

Updating Your Study Manual

Instructions for Inserting Version 1.5

The followings serve as the instructions for updating **Topic 1: Regulatory Overview of the Hong Kong Financial Industry** of Study Manual 1 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** the original front page and **Insert** the updated front page.
 3. **Remove** pages 1-17 to 1-18 and **Insert** new pages 1-17 to 1-18.
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STUDY MANUAL FOR

PAPER 1

FUNDAMENTALS OF

SECURITIES AND FUTURES REGULATION

of

The Licensing Examination
for Securities and Futures Intermediaries

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trusts, mutual fund corporations and other CIS and imposes conditions on such authorizations.

- The ***Committee on Investment-Linked Assurance and Pooled Retirement Funds*** authorizes the issue of advertisements, invitations or documents in relation to investment-linked assurance schemes and pooled retirement funds, and imposes conditions on such authorizations and grants waivers.
- The ***Investor Education Advisory Committee*** provides advice and support to the SFC in setting investor education targets.
- The ***Academic and Accreditation Advisory Committee*** approves industry-based courses and examinations for meeting the competence requirements and recognises providers of training for the purposes of the continuous professional training requirements.
- The ***Share Registrars' Disciplinary Committee*** hears and determines disciplinary matters relating to share registrars in the first instance.

3.12 The following tribunals and panels are independent of the SFC:

- The ***Securities and Futures Appeals Tribunal*** will be an ***independent statutory body*** with full-time members headed by a judge appointed by the HKSAR Chief Executive to hear appeals against the decisions made by the SFC relating to the registration of intermediaries and certain other matters.
- The ***Arbitration Panel*** will be formally set up under rules made by the SFC as provided for in section 118, SFO. An arbitrator will be appointed from the Arbitration Panel to hear a dispute in accordance with the Securities and Futures (Leveraged Foreign Exchange Trading) (Arbitration) Rules.
- The ***Process Review Panel*** is an independent body appointed by the HKSAR Chief Executive to review and monitor the operational processes of the SFC. It reports to the Financial Secretary and recommends improvements to the SFC.

Functions of the SFC's operational divisions

3.13 The ***Corporate Finance Division***:

- regulates takeovers and mergers of public companies and share repurchases;
- administers securities **and company** legislation applicable to listed **and unlisted** companies;

- supervises the listing-related activities of the Stock Exchange of Hong Kong;
 - reviews and recommends changes to the listing rules;
 - reviews prospectuses of unlisted issuers for authorisation and administers the grant of exemptions for prospectuses issued by listed and unlisted issuers; and
 - administers the dual filing regime under the SFO to enhance the quality of disclosure by listed companies.
- 3.14 The ***Intermediaries and Investment Products Division*** has three departments: Licensing, Intermediaries Supervision and Investment Products.
- 3.15 The ***Licensing Department*** deals with all licensing matters relating to corporations and individuals and:
- sets fit and proper and competency tests for entry and retention of licences;
 - monitors licensees by means of annual returns;
 - sets continuous professional training standards for licensees; and
 - supports the work of the Academic and Accreditation Advisory Committee.
- 3.16 The ***Intermediaries Supervision Department***:
- sets and enforces minimum standards of conduct, internal controls and levels of capital for intermediaries using a risk-based approach, a targeting system for focusing on licensed corporations exposed to higher risks, regular financial returns and inspection visits as monitoring tools.
- 3.17 The ***Investment Products Department***:
- regulates the public marketing of unit trusts, mutual funds, and other collective investment products by:
 - setting and enforcing standards and requirements for authorizing these products, and how they are marketed;
 - setting guidelines for trustees and custodians of authorized schemes; and
 - monitoring, reviewing and approving advertisements.