

Enhanced Competency Framework for Private Wealth Management Practitioners

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Table of Contents

Introduction	1
Objectives.....	1
Applicability.....	2
• Definition of “PWM Institutions”	2
• Definition of “Relevant Practitioners”	2
Training programmes and examinations	5
Administration of the ECF	6
Accreditation and exemption mechanism	6
Accreditation	6
Exemption	9
CPWP certification.....	10
On-going professional training (“OPT”).....	11
Maintenance of relevant records	11
Annex 1a: Syllabus for Module 1	13
Annex 1b: Syllabus for Module 2	37
Annex 2: Routes to meet ECF benchmark	48
Annex 3: Accreditation of training programmes and examinations	49
Annex 4: Routes to obtain certification as CPWP.....	50

Introduction

1. The growing wealth accumulation in Asia-Pacific has been driving up the demand for private wealth management (“PWM”) services for high-net-worth customers. Customers demand quality services that are tailored to their specific needs and look for PWM professionals who act in the customers’ best interests. Meanwhile, financial innovation and engineering have increased the complexity of financial products and intensified the dynamics of financial markets, thereby changing the competitive landscape of the industry at regional and global levels. Worldwide, financial regulators are enhancing regulation and supervision over financial institutions’ risk governance, risk culture and staff competence.
2. To enhance competitiveness to capture this growing business opportunity, the PWM industry has to ensure that practitioners are well-equipped with the necessary technical and market knowledge and skills to perform their duties and conduct business ethically and in a professional manner. A sustained supply of competent practitioners is one of the core contributing factors for the continual healthy development of the PWM industry and the upholding of proper business conduct among the practitioners.
3. In this regard, a Task Force was set up in September 2012 to develop an Enhanced Competency Framework (“ECF”) for PWM practitioners. The Task Force is chaired by the Hong Kong Monetary Authority (“HKMA”) and comprises representatives from Private Wealth Management Association (“PWMA”), The Hong Kong Institute of Bankers (“HKIB”), Hong Kong Securities and Investment Institute (“HKSI”), and Treasury Markets Association.

Objectives

4. The ECF is a non-statutory framework separate from the existing licensing or registration regime for the securities industry. It sets out an enhanced level of core competence and on-going professional development of PWM practitioners who undertake customer-facing roles.
5. For enhancing Hong Kong’s position as a regional wealth management centre, the ECF covers knowledge of major Asia-Pacific markets and practical application of PWM-related knowledge, with strong emphasis on ethics and compliance. It is hoped that the ECF will be consistently adopted among PWM industry practitioners and will be a

common benchmark for PWM institutions in determining the core competence and in evaluating the actual competence of their relevant staff.

Applicability

- Definition of “PWM Institutions”

6. For the purpose of the ECF, “PWM institutions” refers to the following:

- (i) private banks or authorized institutions (as defined in section 2 of the Banking Ordinance (Cap.155)) with dedicated private banking unit(s) which maintain a personalized relationship with private banking customers¹, and provide personalized banking services, dealing, advisory or portfolio management services to these customers;
- (ii) corporations licensed with the Securities and Futures Commission (“SFC”) that provide dealing, advisory, or asset / portfolio management services to customers who fall under the definition of private banking customers¹.

- Definition of “Relevant Practitioners”

7. The ECF is targeted at “Relevant Practitioners”, which refers to new entrants and existing PWM industry practitioners engaged by PWM institutions in customer-facing roles making personalized or customized solicitations or recommendations to customers in the provision of securities dealing and advisory service and / or portfolio management service.

¹ A “private banking customer” refers to a customer who maintains a personalized relationship with the PWM institution and receives personalized banking services, dealing, advisory or asset / portfolio management services from the PWM institution, and has:

- (a) at least USD3 million or its equivalent in any other currency in investable assets; or
- (b) at least USD1 million or its equivalent in any other currency in investable assets under the PWM institution’s management.

Investable assets comprise securities, deposits and certificates of deposits. The amount may be calculated on a relationship basis covering (i) individual accounts; (ii) joint accounts with associates; and (iii) personal investment companies wholly-owned by the individual or jointly owned with associates. Associate means the spouse or any child of that individual.

8. PWM institutions can make reference to Table 1 for examples of functional titles, and key roles and required competence in determining whether a customer-facing staff is a Relevant Practitioner for the purposes of the ECF. If the staff performs substantially all of the roles described in Table 1, he / she should be classified as a Relevant Practitioner.

Table 1

Examples of functional title ²	Key roles and required competence
(I) Relationship Manager / Wealth Manager / Investment Consultant / Investment Advisor / Financial Consultant / Financial Advisor (including team heads who have direct or indirect supervisory responsibilities over the aforesaid staff)	Identifying and originating new customer relationships, and developing existing relationships Performing “know your customer” procedure, including collecting relevant customer information, performing and documenting customer needs analysis and customer risk profiling, documenting investment objectives and strategies and / or investment mandate Delivering wealth management advice and solutions to customers, taking into account customers’ circumstances, and working closely with relevant parties (e.g. Product Specialists and Portfolio Management Specialists) as appropriate Explaining key features, structures and risks of wealth management products to customers, and explaining (and negotiating) respective terms and conditions Making investment recommendations and / or solicitations to customers, and, unless an exemption applies, providing a copy of the rationale to customers Working closely with relevant parties to ensure timely and accurate execution of transactions Coordinating closely with relevant parties (e.g. Operations and Compliance) to conduct regular review of the performance of

² Practitioners who bear other titles but perform similar roles and functions as specified in this list should still fall under the definition of Relevant Practitioners.

Examples of functional title ²	Key roles and required competence
	customers' asset portfolio (e.g. financial performance, quality of account service, and anti-money laundering / counter-terrorist financing issues) Maintaining customer relationship and updating customer risk profile regularly and as appropriate Acting ethically and ensuring compliance with relevant regulatory requirements and standards, and internal policies and procedures Keeping abreast of the development of private wealth management industry and economic conditions, product knowledge, relevant regulatory requirements and standards, and internal policies and procedures
(II) (Discretionary) Portfolio Manager / Asset Manager (including team heads who have direct or indirect supervisory responsibilities over the aforesaid staff)	Performing “know your customer” procedure, including collecting relevant customer information, performing and documenting customer needs analysis and customer risk profiling, documenting investment objectives and constraints; developing investment mandate and portfolio strategies; and explaining and document the basis of the portfolio strategies and investment mandate Executing investment transactions in accordance with customer’s investment objectives, investment mandates, and portfolio strategies, and working closely with relevant parties to ensure timely and accurate execution of transactions Keeping customers informed of the portfolio performance, and regularly monitoring and managing customers’ portfolio in accordance with pre-defined investment objectives, investment mandates, and portfolio strategies Maintaining customer relationship, conducting periodic review of customer account and portfolio, and updating customer risk profile regularly and as appropriate

Examples of functional title ²	Key roles and required competence
	Confirming with customers with discretionary accounts at least annually whether they wish to revoke that authority Acting ethically and complying with relevant regulatory requirements and standards, and internal policies and procedures Keeping abreast of the development of private wealth management industry and economic conditions, product knowledge, relevant regulatory requirements and standards, and internal policies and procedures

9. It is up to the relevant PWM institution to decide whether it is necessary for individuals who work on a temporary basis in Hong Kong to meet the ECF benchmark.

Training programmes and examinations

10. Relevant Practitioners can meet the ECF benchmark by undertaking self-study and / or taking accredited training programmes, and passing examinations, unless otherwise exempted. Flowchart illustrating the possible routes to meet the ECF benchmark is shown in *Annex 2*.
11. The training programmes and examinations will consist of two modules: Module 1 on technical, industry and product knowledge; and Module 2 on ethics and compliance. Providers of the initial programmes and examinations will be HKSI for Module 1 and HKIB for Module 2.
12. The depth and complexity of the topics in the syllabuses of the ECF will be referenced to Qualifications Framework (“QF”)³ Level 5 (i.e. Bachelor level). The total training hours for the two modules will be 52 hours. Details of the syllabus for Module 1 and Module 2 are set out in *Annex 1a* and *Annex 1b* respectively.

³ A seven-level QF was established by the Government of the Hong Kong Special Administrative Region in 2004, which defines the standards of different qualifications, ensures their quality, and indicates the relationship between different levels of qualifications.

