SI Standards & Insights

HKSI

A Technical Newsletter by HKSI Institute

Issue 3 • July 2015

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SFC issues statement on the HKEx's draft proposal on Weighted Voting Rights ("WVRs")

On 25 June 2015, the Securities and Futures Commission ("SFC") issued, in the public interest, a statement that the Board of the SFC has unanimously concluded that it does not support the draft proposal of Hong Kong Exchanges and Clearing Limited ("HKEx") for primary listings with WVR structures. This statement was issued shortly after HKEx published conclusions to its concept paper on WVRs on 19 June 2015 which concluded that there is support from the market for a second stage consultation on the acceptability of WVR structures. The HKEx responded that it will further engage with the SFC and the Listing Committee will decide the best way forward in light of the views of the SFC.

Over-the-counter derivatives - reporting and record keeping rules

Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules comes into operation on 10 July 2015.

The rules aim to enhance financial market stability by increasing transparency in the OTC derivatives market. They prescribe the types of transactions that will have to be reported, the types of persons that will be subject to reporting and in what circumstances and the form, manner and contents of reports etc. Besides the general requirements of the rules, certain aspects that also worth mentioning are as follows:

- There are 18 jurisdictions designated for the purpose of masking relief.
- There is a list of prescribed markets and clearing houses. Products traded on and cleared through these prescribed markets and clearing houses are excluded from the reporting regime.
- The term "affiliate" expressly excludes collective investment schemes for better reflecting the exclusion of fund manager's reporting obligation in the current phase.
- Records have to be readily accessible.
- Requirement to submit daily valuation reports will be decided after an additional consultation.

Regulatory and Technical Updates

Four HKEx Clearing Houses Receive Third-country CCP Recognition from ESMA

The Board of Supervisors of the European Securities and Markets Authority ("ESMA") on 27 April 2015 adopted a decision to recognise Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited, The SEHK Options Clearing House Limited and OTC Clearing Hong Kong Limited as third-country Central Counterparties ("CCPs"). ESMA recognition allows the CCPs to offer clearing services to European FIs.

Proper disclosure of inside information stressed by the SFC

On 29 April 2015, the SFC published the 2nd issue of corporate regulation newsletter which highlighted some specific problems related to disclosures by listing applicants and listed companies. For examples:

- Listed companies should clarify the extent to which the information in the announcement differs from previously disclosed information if they consider making an announcement about matters previously disclosed in their prospectuses.
- Certainty, materiality and market expectations should be considered in the disclosure of inside information generated by internal developments and investment portfolio performance when determining whether information needs to be disclosed.
- Sponsors have obligation to conduct reasonable due diligence to ascertain the accuracy of the information disclosed in listing documents. Besides, the listing applicant and the sponsor have responsibilities to take reasonable steps to ensure that customer identity information is not included in any market communication if this information is not disclosed in the listing document. Listing applicants are also encouraged to pay attention to make sure that incentive schemes for initial public offerings are appropriate and easy to understand.

Amendment to Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline")

On 27 March 2015, the SFC published amendment to AML Guideline, which was effective on 1 April 2015.

Section 18 (5) of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance ("AMLO") was amended to enable financial institutions to continue relying on certain specified intermediaries to carry out customer due diligence ("CDD") measures until 31 March 2018.

The amendment would assist financial institutions ("FIs") and specified intermediaries to work together continually to comply with the CDD requirements applying to financial institutions under the AMLO.

Reminding intermediaries on full compliance with Know Your Client ("KYC") and Account Opening Procedures by the SFC

On 12 May 2015, the SFC issued a circular to remind intermediaries to take effective measures to authenticate the client's identity and the client's execution of account opening documents so as to comply with the KYC and account opening procedures requirements under the Code of Conduct. In particular, intermediaries should make sure the identity and other personal information about their clients are accurate and up-to-date to ensure that their clients are contactable.

Intermediaries should be aware of the following key compliance relating to the Certification Process:

- When the Certification Process is performed physically by employees or Certifying Persons (Note 1) of intermediaries, they should have effective policies and procedures to ensure that the Certification Process is properly implemented.
- They are strongly discouraged from appointing any affiliate which is not a regulated FI to conduct the Certification Process as he may not possess the necessary knowledge and experience for properly carrying out the Certification Process.
- They should ensure that any employee or affiliate will not breach any local regulatory requirements applicable to them when the employee or affiliate conduct account opening procedures with prospective clients outside Hong Kong.
- They are encouraged to contact their clients directly to ensure the necessary risk disclosures and reminders under the Code of Conduct are drawn to the clients' attention if account opening is not done on face-to-face basis. Besides, they should retain proper records to demonstrate that they have provided the risk disclosure statement in English or Chinese for their clients' choice.

Note 1: Certifying Persons include any other licensed or registered person, an affiliate of a licensed or registered person, a Justice of the Peace, or a professional person like a lawyer, certified public accountant, notary public or bank branch manager.

Reminding brokers to monitor risks, financial and operational capabilities by SFC

On 15 April 2015, the SFC issued a circular to remind all securities and futures brokers to closely monitor their financial and operational capabilities, keep adequate resources to cope with any increase in business, and prudently manage their market, credit and operational risks due to the rising market turnover and volatility recently.

The brokers are reminded to:

- perform properly about their business activities under the requirements of the Code of Conduct for Persons Licensed by or Registered with the SFC ("Code of Conduct");
- diligently supervise their operations to reduce operational risks and protect their clients' interest;
- constantly monitor and review their human resources and system capacity;
- put in place proper procedures when providing usage of electronic trading system to their clients;
- report any material system delay or failure to SFC immediately, if these incidents happen, etc..

