 2002. The name already tells you what it regulates: *advisory* services (advice) and *intermediary* services. Those are the two financial services the Act recognises, and Lesson 02 defines them in detail.

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1.2.1 The long title: what Parliament said the Act is for

A South African Act opens with a **long title**, a sentence that states the Act's purpose. FAIS has no separate preamble, so when the FSCA preparation guide lists "FAIS Act – Preamble" against QC 1.1, these opening words are what it points to.

> **THE LAW · FAIS ACT 37 OF 2002, LONG TITLE**
> "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."

Three phrases carry the meaning.

- **"To regulate the rendering"**: the Act regulates an *activity*, the rendering of services. It doesn't regulate a type of company. This is the root of functional regulation (section 3).
- **"Certain financial advisory and intermediary services"**: not every money-related activity, only the services the Act defines, in respect of the products it lists.
- **"To clients"**: the protection is aimed at clients, a term the Act defines carefully (section 4).

1.2.2 The principles: what the conduct rules must achieve

The long title is brief. The clearest statement of what FAIS is trying to achieve for clients is in FAIS s16, which tells the regulator what any code of conduct must be designed to do.

> **THE LAW · FAIS S16(1)**
> "A code of conduct must be drafted in such a manner as to ensure that the clients being rendered financial services will be able to make informed decisions, that their reasonable financial needs regarding financial products will be appropriately and suitably satisfied and that for those purposes authorised financial services providers, and their representatives, are obliged by the provisions of such code to— (a) act honestly and fairly, and with due skill, care and diligence, in the interests of clients and the integrity of the financial services industry..."

Read it as two goals and the means of reaching them.

1. **Informed decisions.** The client should understand what they are agreeing to. This drives all the disclosure duties.
2. **Needs appropriately and suitably satisfied.** The product should fit the client's reasonable financial needs. This drives the advice process and the record of advice.
3. **The means:** FSPs and representatives must act honestly, fairly, with skill, care and diligence, in the clients' interests and the industry's integrity. The rest of s16(1) adds adequate resources and systems, gathering appropriate information from clients, fair treatment where interests conflict, and compliance with all applicable law [FAIS s16(1)(b)–(e)].

The General Code of Conduct turns the first of those means into the duty you'll quote more than any other:

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THE LAW · GCOC S2

"A provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry."

1.2.3 FAIS inside the wider system

Since 2018 FAIS has worked inside a larger framework set by the **Financial Sector Regulation Act 9 of 2017** (FSR Act). FAIS is one of the "financial sector laws" listed in Schedule 1 of the FSR Act [FSR Act s1(1) "financial sector law", Schedule 1]. The FSR Act's own object includes promoting "the fair treatment and protection of financial customers" [FSR Act s7(1)(c)], and it gives the FSCA the objective of protecting financial customers by "promoting fair treatment of financial customers by financial institutions" [FSR Act s57(b)(i)]. FAIS is one of the main tools the FSCA uses to do that for advice and intermediary services.

FAIS also doesn't push other law aside. The Act says it must be read "in addition to any other law not inconsistent with its provisions and not as replacing any such law" [FAIS s1(6)]. Contract law, the insurance laws and the FIC Act (Financial Intelligence Centre Act 38 of 2001, Module G) all still apply alongside it.

STUDY DEFINITION

FAIS in one sentence

FAIS regulates people and businesses who, as a regular part of their business, give advice or render intermediary services to clients in respect of financial products: it requires them to be licensed or appointed, to be fit and proper, and to follow binding conduct rules, and it gives clients an independent ombud. (Our summary, not statutory wording.) [FAIS long title; s1(1); s7(1); s6A; s15–16; s20]

CHANGED · ON THE HORIZON · C15

A **Conduct of Financial Institutions Bill, 2026** (the COFI Bill) was announced for introduction in the National Assembly [GN 7376, GG 54520, 17 April 2026]. It proposes one conduct framework for financial institutions and would repeal certain financial sector laws. A Bill is not law. **FAIS remains in force**, and the RE5 is set on FAIS and its subordinate legislation.

