

## Standards & Insights

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### Chairman's Cocktail 2017



From left to right: Ms Alice Law, Chief Operating Officer and Executive Director, Mandatory Provident Fund Schemes Authority; Ms Mable Chan, Deputy Secretary for Financial Services and the Treasury (Financial Services); Mr Ashley Alder, Chief Executive Officer, Securities and Futures Commission; Mr John Maguire, Chairman, HKSI Institute; Mr Andrew Wong, Permanent Secretary for Financial Services and the Treasury (Financial Services); Ms Carmen Chu, Executive Director (Banking Conduct), Hong Kong Monetary Authority; Mr David Graham, Chief Regulatory Officer and Head of Listing, Hong Kong Exchanges and Clearing Limited; and Miss Ruth Kung, Chief Executive, HKSI Institute.

It was a grand affair at the Chairman's Cocktail on 9 March, as Members and guests gathered to kick-start the HKSI Institute's 20th Anniversary celebrations with Chairman Mr John Maguire, and Guest of Honour Mr Ashley Alder, Chief Executive Officer of the Securities and Futures Commission (SFC).

With our mission in setting, raising and promoting high standards, the cocktail reception was also a fitting occasion to celebrate the winners of the Continuous Professional Training (CPT) Stars Award. Mr Paul Day, Chairman of Education & Development Committee of the HKSI Institute, announced and acknowledged our Member winners for their dedication to professional development above and beyond the minimum regulatory requirements. The star learners received the award from Mr Alder – with the Gold Star Awards presented to Members with

more than 45 CPT hours, Silver Awards to those who clocked-in more than 35 CPT hours, and Bronze Awards to those with more than 25 CPT hours.

In line with the HKSI Institute's efforts to better serve practitioners' professional development needs, online learning offerings will also be launched this year. This will be done through the Advanced Learning Platform (ALP), developed by the HKSI Institute with support from the SFC. Mr Alder expressed his appreciation on such professional training efforts, as the application of SFC licence is increasing and there is a need to enhance the scale of training. Mr Alder believed that the ALP will help meet the licensees' demand for training, at the same time provide a flexible and broader scope of learning offerings to financial practitioners.



## Chairman's Cocktail 2017



Building on what the HKSI Institute has achieved thus far, we will continue to work hard and are firmly committed in championing professional standards of excellence, as well as embracing and nurturing young talents as leaders for tomorrow.


Many programmes and initiatives will be carried out this year in celebration of HKSI Institute's 20th anniversary milestone.


Signature events such as the roundtable luncheon talks by Mr Ashley Alder and Mr Charles Li, Chief Executive of the Hong Kong Exchanges and Clearing Limited will be held on 13 July and 21 September respectively, and the 20th Anniversary Celebration Dinner will be happening on 16 November. Please visit our website for event details, and hope to see you there!




From left to right: Mr Ben Kwok (Bronze Award winner), Mr Ma Tak Wah (Bronze Award winner), Mr James Choo (Gold Award winner), Mr Paul Day, Mr Ashley Alder, Mr John Maguire, Mr Charles D'Haussy (Bronze Award winner), Mr Mikhail Garcia Romulo (Bronze Award winner), Ms Chau Tsang Wu (Bronze Award winner), and Miss Ruth Kung.


## Regulatory and Market Updates

 On 20 January 2017, the SFC issued a joint statement regarding concerns about the unusually high price volatility post-listing of Growth Enterprise Market (GEM) stocks with The Stock Exchange of Hong Kong Limited (SEHK) and issued a guideline to provide guidance to sponsors, underwriters and placing agents on the standards of conduct that they would be expected to comply in the listing and placing of GEM initial public offering stocks.


 The Hong Kong Monetary Authority (HKMA) has assisted to offer a 10-year Islamic bond (the third sukuk) on 22 February 2017 under the Government Bond Programme. The sukuk is USD-denominated with a 10-year tenor that any local or overseas institutions intending to issue sukuk of a longer tenor can refer to the yield of this sukuk as a benchmark. It is listed on the SEHK, Bursa Malaysia (Exempt Regime) and Nasdaq Dubai.


 On 2 March 2017, Arthur Yuen, Deputy Chief Executive of the HKMA, issued a circular to provide guidance for authorised institutions (AIs) to develop and promote a sound corporate culture that supports prudent risk management and contributes towards incentivising proper staff behaviour leading to positive customer outcomes and high ethical standards in the banking industry. The circular also supplements the corporate governance guidelines setting out in the Supervisory Policy Manual and provides additional practical guidance to AIs.


 The Hong Kong Exchanges and Clearing Limited (HKEX) introduced a Renminbi (RMB) Currency Options on 20 March 2017. The first currency options traded at HKEX are the US dollar-Offshore RMB (USD/CNH) Options to provide investors with a tool to execute more trading strategies and a full range of RMB-related derivatives.


 On 21 March 2017, the SFC concluded its consultation on position limit regime. The proposals include a 300% cap on the excess position limit that may be authorised by the SFC, a statutory position limit of 150,000 contracts for stock options as well as new excess position limits for index arbitrage activities, asset managers and market makers of exchange-traded funds. The amended rules are planned to come into effect on 1 June 2017.

