

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 and CPWPA certifications.....	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	25
Annex 2: Routes to meet ECF benchmark	36
Annex 3: Accreditation of training programmes and examinations.....	37
Annex 4: Routes to obtain certification as CPWP	38

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. A 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 32 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 hours, including Paper 1 on Financial Instruments (1 hour 20 minutes) and Paper 2 on Wealth Management (1 hour 40 minutes) under Module 1, and Paper 3 (1 hour) under Module 2. The sit-in examinations for Module 1 will consist of multiple choice questions only for Paper 1 and multiple choice questions plus structured questions for Paper 2 (available in both English and Chinese). Module 2 will be conducted in English and consist of multiple choice questions only. 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. A 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 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 and CPWPA certifications

33. The PWMA has pursuant to the ECF benchmark developed a professional qualification "Certified Private Wealth Professional (CPWP)" and "Certified Private Wealth Professional Associate (CPWPA)". The PWMA will administer the CPWP and CPWPA certifications 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. A 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.

35. For Relevant Practitioners of PWMA member institutions who have passed the examinations required but have not yet met the work experience requirements for the CPWP certification, they may apply for the CPWPA certification. The CPWPA certification also targets Client Service Assistants, Assistants to Relevant Practitioners, as well as Middle and Back Office staff involved in the PWM business. For details of eligibility criteria and requirements for CPWPA certification, please refer to "Guidelines for CPWPA Certification" published by PWMA.

On-going professional training ("OPT")

36. In order to maintain on-going professionalism and keep abreast of the latest development, Relevant Practitioners certified as CPWP and CPWPA 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 or CPWPA certification. The OPT hours will start in the following calendar year after CPWP or CPWPA certification. OPT courses need not be accredited and may be organized by relevant professional bodies, training institutes or PWM institutions.
37. 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.
38. It is hoped that PWM institutions will also encourage Relevant Practitioners who are not certified as CPWP or CPWPA 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

39. 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 or CPWPA certification (including renewal of CPWP or CPWPA certification). For details of record-keeping and monitoring fulfilment of OPT, please refer to "Guidelines for CPWP or CPWPA 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
Paper 1: Financial Instruments	T1	Basic Products: Fixed Income Investments, Equity Securities and Foreign Exchange		80 mins
	T2	Derivatives and Structured Products		
	T3	Investments Solutions: Unit Trusts, Investment Funds and Alternative Investments		
	T4	Portfolio Management: Theories and Practices		
	T5	Lending and Leverage		
Paper 2: Wealth Management	T6	Wealth Planning		100 mins
	T7	Behavioural Finance		
	T8	Customer Relationship Management		
	T9	Overview of Private Wealth		
	T10	Overview of Private Wealth Management Industry: Hong Kong, Mainland China and Asia-Pacific		
Total hours			20 hours	3 hours

Topic 1: Basic Products: Fixed Income Instruments, Equity Securities and Foreign Exchange

- 1 Money market instruments
 - Characteristics of money market instruments
 - Non-securitised money market instruments
 - Securitised money market instruments
 - The primary and secondary fixed income markets
- 2 Bonds
 - Primary bond features
 - Non-vanilla bond variants
 - Bond pricing
 - Bond risks
 - Bond yields and the term structure of interest rates
- 3 Equities
 - Share ownership
 - Equity markets
 - Corporate actions
 - Equity returns
 - Equity risk
 - Equity analysis
 - Equity valuation
 - Equity index
- 4 Foreign exchange
 - Exchange rate systems
 - Foreign exchange market
 - Foreign exchange quotation
 - Cross rates
 - Spot rates
 - Forward foreign exchange
 - Forecasting exchange rates
 - Banknote dealing

Topic 2: Derivatives and Structured Products

1 Derivatives

- Key derivatives terminology
- Forwards/futures: definition and characteristics
- Futures markets, participants and trading
- Using futures/forwards
- Futures/forwards pricing and arbitrage
- Specific futures contracts
- Options
- Option markets, participants and trading
- Using options
- Option price
- Investment strategies with vanilla options
- Exotic options
- Swaps

