



## Supervisory Policy Manual

**CG-6**

**Competence and Ethical Behaviour**

V.1 – 11.7.11  
(updated  
23.01.13)

This module should be read in conjunction with the [Introduction](#) and with the [Glossary](#), which contains an explanation of abbreviations and other terms used in this Manual. If reading on line, click on blue underlined headings to activate hyperlinks to the relevant module.

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### Purpose

To reiterate the importance of the competence and ethical behaviour of staff at all levels within an AI's organizational structure and to provide guidance on measures AIs are expected to adopt in monitoring and maintaining the competence levels and ethical behaviour of their staff

### Classification

A non-statutory guideline issued by the MA as a guidance note

### Previous guidelines superseded

This is a new guideline

### Application

To all AIs

### Structure

1. Introduction
2. Responsibility to ensure staff competence
3. Assessing competence
4. Maintaining competence
  - 4.1 Monitoring competence
  - 4.2 Developing and strengthening competence
5. Ethical behaviour



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### 1. Introduction

- 1.1 Authorized Institutions (AIs) should engage and deploy personnel with sufficient skills, knowledge, experience and soundness of judgement for the discharge of the particular duties and responsibilities allocated to them. The past few years have been a period of rapid innovation in AIs' businesses, product lines and markets as AIs' business and operations have expanded, developed, and become more complex. There is a need therefore for AIs to ensure that the skills of their staff keep pace with the ongoing changes and that their staff are adequately equipped to assess and address the risks to which the institutions are exposed and to undertake and fulfil their duties and responsibilities properly. Taking treasury market activities as an example of an area where some AIs' operations and the risks which they face have developed and increased fairly rapidly over the past few years (particularly as regards liquidity management and trading of derivatives and structured products): it is the case that excess, unappreciated levels of risk assumed by AIs can pose a significant threat to their overall safety and soundness. In enhancing their treasury market capabilities, AIs should ensure that sufficient attention is paid to the knowledge and expertise of their staff and the development of their staff's requisite skill-sets as well as to the AIs' risk management systems and controls.
- 1.2 The propriety and integrity of individuals employed by AIs are also of fundamental importance. AIs differ from other types of institution in that most of the funds used in the conduct of their business belong to third parties including, particularly, their depositors. Trust and reputation are therefore critical elements in the conduct of banking business and ethical banking practices are essential for safeguarding depositors' interests and maintaining the stability of the banking system.



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- 1.3 Section 7(2) of the Banking Ordinance, which sets out the “Functions of the Monetary Authority”, provides for the Monetary Authority (MA) to take all reasonable steps to ensure that any business of an AI is carried on with integrity, prudence, and the appropriate degree of professional competence and in a manner which is not detrimental to the interests of depositors or potential depositors. These requirements are also reflected in paragraph 12 of the Seventh Schedule to the Banking Ordinance which provides that, for an AI to become and remain authorized under the Ordinance, the MA must be satisfied that the AI’s business is carried on with integrity, prudence and the appropriate degree of professional competence and in a manner not detrimental, or likely to be detrimental, to the interests of depositors or potential depositors.
- 1.4 Ensuring satisfactory levels of competence and ethical behaviour is key to achieving the MA’s functions as described in subsection 1.3 above. More broadly, standards of competence and a reputation for integrity and probity are also key to the successful development of Hong Kong as an international financial centre.
- 1.5 The requirements regarding competence and ethical behaviour extend to personnel at all levels within an AI’s organizational structure, from senior management to junior members of staff. They are not confined to those persons, such as directors, chief executives or executive officers, whose appointments are subject to the MA’s consent under the Banking Ordinance. Nor are they confined to “managers”<sup>1</sup> or to “relevant individuals”<sup>2</sup> carrying out regulated functions under the

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<sup>1</sup> Under section 2 of the Banking Ordinance, a “manager” means any individual (other than a director or chief executive) appointed by the AI, or by a person acting for or on behalf of or by arrangement with the AI, to be principally responsible, either alone or with others, for the conduct of any one or more of its affairs or business specified in the Fourteenth Schedule of the Ordinance.