13. The total examination hours for the two modules will be 4.5 hours, including Paper 1 on Financial Instruments (1.5 hours) and Paper 2 on Wealth Management (2 hours) under Module 1, and Paper 3 (1 hour) under Module 2. The sit-in examinations for Modules 1 and 2 will be conducted in English and consist of multiple choice questions only; and the passing mark will be 70%.

Administration of the ECF

14. The PWMA will administer the ECF, including the accreditation and exemption. For details, please refer to the PWMA's website (www.pwma.org.hk).

Accreditation and exemption mechanism

15. The PWMA has established an Accreditation and Exemption Committee which will assess and approve applications for accreditation or applications for exemption under the ECF. The Accreditation and Exemption Committee develops and updates accreditation and exemption criteria and guidelines, which form the basis for assessing applications for accreditation and exemption.
16. The Accreditation and Exemption Committee comprises members with relevant knowledge and experience, including seasoned former PWM practitioners, academics, and other relevant professionals. It will meet as and when needed to assess and approve applications for accreditation or applications for exemption.

Accreditation

17. PWM institutions that provide relevant in-house training programmes with internal examinations can apply for accreditation under the ECF. Accreditation of relevant training programmes and examinations of other professional training institutes, relevant local or foreign professional qualifications and academic qualifications may be considered by the PWMA at a later stage upon receiving applications. For details, please refer to PWMA's "Guidelines for Accreditation" to be published by PWMA.
18. The PWMA's Accreditation and Exemption Committee will handle applications for accreditation according to a set of operational procedures. Below are the salient points:

19. PWM institutions (“the applicants”) that apply for accreditation of their in-house training programmes and examinations will be required to submit (i) a signed application form for accreditation with application fee (the fee will be determined on a cost-recovery basis); (ii) detailed programme structure; (iii) detailed syllabus; (iv) programme materials; (v) examination format and guidelines; (vi) samples of examination papers; (vii) curriculum vitae of all trainers; (viii) mechanism to oversee the quality of the programme; and (ix) other supporting documents deemed necessary.
20. The Accreditation and Exemption Committee will appoint competent person(s) / party(ies) to conduct initial assessment of applications for accreditation. Documentary review will be the primary means of assessment, while on-site visit may be conducted if deemed necessary. During the on-site visit, meeting(s) with management representatives and key staff, test-checking records and other supporting documents may be arranged.
21. To ensure Relevant Practitioners who have taken relevant programmes and have passed the examinations have acquired an equivalent level of knowledge and skills as those under the ECF, when assessing applications for accreditation, the following key factors will be considered, taking into account all other relevant facts in each case:

Syllabus

- the contents of the syllabus should closely match those of the ECF; and
- the depth and complexity of the topics are referenced to QF Level 5 (i.e. Bachelor level) or above.

Programme structure and training hours

- the structure of the programme (e.g. strong emphasis on practical application including case studies) should be comparable to that of the ECF; and
- the number of training hours should be comparable to that of the ECF.

Examinations and assessments

- accreditation will only be considered if the learning outcome of the programme is assessed primarily by means of examinations, though a small proportion assessed by other means (e.g. end-of-programme assignment) may be acceptable;
- the level of difficulty of the examination questions should closely match the

corresponding level under the ECF and be referenced to QF Level 5 or above; and

- the passing mark should be comparable to that for the ECF.

Quality assurance mechanism

- the PWM institution has a mechanism to oversee the quality of its programmes; and
- the minimum requirements of trainers' qualifications are reasonably set and periodically reviewed by the PWM institution.

22. Following the initial assessment by the appointed person(s) / party(ies), the Accreditation and Exemption Committee will review and make the final decision on whether to approve the application. The Accreditation and Exemption Committee's decision on accreditation is final and no appeal will be accepted. Results will be provided in writing to the applicants normally within 2 months upon receipt of application form and the required documents. If more time is needed for certain cases, written notification of the expected time for completing the assessment will be given to the applicants. Accreditation may be awarded by the Accreditation and Exemption Committee for individual topic(s) or a whole module. Possible results are: (i) fully accredited with or without (pre-)condition(s); (ii) partially accredited with or without (pre-)condition(s); or (iii) not accredited.

23. The duration of the validity of the accreditation will be stipulated in the notification to the applicants. The applicants are required to re-submit an application for accreditation by around 3 months before the end of the accredited period, regardless of whether there are major changes to the programmes. If revalidation is not completed by the end of the accredited period, the accreditation status will automatically lapse.

24. Flowchart illustrating the procedures for obtaining accreditation of training programmes and examinations is shown in **Annex 3**.

25. To avoid possible conflicts of interest, if any member of the Accreditation and Exemption Committee or assessor involved in the initial assessment of the applications has any conflicts of interest, he/she should declare such interest and abstain from reviewing such applications.

Exemption

26. The PWMA's Accreditation and Exemption Committee will handle applications for exemptions according to a set of operational procedures. Below are the salient points:
27. Relevant Practitioners who have completed accredited programmes and examinations will be automatically exempted from taking relevant examination papers under the ECF. They need to submit documentary proof (e.g. certificates, transcripts, examination results) to support their application for exemption.
28. A Relevant Practitioner may be "grandfathered" on a one-off basis if he / she has at least 10 years of relevant work experience on or before 31 December 2014. Specifically, the work experience should include at least 5 recent years of PWM customer-facing experience performing the functions in local or overseas PWM institutions as prescribed under the section "Applicability", plus a specified number of years in other customer-facing functions in the financial service industry. Details are set out in Table 2 below. Such work experience need not be continuous.

Table 2

Recent PWM customer-facing functions (i.e. x = at least 5 years)		Other customer-facing functions in the financial services industry (i.e. $y = (10 \text{ years minus } x)$, and multiplied by 2 [if x is not greater than 10 years])
5 years	AND	10 years
6 years		8 years
7 years		6 years
8 years		4 years
9 years		2 years
≥ 10 years		0 year

29. Applications for grandfathering:

- (i) Applications from Relevant Practitioners of PWM institutions that are PWMA members should be submitted to the PWMA within the timeline as specified by the PWMA. After approval of grandfathering status, these Relevant Practitioners will be exempted from taking Module 1 training programmes and examinations, and can choose to complete training programmes or pass the examination on Module 2 by 30 June 2016 to meet the ECF benchmark. Please refer to the

PWMA's list of members published on the PWMA's website (www.pwma.org.hk).

- (ii) Other Relevant Practitioners may submit applications to the PWMA for grandfathering within 3 months from joining a PWMA member institution to undertake the role of a Relevant Practitioner. Relevant Practitioners so grandfathered will be exempted from taking Module 1 training programmes and examinations, and can choose to complete training programmes or pass the examination on Module 2 within 12 months from the date of the PWMA's notification of approval of grandfathering status.

- 30. Relevant Practitioners who wish to be grandfathered need to submit to the PWMA a signed application form for grandfathering with application fee (the fee will be determined on a cost-recovery basis). The current employer of the practitioner is expected to confirm that the current and previous employment(s) as indicated in the application form are consistent with its records.
- 31. The Accreditation and Exemption Committee's decision on exemption is final and no appeal will be accepted. Results will be given in writing normally within 2 months upon receipt of application form and the required supporting documents. If more time is needed for certain cases, written notification of the expected time for completing the assessment will be given to the applicants.
- 32. Flowchart illustrating the procedures for "grandfathering" is shown in *Annex 2*. For details, please refer to PWMA's "Guidelines for Grandfathering" published by PWMA.

CPWP certification

- 33. The PWMA has pursuant to the ECF benchmark developed a professional qualification "Certified Private Wealth Professional (CPWP)". The PWMA will administer the CPWP certification and on-going professional training.
- 34. Relevant Practitioners of PWMA member institutions may apply to the PWMA to be certified as CPWP by completing an application form if they have passed the examinations (unless exempted) and have at least 3 years of work experience in local or foreign PWM institutions performing customer-facing functions as prescribed under the section "Applicability" in the most recent 5 years. Those who plan to apply for

grandfathering can refer to paragraph 28 for the required work experience. Certification as CPWP is subject to annual renewal by the PWMA. The decision of the PWMA on CPWP certification is final and no appeal will be accepted. Flowchart illustrating the CPWP certification process is in *Annex 4*. For details, please refer to PWMA's "Guidelines for CPWP Certification" and "Guidelines for CPWP Certification Renewal (On-going Professional Training)" published by PWMA. In the longer-term, the PWMA would consider relaxing the criteria for CPWP certification to also cover Relevant Practitioners of PWM institutions that are not members of the PWMA.