2 Structured products

- Definition and purpose of structured products
- Benefits of structured products
- Risks of structured products
- Components of structured products
- Pricing structured products
- Common categories of structured products
- Uncapped capital protection with participation
- Capital protection with coupon
- Yield enhancement products
- Participation products
- Leverage products
- Primary and secondary market offering and tools
- Applying investor offering in a customer's portfolio

Topic 3: Investment Funds and Alternative Investments

- 1 Investment funds
 - Basic definition
 - Fund pricing and costs
 - Other particular funds/characteristics
 - Parties in the investment funds' rights and obligations
 - Regulation and supervision of fund service providers
 - Funds by investment type
 - Funds by markets
 - Funds by investment profile
 - Funds by investment style
 - Fund factsheet
 - Fund audited reports
 - Fund performance
 - Red flags
- 2 Alternative investments
 - Commodities
 - Property/real estate
 - Hedge funds
 - Private markets
 - Comparison of alternative investments
- 3 Islamic finance
 - Characteristics of Islamic finance
 - Sharia compliant products
 - Risks of Sharia compliant products

Topic 4: Portfolio Management: Theories and Practices

- 1 Portfolio management theories
 - Risk and return
 - Causes of risk
 - Measuring investment risks and returns
 - Portfolio theory and diversification
 - Systematic and unsystematic risk
 - Risk-return framework
 - Efficient market hypothesis
- 2 Portfolio management practice
 - Purpose and considerations of investment management
 - Portfolio management process
 - Equity management strategies
 - Bond management strategies
 - Equities, bonds and other assets in a multi-asset portfolio
- 3 Case studies

Topic 5: Lending and Leverage

- 1 Principles of lending
 - Interest margin
 - Financial transformation
 - Lending risks and risk control
 - Banking supervision and the Basel Accords
- 2 Assessing and monitoring loans/credit
 - Risk-return relationship
 - Suitability
 - Nature
 - Interest basis and rate
 - Credit term/tenor
 - Collateral
 - Drawdown method
 - Credit risk assessment
- 3 Lombard lending
 - Lombard credit principles
 - Structure and characteristics of Lombard products
 - Lombard loan lifecycle
 - Customer and product suitability for basic Lombard products
 - Comparison between Lombard lending and mortgage lending
- 4 Share margin financing
 - Benefits of margin financing
 - Risks of margin financing
- 5 Derivatives trading and contingent positions
 - Initial margin
 - Marked-to-market
 - Overall margin requirement
- 6 Accumulators
 - Accumulator risks
 - Suitability assessment
 - Margin calculation of equity accumulators

Topic 6: Wealth Planning

- 1 Introduction to wealth planning
- 2 Wealth planning process
 - International standard
 - Establishing the relationship
 - Gathering information
 - Analysing customer information
 - Planning
 - Implementation
 - Monitoring and review
- 3 Wealth planning
 - Lifetime cash flow plan
 - Tax planning
 - Investment/liquidity planning
 - Risk management and asset protection
 - Debt planning
 - Business protection and business succession
 - Retirement planning
 - Succession and estate planning
 - Relocation planning
- 4 Wealth planning solutions
 - Bank account management
 - Trusts
 - Insurance solutions
 - Private label funds
 - Foundations
- 5 Family businesses
 - Nature of family businesses
 - Family business ownership
 - Family business challenges
 - Reconciling challenges and responsibilities
 - Succession plans
 - Private wealth management opportunities
 - Family office

Topic 7: Behavioural Finance

- 1 Introduction to behavioural finance
 - Models of decision making
 - The scientific background of behavioural finance
- 2 Customer profiling
 - Investor profiling
 - Risk evaluation
- 3 Behavioural biases
 - Financial market dynamics
 - Impact of behavioural biases
- 4 Prospect theory
 - Perceived likelihood
 - Loss aversion
 - Framing against reference points
 - Risk attitudes
 - Independence axiom
- 5 Customer advisory lifecycle, customer biases and behaviours
 - Customer advisory lifecycle
 - Information selection/gathering
 - Planning and implementation
 - Monitoring and review
 - Cultural and social differences
- 6 Behavioural bias in the real world

