

FSB have extend the RE Level 1 exam deadline

The Financial Services Board (FSB) finally relented and sent out a FAIS Circular on the 12/07/2011 explaining, in detail, changes to the deadline and addressed complaints and concerns intermediaries had conveyed about the exams.

The trickle of FSPs that have signed up to write the Level 1 exams is also a likely reason behind the FSB's change of heart. In the circular, it indicated that as of 30 June 2011, only 17 302 out of 149 440 candidates had written the exams, which is less than 12 per cent of candidates who are required to take the test.

The FSB said it would only issue the pass rate of the examination once at least 25 per cent of candidates had written the exams. It said this figure would put it in the position to identify trends and factors influencing the pass rate. However, it added that at this early stage there was evidence that the more successful candidates had benefited from attending structured training courses provided by institutions.

The main points in the circular included:

The extension of the deadline, which is as follows:

RE 1 (key individual for category I, II, IIA, III and IV): new deadline 30 June 2012; and deadline for rewrite 30 September 2012.

RE3 (key individual for Category II and IIA): new deadline 30 September 2012; deadline for rewrite 31 December 2012.

RE4 (key individual for category III): new deadline 30 September 2012; deadline for rewrite 31 December 2012.

RE5 (representatives for categories I, II, IIA, III and IV excluding representatives for sub-categories 1.1. and 1.19): new deadline 30 June 2012; deadline for rewrite 30 September 2012.

The deadline for RE2 Level 1 regulatory examination for sole proprietors and key individuals (subcategories 1.1. and 1.19) has been pushed back to 31 December 2013.

The FSB recognised that there is a high failure rate among FSPs writing the exam for the first time. However it said that early statistics show that the main cause for failing the examination is due to lack of proper preparation. To address this issue, the FSB is in the process of updating the Preparation Guide – no date was given as to when it would finish the updates.

The FSB is investigating whether to reduce the cost of rewriting the exam. Currently those who have to rewrite the exam have to pay R900, which is the same fee as writing the exam.

The FSB said statistics showed that 40 per cent of candidates who were required to write the examination are Afrikaans speaking, but it added that contrary to earlier indications only two per cent of candidates elected, through the preliminary registration process, to write the exam in Afrikaans. As such, and in order to reduce costs, the FSB is only making the Afrikaans version of the examination available on a limited number of specific dates and at particular venues. It said the dates and examination venues will be revealed in due course. Those wishing to write the exams in Afrikaans will have to wait as enrolment procedures will only be made available once the development of the examination in Afrikaans has been finalised. However, no extra charges will be added for writing the exam in Afrikaans and those who wish to write in this language will pay the same R900 fee.

The FSB said in order to further assist those writing the exams it intends to exempt FSPs and representatives from the conflict of interest provisions (section 3A(1)(a) of the General Code of Conduct), which means that an FSP or representative may offer or receive training without falling foul of the law. (For more information please check out the FSB's circular.)

Requests for allowing candidates to write an open book RE Level 1 exam have been shunned by the FSB. It argued that the open-book examination was not appropriate for the purposes of the exam. (For more information please read the circular).

The FSB said it refuses to lower the pass mark from 65 per cent to 50 per cent. It reasoned: "Although most tertiary institutions require only 50 per cent as a pass mark when using multiple choice examinations, negative marking methodology is applied. The Independent Examination Board informed the FSB that if the pass mark is reduced to 50 per cent and negative marking is not applied; it could happen (sic) that a person who knows 35 per cent of the subject matter could obtain 51 per cent. Negative marking may also negatively affect the overall pass rate."

Many brokers have sent in requests to revisit their exam paper after failing it. Brokers argued that they should be entitled to see the results in order to learn from their mistakes. But this request has also not been granted. The FSB said this was not possible due to the structure of the examination process. "The individual question papers are generated from an item bank of a large but limited number of questions. If these questions were to be made available they would have to be replaced with new questions on a continuous basis to ensure the effectiveness of the examination. This will inevitably result in an increase of the costs and ultimately the examination fee," it said. However, it did add that it would investigate the possibility of providing information without affecting the integrity of the examination. It did not say how long this investigation would take in its circular.

The FSB said it was aware of rumours that examination bodies have made extreme adjustments to the examination results after request for remarks of examinations have

been submitted. However, it said incidents such as these were rare and that they have been investigated by the FSB. It was found that the candidates had recorded the incorrect examination numbers on the answer sheets, which resulted in the marketing of the answer sheets against the incorrect electronic marking memorandums.

The FSB added that it had also received a number of complaints regarding the examination questions and examination process. It made assurances that it had investigated the complaints and, where appropriate, taken corrective action.

Currently FSPs located outside of South Africa cannot sit the exam; however the FSB is looking at making the examination offshore.

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