On-going professional training ("OPT")

35. In order to maintain on-going professionalism and keep abreast of the latest development, Relevant Practitioners certified as CPWP will be required to complete not less than 10 hours of PWM-related training in each calendar year, of which 5 hours may be training eligible for continuous professional training recognized by the SFC. Out of 10 hours of PWM-related training, at least 2 hours should be on ethics and compliance. No OPT hours will be required in the year of CPWP certification. The OPT hours will start in the following calendar year after CPWP certification. OPT courses need not be accredited and may be organized by relevant professional bodies, training institutes or PWM institutions.
36. To ensure consistency while allowing flexibility in attaining the OPT, the means of attaining OPT shall follow the approach allowed for the continuous professional training recognized by the SFC. Hence, apart from classroom training, other learning activities, such as attending seminars, industry research, giving lectures, etc. as set out in the SFC's "Guidelines on Continuous Professional Training", Section 6 – "Activities Relevant for Continuous Professional Training Purposes" will be accepted for OPT purposes.
37. It is hoped that PWM institutions will also encourage Relevant Practitioners who are not certified as CPWP to complete the above 10 hours of PWM-related training in each calendar year in order to enhance and update their PWM-related knowledge.

Maintenance of relevant records

38. PWM institutions are expected to keep proper training, examination, and OPT records of Relevant Practitioners for monitoring purpose. PWM institutions that are current

employers of Relevant Practitioners are expected to keep and confirm relevant information of their relevant staff to facilitate PWMA's processing of practitioners' applications for grandfathering and CPWP certification (including renewal of CPWP certification). For details of record-keeping and monitoring fulfilment of OPT, please refer to "Guidelines for CPWP Certification Renewal (OPT)" published by PWMA. Regarding information about a practitioner's previous employment(s), the current employer of the practitioner is expected to confirm whether such information is consistent with its records.

Annex 1a: Syllabus for Module 1

Learning Outcome

- To demonstrate an adequate understanding of the Asia-Pacific PWM industry and wealth management products, and adequate knowledge and practical application of customer relationship management skills, wealth planning, portfolio management and risk management.

Module 1: Technical, Industry and Product Knowledge		Training Hours	Examination Hours
T1	Overview of PWM Industry, Products and Services	2	Paper 1 on Financial Instruments (T2 to T9): 1.5
T2	Fixed Income Investments	2	
T3	Equity Securities	2	
T4	Foreign Exchange	2	
T5	Derivatives	4	Paper 2 on Wealth Management (T1, T10 to T14): 2
T6	Structured Products	4	
T7	Alternative Investments	4	
T8	Unit Trusts and Investment Funds	2	
T9	Lending and Leverage	2	
T10	Wealth Planning	3	
T11	Portfolio Management – Theories and Practices	4	
T12	Behavioural Finance	3	
T13	Mainland China and Asia-Pacific Financial and PWM Markets	3	
T14	Customer Relationship Management	3	
	Total Hours	40	3.5

T1 Overview of PWM Industry, Products and Services

T1.1	Industry Outlook
T1.1.1	Trends in Global and Asia Pacific Markets
T1.1.2	Sophisticated/ Mature Markets
T1.1.3	Dynamic/ Emerging Markets
T1.1.4	Size of Assets Under Management
T1.1.5	Growth and Distribution of Investable Assets
T1.1.6	Cost/ Income Ratio and Revenue Growth
T1.2	Customers and Stakeholders
T1.2.1	High Net-Worth Individuals (HNWI)
T1.2.2	Ultra High Net-Worth Individuals (UHNWI)
T1.2.3	Family Offices, Trusts, Endowments, Foundations
T1.3	Wealth Management Business Models
T1.3.1	Bank/ Trust Company Model
T1.3.2	Brokerage Model
T1.3.3	Independent Financial Advisor Model
T1.3.4	Strategic Alliance Model (partnership with business introducer and external asset manager)
T1.4	Private Wealth Management Focus Areas
T1.4.1	Wealth Accumulation and Growth
T1.4.2	Wealth Preservation
T1.4.3	Wealth Succession and Transfer
T1.5	Products and Services
T1.5.1	Investment Management
T1.5.1.1	Advisory Solutions
T1.5.1.2	Discretionary Portfolio Management
T1.5.1.3	Brokerage
T1.5.2	Lending Solutions
T1.5.3	Wealth Planning and Insurance
T1.5.4	Philanthropic Planning

T2 Fixed Income Investments

T2.1	Money Markets Instruments
T2.1.1	Characteristics of Money Markets Instruments
T2.1.2	Non-securitized Money Markets Investments
T2.1.2.1	Deposits
T2.1.2.2	Interbank Money Markets and Interbank Offered Rates
T2.1.3	Securitized Money Markets Investments
T2.1.3.1	Government Bills or Promissory Notes
T2.1.3.2	Commercial Papers
T2.1.3.3	Short-term Negotiable Certificates of Deposit
T2.1.3.4	Primary Fixed Income Market
T2.2	Bonds
T2.2.1	Features of a Straight Bond
T2.2.1.1	Issuers - Supranationals - Governments - Government Agencies - Municipalities - Corporates
T2.2.1.2	Face Value
T2.2.1.3	Term to Maturity
T2.2.1.4	Coupon, Coupon Rate and Coupon Frequency - Fixed Coupon - Floating Coupon - Zero-coupon
T2.2.1.5	Seniority - Senior Bonds - Subordinated Bonds
T2.2.1.6	Credit Rating - Investment Grade Bonds - Speculative Grade, Unrated and High Yield Bonds
T2.2.2	Other Types of Bonds
T2.2.2.1	Inflation Linked Bonds
T2.2.2.2	Callable and Putable Bonds
T2.2.2.3	Convertible and Exchangeable Bonds
T2.2.2.4	Asset Backed Securities
T2.2.2.5	Collateralised Debt Obligations
T2.2.2.6	Perpetual Bonds
T2.2.2.7	Bonds with Loss Absorption Features
T2.2.3	Bond Pricing and Yield
T2.2.3.1	Quotation of Bonds

	- Clean Price
	- Dirty Prices and Accrued Interest
T2.2.3.2	Bond Yields
	- Current Yield
	- Yield to Maturity
	- Yield to Call
T2.2.4	Term Structure of Interest Rates
T2.2.4.1	Shape of Yield Curve
T2.2.4.2	Interest Rates Theories
T2.2.5	Bond Valuation
T2.2.5.1	Valuation of Bond by Yield to Maturity
T2.2.5.2	Valuation of Bond by Spot Rates
T2.2.5.3	Benchmark Yield Curve
T2.2.5.4	Yield Spread
T2.2.6	Risks Investing in Bonds
T2.2.6.1	Credit Risk
	- Default Risk
	- Credit Spread Risk
	- Downgrade Risk
T2.2.6.2	Market Risk and Interest Rate Risk
T2.2.6.3	Re-investment Risk
T2.2.6.4	Inflation Risk
T2.2.6.5	Liquidity Risk
T2.2.6.6	Currency Risk
T2.2.6.7	Event Risk
T2.3	Short Term Drivers of Interest Rates
T2.4	Long Term Drivers of Interest Rates

T3 Equity Securities

T3.1	Equities
T3.1.1	Ordinary Share
T3.1.1.1	Shareholder's Obligations
T3.1.1.2	Shareholder's Rights
T3.1.2	Preference Share
T3.1.3	Depository Receipts
T3.1.4	Primary Equity Market
T3.1.5	Risks
T3.2	Share Margin Financing and its Risks
T3.3	Corporate Actions
T3.3.1	Dividends
T3.3.1.1	Cash Dividends
T3.3.1.2	Stock Dividends
T3.3.1.3	Impact of Cash Dividend Payment on Share Price
T3.3.2	Right Issue
T3.3.3	Stock Split and Reverse Split
T3.4	Equity Analysis
T3.4.1	Approaches
T3.4.1.1	Fundamental versus Technical Analysis
T3.4.1.2	Top-down versus Bottom-up approach
T3.4.2	Macro-economic Analysis
T3.4.2.1	Economic Cycles
T3.4.2.2	Sector Rotation
T3.4.3	Industry Analysis
T3.4.3.1	Product Life Cycle
T3.4.3.2	Michael Porter's Five Forces Model
T3.4.4	Company Analysis
T3.4.4.1	Financial Statement Analysis - Balance Sheet - Income Statement - Statement of Cashflows
T3.4.4.2	Financial Ratio Analysis - Liquidity Ratios - Efficiency Ratios - Profitability Ratios - Leverage Ratios