1.3 Functional regulation across different institutions

South African financial services are sold by very different businesses: banks, life and non-life insurers, independent brokerages, call centres, investment platforms and one-person practices. FAIS doesn't ask "what kind of institution is this?" It asks **"what is this person doing?"** This is called **functional regulation**: the function decides the rules, not the type of building.

You can see it in the definition of a financial services provider.

THE LAW · FAIS S1(1) "FINANCIAL SERVICES PROVIDER"

"...any person, other than a representative, who as a regular feature of the business of such person— (a) furnishes advice; or (b) furnishes advice and renders any intermediary service; or (c) renders an intermediary service"

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"Any person" is wide. A "person" under FAIS includes a natural person, a partnership, a trust, a company and any body corporate or unincorporate, and even an organ of state [FAIS s1(1) "person"]. Nothing in the definition says "non-bank" or "broker". If a business advises clients or renders intermediary services as a regular feature of what it does, it's in.

FIGURE 1.2 FOUR INSTITUTIONS, ONE ACTIVITY, ONE SET OF RULES



Each consultant is giving advice. In all four cases FAIS asks the same questions: is the business authorised for this service and product, is this person appointed and competent, and were the conduct rules followed? The logo on the building doesn't change the answer.

The Act itself shows how far the functional approach goes.

- **Banks.** When a bank renders a financial service in respect of a deposit with a term of up to 12 months, that service is regulated through a code of conduct drafted specifically for it [FAIS s1(4), s15(2)(b)]. Banks are inside FAIS, not outside it.
- **The State.** The provisions on FSPs, representatives and product suppliers apply to people acting within their official duties for the State or a public entity, unless the Minister determines otherwise by notice [FAIS s1(5)].
- **Product suppliers.** An insurer is a product supplier: "any person who issues a financial product" [FAIS s1(1) "product supplier"]. Some intermediary services rendered by a product supplier are excluded where the supplier's own law already regulates them [FAIS s1(3)(b)(ii)]. That exclusion is narrow and conditional (Lesson 02). It doesn't stop an insurer's staff from giving *advice* that FAIS regulates.

1.3.1 Where FAIS sits in "Twin Peaks"

The FSR Act created two main financial sector regulators, often called the **Twin Peaks**:

	Prudential Authority	Financial Sector Conduct Authority (FSCA)
Focus	The safety and soundness of financial institutions: can they meet their obligations?	The conduct of financial institutions: do they treat customers fairly, and are markets efficient and honest?
Where it sits	A juristic person operating within the administration of the Reserve Bank [FSR Act s32(2)]	A juristic person and national public entity [FSR Act s56]
Objective	Includes protecting financial customers against the risk that institutions fail to meet their obligations [FSR Act s33(c)]	Includes protecting financial customers by promoting their fair treatment [FSR Act s57(b)(i)]
FAIS role	None directly. It isn't the FAIS regulator	Administers FAIS: the Act's "Authority" [FAIS s1(1) "Authority"]

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The FSCA must "regulate and supervise, in accordance with the financial sector laws, the conduct of financial institutions" [FSR Act s58(1)(a)], and financial institutions include anyone licensed under a financial sector law [FSR Act s1(1) "financial institution"], banks and insurers included.

> ⚠ **EXAM TRAP**
> "FAIS only regulates non-bank financial services; banks answer to the Reserve Bank." Wrong. The bank's *safety and soundness* is overseen by the Prudential Authority, but the *conduct* of anyone who renders financial services, bank staff included, falls under the FSCA and FAIS [FAIS s1(1) "financial services provider", s1(4); FSR Act s58(1)(a)].