 The SFC's consultation on proposed amendments to the Securities and Futures (Professional Investor) Rules was ended on 3 April 2017. Under the proposals, more individuals who meet the monetary threshold will qualify as professional investors and the categories of corporations to be professional investors will be expanded.

 On 11 April 2017, the SFC issued a statement which sets out factors the SFC will take into account when reviewing the proposed listing of infrastructure project companies in Hong Kong. The factors are designed to address potential country and related risks.

 On 21 April 2017, the SFC published a comprehensive Licensing Handbook to provide easier access to licensing information. The new handbook consolidates information previously issued by the SFC in its Licensing Information Booklet, frequently asked questions and circulars.

 On 27 April 2017, the HKMA and the SFC issued a joint consultation (to be ended on 26 May 2017) on the prescription of additional markets, additional clearing houses, as well as Delta One Warrants, in response to a recent request from market participants that certain products be excluded from the upcoming second phase of mandatory reporting of the over-the-counter derivatives regulatory regime.

 On 8 May 2017, the SFC launched a consultation (to be ended on 7 July 2017) on proposals to reduce hacking risks in internet trading. The proposals incorporate new guidelines which set out baseline cybersecurity requirements for internet brokers to address hacking risks and vulnerabilities and to clarify expected standards of cybersecurity controls.



## Regulatory Highlight: AML/CFT

*Financing booms and increasing regulatory initiatives signify that financial institutions must seek way to cope with the rising cost of anti-money laundering/combating financing terrorism (AML/CFT) compliance under the global landscape of strong enforcement and stringent supervision.*

Global money laundering (ML) transactions are estimated at 2 to 5% of global GDP (or around US\$1-2 trillion) annually, according to PwC's Global Economic Crime Survey 2016. In the wake of the global financial crises, the leak of Panama Papers and the rising visibility of terrorist attacks, governments and regulators across the globe have played their attention toward AML/CFT compliance failures. This trend has resulted in a number of notable enforcement actions against major financial institutions leading to deferred prosecution agreements, regulatory sanctions and large fines, especially the substantial amount of regulatory fines in ML and terrorist financing (TF) cases.

### Initiatives in Asia-Pacific Region

Regulators in the major Asia-Pacific financial centres continue their supervisory focus on AML/CFT. After the Malaysia's scandal of 1Malaysia Development Berhad, the Monetary Authority of Singapore sets up a dedicated AML department to streamline the responsibilities for regulatory policies relating to ML and other illicit financing risks. It also announced to launch a government-industry partnership with the Commercial Affairs Department of the Singapore Police Force to strengthen Singapore's capabilities in the fight against ML and TF.

In Australia, the Australian Transaction Reports and Analysis Centre proposed a consultation to amend the AML/CFT rules for strengthening its regime, and launched the world-first public-private partnering AML/CFT alliance in March 2017 with police, tax office, banks and third-party payment service providers to identify, target, disrupt and deter ML and TF.

Moreover, the People's Bank of China will tighten the requirements relating to transaction monitoring and reporting of suspicious transactions from 1 July 2017.

### Hong Kong: Higher Requirements

The Hong Kong government and regulators are likely to amend the AML regime for addressing perceived deficiencies and following new developments from the Financial Action Task Force (FATF), the global AML/CFT standard-setter, prior to a scheduled mutual evaluation of the regime by the FATF in 2018. In March 2017, the government published conclusion of two consultations on proposals to amend the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the Companies Ordinance for 1) enhancing the transparency of beneficial ownership of Hong Kong incorporated companies through requiring all of the companies, except listed companies, to obtain and keep beneficial ownership information for the purpose of public inspection and impose criminal sanctions for non-compliance of the requirement, and 2) extending customer due diligence and record-keeping requirements for specified transactions to designated non-financial businesses and professions such as solicitors, accountants, real estate agents, and trust or company service providers. Two amendment bills based on the consultation conclusions are targeted to be introduced into the Legislative Council by July 2017.

Since early March 2017, the SFC and the HKMA have collectively taken disciplinary actions against five regulated entities, including four licensed corporations (LCs) and an authorized institution (AI), and an individual relating to breaches of AML/CFT regulatory requirements. The entities were fined amounts ranging from HK\$2.6 million to HK\$7 million, whereas the individual was banned from re-entering the industry for nine months. The SFC has also set up a dedicated AML team within its Enforcement Division to tackle know-your-client and AML/CFT control failings. Besides, under the SFC's "Managers-In-Charge" (MIC) regime, AML/CFT is identified as one of the

## Recent Major Regulatory Fines for violating AML/CFT laws

	Jurisdiction	Financial Institution	Fine (USD million)
Apr 2017	Hong Kong	Coutts & Co.	0.90
Jan 2017	Switzerland	Coutts & Co.	6.57
	US	Western Union	586
	US and UK	Deutsche Bank	630
Dec 2016	US	Intesa Sanpaolo	235
		Credit Suisse	16.50
	Singapore	Standard Chartered	3.56
		Coutts & Co.	1.68
Nov 2016	Spain	Banco Santander	1.06
	Ireland	Ulster Bank	3.59
	US	Agricultural Bank of China	215
Jul 2015	Hong Kong	State Bank of India	0.97

eight core functions of a licensed corporation (LC). The MIC of AML/CFT of an LC is identified as “regulated persons” under the Securities and Futures Ordinance (SFO). All potential disciplinary consequences under the SFO apply to regulated person are also applied to the MIC of AML/CFT. The mentioned disciplinary actions and the regulatory infrastructures from the SFC and the HKMA in relation to AML/CFT serves as a signal of regulators’ concerns. Regulated entities should take action to ensure compliance with the relevant requirements.