Topic 8: Customer Relationship Management

- 1 Definition and key attributes
 - Role of private wealth managers in relationship management
 - Customer relationship lifecycle
 - Essential skills
- 2 Prospecting
 - Identifying and connecting with prospects
 - Connecting with customers
 - Contact route
 - Initial contact message
 - Constructing and using a prospect pipeline management strategy
- 3 Initial engagement and engagement skills
 - How and why people choose to make a buying decision
 - Engagement meeting objectives and preparation
 - Conducting the engagement meeting
 - How to close
- 4 Gathering facts
 - The fact-gathering process
 - Recognising customer needs, objectives and tolerances
 - Quantifying and qualifying the objectives
 - Distinguishing between immediate and future objectives
 - Prioritising needs and objectives
- 5 Segmentation and relationship management strategy
 - Attractiveness-positioning matrix
 - Quadrant allocation
 - Relationship development strategy
- 6 Customer maintenance
 - Customer management objectives
 - Customer contact opportunities
 - Conducting customer reviews
 - Maintaining service quality through technology
 - Maintaining the customer experience
- 7 Customer retention
 - Understanding customer loss

- Customer retention plan

8 Service recovery

- How customers respond to service failures
- Benefits of a service recovery programme

Topic 9: Overview of Private Wealth Management Industry

- 1 PWM industry and business model
 - Challenges faced by PWM institutions
 - PWM business models
 - Optimising the business models
- 2 PWM customer needs and preferences
 - Private wealth management lifecycle
 - Products and services
 - Typical needs by PWM market
- 3 Meeting PWM customer needs
 - HNWI market perceptions
 - Potential areas for service improvements
 - Satisfying regulatory requirements
- 4 PWM process for UHNWIs
 - UHNWIs needs
 - UHNWIs wealth management structures

Topic 10: Overview of Private Wealth Management Markets: Hong Kong, Mainland China and Asia-Pacific

- 1 Trends and characteristics of PWM markets
 - Recent industry trends and emerging challenges for Hong Kong's private wealth managers
 - Key characteristics of Mainland China's financial markets
 - Trends in the Asia-Pacific PWM industry
- 2 Issues related to conducting PWM business with Chinese HNWI/UHNWIs and in Mainland China
 - Issues affecting Mainland China's PWM business
 - Legal and regulatory constraints affecting offshore managers conducting business in Mainland China
 - Role of wealth planning and asset allocation services in enhancing relationships with Chinese HNWI/UHNWIs
- 3 PWM products and services
 - Offshore and onshore investments for Mainland Chinese PWM customers
 - China-related PWM products for international investors
 - Services for Mainland Chinese customers with offshore assets

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	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	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

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 21 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 Clients
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 Client
E3.4.1	HKMA’s and SFC’s requirements of Know Your Clients /AML
E3.4.2	Clients 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 Clients from Another Institution
E3.4.3.1	Obligations of Confidentiality
E3.5	Managing the Client 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	Client Confidentiality and Handling of Client 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 Clients
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

E4.1	General Principles
E4.1.1	Compliance with laws and regulations
E4.1.2	Diligence and professionalism
E4.1.3	Honesty
E4.1.4	Fairness and Conflict of Interest
E4.1.5	Confidentiality
E4.1.6	Competence
E4.2	Risk Management and Client Complaints

E5 Fiduciary Duties, Ethical Values and Professional Conduct

E5.1	Understand Issues which Appear to Compromise Professional, Legal or Ethical Standards
E5.1.1	Clients' 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 Client Agreement
E5.1.3.2	Basic Standards in Dealing and Execution of Trade
E5.1.3.3	Client relations - Know Your Clients' 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 Client Assets
E6.1.4	System and Control
E6.1.5	Other Topics