Functional regulation works in the other direction too. If an activity isn't a FAIS financial service, or doesn't involve a FAIS financial product, FAIS doesn't regulate it, however "financial" the institution looks. A personal loan, for example, isn't in the FAIS list of financial products [FAIS s1(1) "financial product"]. Credit is regulated mainly by other law, such as the National Credit Act. A credit life policy sold with the loan, however, is an insurance policy, which *is* a FAIS product. So one branch visit can involve FAIS for one product and not for another.

> **EXAMPLE**
> Lerato Khumalo visits her bank to apply for a business overdraft. The consultant processes the overdraft, then suggests she add a business-interruption insurance policy and recommends the level of cover. The overdraft is credit, so FAIS doesn't govern that part. The insurance recommendation is advice on a short-term insurance policy, a FAIS financial product. For that part of the conversation, the bank must be authorised for advice on that product and the consultant must be its appointed, competent representative.

1.4 The scope map: financial product, service and client

To decide whether FAIS applies to an interaction, look for three elements. A **financial service** is rendered to a **client** in respect of a **financial product**. If all three are present, you're at the centre of FAIS. Then ask a fourth question about the person: who rendered it, and were they authorised?

1.4.1 Element 1: a financial product

> **KEY TERM**
> **Financial product**
> The products listed in paragraphs (a) to (j) of the definition, subject to products exempted by notice [FAIS s1(1) "financial product", s1(2)].

The list, in summary:

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Para	Product	Everyday example
(a)	Securities and instruments: shares (other than share-block shares), debentures, money-market instruments, warrants and similar	Shares bought through a stockbroker
(b)	A participatory interest in a collective investment scheme	A unit trust
(c)	A long-term or short-term insurance contract or policy	Life cover, funeral cover, car insurance
(d)	A benefit provided by a pension fund organisation or friendly society to its members	A retirement fund benefit
(e)	A foreign currency denominated investment instrument, including a foreign currency deposit	A US-dollar deposit
(f)	A deposit as defined in the Banks Act	A fixed deposit
(g)	A health service benefit provided by a medical scheme	Medical scheme cover
(h)	Any similar product declared to be a financial product by notice	Crypto assets (see below)
(i)–(j)	Combined products; similar products issued by foreign product suppliers	A package combining two listed products; a fund issued by a foreign supplier

Paragraph (h) lets the regulator add products without changing the Act. That's exactly what happened with crypto assets.

> **CHANGED · 19 OCTOBER 2022 · C08**
> Crypto assets were declared a financial product under FAIS [FAIS s1(1) "financial product"(h); GN 1350 of 2022]. Someone who advises on, or renders intermediary services for, crypto assets as a regular feature of their business now needs to be authorised. Being regulated doesn't make crypto assets legal tender, safe or endorsed by the FSCA.

Lesson 03 covers the products, and the licence categories built on them, in depth.

1.4.2 Element 2: a financial service

A financial service is advice, an intermediary service, or both [FAIS s1(1) "financial service", read with "financial services provider"]. At overview level:

- **Advice** is a recommendation, guidance or proposal of a financial nature to a client about buying, investing in, varying, replacing or terminating a financial product, or another transaction in respect of one [FAIS s1(1) "advice"]. Thandi's recommendation to the Naidoos was advice.
- **An intermediary service** is any act other than advice, done for a client or a product supplier, that leads to a product transaction or services the product afterwards: arranging, administering, collecting premiums, handling claims [FAIS s1(1) "intermediary service"]. Thandi submitting the application was an intermediary service.

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Both definitions have exclusions, and the line between them is examined heavily. That's the whole of Lesson 02. For now, remember that "no advice" doesn't mean "no FAIS".