Enhanced regime for alternative liquidity pools will take effect in December 2015

The SFC released consultation conclusions on proposals to enhance and unify the regulatory regime for alternative liquidity pools ("ALPs", commonly known as "dark pool"), on 15 May 2015. The enhanced regime, which aims at providing a level playing field for all ALP operators in Hong Kong, will come into effect on 1 December 2015.

Highlights of the enhanced regime include:

- no individual investors, including individual professional investors and their wholly-owned investment holding corporations, will be allowed to use ALPs;
- client facilitation orders will be treated as proprietary orders, which will have a lower execution priority in ALPs than agency orders; and
- no mandatory "opt-in" requirement before client orders can be routed to ALPs, but ALP operators should permit their clients to opt out of having their orders transacted in ALPs.

Internet Trading Self-Assessment Checklist

We mentioned in our first issue of S.I. that the requirements on electronic trading under the Code of Conduct commenced to take effect on 1 January 2014. On 11 June 2015, the SFC has issued a circular and launched an Internet Trading Self-Assessment Checklist to provide further guidance for licensed corporations ("LCs") to conduct regular self-assessment of their internet trading systems, network infrastructure, related policies, procedures and practices. The checklist was designed to help LCs identify areas that require improvement and enhancement in order to comply with the requirements on electronic trading. LCs are expected to complete the checklist as part of their regular review of their internet trading systems and rectify deficiencies (if any) as soon as practicable. For this purpose, SFC staff may review the internet trading systems of LCs from time to time, including the self-assessment results. The circular requires, in particular, that senior management of a LC should: (a) appoint an responsible officer for performing this self-assessment and reporting his/her overall conclusions with recommended actions to the board or senior management if there is any deficiencies needed to be urgently rectified; (b) develop and agree on a concrete action plan for rectifying any deficiencies identified with envisaged timeframe; and (c) be able to demonstrate the self-assessment performed, conclusions drawn follow-up actions taken upon request by SFC staff.

HKEx Decides to Introduce Volatility Control Mechanism and Closing Auction Session

On 3 July 2015, HKEx published its consultation conclusions on the proposed introduction of a Volatility Control Mechanism ("VCM") to safeguard its securities and derivatives markets and a Closing Auction Session ("CAS") to facilitate trade execution at securities' closing prices in its securities market. With substantial market support, HKEx will proceed with the implementation of the two initiatives with fine-tuning of some features based on market feedback. Please refer to the consultation conclusions for details of the fine-tuned initiatives.

Regulatory Insight Series – AML/CFT

Anti-money laundering ("AML") and counter- financing of terrorism ("CFT") have long been major concerns for financial institutions ("FIs") which include licensed corporations, banks, insurance institutions, remittance agents, and money changers. In this section, we summarise the key regulatory areas on AML/CFT that you may need to know.

What are money laundering and terrorist financing ("ML/TF")?

The term "money laundering" describes the activities and processes by which property obtained as a result of illegal activities is altered so that it is given the appearance of coming from a legitimate source.

Three common stages in the process of money laundering:

Placement	Physically dispose of the illegal money.
Layering	Separate the illegal money from their source by creating a number of financial transactions (layers).
Integration	Integrate the laundered proceeds back into the general financial system as "clean" money.

The term "terrorist financing" describes:

(i) the provision or collection of property or the provision of financial services, which is to be used towards the commission of a terrorist act or which is made available to a terrorist or their associates, and

(ii) the collection of property or solicitation of financial services for a terrorist or terrorist associate.

Legislations of AML/CFT in Hong Kong

In Hong Kong, legislations dealing with AML/CFT include the following:

- Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance ("AMLO");
- Drug Trafficking (Recovery of Proceeds) Ordinance ("DTRPO");
- Organized and Serious Crimes Ordinance ("OSCO"); and
- United Nations (Anti-Terrorism Measures) Ordinance ("UNATMO").

The AMLO is the legislation to enhance AML/CFT regime in Hong Kong. It imposes on FIs requirements regarding customer due diligence and record-keeping. The DTRPO, OSCO and UNATMO are relevant legislations which require reporting of suspicious transactions. Failure to disclose or tipping off are both offences.

Guidelines on AML/CFT

To help FIs and practitioners enhance their AML/CFT practices, the SFC, Hong Kong Monetary Authority, and Insurance Authority have separately issued guidelines on AML/CFT. In this article, we will focus on the guidelines issued by the SFC.

The Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("GAML") issued by the SFC provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own AML/CFT policies, procedures and controls so as to meet the AMLO and other relevant regulatory requirements.

Although a failure by any person to comply with any provision of GAML does not by itself render the person liable to any judicial or other proceedings, but any such failure by licensed corporations, licensed representatives or registered institutes may reflect adversely on their fitness and properness and may be considered to be misconduct.

What are the GAML requirements on AML/CFT?

FIs should establish an AML/CFT system with proper policies, procedures and controls. According to GAML, FIs are specifically required to have the following AML/CFT measures:

Customer due diligence

Before:

- account opening;
- occasional transaction* with an amount of $120,000 or above;
- occasional wire transfer with an amount of $8,000 or above;

the FIs should:

- identify and verify the customer's and the beneficial owner's identities; and
- understand the nature of business relationship.