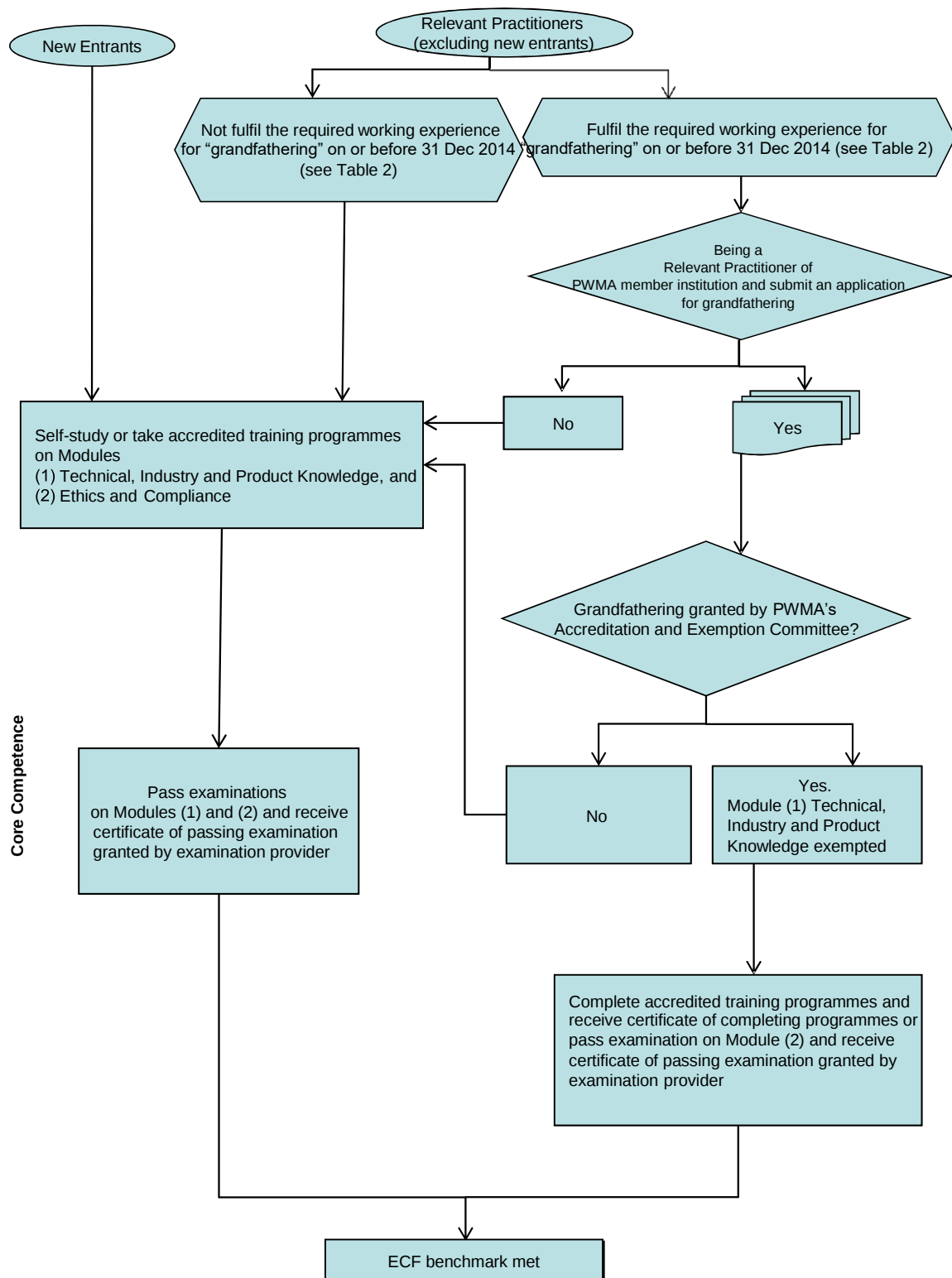
E7 Controls and Accountabilities; Reporting and Escalation Policies

