Our Ref : G16/1C
B1/15C

13 August 2001

The Chief Executive
All authorized institutions that are exempt dealers

Dear Sir / Madam,

**Amendments to Guidance Note on Competence and Guidance Note on Continuous Professional Training issued by the Securities and Futures Commission**

We wrote to you on 21 March 2001 regarding the Guidance Note on Competence and the Guidance Note on Continuous Professional Training (collectively referred to as "Guidance Notes") issued by the Securities and Futures Commission ("SFC"). These Guidance Notes are also applicable to authorized institutions that are exempt dealers ("exempt AIs").

The SFC has recently revised these Guidance Notes (see **Annex 1**), and has issued its responses to some frequently asked questions ("FAQ") in this regard (see **Annex 2**) which are published in the SFC Bulletin April – June 2001. This circular aims to draw your attention to the amendments to the Guidance Notes. In addition, **Annex 3** provides explanation on certain administrative arrangements that the HKMA expects exempt AIs to adopt in complying with the Guidance Notes.

Major changes to the Guidance Notes are in the following areas:

- **Guidance Note on Competence – paragraph 28**

  Under the earlier version, the SFC may license a director applicant who has yet to pass the local regulatory framework paper on condition that the person must pass this paper within three months. The same treatment is now extended to representative applicants, and a more flexible time frame is accepted.

  In this connection, the same approach would be adopted for the securities dealing staff[1] of exempt AIs. For more details, please refer to Annex 3 paragraph 1.

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[1] Securities dealing staff is defined in our circular of 21 March 2001.

- **Guidance Note on Continuous Professional Training – paragraph 15**

  The Academic and Accreditation Advisory Committee has decided that it will not pre-endorse internally organized training provided by corporate licensees. The latter are expected to organise appropriate training for their staff and to notify the SFC of the details of the training. The SFC may attend training so organised for quality assurance.

  Adopting a similar approach, the HKMA will not seek to pre-endorse internal training organized by exempt AIs. It may however choose to attend an exempt AI's internal training session if it is not satisfied with the quality and professional knowledge of the exempt AI's securities dealing staff. Unless otherwise notified, such training will be deemed to meet the CPT requirement. The HKMA will monitor compliance with the CPT requirement during on-site examination of the securities activities of exempt AIs.

With regard to the requirement set out in paragraph 26 of the Guidance Note on Continuous Professional Training, exempt AIs are required to declare once a year in the Return of Securities Related Activities (MA(BS)14) that all their securities dealing staff have undertaken the requisite CPT hours in the preceding calendar year. **The first declaration will be required in the forthcoming Return for the period ending the last day of December 2001.** The respective amendments to the Return and the Completion Instructions will be issued in due course.

The SFC may issue announcements and FAQ in respect of the Guidance Notes from time to time. Exempt AIs are therefore advised to visit the SFC web-site (http://www.hksfc.org.hk) regularly for various updates.

Please feel free to contact Mr. Neville Ng (2878 8283) or Miss Alice Lee (2878 1603) should you have any question on the above.

Yours faithfully,

(Raymond Li)
Executive Director (Banking Development)

Encl.