<sup>2</sup> Under section 20(10) of the Banking Ordinance, a “relevant individual” means an individual who carries out any regulated function in one or more regulated activities of a registered institution. AIs that are registered institutions under the Securities and Futures Ordinance should ensure that their relevant individuals meet the initial competence requirements in the SFC’s Guideline on Competence, which includes, among other things, acquiring a recognized industry qualification, or possessing a



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Securities and Futures Ordinance, in respect of whom [CG-2](#) – Systems of Control for the Appointment of Managers and the Fit and Proper Guidelines, the Guidelines on Competence and the Guidelines on Continuous Professional Training issued by the Securities and Futures Commission (SFC) are applicable respectively.

- 1.6 This guidance sets out the HKMA's supervisory expectations for AIs in ensuring the competence, probity and integrity of their staff. AIs are expected to establish and implement policies and procedures for monitoring, developing and maintaining the competence levels and ethical behaviour of their staff with due regard to the principles set out in this module. In so doing, AIs may adopt a proportionate approach, such that their policies and procedures are appropriate for and commensurate with the size, scope, nature and complexity of their business.

## **2. Responsibility to ensure staff competence**

- 2.1 The Board of Directors of an AI is ultimately responsible for ensuring that the AI's business is conducted with integrity, prudence and the appropriate degree of professional competence.
- 2.2 The Board should therefore act to ensure that a culture of competence and ethical behaviour is embedded within the AI at both the firm and individual staff levels. Staff recruitment and appraisal systems should be designed so as to include competence, professionalism and integrity as key assessment factors. Commitment to staff training and development should be expressed in policies promulgated by the Board. Training should not be regarded as an optional additional cost but rather

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degree in a designated field, and passing a local regulatory framework examination paper (see para. 4.2.4 of [SB-1](#) Supervision of Regulated Activities of SFC-Registered Authorized Institutions).



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as a fundamental element of a successful business strategy.

2.3 As it is in an AI's long term commercial interest for its staff to be competent and behave ethically, senior management should ensure that appropriate procedures are put in place:

- to assess the competence of newly recruited individuals, or individuals being transferred (permanently or on a temporary basis) between posts within the AI, for the duties and responsibilities being allocated to them;
- to monitor and review the knowledge, skills and performance of each individual member of staff to ensure their continuing competence on an ongoing basis;
- to provide adequate levels of supervision to staff;
- to provide relevant and timely training to staff members to develop their skills and ensure they remain competent for their roles; and
- to address any identified competence failings or gaps in a timely fashion.

2.4 The form and style of such arrangements may vary between AIs. Some AIs may prefer a more formal structure, whilst other (possibly smaller) AIs may adopt a more flexible approach. In any event, competence and training arrangements should not be regarded primarily as “mechanical” compliance requirements (for example a system which “ticks a box” when a certain qualification is obtained but makes no further effort to monitor competence) but should be integrated into an AI's operational risk agenda and reflective of the AI's culture.

2.5 To ensure sustainable manpower development amidst rapid globalization and advances in technology, the Government of the Hong Kong Special Administrative



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Region established the Qualification Framework (QF) in 2004. The QF aims to clearly define the standards of different qualifications, ensure their quality and indicate the relationship between different levels of qualifications. Specification of Competency Standards (SCSs) for selected industries<sup>3</sup> have been formulated, in which a set of core competencies which describe the skills, knowledge and attributes that are required at different levels in the industry, are set out. When developing policies and procedures to ensure staff competence, AIs are encouraged to refer to the QF, where applicable and available as a benchmark. AIs may also refer to other qualifications or benchmarks that are appropriate to the specific functional areas concerned.

