



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B1/21C
B9/116C

11 July 2011

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Supervisory Policy Manual (SPM)
CG-6 “Competence and Ethical Behaviour”

I am writing to inform you that, following consultation with the two industry associations, the HKMA is issuing the above SPM module as a guidance note today.

The purpose of this module is to reiterate the supervisory expectation that authorized institutions (AIs) should engage and deploy personnel with sufficient skills, knowledge, experience and soundness of judgement for the discharge of the particular duties and responsibilities allocated to them and, to this end, the module sets out measures that AIs can adopt in monitoring and maintaining the competence levels and ethical behaviour of their staff. AIs are expected to establish and implement policies and procedures for monitoring, developing and maintaining the competence levels and ethical behaviour of their staff with due regard to the principles in this module. The principles will be applied to AIs on a proportionate basis, having regard to the size, scope, nature and complexity of their business.

The module covers:-

Responsibility to ensure staff competence

Section 2 of the module sets out the responsibilities of an AI's Board of Directors and senior management in ensuring staff competence and ethical behaviour, including the adoption of appropriate policies and procedures to assess the competency of newly recruited staff; monitor and review the knowledge, skills and performance of individual staff members; provide relevant and timely training to ensure continuing competence of staff members; and address any identified failings or gaps in a timely fashion.

Assessing competence

Section 3 of the module covers the component elements of an AI's control process to assess the competence of staff members, including the drawing up of job specifications and competence criteria for various posts within the AI's organizational structure to enable ongoing assessment of competence. The competence criteria should cover practical experience as well as professional qualifications and, where relevant to a staff member's activities, his/her knowledge of products, markets and regulatory requirements, the AI's strategic direction, business development policies and goals, tolerance levels and risk control limits.

Maintaining competence

Section 4 of the module emphasises the need for an AI to maintain adequate systems of control to monitor and review regularly and frequently the competence of its staff members to ensure that they remain competent for their role, taking into account changing circumstances (e.g. market developments, product innovation and changes in the regulatory landscape). Where deficiencies are identified, AIs should take appropriate remedial action, including suitable training, increased supervision or posting of staff to more suitable positions. AIs should determine the training needs of their staff members at regular intervals and allocate sufficient resources to training in a manner commensurate with the size, scope, nature and complexity of their business.

Ethical behaviour

Section 5 of the module reiterates the necessity for ethical behaviour by all levels of staff within an AI. This is fundamental in maintaining an AI's reputation and AIs should take steps to ensure that their employees fully recognise their personal accountability in this regard.

AIs should review their existing arrangements for the monitoring and maintaining of the competence levels and ethical behaviour of their staff in the light of the contents of the module and take steps to address any deficiencies identified.

On-line access to the module is available under the icon for "Supervisory Policy Manual" on the HKMA's public (<http://www.info.gov.hk/hkma>) and private (<http://www.stet.finnet.hk>) websites.

Should you have any questions regarding this module, please feel free to contact Ms Rose Luk on 2878-1638 or Mr Keith Ho on 2878-1909.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl.

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn. Miss Natalie Li)