	- Limitations of Financial Ratio Analysis
T3.4.4.3	Share Parameters
	- Earnings per Share
	- Dividend per Share and Dividend Yield
	- Book Value per Share
	- Enterprise Value per Share
	- Free Cash Flow per Share
T3.4.5	Equity Valuation
T3.4.5.1	Relative Valuation
	- Price-Earnings Ratio
	- Price-Earnings to Growth (PEG) Ratio
	- Price-Book Value Ratio
	- EV / EBITDA
T3.5	Equity Index
T3.5.1	Uses of Market Index
T3.5.2	Factors to be Considered in Constructing an Index
T3.5.3	Weighting Methodology in Constructing an Index
T3.5.3.1	Price Weighted
T3.5.3.2	Value or Market Capitalization Weighted
T3.5.3.3	Equal Weighted

T4 Foreign Exchange

T4.1	Exchange Rate Systems
T4.1.1	Fixed Exchange Rate System
T4.1.2	Floating Exchange Rate System
T4.1.3	Linked Exchange Rate System
T4.2	Foreign Exchange Market
T4.2.1	Organization of the Market
T4.2.2	Market Participants
T4.2.3	Currency Traded and Currency Codes
T4.2.4	Types of Foreign Exchange Transactions and Risks
T4.3	Spot Foreign Exchange Quotation
T4.3.1	Base and Counter Currency
T4.3.2	American and European Term
T4.3.3	Direct and Indirect Quotes
T4.3.4	Bid and Offer
T4.3.5	Amount Conversion
T4.3.6	Cross Rates
T4.4	Forward Foreign Exchange
T4.4.1	Features of Outright Forward Foreign Exchange Contract
T4.4.2	Uses of Forward Foreign Exchange Contract
T4.4.3	Forward Rate Determination – Interest Rate Parity Theory
T4.4.4	Non-Deliverable Forwards
T4.5	Short Term Drivers of Exchange Rates
T4.5.1	Economic and Political News
T4.5.2	Market Sentiment
T4.5.3	Hot Money
T4.5.4	Technical Analysis
T4.5.5	Government Intervention
T4.5.6	Carry Trade
T4.6	Long Term Drivers of Exchange Rates
T4.6.1	Economic Performance
T4.6.2	Interest Rate level

T4.6.3	External Trade
T4.6.4	Foreign Investment
T4.6.5	Inflation
T4.6.6	Government Policies

T5 Derivatives

T5.1	Overview of Financial Derivatives
T5.1.1	What are Financial Derivatives
T5.1.2	Major Categories of Financial Derivatives
T5.1.3	The Uses of Financial Derivatives
T5.1.4	Risks
T5.2	Forward and Futures
T5.2.1	Forward Contracts
T5.2.2	Futures Contracts
T5.2.2.1	Market Structure
T5.2.2.2	Contract Specification
T5.2.2.3	Margin System
T5.2.3	Pricing of Forward and Futures Contracts
T5.2.4	Differences between Forward and Futures Contracts
T5.3	Swaps
T5.3.1	Features of Swaps
T5.3.2	Interest Rate Swap and Its Applications
T5.3.3	Currency Swap and Its Applications
T5.3.4	Credit Default Swap and Its Applications
T5.3.5	Equity Swap
T5.3.6	Contract for Difference
T5.4	Options and Warrants
T5.4.1	Option Basics
T5.4.1.1	Nature of an Option
T5.4.1.2	Call and Put
T5.4.1.3	Underlying Asset
T5.4.1.4	Strike Price
T5.4.1.5	Moneyness of Option
T5.4.1.6	Intrinsic and Time Value
T5.4.1.7	Option Style
T5.4.1.8	Premium
T5.4.1.9	Expiration
T5.4.1.10	Payoff at Expiration
T5.4.2	Factors Affecting Option Premium
T5.4.2.1	Spot Price of Underlying
T5.4.2.2	Strike Price
T5.4.2.3	Volatility
T5.4.2.4	Time to Expiry

T5.4.2.5	Interest Rate
T5.4.2.6	Expected Dividend
T5.4.3	Naked Option Trading Strategies
T5.4.3.1	Directional Trades
T5.4.3.2	Long Call
T5.4.3.3	Long Put
T5.4.3.4	Short Call
T5.4.3.5	Short Put
T5.4.3.6	Vertical Bull Spread
T5.4.3.7	Vertical Bear Spread
T5.4.4	Volatility Trades
T5.4.4.1	Long Straddle
T5.4.4.2	Long Strangle
T5.4.4.3	Short Straddle
T5.4.4.4	Short Strangle
T5.4.5	Combination of Option and Underlying
T5.4.5.1	Covered Call
T5.4.5.2	Protective Put
T5.4.5.3	Collar
T5.4.6	Exotic Options
T5.4.6.1	Quanto Option
T5.4.6.2	Average Option
T5.4.6.3	Barrier/Boundary Option
T5.4.6.4	Binary/Digital Option
T5.4.6.5	Basket Option

T6 Structured Products

T6.1	Overview of Structured Products
T6.1.1	What are Structured Products
T6.1.2	Common Categories of Structured Products
T6.1.3	Benefits and Risks of Structured Products
T6.2	Capital Protected Structured Products
T6.2.1	Capital Protection Level
T6.2.2	Participation Rate
T6.2.3	Structure of Capital Protected Structured Products
T6.2.4	Examples of Typical Capital Protected Structured Products
T6.2.5	Advantages and Disadvantages Investing In Capital Protected Structured Products
T6.3	Yield Enhancement Structured Products
T6.3.1	Nature of Yield Enhancement Structured Products
T6.3.2	Risks Investing in Yield Enhancement Structured Products
T6.3.3	Equity Linked Products
T6.3.3.1	Equity Linked Notes (ELNs) and Equity Linked Deposits (ELDs)
T6.3.3.2	"Worst-of" Equity Linked Notes
T6.3.3.3	Equity Accumulators and Decumulators
T6.3.3.4	Range Accrual Notes
T6.3.4	Currency Linked Products
T6.3.4.1	Dual Currency Investment and Currency Linked Deposits
T6.3.4.2	Target Redemption Forward
T6.3.4.3	FX Accumulators and Decumulators
T6.3.5	Credit Linked Products
T6.3.5.1	Credit Linked Notes (CLNs)
T6.3.5.2	The Case of Lehman Mini-bonds
T6.4	Participation Products

T7 Alternative Investments

T7.1	Overview of Alternative Investments
T7.1.1	What are Alternative Investments
T7.1.2	Common Categories of Alternative Investments
T7.1.3	Advantages and Disadvantages of Alternative Investments
T7.2	Hedge Funds
T7.2.1	Differences between Traditional Investment Funds and Hedge Funds
T7.2.1.1	Investment Objectives
T7.2.1.2	Short Selling
T7.2.1.3	Leverage
T7.2.1.4	Use of Derivatives
T7.2.1.5	Liquidity
T7.2.1.6	Fee Structure
T7.2.1.7	Regulation and Transparency
T7.2.1.8	Risks
T7.2.2	Hedge Fund Strategies
T7.2.2.1	Market Neutral
T7.2.2.2	Long-short Equity
T7.2.2.3	Dedicated Short Bias
T7.2.2.4	Market Timing
T7.2.2.5	Risk Arbitrage
T7.2.2.6	Distressed Securities
T7.2.2.7	Fixed Income Arbitrage
T7.2.2.8	Convertible Arbitrage
T7.2.2.9	Managed Futures
T7.2.2.10	Global Macro Strategy
T7.2.2.11	Emerging Market
T7.2.2.12	Fund of Hedge Funds
T7.2.3	Role of Hedge Funds in Asset Allocation
T7.3	Commodities
T7.3.1	Characteristics of Commodities
T7.3.2	Categories of Commodities
T7.3.2.1	Energy Products
T7.3.2.2	Precious Metals
T7.3.2.3	Base Metals