1.4.3 Element 3: a client

> **THE LAW · FAIS S1(1) "CLIENT"**
> "...a specific person or group of persons, excluding the general public, who is or may become the subject to whom a financial service is rendered intentionally, or is the successor in title of such person or the beneficiary of such service"

- **"Specific person or group"**: an individual, a couple like the Naidoos, a company like Lerato's business, or a defined group such as the members of a stokvel.
- **"Excluding the general public"**: a billboard or radio advert aimed at everyone isn't a service to a client. Advertising is regulated separately (Lesson 24).
- **"Is or may become"**: a prospective client is already a client. Thandi's duties began when she started advising the Naidoos, not when they signed.
- **"Rendered intentionally"**: the service is aimed at that person.
- **"Successor in title... or the beneficiary"**: the protection extends to people who step into the client's shoes, or who benefit from the service, such as a beneficiary under a life policy.

1.4.4 Putting the elements together

FIGURE 1.3 THE FAIS SCOPE TEST: WORK THROUGH IT IN ORDER

1 Is a financial product involved: one listed in FAIS s1(1), or declared by notice?	YES: Go to 2	NO: Outside FAIS
2 Is someone furnishing advice or rendering an intermediary service in respect of that product?	YES: Go to 3	NO: No FAIS financial service
3 Is the service rendered to a client: a specific person or group, not the general public?	YES: Go to 4	NO: Not a client
4 Does a statutory exclusion or a gazetted exemption apply (Lesson 02)?	YES: Excluded or exempted	NO: Within FAIS

Product, service, client, then exclusions. If an interaction passes all four steps, FAIS applies, and the person rendering the service must be an authorised FSP or an appointed representative of one [FAIS s7(1)]. "Outside FAIS" never means "no law applies": other law may still govern it, and a public advert falls under the advertising rules instead (Lesson 24).

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EXAMPLE

Run the Naidoos through the test. **Product:** a life policy with disability cover, a long-term insurance policy, para (c). **Service:** Thandi's recommendation is advice; her submission of the application is an intermediary service. **Client:** the Naidoos, specific people to whom the service was intentionally rendered. **Exclusion:** none applies to a representative's recommendation. Result: squarely within FAIS. Ubuntu FA needed a licence covering advice and intermediary services for this product category, and Thandi needed to be its appointed representative for them.