* *The term "occasional transaction" means a transaction between an FI and a customer who does not have a business relationship with the FI. Occasional transactions may include for example, wire transfers, currency exchanges, purchase of cashier orders or gift cheques. Occasional transaction does not apply to the insurance and securities sectors.*

Ongoing monitoring

Monitor business relationship continuously by:

- customer information review; and
- transactions monitoring and identification

Risk-based approach

FIs should determine the extent of customer due diligence measures and ongoing monitoring by a risk-based approach so that preventive or mitigating measures are commensurate to the risks identified. FIs are required to have risk assessment on the ML/TF risk of customers by assigning a risk rating to individual customers. In determining the risk rating of a customer, the following factors may be considered:

- country risk;
- customer risk;
- product/service risk; and
- delivery/distribution channel risk.

Where customers are assessed to be of higher risks, FIs should take enhanced customer due diligence ("EDD") to manage and mitigate those risks. Additional measures, such as obtaining additional information and getting senior management approval, may be taken over normal customer due diligence and monitoring procedures.

When the risks are lower and can meet the criteria under the AMLO, simplified customer due diligence ("SDD") measures may be applied. In general, FIs under SDD are not required to identify and verify the beneficial owner.

Suspicious transaction reporting

An FI should appoint a Money Laundering Reporting Officer as a central reference point for reporting any suspicious or knowledge of ML/TF to the Joint Financial Intelligence Unit ("JFIU").

Record-keeping

- Keep the original or copy of documents;
- Record the data and information; and
- Retain the above for 6 years after completion of transaction or the end of business relationship.

Staff training

- Implement a clear and well articulated policy for ensuring that relevant staff receive adequate AML/CFT training; and
- Keep the training records for at least 3 years.

How to identify suspicious ML/TF activities?

The JFIU has developed the **"SAFE"** approach which helps FIs identify suspicious transactions:

1. **S**creen the account for suspicious activity indicators.
2. **A**sk the customer appropriate questions.
3. **F**ind out the customer's records: review of information already known when deciding if the apparently suspicious activity is to be expected.
4. **E**valuate all the above information: is the transaction suspicious?

Examples of suspicious transactions in the securities and investment industry

The GAML sets out some examples on suspicious transactions:

Customer-related:
- customer requests for investment management services where the sources of their funds are unclear or inconsistent with the customer's financial background
- the opening of multiple accounts with the same beneficial owners or controlling parties which are unusual

Trading-related:
- buying and selling activities which are unusual or have no obvious purpose
- frequent transactions in small amounts, purchased in cash and then sold in one transaction with proceeds paid to a third party

Settlement/custody/transfers-related:
- large or unusual settlements in cash or bearer form, or dealings only in cash or cash equivalents
- holding of idle funds by a client, which are not used to trade, with the licensed corporation
- frequent fund transfers or cheque payments to or from unverified third parties or those difficult to verify

Those involving employees:
- changes in the life-style of an employee without reasonable cause, e.g. high spending or not taking holidays
- unusual or unexpected increase in the sales performance of an employee
- the use of forwarding addresses for clients, such as those of staff or persons connected with staff

What if suspicion is found?

The obligation to report suspicion under the DTRPO, OSCO or UNATMO rests with the individual who becomes suspicious of a person, transaction or property.

Once a suspicion has arisen, the need for disclosure should be considered and may require urgent discussions with senior management, appropriate questioning of the customer, and a review of all information already held about the customer. If suspicion remains and a decision is made to report the matter to the JFIU, it should be done without delay, by telephone, if necessary.

Licensed corporations should maintain a record of all disclosures made to the JFIU that includes details such as the date of disclosure and the identity of the person who made the disclosure. If there is no need for imminent action, the JFIU will usually give its consent for the licensed corporations to continue to operate the account. The licensed corporations and its staff must not inform or warn the client that information is disclosed to the JFIU.

For more details please refer to the GAML

Disclosure in Issuers' Annual Report

On 27 March 2015, The Stock Exchange of Hong Kong Limited ("Exchange") published a report on the findings and recommendations from its review of issuers' annual reports for the financial years ended between December 2013 and November 2014 ("Review"). The focus on the Review is to monitor the compliance of the issuers with its Listing Rules, their corporate conduct and disclosure of material events and developments. The release of its findings and recommendations could help improve transparency and promote a fair, orderly and informed market.

Under the Review, the Exchange found an improvement in the quality of disclosure in annual reports and compliance with the Listing Rules by the issuers. However, there are still areas for improvements in disclosure as follow:

1. Equity Fundraising

At the time of equity fundraising, the issuers should:

- clearly disclose their intended use of proceeds at the time of the equity fundraising; and
- provide details on how the proceeds were actually applied in the annual report.

2. Significant changes to issuers' financial performance

More in-depth discussion on the following aspects should be provided in the case of:

Issuers with reliance on key customers	Issuers with material changes in trade receivables
• the details of the key customers and their relationships;	• any discrepancy from the issuer's stated credit policy;
• the reasons for significant overdue receivables, if any;	• any subsequent settlement of receivables after the year-end date; and
• how the issuers enforced their credit policy; and	• the issuers' follow-up actions on any overdue receivables.
• the details of any impairment provisions to subsequent settlements.	

3. Newly listed issuers

The newly listed issuers should be aware of the following:

- While publishing profit warning announcements, they should ensure the information regarding material developments subsequent to the date of prospectus has not been disclosed;
- Additional information to be provided regarding its financial position after listing should be meaningful, specific and not inside information; and
- Appropriate headline categories that describe the nature of the information should be selected.