T7.3.2.4	Agricultural Products
T7.3.3	Investing in Commodities
T7.3.3.1	Physical Investment
T7.3.3.2	Hedge Fund
T7.3.3.3	Futures Contracts
T7.3.3.4	Structured Products
T7.3.4	Role of Commodities in Asset Allocation
T7.3.5	Risks
T7.4	Private Equity
T7.4.1	What is Private Equity
T7.4.2	Why is Private Equity Important
T7.4.3	Phases of Company Development
T7.4.4	Vehicles of Private Equity Investment
T7.4.4.1	Direct Investment
T7.4.4.2	Private Equity Funds
T7.4.5	Private Equity Fund Strategies
T7.4.5.1	Venture Capital
T7.4.5.2	Early Stage
T7.4.5.3	Later-stage
T7.4.5.4	Leverage Buyout
T7.4.5.5	Management Buyout
T7.4.5.6	Fund of Private Equity Funds
T7.4.6	Role of Private Equity in Asset Allocation
T7.4.7	Risks
T7.5	Real Estates
T7.5.1	Types of Real Estate Investment
T7.5.1.1	Office Properties
T7.5.1.2	Retail Properties
T7.5.1.3	Industrial Properties
T7.5.1.4	Residential Properties
T7.5.1.5	Special Properties
T7.5.2	Vehicles of Real Estate Investment
T7.5.2.1	Real Estate Funds
T7.5.2.2	Real Estate Investment Trusts (REITs)
T7.5.2.3	Real Estate Stocks
T7.5.3	Role of Real Estate Investment in Asset Allocation

T7.5.4	Risks
T7.6	Islamic Products
T7.6.1	Key Concepts of Islamic Finance
T7.6.2	Key Islamic Products, and Their Key Features and Risks

T8 Unit Trusts and Investment Funds

T8.1	Overview of Unit Trusts and Investment Funds
T8.1.1	Features and Risks of Unit Trusts and Investment Funds
T8.1.2	Open versus Closed End Funds
T8.1.3	Net Asset Value
T8.1.4	Actively versus Passively Managed Funds
T8.1.5	Absolute versus Relative Return Funds
T8.1.6	Fees and Charges
T8.1.7	Advantages and Disadvantages of Unit Trusts and Investment Funds
T8.1.8	Risks of Investing in ETFs (Including Use of Derivatives)
T8.2	Types of Funds
T8.2.1	Funds by Asset Class
T8.2.1.1	Money Market Funds
T8.2.1.2	Bond Funds
T8.2.1.3	Equity Funds
T8.2.1.4	Commodity Funds
T8.2.1.5	Real Estate Funds
T8.2.2	Funds by Markets
T8.2.2.1	Country Funds
T8.2.2.2	Regional Funds
T8.2.2.3	Global Funds
T8.2.2.4	Emerging Market Funds
T8.2.3	Asset Allocation Funds
T8.2.3.1	Capital Guaranteed Funds
T8.2.3.2	Income Funds
T8.2.3.3	Balanced Funds
T8.2.3.4	Growth Funds
T8.2.4	Funds by Investment Style
T8.2.4.1	Value Funds
T8.2.4.2	Growth Funds
T8.2.4.3	Income Funds
T8.2.4.4	Large Cap Funds
T8.2.4.5	Small and Mid Cap Funds
T8.2.4.6	High Dividend Yield Funds
T8.2.4.7	Exchange Traded Funds
T8.2.5	Other Funds
T8.2.5.1	Absolute Return Funds

T8.2.5.2	Social Responsible Funds
T8.2.5.3	Quantitative Funds
T8.2.5.4	Hedge Funds
T8.3	Understanding Fund Factsheet
T8.3.1	Investment Objective
T8.3.2	Fund Strategy
T8.3.3	Investment Holdings
T8.3.4	Benchmark
T8.3.5	Performance
T8.3.5.1	Historical Return
T8.3.5.2	Risk Measure
T8.3.5.3	Sharpe Ratio
T8.3.6	Tracking Error
T8.3.7	Total Expense Ratio
T8.4	Understanding Fund Audit Reports
T8.4.1	Clean or Qualified Audit Opinion
T8.4.2	Total Expense Ratios
T8.4.3	Leverage
T8.4.4	Red Flags (e.g. unusual footnotes, subsequent events, growth of AUM, change in structure, related party transactions)

T9 Lending and Leverage

T9.1	Lending
T9.1.1	Principles of Lending
T9.1.2	Types of Loans
T9.1.3	Lending Risks
T9.1.4	Collateralized Lending In Wealth Management
T9.2	Lombard Loans
T9.2.1	Definition of Lombard Loans
T9.2.2	Benefits of Lombard Loans
T9.2.3	Customer Suitability
T9.2.4	Product Suitability
T9.2.5	Definition and Impact of Leverage
T9.2.6	Haircut, Lending Value and Loan Amount
T9.3	Handling the Credit Process
T9.3.1	Credit Process
T9.3.2	Request and Approval
T9.3.3	Establish Documentation
T9.3.4	Book a Loan
T9.3.5	Margin Erosion
T9.3.6	Margin Call
T9.3.7	Close-out
T9.4	Applications of Leverage
T9.4.1	Mortgage
T9.4.2	Foreign Exchange Carry Trade

T10 Wealth Planning

T10.1	Overview of Wealth Planning Services
T10.1.1	What is Wealth Planning
T10.1.2	Customer Needs and Objectives
T10.1.3	Wealth Planning Products and Services
T10.1.3.1	Retirement Planning
T10.1.3.2	Tax Planning
T10.1.3.3	Succession Planning
T10.1.3.4	Asset Structuring
T10.1.3.5	Liquidity Solutions
T10.2	Trust Solutions
T10.2.1	Main Characteristics of a Trust
T10.2.2	The Parties to a Trust Arrangement
T10.2.3	Types of Trusts
T10.2.4	Motivation for the Use of A Trust
T10.2.5	Advantages of a Trust
T10.3	Foundation Solutions
T10.3.1	Main Characteristics of a Foundation
T10.3.2	The Parties Involved
T10.3.3	Advantages and Disadvantages of a Foundation
T10.4	Family Offices
T10.4.1	Roles of a Family Office
T10.4.2	Importance of Family Governance

T11 Portfolio Management – Theories and Practices

T11.1	Portfolio Theory
T11.1.1	Correlation of Returns
T11.1.2	Implication of Correlation on Portfolio Risk
T11.1.3	Efficient Frontier
T11.2	Capital Asset Pricing Model (“CAPM”)
T11.2.1	Risk Free Asset
T11.2.2	Combination of Risk Free to a Risky Portfolio
T11.2.3	Market Portfolio
T11.2.4	Capital Market Line
T11.2.5	Systematic versus Unsystematic Risk
T11.2.6	Beta Coefficient
T11.2.7	Risk Premium
T11.2.8	Required Rate of Return
T11.2.9	Application of CAPM
T11.3	Portfolio Management Process
T11.3.1	Investor Profile
T11.3.1.1	Investment Needs and Objectives
T11.3.1.2	Total Wealth
T11.3.1.3	Asset and Liabilities
T11.3.1.4	Return Expectation
T11.3.1.5	Risk Tolerance
T11.3.1.6	Investment Horizon
T11.3.1.7	Liquidity Needs
T11.3.1.8	Tax Consideration
T11.3.1.9	Legal and Regulatory Requirement
T11.3.1.10	Specific Preferences
T11.3.2	Strategic Asset Allocation
T11.3.2.1	What is Strategic Asset Allocation
T11.3.2.2	The Importance of Strategic Asset Allocation
T11.3.2.3	Determine Appropriate Strategic Asset Allocation Based on Investor Profile
T11.3.2.4	Re-balancing
T11.3.3	Tactical Asset Allocation
T11.3.3.1	What is Tactical Asset Allocation

T11.3.3.2	Economic Cycle and Tactical Asset Allocation
T11.3.3.3	Market Timing
T11.3.3.4	Security Selection
T11.3.3.5	Sector Rotation
T11.3.4	Portfolio Construction and Shift
T11.3.5	Portfolio Implementation
T11.3.6	Portfolio Review
T11.3.6.1	Performance Measurement
T11.3.6.2	Portfolio Attribution
T11.3.6.3	Portfolio Evaluation - Risk Return Ratio - Sharpe Ratio - Jensen's Alpha - Treynor Ratio
T11.3.6.4	Case Studies

