FREQUENTLY ASKED QUESTIONS

Guidance Note on Competence ("GNC")

1. What are the major differences between the previous and the current competence requirements for individual licence applicants?

A comparison of the previous and current competence requirements is shown as follows:

<u>Test of Competence for Director</u>:

	Option 1		Option 2	
	Before 1 April 2001	After 1 April 2001	Before 1 April 2001	After 1 April 2001
Educational Qualification	Relevant Degree or Recognised Industry Qualification	Relevant Degree or Recognised Industry Qualification	-	Pass in Chin / Eng + Maths in HKCEE
Local Regulatory Framework Paper	-	Pass	-	Pass
Relevant Industry Experience	Any 3 yrs	3 yrs over past 6 yrs	Any 5 yrs	5 yrs over past 8 yrs
Management Skill and Experience	Responsible Director under Leveraged Foreign Exchange Trading Ordinance : 3 yrs Responsible Director for Securities Margin Financier: 2 yrs	All: 2 yrs	-	All: 2 yrs

Test of Competence for Representative:

	Option 1		Option 2	
	Before 1 April 2001	After 1 April 2001	Before 1 April 2001	After 1 April 2001
Educational Qualification	Leveraged Foreign Exchange Trader's Representative: Pass in Chin / Eng + Maths in HKCEE Others: Form 5	All: Pass in Chin / Eng + Maths in HKCEE	-	-
Recognised Industry Qualification	-	Pass	-	Pass
Local Regulatory Framework Paper	-	Pass	-	Pass
Relevant Industry Experience	-	-	Any 2 yrs	2 yrs over past 5 yrs

2. Do the competence requirements apply to exempt persons and its staff?

The requirements on competence are only applicable to persons licensed under the Securities Ordinance, Commodities Trading Ordinance and Leveraged Foreign Exchange Trading Ordinance. The Hong Kong Monetary Authority ("HKMA") however expects authorised institutions which are exempt persons to comply with the Commission's Fit and Proper Criteria and the GNC. The HKMA has issued a circular on 21 March 2001 to all authorised institutions that are exempt dealers drawing their attention to the competence requirement and that staff of exempt dealers who become securities dealing staff on or after 1 April 2001 must meet, among other things, the competence requirement.

3. Is there any exemption of examinations available to previously licensed applicant?

An applicant who had previously been licensed and now applying for the same licence type within 3 years of their resignation will not be required to obtain the recognised industry qualification and pass the regulatory framework paper.

4. If a person is engaged in dealing in securities with an exempt person and no licence is required, would he need to obtain recognised industry qualification and pass the local regulatory paper if he applies for a licence as dealer's representative with the Commission after 1 April 2001?

Yes. He will need to satisfy the competence test just as any other applicants.

5. Does a representative applicant who is a degree holder need to obtain a pass in the industry based examination? (Remarks: For a director applicant, he will be exempted from this requirement if he is a degree holder in financial discipline.)

Representative with relevant degree (such as law, finance, economics, accounting) needs not complete the industry based examination.

6. For an applicant who satisfies all licence requirements except the passing of the local regulatory framework paper, can conditional approval be granted to him?

Yes, conditional licence of 6 months duration may be granted to both director and representative applicants pending the passing of local regulatory framework paper.

7. Does an existing licensee applying for a change of employment need to meet the competence requirements?

The competence requirement applies to all applicants after 1 April 2001. Applicants who were previously licensed in the same licence type had already demonstrated that they met the competence requirement at the time of their prior application, and they are deemed to meet the competence requirement if they apply again within 3 years of their resignation. Naturally, the applicants will also have to remain fit and proper in all other respects in order for their new application to be approved.

8. Will current licensee applying for other types of licences after 1 April 2001 be "exempted" from passing the recognised industry qualification and the local regulatory framework paper?

   Each applicant's competence is assessed in relation to the activities and functions he will perform. In other words, different types of licensed activities call for different industry knowledge and knowledge about different rules and codes of conduct. Therefore, an applicant may be required to complete particular examination papers of the recognised industry qualification and the local regulatory framework paper relevant to the functions he will perform under the new licence he is applying for. See also Q18.

9. If an applicant has no HKCEE qualification and never worked in the relevant industry (e.g. an owner of a trading firm, a supervisor of a restaurant etc), can he obtain a representative licence after 1 April 2001 if he has passed all the required examinations?

   No.

10. Which industry based courses will be recognised by the Commission for competence purpose?

    The list of industry based courses currently recognised by the Commission are shown in Appendix 2 of the GNC. The list will be updated on a monthly basis. Interested parties should go to the SFC's website under "What's new" to look for the latest list.

11. Will the Commission accept the HKSI Foundation Programme Examination completed prior to 1 April 2001 and not more than 3 years prior to the date of application as a recognised industry qualification for director applicant?

    Yes.

12. Does an applicant need to complete the local regulatory framework paper if he has already passed the Securities Brokers Examination / Broker's Representative Examination?

    Not required. However, these examinations are still subject to the 3 years recency test.

13. What examination does the Commission expect local commodity dealer's representative applicants to take?

Currently, the Commission would expect these applicants to complete the HKSI Foundation Programme Examination Paper 1 and 3. See also Q18.