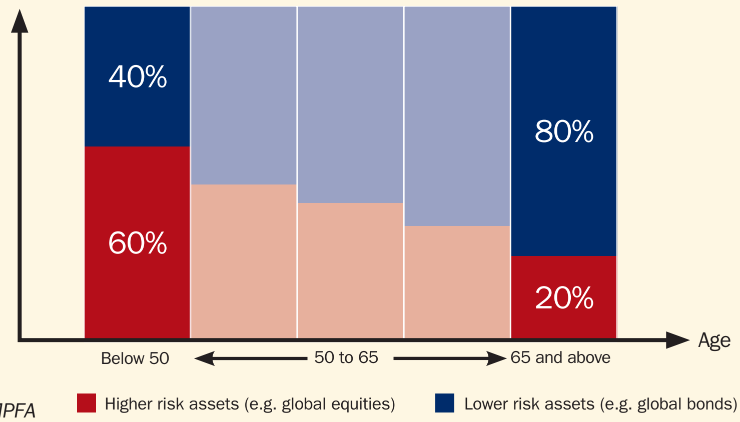
A Choice for Not Making Choice – Better Investment Solutions for MPF Members

The Mandatory Provident Fund Schemes Authority ("MPFA") has published its consultation conclusion in mid-March 2015 regarding the proposal to enhance the regulation of the Mandatory Provident Fund ("MPF") system by introducing a default investment strategy ("DIS") (previously named as "core fund" in the consultation) in all MPF schemes mainly for those members who do not indicate a specific fund choice. Mr Darren McShane, Chief Regulation and Policy Officer of the MPFA, and Ms Lau Ka Shi, Managing Director and CEO of BCT Group and Vice Chairman of Hong Kong Trustees' Association, spoke at the HKSI Institute on 29 April 2015 to share with us the key outcomes of the consultation, the operation of the proposed DIS, and the industry's perspective on the initiative.

During the consultation period, a total of 266 written responses were received and about 3,000 people attended the relevant briefing sessions. Mr McShane informed that the respondents generally support a default investment arrangement that would be substantially the same in all MPF Schemes, subject to a fee control, available as a choice and has a balanced investment approach. There were however, some diverse views on issues such as active or passive investment style, level of fee control and government involvement etc.

Regarding the proposed future direction, Mr McShane explained that the DIS in all schemes would be based on the same investment approach and designed to automatically reduce investment risks as MPF scheme members approach retirement age. Specifically, the allocation of higher/lower risk assets would be gradually adjusted from about 60%/40% at age 50 to about 20%/80% at age 65. Though the investment approach of DIS in each MPF scheme is standardised, Ms Lau stressed that the funds' performance outcome would be different due to variation in investment timing, stock selection and other styles/preferences of different fund managers. The performance of the proposed DIS funds in each scheme would be benchmarked against an agreed industry standard in order to increase transparency and comparability across schemes.

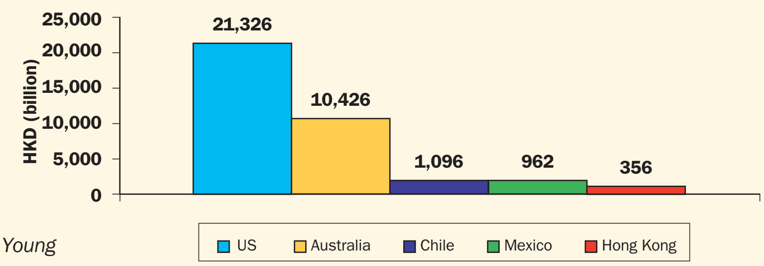
Reduce Investment Risks with Age



Source: MPFA

Moreover, in order to address MPF members' concerns about the relatively high fee level, the management fees of the DIS funds would be initially capped at 0.75% of fund assets. Mr McShane stressed that this level would be further reviewed over time. Ms Lau also shared her view on the policy direction of fee control from the industry's perspective. She explained that given the relatively small size of the Hong Kong retirement fund market compared with other major jurisdictions, fee reduction would be challenging as the benefits of economies of scale was limited. Therefore, she pointed out that the industry should focus on delivering good returns with reduced risk and volatility within a reasonable fee level.

AUM size of reference systems (2012)



Source: Ernst & Young

Mr McShane expected that the proposal would be introduced to the Legislative Council within 2015 and implemented by the end of 2016. Ms Lau added that there would be a lot of preparatory work required from the industry before the implementation of the proposed DIS, including system enhancement, staff training and communication with employers and members of MPF schemes. She also reiterated the importance of raising public's understanding on the DIS and the awareness on managing their retirement savings.

In conclusion, Mr McShane indicated that standardising the default arrangements of all MPF schemes and imposing a fee control on MPF funds via legislative amendments is a significant breakthrough and an important policy reform. The MPFA will continue to work with the industry on developing the details of the DIS.

From Stock Connect to Mutual Recognition of Funds

There have been being many initiatives in Hong Kong financial markets in relation to cross-border schemes between Mainland China and Hong Kong. After the launch of the Shanghai-Hong Kong Stock Connect ("Sh-HK Stock Connect") in last November, the Mutual Recognition of Funds ("MRF") commenced in this month and the Shenzhen-Hong Kong Stock Connect ("Sz-HK Stock Connect") is expected to be implemented by end of this year. While these schemes are being initiatives to promote Renminbi ("RMB") as a trade and investment currency and building up momentum for China moving towards a system that allow full RMB internationalisation, they bring challenges and provide opportunities to Hong Kong financial market.

Shanghai-Hong Kong Stock Connect

We have captured the movements of Sh-HK Stock Connect in our previous issues of S.I. The Sh-HK Stock Connect started its operation with average turnover. It then went through continuous enhancements such as the relaxation for short selling for northbound trades (i.e. A shares) and the introduction of enhanced pre-trade checking mode. With its southbound daily quota being fully utilised at the first time on 8 and 9 April 2015, the Sh-HK Stock Connect has demonstrated an example of successful model of the first cross-border trading link between Hong Kong and the Mainland.