T12 Behavioral Finance

T12.1	Traditional versus Behavioral Finance
T12.1.1	Risk Aversion versus Loss Aversion
T12.1.2	The Prospect Theory
T12.2	Common Behavioral Biases of Investors
T12.2.1	Over-confidence
T12.2.2	Fear of Regret and Seeking of Pride
T12.2.3	Disposition Effect
T12.2.4	Endowment Effect
T12.2.5	Anchoring
T12.2.6	Selective Perception
T12.2.7	Mental Accounting
T12.2.8	Representativeness
T12.2.9	Home Bias
T12.2.10	Information Cascades and Herding
T12.3	Implications of Behavioral Factors and Biases on Investment
T12.3.1	Influence of Behavioral Biases on Investment Decision Making
T12.3.2	Market Anomalies Caused by Behavioral Biases
T12.3.3	Influence of Behavioral Factors on Advisor-Customer Interaction
T12.3.4	Influence of Behavioral Factors on Portfolio Construction
T12.3.5	Application of Behavioral Finance in Portfolio Construction
T12.3.6	Approaches to Mitigate the effects of Behavioral Biases on Investment Decision Making
T12.4	Case Studies

T13 Mainland China and Asia-Pacific Financial and PWM Markets

T13.1	Mainland China's Financial Markets
T13.1.1	An Overview of Mainland China's Financial Markets
T13.1.2	Mainland China's Banking System
T13.1.3	Mainland China's Money Markets
T13.1.4	Mainland China's Foreign Exchange Market
T13.1.5	Mainland China's Bond Market
T13.1.6	Mainland China's Equity Market
T13.1.7	Mainland China's Derivatives Market
T13.1.8	Mainland China's Investment Fund Market
T13.1.9	Mainland China's Insurance Market
T13.2	Current Development of Mainland China's Private Wealth Management Business
T13.2.1	Organisation of Mainland China's Private Wealth Management Institutions
T13.2.2	Service and Business Models of Mainland China's Private Wealth Management Institutions
T13.2.3	Regional Development Process of Mainland China's Private Wealth Management Institutions
T13.2.4	Development Characteristics of Mainland China's Private Wealth Management Institutions
T13.3	Issues Affecting the Development of Mainland China's Private Wealth Management
T13.3.1	Legal
T13.3.2	Regulatory Policy
T13.3.3	HR and Talents
T13.3.4	Products – Asset Management
T13.3.5	Competitions and Synergy between Private Wealth Management and Retail Banking Business
T13.3.6	Business Environment for Private Wealth Management
T13.3.7	Impact of Financial Crisis
T13.4	Characteristics of Mainland China's Private Wealth Management Customers' Needs
T13.4.1	Target Customers and Customer Categories of Private Wealth Management
T13.4.2	Characteristics of Mainland China's Private Wealth Management Customers
T13.4.3	Analysis of Mainland China's Private Wealth Management Customers' Needs

T13.5	Trend of Mainland China's Private Wealth Management Business
T13.5.1	Change of the Structure of Private Wealth Management Institutions
T13.5.2	Change of Service and Business Model of Private Wealth Management
T13.5.3	Rapid Growth of Family Office
T13.5.4	Online Services of Private Wealth Management
T13.5.5	Overseas Expansion of Mainland China Private Wealth Management Organizations
T13.6	Mainland China's Private Wealth Management Regulations
T13.7	Cross-border Investment Schemes
T13.7.1	QDII & RQFII Schemes
T13.7.2	Real Estate Investment
T13.8	Onshore and Offshore RMB Products
T13.9	Markets in Asia Pacific Region
T13.9.1	Australia
T13.9.2	India
T13.9.3	Indonesia
T13.9.4	Japan
T13.9.5	Malaysia
T13.9.6	Philippines
T13.9.7	Singapore
T13.9.8	Taiwan
T13.9.9	Thailand
T13.10	Current Development
T13.11	Products
T13.12	PWM Regulations

T14 Customer Relationship Management

T14.1	Interpersonal Relationship and Wealth Management
T14.1.1	The Interpersonal Relationship
T14.1.2	The Wealth Manager and His Customer: The Relationship Interpretation Model
T14.1.3	Interdependence and Expectations in the Wealth Manager-to-Customer Relationship
T14.1.4	Effectiveness and Efficiency in Relationship Management
T14.2	Effective Management of the Customer Relationship
T14.2.1	Information as a Strategic Resource for the Wealth Manager
T14.2.2	Where to Look for Information
T14.2.3	The Customer as a Primary Source of Information
T14.2.4	Communication and Negotiation
T14.2.5	Intercultural Communication
T14.2.6	The Negotiation
T14.3	Efficient Customer Relations Management in Wealth Management
T14.3.1	The Lifecycle of a Relationship
T14.3.2	Strategy for an Efficient Relationship Management
T14.3.3	Customer Relations Management at the Operating Level
T14.3.4	Customer Segmentation
T14.4	Case Studies

Annex 1b: Syllabus for Module 2

Learning Outcome

- To demonstrate an adequate understanding and practical application of legal and regulatory requirements, and ethics relevant for practitioners, and
- To demonstrate a broad-based view of risk governance, risk culture and risk management, and an understanding of the wider implications and long-term impact of own actions on various stakeholders.

Module 2: Ethics and Compliance		Training Hours	Examination Hours
E1	Legal and Regulatory Regime in Hong Kong	1	
E2	Regulatory Requirements on Sale of Investment Products	2.5	
E3	Other Relevant Laws and Regulations	2.5	
E4	Ethical Standards Set by the PWMA <i>(to be included <u>only</u> upon these standards are promulgated)</i>	1	
E5	Fiduciary Duties, Ethical Values and Professional Conduct	1	
E6	Practical Application of Legal and Regulatory Requirements	1	
E7	Controls and Accountabilities: Reporting and Escalation Policies	1	
E8	Risk Management, Risk Governance and Risk Culture of PWM Institutions	2	
Total Hours		12 *	1

* The number of training hours for Module 2 will initially be 11 hours as the “E4 ethical standards” has not yet been promulgated by the PWMA.

E1 Legal and Regulatory Regime in Hong Kong

E1.1	Banking Ordinance
E1.1.1	Background
E1.1.2	Part II – Functions of Monetary Authority (Section 7)
E1.1.3	Part III – Banking Business and Deposit Taking Business (Sections 11, 12, 13 & 14)
E1.1.4	Parts IV to VII – Granting Approval of Authorized Institutions, Revocation, Suspension and Transfer of Authorization (Sections 16, 18, 20-25, 27 & 28)
E1.1.5	Part X – Powers of Control Over Authorized Institutions, Powers of Monetary Authority (Sections 52, 55, 56 & 58A)
E1.1.6	Parts XI & XII- Audits and Disclosures of Information by Authorized Institutions (Sections 59, 60, 63, 63A, 63B & 64)
E1.1.7	Part XIII - Ownership and Management of Authorized Institutions (Sections 71, 71C, 71D, 71E, 72A, 72B, 73 & 74)
E1.1.8	Part XV – Limitations on Loans by and Interests of Authorized Institutions (Sections 80, 81, 82, 83, 85, 86, 87, 87A, 88, 90 & 91)
E1.1.9	Part XVI – Advertisements, Representations and Use of Title “Bank”
E1.1.10	Part XX - Investigations of Authorized Institutions
E1.1.11	Part XXI – Offences by Directors, Executive Officers and Employees, Level of Fines for Offences, Prohibition on Receipt of Commission by Staff, Search Warrants and Seizures, Defence where Director or Manager, etc. Prosecuted, Validity of Contract in Contravention of Banking Ordinance or any Ordinance Repealed by Banking Ordinance (Sections 123, 124, 125, 126, 129 & 132B)
E1.2	Mortgage Lending
E1.2.1	The HKMA’s Key Regulatory Requirements Governing Mortgage Lending
E1.3	Securities and Futures Ordinance (“SFO”)
E1.3.1	Key SFO provisions related to PWM
E1.3.2	Part XIV - Offences Relating to Dealings in Securities and Futures Ordinance
E1.4	Deposit Protection Schemes (“DPS”) Ordinance and DPS Representation Rules