14. What is actually expected from leveraged foreign exchange trader's representative ("FXTR") and securities margin financier's representative ("SMFR") under paragraph 26 of the GNC? How are they going to demonstrate that they understand the matters listed in paragraph 17 of the GNC?

FXTR and SMFR are generally expected to have a basic understanding of the rules and regulations applicable to them. In addition, they should be familiar with the products and markets they deal with. Until appropriate industry qualifications are recognised as meeting the competence standard for FXTR and SMFR by the Commission, competence will be assessed in light of relevant working experience.

15. What are the procedures required for seeking competence recognition from the Commission's Academic and Accreditation Advisory Committee ("AAAC") and what kind of information should be submitted for consideration?

Submission should be made to the Secretary of the AAAC in the "Application Form for Approval as Recognised Industry Qualifications". Supporting documentation and details on organiser, objective and learning outcome of the course, admission requirements, course syllabus, study hours, question types, examination hours, passing marks, completion criteria, external assessment, reciprocal recognition, how the course will meet licensing requirement, any ongoing evaluation of the course and fees should be provided. The said application form can be downloaded from the Commission's web-site or obtained from the Licensing Counter.

16. Paragraph 31 of the GNC states that AAAC will from time to time amend the list of approved qualification. How often will the list be updated and where can industry participants find the updated list?

The Commission will update the list of approved qualifications on a monthly basis and post the list on its web-site.

17. Will certificates issued by overseas secondary schools be accepted as evidence of achieving an educational level equivalent to HKCEE?

All high school public examinations (such as university entry examinations) will be recognised as equivalent to HKCEE.

18. What types of examination are applicable to different licence types?

    Please refer to Appendix 1 and 2.

19. Will the requirement for local regulatory framework examination apply to short term licence applicant?

    No.

20. Will application need to be accompanied by evidence of passing the industry based qualification?

    Yes, otherwise the application will be returned.

21. What is the Special Examination Arrangement for HKSI Financial Market Principal Program Examination?

    The HKSI, in addition to their regular schedule for sitting the Financial Market Principal Program Examination, also offers special examination arrangement for candidates who request an alternate examination date for sitting regarding the said examination. The exact examination date and time will be mutually agreed between HKSI and the candidate. For enrolment procedures and details, please call HKSI at 3120 6220 for information.

Appendix 1

Recognised Industry Qualification Vs Licence Category

Recognised Exam	DPE[1]		SBE/SBC[2]		FPE[3]		BRE/BRC[4]
Directors							
DD-SEHK participant	Paper 1+2+3		Pass		-		-
DD-non-SEHK participant	Paper 1+2+3		Pass		-		-
IA	Paper 1+2+3		Pass		-		-
CD-HKFE participant	Paper 1+2+3		-		-		-
CD-non-HKFE participant	Paper 1+2+3		-		-		-
CTA	Paper 1+2+3	OR	-	OR	-	OR	-
Representatives							
DR-SEHK participant	Paper 1+2+3		Pass		Paper 1+2		Pass
DR-non-SEHK participant	Paper 1+2+3		Pass		Paper 1+2		Pass
IAR	Paper 1+2+3		Pass		Paper 1+2		Pass
CDR-HKFE participant	Paper 1+2+3		-		Paper 1+3		-
CDR-non-HKFE participant	Paper 1+2+3		-		Paper 1+3		-
CTAR	Paper 1+2+3		-		Paper 1+3		-

Note: There is currently no relevant examination available for SMFR and FXTR.

Key:

DD	Securities Dealer
IA	Investment Adviser
CD	Commodity Dealer
CTA	Commodity Trading Adviser
DR	Securities Dealer's Representative
IAR	Investment Representative
CDR	Commodity Dealer's Representative
CTAR	Commodity Trading Adviser's Representative
SMFR	Securities Margin Financier's Representative
FXTR	Leveraged Foreign Exchange Trader's Representative
SEHK	Stock Exchange of Hong Kong
HKFE	Hong Kong Futures Exchange

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[1] DPE : HKSI Diploma Programme Examination
[2] SBE/SBC : Securities Brokers Examination/ Securities Brokers Course
[3] FPE : HKSI Foundation Programme Examination
[4] BRE/BRC : Broker's Representatives Examination/ Broker's Representative Course
[5] PPE : HKSI Financial Market Principal Programme Examination

Appendix 2

Recognised Local Regulatory Framework Paper Vs Licence Category

Regulatory Framework Paper	DPE[1]		PPE[5]		FPE[3]
Directors					
DD-SEHK participant	Paper 2		Paper 1+2		-
DD-non-SEHK participant	Paper 2		Paper 1		-
IA	Paper 2		Paper 1		-
CD-HKFE participant	Paper 2		Paper 1+3		-
CD-non-HKFE participant	Paper 2		Paper 1		-
CTA	Paper 2	OR	Paper 1	OR	-
Representatives					
DR-SEHK participant	Paper 2		Paper 1+2		Paper 1
DR-non-SEHK participant	Paper 2		Paper 1		Paper 1
IAR	Paper 2		Paper 1		Paper 1
CDR-HKFE participant	Paper 2		Paper 1+3		Paper 1
CDR-non-HKFE participant	Paper 2		Paper 1		Paper 1
CTAR	Paper 2		Paper 1		Paper 1

14 June 2001