- 2.6 If any part of an AI's business or operations is outsourced to external service providers, the AI should satisfy itself that competence levels within the service providers are such that they can meet the target service level stipulated in the outsourcing arrangements and the AI should monitor the performance of its service providers on a continuous basis. The AI should also assign staff with appropriate expertise to undertake such monitoring (see [SA-2](#) Outsourcing).

## 3. Assessing competence

- 3.1 AIs should implement a control process to assess the competence of their staff members. An initial assessment should be made upon the staff member assuming a particular post (whether following initial recruitment or internal transfer) in the light of both the

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<sup>3</sup> For the banking industry, the scope of the QF is divided into five core functional business areas: (i) Retail Banking, (ii) Corporate/Commercial Banking, (iii) Investment Banking, (iv) Private Banking and Asset Management; and (v) Treasury. The SCS for the Retail Banking function is available for reference and use by AIs. The SCS for the Corporate/Commercial Banking function is currently under preparation and will be issued in due course, followed by the SCS for other functional areas. For general information about the QF, please refer to the designated website ([www.hkqf.gov.hk](http://www.hkqf.gov.hk)).



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role to be performed and the level of supervision and support to be provided to the individual concerned. The component elements of the initial assessment process are likely to vary depending upon the level of the staff concerned and the activities proposed to be allocated to them. Thereafter, the competence of employees should be monitored on an ongoing basis in the light of their performance and any changing circumstances (see subsection 4.1 below).

- 3.2 Als should draw up job specifications for the various posts within their organizational structure, with due regard to the nature of the tasks, duties and expected results associated with the relevant posts. Als should also develop and document corresponding competence criteria covering the skills, knowledge, professional qualifications and experience required for individual posts within the AI. Both the job specifications and the corresponding competence criteria should be communicated to the staff concerned and regularly reviewed and updated in the light of changing circumstances.
- 3.3 On recruiting a new member of staff, or assigning an existing member of staff to a new activity, Als should assess the degree to which the staff member already meets the specified competence criteria or should be able, given appropriate training and supervision, to meet the criteria for the role.
- 3.4 Als are expected to provide induction courses for new members of staff to cover a range of issues (including non-job specific issues), including for example the contents of the AI's code of conduct, the AI's staff appraisal system; key provisions in the AI's staff manual and important aspects of the AI's culture.
- 3.5 Where an individual has not yet met the competence criteria but is working towards attaining the requisite level of competence, he or she should not be permitted to substantively undertake the assigned function without close supervision by competent supervisors (who have themselves demonstrably attained the relevant level of



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competence) until such time as he/she can demonstrate the appropriate level of competence. It follows that there should be clear criteria for the point at which an individual is regarded as competent. Supervisors should not regard their role as confined solely to the monitoring of performance but should endeavour to guide and coach their supervisees as required. Simple ex post review of files is unlikely to amount, in itself, to adequate supervision. Once an employee has been assessed as competent, the level of appropriate ongoing supervision will likely be considerably less intense than in the initial assessment period.

- 3.6 When assigning a member of staff to cover the duties of a particular post on a temporary basis as a replacement for the usual incumbent, care should be taken to ensure that the temporary transferee is competent for the role and has suitably up-to-date skills and experience to perform the duties and responsibilities of the post.
- 3.7 In setting competence criteria, Als should endeavour to cover at least the following factors:

*Knowledge of products, markets and regulatory requirements*

- 3.7.1 Als' staff members should have a sufficiently detailed knowledge of the products with which they deal, and of the market sectors in which they are engaged, to enable them to undertake their duties in a professional and responsible manner. Frontline customer facing staff will also need to have the communication skills and tools to provide necessary explanations to customers in order to avoid potentially misleading messages being conveyed to those customers.
- 3.7.2 Staff who are relevant individuals undertaking regulated activities for Als are subject to the SFC's Fit and Proper Guidelines, Guidelines on Competence and Guidelines on Continuous



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Professional Training. Als must obviously take steps to ensure their staff comply with these SFC Guidelines, but Als should beware of, and avoid any gravitation towards, a box-ticking mechanical compliance approach when it comes to assessing staff competence. Recent years have seen increasing complexity in financial products, emphasising the need for staff to keep up-to-date with market developments.