E2 Regulatory Requirements on Sale of Investment Products

E2.1	The Product Life Cycle: Pre-Sale, Sale and Post Sale
E2.2	Suitability
E2.2.1	Advisory vs Execution-Only
E2.2.1.1	Understand What That Means
E2.2.1.2	Internal Policies and Controls
E2.2.2	Compliance with Suitability Obligations (SFC's Circular of 17 July 2012)
E2.2.3	Lessons from Lehman Incident and Court Cases
E2.3	Requirements for Licensed Corporations and Authorized Institutions
E2.3.1	Guarding against Risk of Client Asset Misappropriation (SFC's Circular of 1 February 2013)
E2.3.2	Offers of Investments
E2.3.2.1	Public Offer and Private Placement
E2.3.2.2	An Introduction to the SFC Handbook for Structured Investment Products
E2.3.3	Investor Characterisation
E2.3.3.1	Lessons from Lehman Incident
E2.3.4	Professional Investor (PI) Regime
E2.3.4.1	The Securities and Futures Ordinance, Securities and Futures (Professional Investor) Rules, and Code of Conduct
E2.3.4.2	Definition of a PI
E2.3.4.3	Steps to Assess Whether a Person is a PI
E2.3.4.4	Requirements that are/can be Waived for a PI
E2.3.5	Relevant Updated Requirements
E2.4	Additional Investor Protection Measures for Authorized Institutions
E2.4.1	"Flexible" Version of the HKMA's Enhanced Measures for Private Banking Customers (HKMA's Circular of 20 January 2012 entitled "Applicability of Enhanced Measures to Sales of Investment Products to Private Banking Customers")
E2.4.2	'Portfolio-based' Suitability Assessment (HKMA's Circular of 12 June 2012 entitled "Selling of Investment Products to Private Banking Customers")
E2.4.3	Selling of Accumulators (HKMA's Circulars of 31 October 2011 entitled "Rationale for Selling of Accumulators", 22 December 2010 entitled "Selling of Accumulators" and 12 June 2012 entitled "Selling of Investment Products to Private Banking Customers")
E2.4.4	Fraud Prevention (HKMA's Circular of 14 July 2009 entitled "Abuse and Fraud Prevention in Private Banking and Wealth Management")
E2.5	Relevant Updated Requirements

E2.6	Product-Specific Regulatory Requirements
2.6.1	RMB Products
2.6.2	Fixed Income Products

E3 Other Relevant Laws and Regulations

E3.1	Core Compliance Knowledge for Private Wealth Management Practitioners
E3.1.1	Laws and Regulations related to Prevention of Money Laundering and Terrorist Financing; and New Obligations under Anti-Money Laundering (AML) Amendment Ordinance Effective 2012
E3.1.2	Personal Data (Privacy) Ordinance
E3.2	Looking for Potential Customers
E3.3	“Suitcase Banking”
E3.3.1	Travelling to Other Jurisdictions / Cross-border Marketing Issues
E3.3.2	Internal Policies and Controls
E3.4	On-Boarding a Customer
E3.4.1	HKMA’s and SFC’s requirements of Know Your Customers /AML
E3.4.2	Customer Agreements
E3.4.2.1	SFC Code of Conduct Requirements
E3.4.2.2	Internal Policies and Controls on On-Boarding
E3.4.3	Migrating Customers from Another Institution
E3.4.3.1	Obligations of Confidentiality
E3.5	Managing the Customer Relationship
E3.5.1	Hold Mail and Other Add-On Services
E3.5.1.1	Potential Hold Mail Issues
E3.5.2	Tax Issues
E3.5.2.1	Sharing of Information with Overseas Tax Authorities
E3.5.3	Customer Confidentiality and Handling of Customer Information
E3.5.3.1	Duty under Common Law
E3.5.3.2	Contractual Duty
E3.5.3.3	Internal Policies and Controls
E3.5.4	Dealing with Risk and Support Departments: Legal, Compliance, Risk, Operations, Financial Accounting, IT and Internal/ External Auditors
E3.6	When Things Go Wrong
E3.6.1	Complaint Handling
E3.6.1.1	Interaction with Legal and Compliance, and Your Supervisors
E3.6.1.2	Interaction with the Customers
E3.6.1.3	Audio Recordings
E3.6.2	Escalation Procedures
E3.6.3	How to Handle a Breach of Law/Regulation – Internally and with Regulators

E3.6.3.1	SFC Self-Reporting Obligation
E3.6.4	Internal Investigations
E3.6.5	Regulatory Investigations
E3.6.5.1	How Do They Start
E3.6.5.2	What to Expect
E3.6.6	Powers of the SFC and Other Regulators
E3.6.6.1	Disclosure of Documents
E3.6.6.2	Attend Interview
E3.6.7	Regulatory Sanctions and Penalties
E3.6.7.1	Reprimand
E3.6.7.2	Fines
E3.6.7.3	Suspension or Revocation of Licence
E3.6.7.4	Criminal Penalties
E3.6.8	Duty of Secrecy
E3.6.9	Financial Disputes Resolution Centre
E3.7	Case Studies

E4 Ethical Standards Set by the PWM Association

(To be included only upon these standards are promulgated)

E5 Fiduciary Duties, Ethical Values and Professional Conduct

E5.1	Understand Issues which Appear to Compromise Professional, Legal or Ethical Standards
E5.1.1	Customers' Expectation: Skills, Full Disclosure and Honesty
E5.1.2	Duty to Disclose Knowledge/Suspicious
E5.1.2.1	Prohibition of Loans
E5.1.2.2	Material Interests
E5.1.2.3	Transactions with Connected Persons
E5.1.3	Proper Conduct amongst Licensed and Registered Persons
E5.1.3.1	Minimum Contents in a Customer Agreement
E5.1.3.2	Basic Standards in Dealing and Execution of Trade
E5.1.3.3	Customer relations - Know Your Customers' Investment Experiences and Financial Situations
E5.2	Keep Up-to-date and Comply with Policies and Procedures
E5.2.1	Duty and Obligations of Licensed and Registered Persons and Directors Register and Acts of Directors
E5.3	Put Professional Interests ahead of Personal Agenda, Avoid and Manage Conflicts of Interest
E5.3.1	Safeguarding Interest of Investors
E5.3.1.1	Specific Rules and Procedures Relating to Transactions
E5.3.1.2	Misrepresentation and Advertising
E5.3.1.3	Undue Influence
E5.3.1.4	Improper Trading Practices
E5.3.1.5	Reporting and Disclosure
E5.4	Protect Confidentiality of Customer Data
E5.4.1	Information Management and Maintenance
E5.4.2	Operational Controls
E5.4.3	Remedies for Misuse of Data

E6 Practical Application of Legal and Regulatory Requirements

- Focus on practical application of and compliance with the HKMA's and the SFC's regulatory requirements in PWM context

E6.1	Case Studies
E6.1.1	Giving Suitable Advice
E6.1.2	Disclosure and Explanation of Advice
E6.1.3	Misappropriation of Customer Assets
E6.1.4	System and Control
E6.1.5	Other Topics

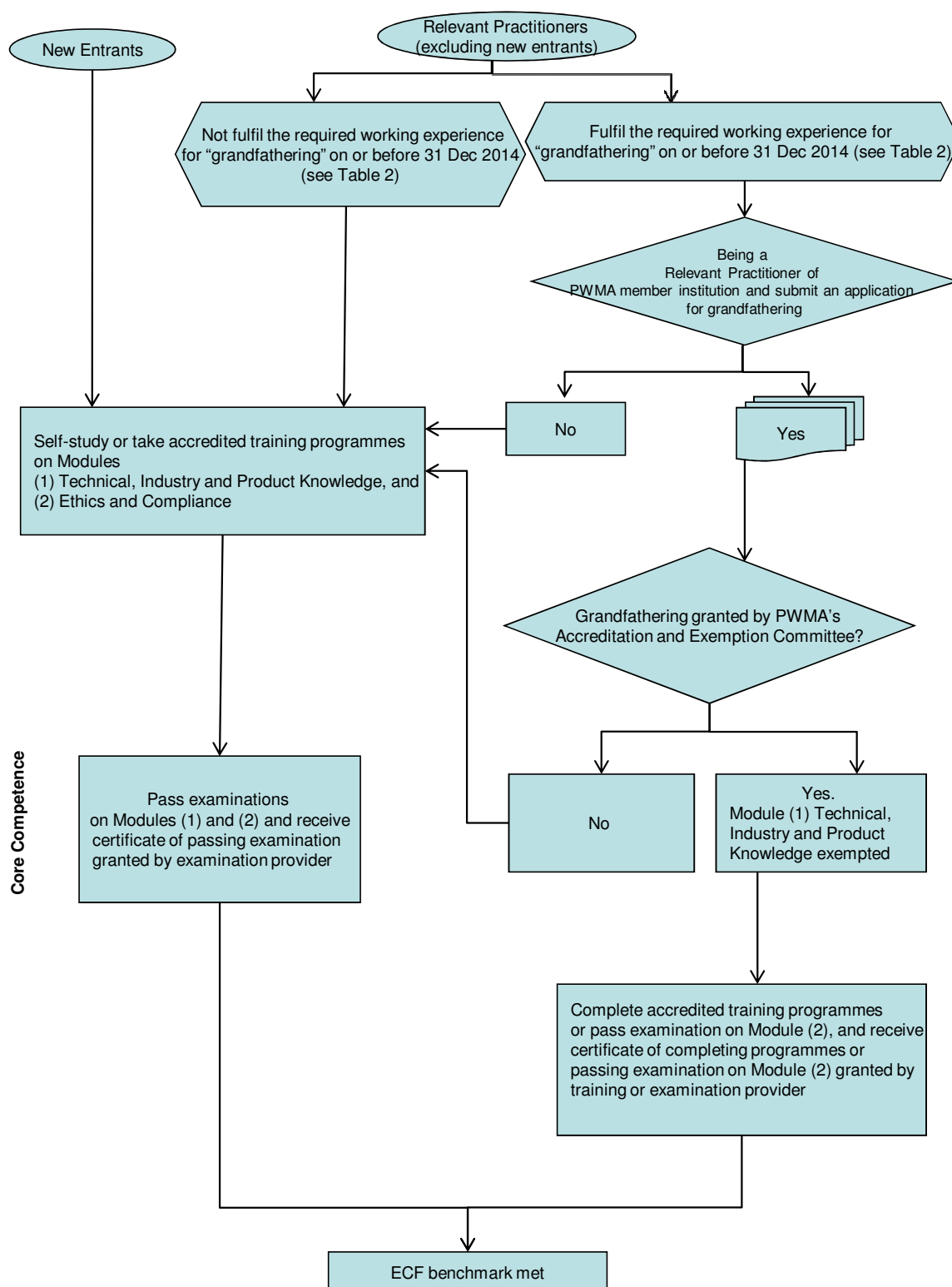
E7 Controls and Accountabilities; Reporting and Escalation Policies