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

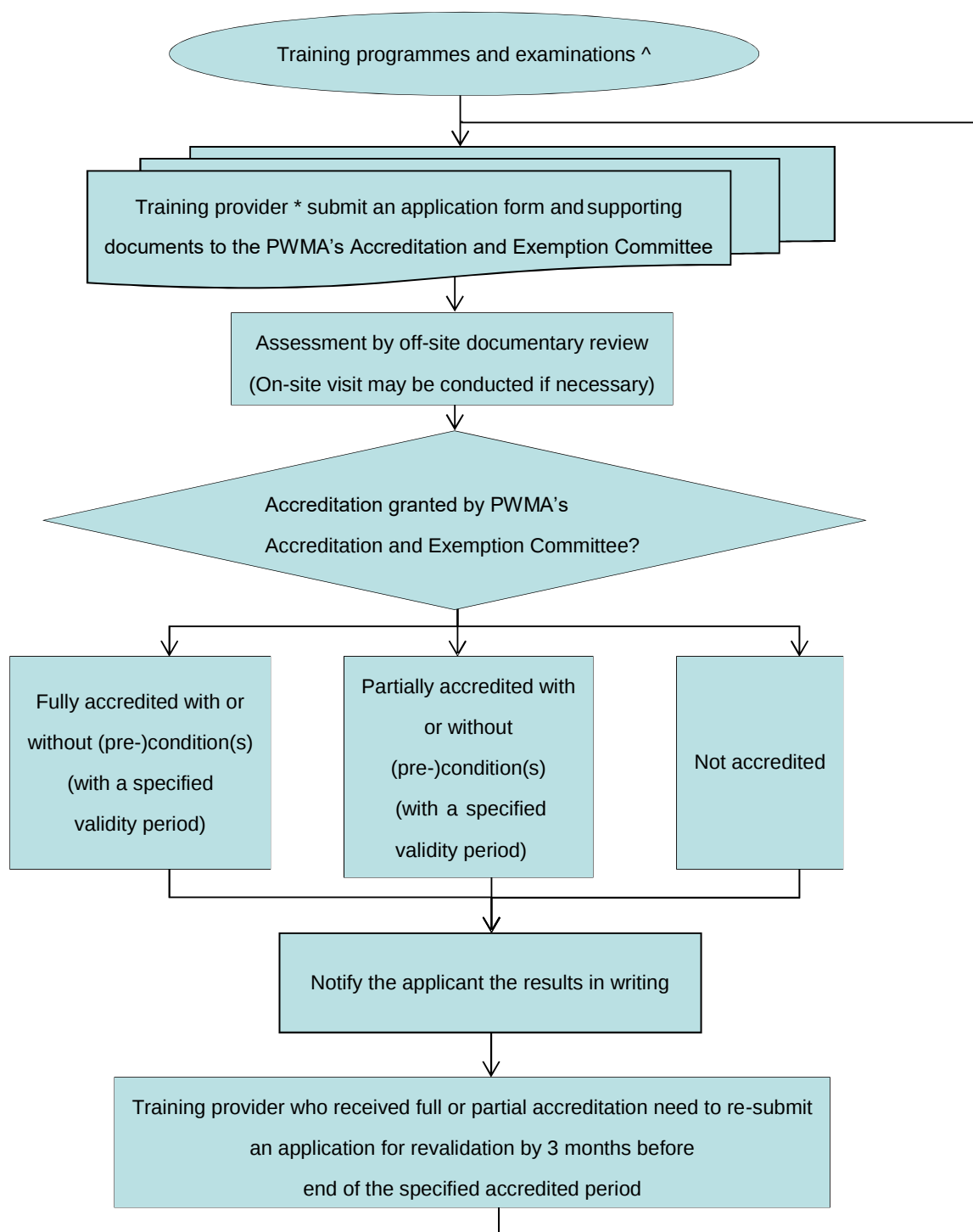
E8 Risk Management, Risk Governance and Risk Culture of PWM Institutions

