Our Ref.: B9/183C

7 September 2023

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

<u>Good Practices for Talent Development</u>

I am writing to set out the expectations of the Hong Kong Monetary Authority (HKMA) on Authorized Institutions' (AIs) talent development practices, and share with the industry some key observations and good practices based on a recent survey with major retail banks.

The Supervisory Policy Manual (SPM) module CG-6 on "Competence and Ethical Behaviour" provided guidance on measures that AIs are expected to adopt in assessing and maintaining the competence levels of their workforce. In June 2020, the HKMA, the Hong Kong Association of Banks and the Hong Kong Institute of Bankers jointly published a study titled "Capacity Building for Future Banking", which took stock of potential talent gaps during 2021-2025 and provided further directional guidance in terms of upskilling, reskilling, redeployment and recruitment to help address AIs' future talent needs.

To facilitate the banking industry to drive the upskilling and reskilling of banking practitioners, the HKMA has conducted a focused review of talent development practices adopted by major retail banks. During the review, the HKMA observed a range of practices. These practices revolve around four key areas including (i) manpower planning; (ii) upskilling the workforce; (iii) reskilling the workforce; and (iv) recruiting talents. In general, the AIs covered in the review recognised the importance of talent development. While some of them have more comprehensive action plans in addressing the talent challenges, some others still have gaps in their talent development planning and strategies.

Taking this opportunity, we set out the HKMA's expectations in the four key areas mentioned above, and also share with the industry some relevant good practices (see **<u>Annex</u>**). AIs should review their existing practices against the HKMA's expectations. If gaps are identified, AIs should take concrete actions to address them.

To keep track of the talent needs and talent development efforts of the banking industry on an on-going basis, the HKMA will conduct a Talent Development Survey annually with all licensed banks incorporated in Hong Kong. When designing this new survey, comments provided by those AIs participating in the focused review have been taken into account. Reporting AIs will be informed of the reporting arrangement separately.

The HKMA will also update the SPM module CG-6 on “Competence and Ethical Behaviour” to provide further supervisory guidance on talent management. The updated SPM module is planned to be issued for industry consultation later this year.

Should you have any questions regarding the above, please contact Kevin Cheung on 2878 1573 or Denise Tai on 2878 1589.

Yours faithfully,

Encl.