E7.1	Overview
E7.1.1	Understand Firm's Code of Conduct and Other Governance Principles
E7.1.2	Comply with Firm's Established Procedures and Policies
E7.1.3	Comply with Legal and Regulatory Requirements
E7.1.4	Understand the Cost of Non-compliance
E7.2	Controls and Accountabilities
E7.2.1	Roles of Control Functions (e.g. compliance, risk management, internal audit)
E7.2.2	Roles of Individual Staff
E7.2.3	Roles of Board and Senior Management
E7.3	Reporting and Escalation Policies
E7.3.1	Nature
E7.3.1.1	Preventive and/or Corrective
E7.3.2	Objectives
E7.3.2.1	Management and Executive Awareness
E7.3.2.2	Possible Mobilization of Resources
E7.3.2.3	Assurance of Customer Contact/ Involvement
E7.3.2.4	Cross-functional Collaboration
E7.3.3	Delineation
E7.3.3.1	Defined Roles and Responsibilities
E7.3.3.2	Defined Processes
E7.3.3.3	Severity Levels
E7.3.3.4	Specific Time Frame to Resolve or Escalate Upwards and/or Report to Specified External Parties
E7.4	Case Studies

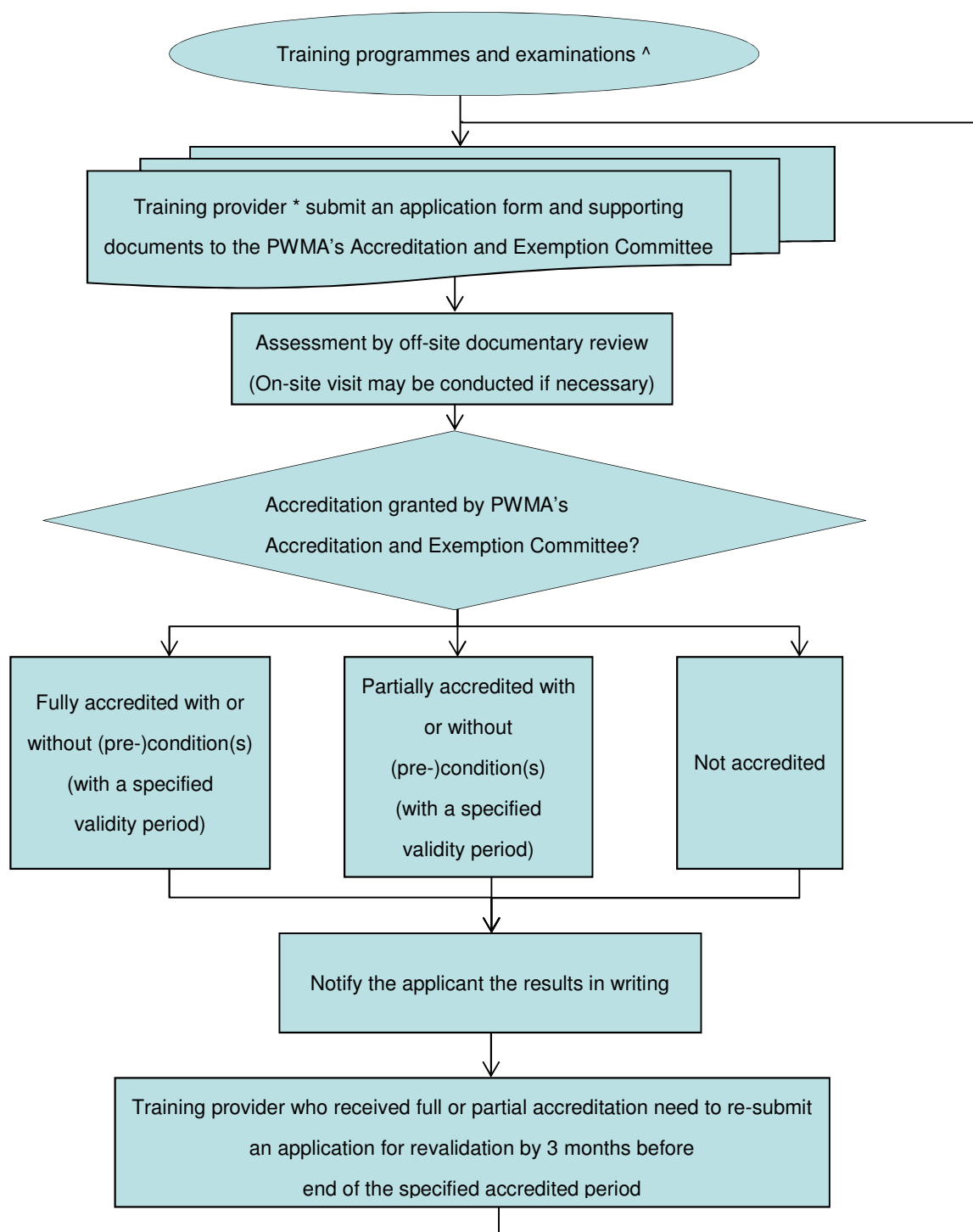
E8 Risk Management, Risk Governance and Risk Culture of PWM Institutions

E8.1	Overview of Risk Management
E8.1.1	Types of Risks
E8.1.1.1	Credit Risk
E8.1.1.2	Market Risk
E8.1.1.3	Interest Rate Risk
E8.1.1.4	Liquidity Risk
E8.1.1.5	Operational Risk
E8.1.1.6	Legal, Regulatory and Compliance Risks
E8.1.1.7	Reputation Risk
E8.1.1.8	Foreign Exchange Risk
E8.2	Definition of Risk Governance and Risk Culture
E8.3	Principles of Proper Risk Governance, Risk Culture, Risk Appetite and Values
E8.4	Relevance of Risk Governance and Culture to a Practitioner's Business Conduct
E8.5	Impact and Responsibilities of a Practitioner's Actions to Customers, the Institution and other Stakeholders
E8.5.1	Improper Sale Practices / Mis-selling
E8.6	Setting and Monitoring of Remuneration System that Aligns with Risk Management Objectives of the Institution
E8.7	Risk Management and Compliance
E8.8	Ensure Personal and Team Compliance
E8.9	Best Practices and Case Studies

Annex 2: Routes to meet ECF benchmark



Annex 3: Accreditation of training programmes and examinations



^ Only in-house training programmes and examinations of PWM institutions will be considered for accreditation. Accreditation of relevant training programmes and examinations by other professional training institutes, relevant professional qualifications and academic qualifications may be considered at a later stage.

* Training provider refers to the PWM institution which provides in-house training programmes and examinations.

Annex 4: Routes to obtain certification as CPWP