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



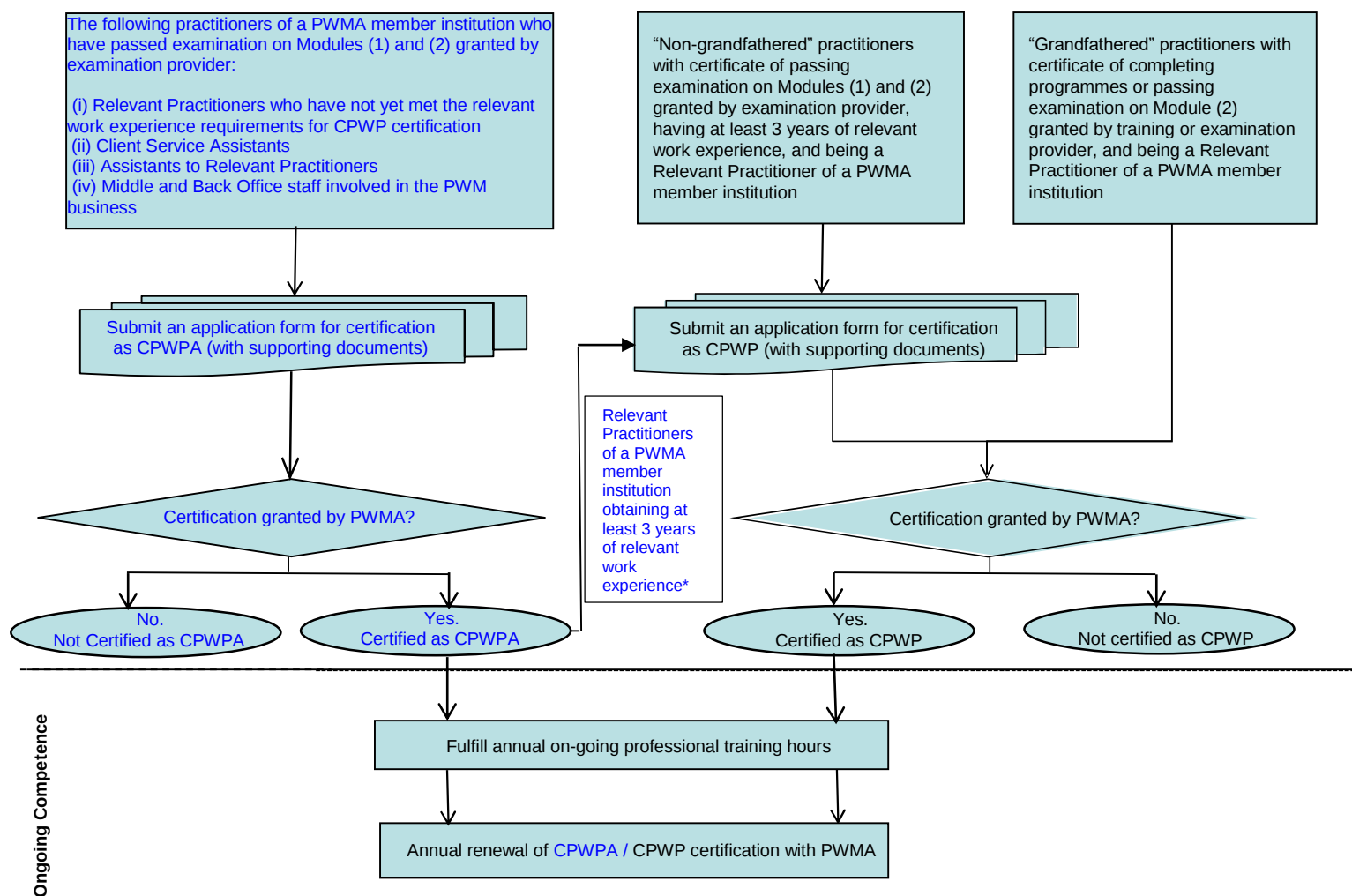
Annex 3: Accreditation of training programmes and examinations



^ 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 CPWPA and CPWP



*Client Service Assistants, Assistants to Relevant Practitioners, as well as Middle and Back Office staff involved in the PWM business will not be qualified to apply for CPWP certification.