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FAIS AMENDMENTS UPDATE

Dear Mandated FSP Member,

In the absence of a final guidance note from the Financial Services Board and the fact that we are in the fast lane approaching the due date of 30 June 2015, I would like to give you an update on IDA Risk Management's stance with reference to the amendments and specifically section 13(1)(c).

This section reads as follows: "A person may not render financial services or contract in respect of financial services other than in the name of the Financial Services Provider of which such person is a representative."

What this means in relation to our day-to-day business is that you, the Dealer (the mandated juristic representative), together with your fit and proper natural representative (finance and insurance manager), so listed under the specific FSP's representative register will, as from 1 July 2015, only be allowed to offer Long Term and Short Term insurance products which have been pre-approved by the Financial Services Provider, for example those that are approved by IDA Risk Management, FSP 28260.

We have concluded several meetings with insurers/product providers to discuss the way forward as well as the content of the intermediary agreements which now have to be between the financial services provider and insurer/ product provider. I can confirm that a business decision was made that we at IDA Risk Management will contract with all the insurers/product providers and that we are in the process of signing these intermediary agreements. Further to this, it was also decided that we will not allow the collection of premiums and that going forward, as from 1 July 2015, you as the Dealer will have to implement and make use of a split-premium process. We are aware that some banks, insurance companies and the likes of Debella have systems in place to facilitate these split-premium processes via the different electronic platforms and are very user-friendly. By implementing these, you will still receive your statutory commission and vehicle inspection fees directly from the likes of Debella and the bank/finance house will pay the premium to the authorized administrator if the transaction was financed. You would also be in a position to issue a Debella invoice for a warranty sold to a customer on a cash transaction. The customer will have to deposit the premium into the bank account as per the Debella invoice. Please note the handling of premiums is applicable on financed and cash deals.

With the afore-mentioned in mind I would like to refer you to the proposed guidance note on the interpretation and application of Section 13(1)(c) of the FAIS Act. By following [\[Guidance Note\]](#) you will be able to access the guidance note. On the collection of premiums, it is quite clear that the registrar aims to implement much more stringent controls and measures to curb the handling of premiums by third parties, **therefore our decision not to allow you, our Dealer (juristic representative), to collect premiums.**

Having said this the question is: Would a Dealer being his own FSP, be allowed to collect premiums? The answer is: Yes, but remember that the premium must be collected in the name of the FSP, the same must hold the necessary IGF cover, and the premium must be deposited into the bank account of the FSP and that account will have to be audited and reported on annually as contemplated by Section 19 (3) of the FAIS Act.

Please note that if you are currently contracting and/or selling an insurance product and are still not sure if they are approved under our FSP licence, it is of the utmost importance that you and/or the product supplier in question make contact with our Len Van Wyk to get the necessary agreements in place. We have had meetings and will be signing agreements with the likes of Regent, Warranty Solutions, Motorite, Traficc, PinAfrica, Innovations, Hollard, Guard Risk, Infinity, Auto & General, Motor VAPS, Impac and Genric.

There is a perception in the market that IDA Risk Management will not allow non-insurance products under our FSP licence. Note that these types of products are not regulated but please ensure that the product must offer value for money and be in line with the principles of treating customers fairly.

An amended mandate agreement or an annexure to your current mandate agreement addressing these obligations will be forwarded to you for signature in due course. If you have any questions please feel free to contact myself, Len van Wyk, or your local IDA representative in this regard.

The IDA will always act in the best interest of its members and the financial services industry.

Kind Regards,



Robbie Starke
Key Individual