- 3.7.3 Staff members should have sufficient information on, and understanding of, the regulatory requirements applicable to the business activities in which they are engaged. In addition to legal risk, the potential risk to reputation could be significantly increased if staff actions or activities attract public sanction.
- 3.7.4 Als should not launch new products or engage in new business activities unless and until they are satisfied that their staff have adequate knowledge of the relevant products, markets and associated regulatory requirements.
- 3.7.5 Where relevant to their activities, staff members (e.g. loan officers, dealers and traders) should also understand the AI's strategic direction, business development policies and goals, tolerance levels and risk control limits.

### Professional Qualification

- 3.7.6 Whilst Als should not neglect "soft skills" such as accumulated on-the-job experience, it is perhaps to some degree inevitable that with the increasing sophistication and complexity of banking activities and the commensurately higher risk management requirements, emphasis and importance will be placed upon individuals obtaining professional qualifications relevant to the roles that they are performing



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and thereafter, where required, maintaining these qualifications through continuous professional training.

3.7.7 Professional qualifications serve as an objective measure of an individual's technical knowledge in a given area. Qualifications that are founded or based on occupational standards with a practical focus are particularly useful in demonstrating a body of skills and understanding. For example, the Treasury Markets Association (TMA) provides training and qualifications with specific relevance to AIs' staff engaged in key treasury market activities and the Hong Kong Institute of Bankers (HKIB) offers training and qualifications for personnel engaged in various specialized activities within an AI such as credit management, wealth management, treasury management, operations management, and financial planning and management.

3.7.8 For reference, the professional qualifications and training offered by the TMA<sup>4</sup> cover the following:

| Training programmes under the professional qualification framework of the TMA                                                      | Objectives                                                                                                                                                | Class of membership attained upon passing the examination |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>Level 1</b><br><br>Foundation course in Treasury Markets and examination on TMA Code of Conduct and Practice (elementary level) | To provide junior staff engaged in treasury market activities with basic knowledge of the financial and treasury markets and their operating environment. | Associate Member                                          |

<sup>4</sup> For further details of the training programmes / curriculum and the entry requirements for the qualifications / designations, please refer to [www.tma.org.hk](http://www.tma.org.hk).



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|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>Level 2</b><br><br>Graduate Certificate in Treasury Market Management and examination on TMA Code of Conduct and Practice (advanced level) | To provide candidates who are middle/senior management staff engaged in treasury market activities with a greater breadth and depth of knowledge of the treasury markets and products; the responsibilities, relations and dynamics among all parties concerned; risk management and compliance operations. | Full Member   |
| <b>Level 3</b><br><br>Postgraduate Certificate in Treasury Market Management (being developed)                                                | To provide candidates with in-depth and advanced training in areas deemed vital for those who take senior management roles in treasury market activities.                                                                                                                                                   | Fellow member |

3.7.9 In assessing the technical competence of staff engaged in treasury market activities<sup>5</sup>, Als should take into account any relevant qualifications obtained by the staff under the professional qualification framework of the TMA, or comparable qualifications of other professional bodies, having regard to the specific duties and responsibilities assigned to them<sup>6</sup>. Als may enquire with the TMA or visit

<sup>5</sup> For the purposes of this SPM module, “treasury market activities” include

- managing the liquidity and funding of an AI and the trading of foreign currencies, securities or other financial instruments (including such activities if they are undertaken by the front or middle / back office); or
- selling treasury products to institutional and corporate customers; or
- recommending what kind of investment / wealth management products can be distributed to retail investors or providing training to staff who are authorized to sell investment / wealth management products to retail customers.