Shenzhen-Hong Kong Stock Connect

A similar trading link, the proposed Sz-HK Stock Connect is anticipated to come soon. After the approval procedures are completed, the scheme will be launched in the second half of the year.

It was reported that the stocks to be included in the Sz-HK Stock Connect will be stocks from the main board, the small and medium-sized enterprises board and the CHiNext growth board from which only those with high market value, stable performance, active trading and with burgeoning industries at the center will be selected.

Market analysts commented that when A shares on both Shanghai Stock Exchange and Shenzhen Stock Exchange are open for international investors to invest, the probability of China's A shares being included in the MSCI index is very high. China's A shares being included in MSCI will boost capital flow to China. For example, investment funds typically buy stocks which are included in reputable indices such as MSCI for benchmarking their performance against those indices.

Mainland-Hong Kong mutual recognition of funds

On 22 May 2015, the SFC together with the China Securities and Regulatory Commission ("CSRC") jointly announced that the MRF scheme between the Mainland and Hong Kong would start to be implemented on 1 July 2015. The MRF is a streamlined channel for authorised funds in the home jurisdiction (i.e. the SFC in Hong Kong, or the CSRC in China) to seek authorisation for retail distribution in the other host jurisdiction provided that the funds meet certain eligibility requirements.

As stated in the joint announcement, the funds intended to get recognition under the MRF must observe the general principles:

1. the fund must be authorised by or registered with the home regulator to be marketed to the public;

2. the fund is managed in accordance with the laws and regulations in the home jurisdiction and its constitutive documents;

3. the sales and distribution of the fund shall comply with the applicable laws and regulations of the host jurisdiction;

4. the fund will comply with the rules and regulations concerning the authorisation, post-authorisation and on-going requirements under MRF published by the host jurisdiction, as well as other applicable law and regulation in the host jurisdiction; and

5. the fund manager must ensure holders of both Hong Kong and the Mainland receive fair and the same treatment, including in respect of investor protection, exercise of rights, compensation and disclosure of information.

Initially, only general equity funds, bond funds, mixed funds, unlisted index funds and physical index-tracking exchange traded funds will qualify. A senior official of the SFC said that currently there are about 100 Hong Kong-domiciled funds and 850 Mainland funds eligible for the scheme. Each side is subject to a quota of RMB300 billion.

More detailed requirements are contained in the joint announcement

On 22 June 2015, HKSI Institute has organised a seminar where Ms Julia Leung, Executive Director, Investment Products Division of the SFC set the scene and shared further on the requirements and practical applications of the MRF. Ms Leung said that the MRF is one element of the SFC's strategy for strengthening the asset management industry of Hong Kong. Other focal areas of the strategy include structuring an appropriate eco-system for the industry through streamlining authorisation process and exploring options for broadening fund distribution channels with the industry; and enhancing investor protection through developing robust regulations before any new market initiative, constantly reviewing the local regulations, and implementing international best practices.

Commentaries said that the MRF will give fund managers greater incentive to set up more Hong Kong-domiciled fund and provide more job opportunities in fund analysts, fund management and fund custody and so foster development of the Hong Kong fund management industry.

Going forward

Stock Connect

Charles Li, Chief Executive of HKEx, said in the HKSI Institute's annual roundtable luncheon on 18 June 2015 that the next move will be making similar trading links for other asset classes. Market analysts anticipate that stock derivatives may be brought into trading of Sz-HK Stock Connect first in future. These derivatives include fixed income products, interest rate liberalisation products and futures products. For more details of Mr Li's speech, please see page 14.

MRF

In a statement, Shenzhen Stock Exchange said it was working with ChinaClear and the Hong Kong Monetary Authority on establishing an efficient fund processing platform including cross-border fund sales data transmission and cash settlement and quota registration. The MRF scheme, if proves successful, will be expanded.

MVP in Sports and at Work – Interview with Board Member Ms Anna Wong

From Left: Mrs Edith Ngan Chan, Chief Executive of HKSI Institute; Mr John Maguire, Board member and Membership Committee Chairman of HKSI Institute; Mr Craig Lindsay, Chairman of HKSI Institute; Ms Anna Wong, Board member of HKSI Institute and the PWM Steering Committee Chair; Mr Colin Shaftesley, Board member and Examinations Committee Chairman of HKSI Institute

Ms Anna Wong involves in the meaningful work of HKSI Institute and holds many roles in the HKSI Institute: she is a Senior Fellow, a Board Member, the PWM Steering Committee Chair, and a Member of the Membership Committee. She took a career break in 2013 and is now a student at the Juris Doctor Programme with the Law Faculty, the University of Hong Kong. Ms Wong has held a number of senior management positions in different financial institutions, namely Credit Suisse Private Bank, HSBC Broking, HSBC Private Bank, BNP Paribas Private Bank and Citibank, N.A.

Ms Wong's career started as a management trainee with the Corporate Banking Division of the Chase Manhattan Bank, N.A. She considers Corporate Banking a good place to start a career in the finance industry. "Corporate and Commercial Banking provides a good platform for young professionals to acquire financial knowledge, risk management techniques, and marketing skills. The knowledge picked up, say in the first five years of career in Corporate and Commercial Banking, will be fundamental and is highly transferable to other sectors of the finance industry in the future," said Ms Wong.

