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FAIS Risk Management Plan

June 2013



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Introduction

This document details Solutions 2 Wealth's risk management plan in terms of policies and procedures. The plan applies to all employees, including any permanent or temporary employee, director, officer, agent or independent contractor for **Solutions 2 Wealth** (FSP no. 41072).

A **risk** is an event or cause leading to uncertainty in the outcome of Solutions 2 Wealth's operations.

Risk is managed daily by considering potential threats, and taking steps to reduce the impact of these threats should they arise. However, these informal processes are insufficient as a risk management strategy. The aim of this risk management plan is to formally identify risks and associated mitigating actions in an effort to avoid or reduce potentially harmful situations.

All Solutions 2 Wealth employees must follow this plan, as required by the by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS). Ethical conduct of all FSPs will ensure that the risks within a FSP are lowered. When interacting with prospective clients and existing clients, FSPs should always act in good faith to the benefit of themselves and others.

The Solutions 2 Wealth risk management plan sets out the following steps for managing risk:

- STEP 1:** Identify risks specific to Solutions 2 Wealth
- STEP 2:** Evaluate risks
- STEP 3:** Manage risks
- STEP 4:** Monitor risks

Solutions 2 Wealth adopted this plan on 1 July 2013

Code Definitions

We have included the following definitions from the Code of Conduct to the Financial Advisory and Intermediary Services (FAIS) Act that are relevant to the Solutions 2 Wealth Risk Management Plan.

Risk can be defined as the possibility of a negative occurrence such as damage, injury, liability, loss which is caused by either an internal or external vulnerability.

Risk Management is the process of analysing and assessing exposure to risk and determining how to best manage this exposure in order to limit or even eliminate the risks. Risk management involves the identification, assessment, and prioritisation of the risks and the application of resources to minimise, monitor and control the probability and/or impact of the negative occurrences.

An **Inherent Risk** refers to a risk existing due to the natural activities of the business, i.e. risks that are unavoidable.

Risk Appetite is the level of risk that an organisation is prepared to accept, before action is deemed necessary to reduce that particular risk.

A **Risk Register** is a database of all the risks that an organisation is exposed to.

Types of risks

Solutions 2 Wealth may be vulnerable to one or more of the following types of risks:

Types of Risks	Brief Description
Compliance Risk	Non-conformance with stated requirements. At an FSP level conformance is achieved through management processes which identify the applicable requirements.
Financial Risk	Non-conformance with multiple types of risks associated with financing, including financial transactions that include the FSP's loans which could face the risk of default payments.
Operational Risk	Non-conformance with operational requirements arising from the FSP's business functions.
Human Resources /Staff Risk	Non-conformance with fit and proper requirements in terms of Board Notice 106 of 2008.
Litigation Risk	Non-conformance with legal and regulatory requirements which may result in litigation against the FSP.
Reputational Risk	Non-conformance with the trustworthiness of the FSP.
Market Risk	Market risk refers to the potential for FSPs income(in value) to decrease due to factors affecting the entire market/industry

Identification of risks specific to Solutions 2 Wealth

Those risks key to the future success of Solutions 2 Wealth have been identified by means of a scenario planning exercise. All serious risks and the appropriate mitigating actions are recorded on the Risk Register, where they are monitored and dealt with accordingly. These risks are not limited to inherent risks, but are extended to include external possibilities.

The completed Risk Register below is a shortened version of the original, containing only the highest status risks for Solutions 2 Wealth.

Risk Register			
Current risks (summary)	Status		
	Before mitigation	After mitigation	Future mitigating actions
Non-compliance with the provisions of FAIS	H	L	Internal compliance policy Ongoing regulatory examinations New business register New staff member to monitor compliance
Death/illness/immigration of key individual, thereby ending the continuance of Solutions 2 Wealth	H	L	Put succession planning in place by: <ul style="list-style-type: none"> - Transition to a Private Company - Recruit a successor - Agreement with an existing attorney
Falling behind technological advancement	H	M	New staff member to manage In-Touch system on an ongoing basis

Risk Area: Compliance	Risk Owner: Clark Ellis
Aim: Maintain compliance in all spheres	
Risk Description:	

Failure to comply with the FAIS and FSB (regulatory exams, new business, servicing changes) resulting in potential financial loss, damage to reputation, and potential debarment of key individual.			
Risk status before existing mitigation	Probability	Impact	Overall
	4	9	36
Existing mitigating actions		Existing assurances	
None		Satisfactory past record	
Risk status after existing mitigation	Probability	Impact	Overall
	4	9	36
Future mitigating actions	Owner	Due	Notes
Internal compliance policy	Clark Ellis	10/2013	
Ongoing regulatory examinations	Clark Ellis	Continuous	
New business register	Clark Ellis	10/2013	
Appoint new staff member to monitor compliance	Clark Ellis Chelsey Pienaar	10/2013	

Risk management strategies

Below are four potential risk response strategies for risk management. The choice of strategy is dependent on the type of risk and our ability to control its likelihood and impact.

Strategy	Brief Description
Accept the risk	Simply taking a chance that the risk may or may not occur/happen
Avoid the risk	Changing your plans in order to prevent the risk from arising
Mitigate the risk	Reducing/lessening the impact/seriousness of the risk and probability
Transfer the risk	Transferring the risk to a capable party that can manage the outcome

Analysis and evaluation of risks

When analysing and evaluating risks, the risk status is used to give an indication of those risks that are important and most likely to occur. “Risk **status**” is an assessment of the risk’s seriousness and is based on:

- The **probability** of the risk actually arising; and
- The **impact** on the business if a risk does actually arise.

We assign a status so that risks can be prioritised. A high impact high likelihood risk should be given more attention than a high impact low likelihood risk. Only risks with a high status are deemed to have the risk appetite necessary to prompt action.

Roles and responsibilities

MANAGEMENT. It is the responsibility of management to monitor and revise the risks posing a threat to Solutions 2 Wealth on an ongoing basis. Scenario planning and regular team meetings will be the tools used here.

ALL EMPLOYEES OF SOLUTIONS 2 WEALTH. The responsibility of identifying and reviewing risks falls to every employee of Solutions 2 Wealth. Employees should consider risk when making any decision, and when a risk is identified, must articulate this to Solutions 2 Wealth management. All risks and the appropriate mitigating actions must be recorded on the Risk Register.