<sup>6</sup> Staff members who undertake treasury market activities may also be relevant individuals carrying out regulated activities under the Securities and Futures Ordinance. If the relevant individual during the course of carrying out his or her employment duties solely undertakes regulated activities under the Securities and Futures Ordinance, then the qualifications he or she has obtained pursuant to the licensing requirements of the Securities and Futures Ordinance may be regarded as sufficient without the need for obtaining additional professional qualifications. However, if the relevant individual also undertakes activities involving treasury products which are not regulated under the Securities and Futures Ordinance (e.g. currency and interest rate linked deposits and derivatives), Als should follow the guidance in para. 3.7.9.



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its website for details of its latest available training programmes.

3.7.10 It is mandatory for staff who are responsible for carrying out activities regulated by the SFC, to obtain the requisite qualifications under the licensing regime introduced by the Securities and Futures Ordinance. For this purpose, the Hong Kong Securities and Investment Institute\* (HKSI) provides the Licensing Examination for Securities and Futures Intermediaries for relevant staff. Similarly, the HKSI provides the Mandatory Provident Fund (MPF) Intermediaries Examination to enable relevant staff to meet the examination requirements to act as an MPF intermediary. In this connection, the HKSI provides professional training courses relevant to the needs of the market practitioners in taking the examinations.

3.7.11 In addition to the specific activities mentioned above, AIs may also consider relevant training and qualification programmes offered by the HKIB as a means to sustain and augment the competence and professionalism of their staff members. The programmes and qualifications offered by the HKIB<sup>7</sup> are set out below for reference:

| <b>Training programmes under the professional qualification framework of the HKIB</b> | <b>Objectives</b> | <b>Qualifications/Designations attained upon passing the examination</b> |
|---------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------|
|---------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------|

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\* Formerly known as the Hong Kong Securities Institute.

<sup>7</sup> For further details of the training programmes / curriculum and the entry requirements for the qualifications / designations, please refer to [www.hkib.org](http://www.hkib.org).



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|     |                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                   |                                                                                                                   |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| i   | <b>Diploma in Banking and Financial Services</b> <ul style="list-style-type: none"> <li>- Banking Service and Professional Ethics</li> <li>- Fundamentals of Accounting and Law in Banking</li> <li>- Financial Systems and Risk Management</li> </ul> | To provide candidates with essential knowledge covering banking services and professional ethics, accounting and law in banking, financial systems and risk management. The subject “Banking Service and Professional Ethics” is specially tailored to every banking practitioner | <b>Accredited Banking Practitioner (ABP)</b>                                                                      |
| ii  | <b>Specialist Diploma in</b> <ul style="list-style-type: none"> <li>- Credit Management</li> <li>- Operations Management</li> <li>- Treasury Management</li> <li>- Wealth Management</li> </ul>                                                        | To provide candidates who are experienced banking practitioners with professional knowledge on specific business functions                                                                                                                                                        | <b>Certified Professional (CP)</b><br><i>(upon completion of (i) and (ii))</i>                                    |
| iii | <b>Advanced Diploma in Banking and Financial Services</b>                                                                                                                                                                                              | <p>To provide candidates with all-round and advanced knowledge in banking for the purpose of grooming them for senior managerial positions</p> <p>The AHKIB qualification is benchmarked to Level 6 in the QF, which is at a master degree level</p>                              | <b>Associate of The Hong Kong Institute of Bankers (AHKIB)</b><br><i>(upon completion of (i), (ii) and (iii))</i> |
| iv  | <b>Professional Diploma in Financial Planning and Management</b>                                                                                                                                                                                       | <p>To provide candidates with professional knowledge with specific relevance to wealth management</p> <p>The CFMP qualification is benchmarked to Level 5 in the QF, which is at a bachelor degree level</p>                                                                      | <b>Certified Financial Management Planner (CFMP)</b>                                                              |

Als should consider the extent to which their personnel engaged in the relevant areas have



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obtained or should obtain these qualifications, or comparable qualifications of other professional bodies, taking into account their previous experience, other qualifications they may hold and the specific duties and responsibilities assigned to them. Als may enquire with HKIB or visit its website for details of its latest available training programmes.