Having been in the management role for many years, she thinks it is easier to manage clients than staff. "Talent development and talent growth are key but always challenging. You have to lead, to motivate, to care and to entice your subordinates, as well as to provide a platform for them to perform." Ms Wong is keen in developing young talents – she is now a mentor of the HKSI Institute and several universities. As a manager for decades, she suggests young professionals to work in a reputable firm for at least 5-7 years and not to job-hop, "you are half way to success when you are in an organisation with a good brand name". Young professionals should also not to be afraid of taking up new responsibilities. "Don't ever complain if your boss assigns you extra tasks, you should be happy about it as this means your supervisor trusts you and believes you are capable to deliver. Don't be depressed if your boss did not recognise your efforts, what you have done is visible to other seniors around you."

In addition to her expertise in the finance industry, she is also a good athlete who loves playing ball games, especially softball and netball. She was "Player of Match" in 2006 Hong Kong Netball Association Division 3 Finals when her team won championship. Recently appointed as a director of the Hong Kong Sports Institute, she still plays netball in her leisure times. She believes that sports help her handle stress well.

"You can study to improve your knowledge, train to increase your IQ, but doing sports is one of the ways to raise your EQ. People generally like to win, but what sports teach you is to learn how to lose. After you lose, you have to reflect what went wrong, adjust, and take the challenge again. You may still fail, but you will have a higher chance of winning if you know how to lose."

She recalled back in 2008, after the collapse of Lehman Brothers and start of the financial crisis, many bankers, including herself, had to handle customers with emotions. The overall environment was depressing. But then, she managed not to bring the unhappy emotion back home or affect her personal life. "A good professional in the finance field has to be very attentive and concerned but not such to affect one's own emotions（要用心但唔好上心）," advised Ms Wong.

Ms Wong and her daughter, both great netball athletes, at the HKSI Institute's event "Young Professional Seminar"

Ms Wong has held important roles in the Private Wealth Management ("PWM") industry for many years. She said a good Private Banker ("PB") needs to have interest in investments. Ms Wong said, "Clients rely on you to provide advice and give insights. Without a passion on investments, you will not be able to have meaningful discussions with your clients." Moreover, a good PB needs to know about risk management (for both the client and the bank), compliance and regulations, ethical standards, and most importantly place

Private Banking is about building long-term relationship with clients, "gaining the client's trust is of utmost importance," said Ms Wong.

clients' interests in the highest priority. Private Banking is about building long-term relationship with clients, "gaining the client's trust is of utmost importance," said Ms Wong.

Economic growth in China has resulted in a substantial growth in the number of high net worth individuals, which is a new group of potential customers for the PWM industry. Most of them are first generation entrepreneurs, their wealth may still be embedded in the business operations. They may still be at their wealth creation stage and priority is in growing their business. As a PB, one will have to be patient and to take a longer term view on this prospect. The PB needs to have some basic financial knowledge in corporate banking and investment banking, such that a "cross sell" may be made to the other departments of the bank. When the client is ready for private wealth management, either if they sell part of their business or through an IPO of the business, they will definitely revert to the PB who has helped them in such regards.

Gaining customer's trust is easier said than done, especially for those clients who have been negatively affected by the financial crisis. Industry accreditation is one of the means to establish a competency standard to gain customer and investor confidence. Practitioners who hold the Certified International Wealth Manager ("CIWM") or Certified Private Wealth Professional ("CPWP") qualification are likely to be better recognised by their clients in terms of competency, not only of investment knowledge and skills, but also in risk management and in upholding a high ethical and compliance standards.

As a Board Member of the HKSI Institute, Ms Wong works with fellow Board Members to maintain the HKSI Institute as a centre of excellence. She hopes practitioners will look to the HKSI Institute for latest update of the industry. She sees the HKSI Institute as a venue for key stakeholders' networking and a centre for market intelligence.

More information on CIWM

More information on CPWP

2015 Study Mission to Toyko – HKSI Institute Meets Abe's Advisers on 3-Arrow Strategies

In April, the HKSI Institute's overseas study mission took a senior delegation to Tokyo to explore business opportunity and build meaningful contacts with its regulators, government officials and top corporate leaders, having visited gateway cities such as Bangkok, Beijing, Jakarta, Kuala Lumpur, Seoul, Shanghai, Shenzhen, Singapore, and Taiwan over the years.

The 17-strong delegation to Tokyo was led by HKSI Institute Chairman Mr Craig Lindsay, Study Mission Organising Committee Chairman Mr Kenju Ogyu and Chief Executive Mrs Edith Ngan Chan, with a comprehensive 2-day meeting with key influencers of the market:

22 April

- Mizuho Financial Group
- Japan Economic Revitalization Bureau, Cabinet Secretariat
- Lunch Seminar *(sponsored by Nomura International (Hong Kong) Ltd.)*
- Tokyo Stock Exchange
- Bank of Japan
- Dinner Reception *(sponsored by The Securities Analysts Association of Japan)*

23 April

- AlixPartners
- Japan Securities Dealers Association
- Lunch Seminar *(sponsored by Toyo Securities Asia Ltd.)*
- Ministry of Finance
- Financial Services Agency
- Government Pension Investment Fund

"Our annual visit to a key financial market in the region has been a highlight in the HKSI Institute's calendar. It offers exceptional access to direct, high-level dialogue with key movers of the selected country," said Mr Lindsay. "This year, our Tokyo Study Mission had the privilege of meeting with the very team who advises Japan's Prime Minister Mr Shinzo Abe on his three-arrow strategies, and the Government Pension Investment Fund for an "insider's" view of their investment strategies. It is refreshing to see a significant positive difference in sentiment and energy level of market participants and the overall economy," he added.