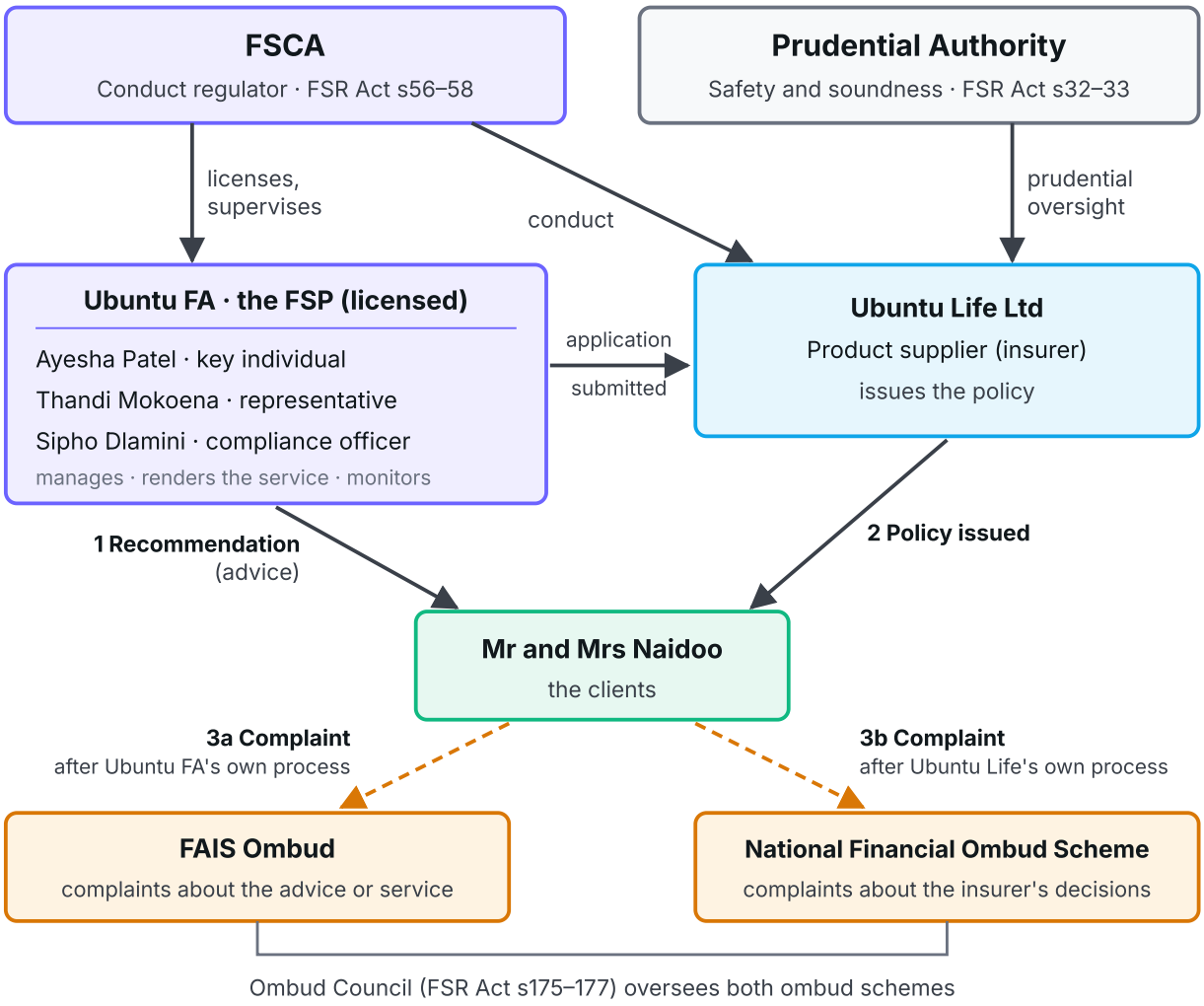
⚠ EXAM TRAP

"A financial product is mentioned, so FAIS applies to everything." Wrong. A newspaper article explaining how unit trusts work mentions a financial product, but it's aimed at the general public and recommends nothing to a client. Check all three elements, then the exclusions. Don't stop at the product.

1.5 FSCA, FSP, representative, KI, compliance officer and Ombud

FAIS works through a small cast of role players. Some **regulate** (the FSCA), some **are regulated** (the FSP, its key individuals, representatives and compliance officer), and some **resolve disputes** (the FAIS Ombud). The map below places them around the Naidoos.

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Follow the numbers. (1) Thandi, a representative, gives advice on behalf of Ubuntu FA, the licensed FSP, which is managed by its key individual and monitored by its compliance officer. (2) Ubuntu Life, the product supplier, issues the policy. (3) A complaint about the advice goes first to Ubuntu FA and then, if unresolved, to the FAIS Ombud; a complaint about the insurer's own decision, such as declining a claim, goes first to Ubuntu Life and then to the industry ombud scheme. The FSCA regulates conduct on both sides; the Prudential Authority watches the insurer's soundness.

Now take each role in turn. For each one, learn what it *is*, what it *does*, and the mistake learners usually make about it.

1.5.1 The FSCA: the conduct regulator

KEY TERM

The Authority (FSCA)

"the Financial Sector Conduct Authority established in terms of section 56 of the Financial Sector Regulation Act" [FAIS s1(1) "Authority"]

Under FAIS, the FSCA considers licence applications and grants or refuses them [FAIS s8], approves an applicant's key individuals [FAIS s8(3)(a)(ii)], approves compliance officers [FAIS s17(2)(a)(i)], maintains a central register of representatives and key individuals [FAIS s13(5)], and issues the subordinate instruments you'll meet in section 6. Under the FSR Act it supervises and enforces [FSR Act s58(1)(a)].

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