HONG KONG MONETARY AUTHORITY
香 港 金 融 管 理 局

Our Ref: B1/15C
G16/1C

21 June 2021

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Enhancements to Competency Framework for Intermediaries and Individual Practitioners

I am writing to draw your attention to the consultation conclusion released by the Securities and Futures Commission (SFC) on Proposed Enhancements to the Competency Framework for Intermediaries and Individual Practitioners on 18 June 2021. The consultation paper has set out the SFC's proposals to update entry requirements and ongoing competency standards for intermediaries and individual practitioners in view of the changing regulatory landscape, evolving financial markets and the development of new financial products. The revised Guidelines on Competence, Guidelines on Continuous Professional Training and Fit and Proper Guidelines (collectively, "revised Guidelines") will be gazetted on 25 June 2021 and will become effective on 1 January 2022.

As registered institutions (RIs), executive officers (EOs) and relevant individuals (ReIs) have been required to meet the same competence, fit and proper and Continuous Professional Training (CPT) requirements as licensed corporations, responsible officers (ROs) and licensed representatives (LRs) respectively, RIs should review and assess the possible impact brought by the revised Guidelines, and take necessary actions to ensure compliance with the applicable requirements. It is a statutory condition of registration for an RI to ensure that its ReIs are fit and proper to be so engaged and competence is one of the key elements in the fit and proper test.

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The revised Guidelines have consolidated the guidance previously provided by the SFC in various forms and introduced a number of enhancements including, among others:

Competence requirements

- raising the minimum academic qualification requirements for individuals and broadening the scope of recognised academic qualifications;
- introducing full exemption from obtaining recognised industry qualifications for temporary licence applicants;
- refining the applicability of the conditional exemption from passing the local regulatory framework papers under paragraph (8) of Appendix E to the 2003 version of the Guidelines on Competence;
- elaborating on the relevant industry experience requirements;
- clarifying the management experience for ROs and EOs; and
- enhancing the competence requirements for individuals who intend to advise on matters in relation to the Codes on Takeovers and Mergers and Share Buy-backs.

CPT requirements

- simplifying the basis of the CPT requirements from number of "regulated activity (RA) competence groups" to "per individual";
- specifying 10 CPT hours per calendar year as the minimum requirements for LRs and ReIs, with two additional hours on regulatory compliance for ROs and EOs;
- requiring each individual practitioner to attend at least five CPT hours and two CPT hours on topics directly relevant to the RAs in which the practitioner engages and on topics relating to ethics or compliance per calendar year respectively; and
- requiring each individual practitioner who first joins the industry in Hong Kong to complete two CPT hours on ethics within 12 months.

Authorized institutions seeking to register with the SFC as RIs to carry out any RA are advised to get familiar with the revised Guidelines.

If you have any questions on this circular, please contact Ms Gloria Leung on 2878-1509 or Ms Karin Lee on 2878-1604.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. SFC
(Attn: Ms Julia Leung, Deputy Chief Executive Officer and Executive Director (Intermediaries) and
Mr Wilson Lo, Senior Director of Licensing (Intermediaries))