Snapshots from 2015 Study Mission to Tokyo

Mr Craig Lindsay, Chairman of the HKSI Institute (right) with Mr Naoyuki Okamoto, Deputy Director General, Japan Economic Revitalization Bureau, Cabinet Secretariat

Delegates with Mr Tomo Kinoshita, Chief Economist and Managing Director of Nomura Securities (front row, fourth from left) and Mr Takeshi Nishida, President and CEO, Nomura International (Hong Kong) Ltd. (front row, fifth from left) at the lunch seminar on 22 April

Delegation with Ms Kumiko Okazaki, Senior Economist and Director, Bank of Japan (front row, centre) at the Head Office of Bank of Japan

At the trip, HKSI Institute Corporate Members of Japanese origin – Nomura International (Hong Kong) Ltd. and Toyo Securities Asia Ltd. – each hosted a lunch to welcome the delegation to their home-town, reflecting a positive testimony to the rich international composition and strong engagement of the Institute's corporate membership.

Moreover, the Institute connected the delegates with The Securities Analysts Association of Japan ("SAAJ"), its fellow Asian Securities and Investment Federation ("ASIF") founding member. SAAJ not only hosted a dinner reception for the delegates, but also open its door to them to participate in SAAJ's 6th international conference on "Asset Management in Asia: Opportunities and Future Development", which took place after the 2-day study mission.

Two awardees from the HKSI Institute Young Talent Programme were also privileged to join the study mission with the support from I-Access Group Limited, which has generously continued with its sponsorship for the third consecutive year. In line with the Japan-theme, candidates submitted an essay on "*The Impact of Japanese Yen Depreciation on Its Neighbouring Regions*" to compete for the coveted spots to Tokyo.

Mr Louis Mak, Chief Executive Officer of I-Access Group Ltd personally reviewed the essays to select the scholars, and the winners are:

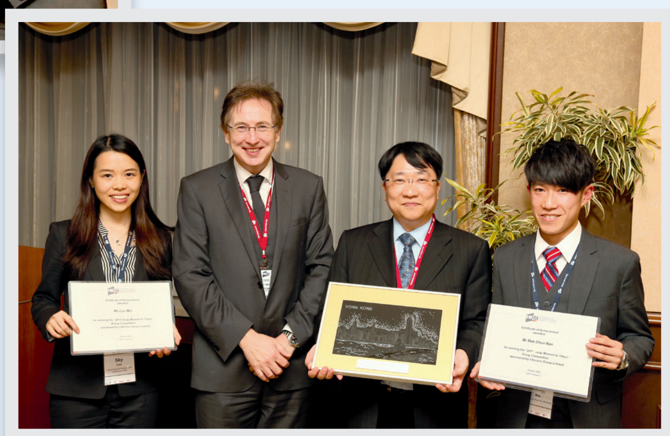
- Ms Luo Min, Sky (Management Trainee, Hong Kong Exchanges and Clearing Ltd.)

- Mr Mak Chun Man, Edwin (Undergraduate, Hong Kong Shue Yan University)

The study mission not only enabled the awardees gain insights into the latest business and financial landscape of Japan, but also provided them the opportunity to interact with seasoned practitioners of the industry.

(From left to right) Mrs Edith Ngan Chan, Chief Executive, HKSI Institute; Mr Tetsushi Shinoda, Chairman, Toyo Securities Co., Ltd; Mr Craig Lindsay; Chairman, HKSI Institute; and Ms Megumi Takarada, Equity Analyst, Toyo Securities Co., Ltd at the lunch seminar on 23 April

Mr Kenju Ogyu, Study Mission Organising Committee Chairman (left) presenting a token of appreciation to Mr Hajime Mitsumori, Senior General Manager, Self-Regulatory Planning Division, Japan Securities Dealers Association



Mr John Maguire, Board of Director of HKSI Institute (second from left) and Mr Louis Mak, CEO of I-Access Group and Board Director of HKSI Institute (second from right), flanked by awardees from the HKSI Institute Young Talent Programme – Ms Sky Luo (far left) and Mr Edwin Mak (far right)

Roundtable Luncheon with Mr Charles Li – Adjusting to the New Normal

Full-house turnout at the HKSI Institute's annual roundtable luncheon with Mr Charles Li

Mr Charles Li in his element during his talk on "Adjusting to the New Normal"

On 18 June 2015, HKSI Institute saw a full-house turnout at its annual roundtable luncheon with Mr Charles Li, Chief Executive of HKEx. The event also saw media representatives turn up in full force to hear Mr Li's sharing on "Adjusting to the New Normal".

Mr Li started with a quick review of Hong Kong's financial market over the past 20 years. Hong Kong, which was a market dominated by local companies and investors in the 90's, went through the IPO era when Chinese enterprises started listing in Hong Kong, then the domestic growth era when China domestic capital markets began to develop and rose fast. "Today, Hong Kong is facing new challenges and opportunities as China accelerates its market liberalisation and RMB internationalisation" Mr Li said.

However, Mr Li added that going international is not easy for China because its fundamental market structure is very different from that of other places in the world. The greatest significance of Shanghai-Hong Kong Stock Connect is that it provides China with an interim model for opening up before it is completely ready for the large-scale arrivals of international investors and departures of Chinese domestic investors. It requires very limited changes to the existing legal and regulatory systems and market structures in each market, but allows investors to trade across the markets with minimum incremental costs or inconvenience.