- 3.7.12 More broadly, there is a wide range of well-recognised professional qualifications and training provided by various international professional bodies covering areas such as accounting, financial analysis and risk management. These qualifications may also be relevant to staff engaged in the relevant areas of an AI's activities.
- 3.7.13 As noted above however, Als should not focus on professional qualifications to the exclusion of all other criteria. Individual staff members' accumulated experience will also be a factor in assessing competence to perform a particular role.

#### Practical experience

- 3.7.14 An AI's staff members should possess a sufficient degree of practical experience to supplement their technical proficiency and professional qualifications and to enable them to handle their duties and responsibilities independently.
- 3.7.15 If staff members do not possess sufficient experience to function independently, they should be subject to appropriate supervision by experienced staff. Als should also take appropriate steps, such as adequate, practical "on-the-job" training and coaching and appropriate job assignment (for example, initially deploying the staff members concerned



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in supporting positions within the respective activity areas with appropriate supervision), so that they can acquire the level of experience necessary to independently undertake the relevant activities.

## 4. Maintaining competence

### 4.1 Monitoring competence

- 4.1.1 Als should maintain adequate systems of control to monitor and review regularly and frequently the competence of their staff so as to ensure that their staff members remain competent for their role, taking into account changing circumstances including market developments, product innovation and changes in the regulatory landscape.
- 4.1.2 Staff competence should be monitored during the course of an employee's work and should be reviewed in the regular performance appraisal. There should be clearly defined procedures for investigating any apparent breaches by staff of internal guidelines or regulatory requirements and any customer complaints suggestive of failures of competence on the part of staff members. The performance appraisal should take into account any competence failings identified in internal audit reports or compliance reports or from the investigation of customer satisfaction ratings, or customer complaints or otherwise.
- 4.1.3 Where competence gaps are identified, Als should take appropriate remedial action. This could range from arranging suitable training; increasing the level of supervision; or, in extreme cases, suspending staff from the performance of their duties or posting staff to more suitable positions. In serious cases, where incidents of incompetence of an AI's staff have caused significant losses to the AI or are likely to result in significant adverse publicity with consequent reputation risks for



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the AI, the AI should notify the HKMA on a timely basis and discuss the remedial actions which the AI proposes to take to avoid recurrence of similar incidents in the future.

- 4.1.4 Staff members with supervisory responsibilities should clearly communicate and provide constructive feedback on competence issues to staff members under their supervision, with a view to motivating them to maintain or improve their competence levels.
- 4.1.5 An AI's policies and procedures for staff performance appraisal should ensure that staff are aware that their competence will be assessed as an integral part of their performance measurement and will be taken into account in the determination of any performance related variable remuneration which may be payable to them.

#### **4.2 Developing and strengthening competence**

- 4.2.1 To ensure that staff members remain competent to perform their roles effectively amidst changes in business activities, operating environments and regulatory requirements, AIs should determine the training needs of their staff members at regular intervals and ensure that suitable relevant and timely training is provided to staff members. Where there are changes in the duties undertaken by staff members, AIs should specifically consider whether further training should be provided to them.
- 4.2.2 AIs should allocate sufficient resources, both in terms of human and financial capital to staff training, in a manner commensurate with the size, scope, nature and complexity of their business.
- 4.2.3 Training may be delivered in a variety of ways both in-house and externally. In each case, AIs should review at regular intervals the quality and effectiveness of such training and satisfy themselves that the staff or entities providing the training are suitably qualified to do so. Even though an AI has established a training programme, it is essential that it be kept under regular



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review to ensure that it keeps pace with an AI's changing circumstances.