So what are the key features of Stock Connect? Mr Li explained that orders from each market are electronically routed in gross into one matching engine in the target market, ensuring one price discovery point. The cross-border clearing and settlement are done on a net basis to minimise cross-border fund flows with currency of transaction being the RMB. With the joint oversight of the two regulators, Mr Li stressed that this model has the potential to be extended to other products and asset classes such as derivatives, commodities, fixed income and currencies. "Here we are moving towards a Mutual Market era whereby investors on each side of the boundary are able to trade products of the other market within their home time zone, relying on their home market infrastructures," said Mr Li. He added that Stock Connect is the very first toll-free bridge to China, and that it will sustain as one of the premier channels for Chinese and global investors to access the opposite market in the years to come.

To conclude, Mr Li said that China's opening up over time brings both opportunities and challenges for Hong Kong as an international financial center. Hong Kong needs to have a fresh and broader perspective in looking at the changes and adjust itself to embrace the "new normal" so as to tap opportunities arising from China's liberalisation.

HKSI Institute News and Updates

Certified International Investment Analyst ("CIIA") Final Examination

The First Simplified Chinese International Qualification Examination to Launch in September

Many have likened China's current exciting financial transformation to the "Great Era", a well-know local drama which was set against the backdrop of a vibrant stock market age. With the launch of the Shanghai-Hong Kong Stock Connect last year, the recent roll-out of the Mainland-Hong Kong Mutual Recognition of Funds on 1 July, and the impending launch of Shenzhen-Hong Kong Stock Connect, there is indeed much to be looking forward to on China's acceleration towards market liberalisation.

Recognising the demand and need for industry practitioners to stay competitive and capitalise on these market development opportunities, the HKSI Institute is introducing the Simplified Chinese paper for CIIA Final Examination in Hong Kong for the first time this September.

The HKSI Institute introduced the CIIA in Hong Kong back in 2002. It is an international and locally-recognised advanced professional qualification for individuals wishing to work or working in the finance and investment industry. It is also the only international professional qualification recognised by the Securities Association of China ("SAC").

Mrs Edith Ngan Chan, Chief Executive of HKSI Institute, who is a Council Member of Association of Certified International Investment Analyst – the international umbrella organisation for national and regional associations of investment professionals that provides the CIIA qualification – is a strong advocate of continuous learning.

"After months of work with our Mainland counterpart, SAC, we are proud to be rolling out the examination in Simplified Chinese in September. The CIIA qualification is very beneficial for university students and practitioners alike to distinguish themselves within the competitive financial services job market. Much is to cheer now too, with the added flexibility for candidates in terms of language preference for the examination," said Mrs Edith Chan.

Recently, the HKSI Institute organised a roundtable discussion themed "Cross Market Cooperation – Shanghai, Shenzhen and Hong Kong" for CIIA holders and candidates from Hong Kong, Mainland China and Taiwan. It proved to be an effective platform to share insights and explore ideas towards higher participation and contribution in the recent financial market developments, as well as to connect with like-minded professionals.

For more information of the CIIA examinations, please visit our website at www.hksi.org/CIIA.

(Middle) Mr Louis Mak, Board Director and CIIA holder, spoke at the HKSI Institute's roundtable discussion themed "Cross Market Cooperation – Shanghai, Shenzhen and Hong Kong" on 17 June 2015

HKSI Institute News and Updates

University students only...

Discount for Licensing Examination

Full time local university students can enjoy **50% discount** for HKSI Institute Licensing Examination Papers 1, 7 and 8. Special sessions are to be held in August 2015. Seats are limited and registration is on a first-come-first-served basis.

Act now to register!

Licensing Examination for Securities and Futures Intermediaries

Examination	Exam Date and Time	Fee	Enrolment Deadline
Paper 1	24 August 2015 (Mon) 10:45 am – 12:15 pm	$530	13 August 2015 (Thu) 5:30 pm
Paper 7	26 August 2015 (Wed) 10:45 am – 12:15 pm	$375	17 August 2015 (Mon) 5:30 pm
Paper 8	28 August 2015 (Fri) 10:45 am – 11:45 am	$375	19 August 2015 (Wed) 5:30 pm

Notes:

- *The dates and times shown in this timetable refer to the dates in Hong Kong and the Hong Kong Standard Time as announced by the Hong Kong Observatory.*
- *Applicants must present their original valid student identity card to HKSI Institute staff IN PERSON at HKSI Institute's counter together with the Enrolment Form.*
- *The Refund Policy will NOT be applied to the above examination session(s).*
- *Applicable to full-time students of City University of Hong Kong, Hong Kong Baptist University, Hong Kong Shue Yan University, Lingnan University, the Chinese University of Hong Kong, the Hong Kong Polytechnic University, the Hong Kong University of Science and Technology, the Open University of Hong Kong and the University of Hong Kong.*
- *The timetable and fees are subject to change without prior notice.*
- *Enrolment is on a first-come-first-served basis.*

Notice of Office Relocation

We are pleased to inform you that effective from 17 August 2015, the HKSI Institute will be moving from the 24th floor at the Wing On Centre to the new office on the 5th floor. The move and enhancement of our facility brings together the training/office area and the examination centre, which was previously on a separate floor.

The "HKSI Institute New Office Opening Celebration" is scheduled on 2 September at 6:00pm. To mark the special occasion, we are delighted to have Miss Salina Yan, JP, Deputy Secretary (Financial Services) of the Financial Services and the Treasury Bureau, to be the Guest of Honour officiating the opening ceremony. The event is open to all Members – look out for the registration invitation!

New HKSI Institute Office Address (Effective from 17 August 2015)

Room 510, 5/F, Wing On Centre
111 Connaught Road Central
Hong Kong
(All phone numbers remain unchanged)

Hong Kong Securities and Investment Institute

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Fax: (852) 2899 2611
Email: info@hksi.org
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