- 4.2.4 Als need to ensure that the skill-sets of their staff keep pace with the developing and increasingly complex nature of the products with which they deal and the activities they are required to perform. Als should provide targeted training of specific relevance to the staff concerned. As mentioned above, for example, the HKIB provides a range of training programmes covering different streams of business activity. It offers both certification and continuing professional development programmes to cater for the development needs of different levels of staff. Similarly, for reference, the TMA offers a range of focussed training courses for treasury market practitioners in Hong Kong, which can usefully support, complement and form an integral part of Als' training programmes.
- 4.2.5 Als are expected to facilitate the undertaking by relevant staff of the continuous professional training courses required by the TMA and other comparable bodies. The holders of certain qualifications may be required to participate in specified modules or specified amounts of continuous professional training to maintain and update their knowledge in their respective areas of expertise. Through these continuous professional training or continuous professional development programmes, the relevant staff of Als can enhance their technical skills and professionalism in their specialist areas. Als are therefore expected to encourage their professional staff members to participate in such training.

## **5. Ethical behaviour**

- 5.1 Employees' respect for, and commitment to, high standards of business conduct and integrity are fundamental in maintaining an AI's reputation. Reputation in turn is key to an AI's future sustainability.



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A good reputation can however be swiftly tarnished by instances of unethical behaviour on the part of an AI's employees.

- 5.2 Good ethical behaviour should be required of all levels of staff within an AI. Staff members of an AI should act with integrity, due skill, care and diligence in carrying out their role and responsibilities. AIs should take steps to ensure that employees fully recognize their personal accountability in this respect.
- 5.3 AIs should ensure that integrity and professional ethics are integrated into their corporate culture. AIs are expected to include training on professional ethics as part of the induction course provided for all newly recruited staff members. Furthermore, certain professional qualifications, including but not limited to those awarded by the HKIB and the TMA, incorporate training programmes on ethical values and professional conduct which are applicable to personnel at all levels within an AI or staff dealing with particular business functions.
- 5.4 The adherence by staff to acceptable ethical standards of behaviour should be monitored during the course of their work and should be reviewed in the regular performance appraisal. There should be clearly defined procedures for investigating any apparent instances of unethical behaviour on the part of employees, whether the subject of customer complaints or otherwise. An AI's policies and procedures for staff performance appraisal should ensure that staff are aware that their standards of ethical behaviour will be assessed as an integral part of their performance measurement and will be taken into account in the determination of any performance related variable remuneration which may be payable to them.
- 5.5 Staff members of an AI should observe the code of conduct issued by the AI (see [CG-3](#) Code of Conduct). They should also abide by applicable standards published from time to time by relevant regulatory



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authorities (such as the SFC’s “Code of Conduct for Persons Licensed by or Registered with the SFC” for securities activities), and where applicable (and where not inconsistent with the AI’s code of conduct or any applicable regulation, rule or regulatory standard) any codes of conduct or standards issued by professional bodies of which they are members or associates.

- 5.6 As an example of the latter in respect of AIs’ treasury activities, the Code of Conduct and Practice issued by the TMA (“the TMA Code”)<sup>8</sup>, which is endorsed by the HKMA, sets out standards of ethical behaviour and best practice applicable to treasury markets in Hong Kong. AIs should maintain adequate systems of control to ensure that their staff engaged in such activities observe the relevant standards in the TMA Code.
- 5.7 To reinforce staff members’ level of awareness of the legal, regulatory and ethical issues, AIs should regularly communicate to their staff members the standards and requirements of their own code of conduct and other codes issued by the regulatory authorities. Staff members of AIs should also keep themselves abreast of the standards and requirements of the codes issued by the professional bodies, of which they are members.
- 5.8 In the event of non-compliance by any staff member with the applicable codes, the AI concerned should promptly review the situation leading to the breach and assess if this is reflective of any deficiencies in its risk management or control systems that necessitate remedial action.

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<sup>8</sup> The TMA Code was issued in July 2011.