Despite the standard of Hong Kong’s AML/CFT regime is enhancing, the HKMA indicated its expectation in balancing between AML/CFT and financial inclusion as an international financial centre. AIs are required to adopt a risk-based approach when undertaking customer due diligence to identify, assess and understand the ML and TF risks by taking all reasonable measures and ensure no material failings in their AML/CFT control system.

## Way to Cope with High Compliance Cost

Under the global landscape of strong enforcement and stringent supervision in AML/CFT, it is expected that the cost of AML/CFT compliance and non-compliance will continue to rise. Regulatory technology can be a solution to meet the growing compliance needs, increase efficiency and save human resources. With limited resource, financial institutions may therefore need to think more creatively about how to meet changing regulatory expectations. Moreover, offering quality training in both compliance knowledge and skills, and ethic and conduct is an important and effective way to prevent AML/CFT failure. Training for senior management may also bring insight to the managers to build up an ethical corporate culture and formulate a sound AML/CFT policy, procedure and control.

## FAQs on Licensing Examination

*As a Licensing Examination (LE) provider, we receive enquiries on LE-related matters every day. Licence applicants may want to know more about which LE paper to take, while some student members or industry newcomers may want to know about when to take which specific papers for better career planning. We have selected some frequently asked questions here for your easy reference.*

### 1 Who should take the LE?

The LE is for individuals who wish to pursue their careers in the securities and investment industry in Hong Kong. The Securities and Futures Ordinance provides for the implementation of the single licensing regime with 10 types of regulated activity (RA). An individual will need one licence or registration to carry on different types of RA.

The LE Paper 1 to 12 have been approved by the SFC as Recognized Industry Qualifications and Local Regulatory Framework Papers for meeting the competence requirements in relation to the applications for licences as Representatives and/or Responsible Officers.

The LE Paper 15 and Paper 16 have been approved by the SFC for the purposes of the examinations under the sponsor eligibility criteria.

### 2 Which LE paper do I have to take in order to apply for a licence?

Subject to the type of RA you wish to carry out, and the position you wish to undertake (i.e. Representative or Responsible Officer), you are required to attempt specific LE paper(s). The relevant LE papers required are set out in the table at next page.

### 3 Which LE paper do I have to take if my employer is a bank?

It depends on the position you wish to undertake. For Relevant Individual, please refer to the requirements of LE papers on Representative. For Executive Officer, please refer to the requirements of LE papers on Responsible Officer.

### 4 Is there time restriction on licence/ registration application?

As required by the SFC, LE papers must not be completed more than 3 years prior to the date of licence/registration application. Although Licensed Representatives planning to apply for the licence to be Responsible Officers in the future may take relevant LE papers at any time in advance, they should understand their examination results are only relevant for making application within 3 years. They are also advised to look into further information on the application and competence requirements to be Responsible Officers, which include relevant industry experience and management experience.

### 5 Can it be compensated or exempted from taking LE papers?

The Recognized Industry Qualifications requirements can be compensated by certain academic qualification and/or relevant industry experience recognized by the SFC. The tables in the Appendix B of the Guidelines on Competence issued by the SFC summarize the options for satisfying the competence requirements for Representative and Responsible Officer. You may also apply for other exemptions if you satisfy the exemption criteria as set out in the Guidelines on Competence Appendix D and E. The SFC will review and consider all relevant facts and circumstances presented in a pragmatic manner in granting the exemptions.

## Requirements of LE papers on Representative and Responsible Officer

Regulated Activity (RA)		Recognized Industry Qualifications		Local Regulatory Framework Papers	
		Representative	Responsible Officer	Representative	Responsible Officer
<b>Type 1</b>	Dealing in Securities	LE Papers 7+8		LE Paper 1	LE Papers 1*+2
<b>Type 2</b>	Dealing in Futures Contracts	LE Papers 7+9		LE Paper 1	LE Papers 1*+3
<b>Type 4</b>	Advising on Securities	LE Papers 7+8		LE Paper 1	LE Papers 1*+2
<b>Type 5</b>	Advising on Futures Contracts	LE Papers 7+9		LE Paper 1	LE Papers 1*+3
<b>Type 6</b>	Advising on Corporate Finance	LE Papers 7+11		LE Paper 1	LE Papers 1*+5
<b>Type 8</b>	Securities Margin Financing	LE Papers 7+8		LE Paper 1	LE Papers 1*+2
<b>Type 9</b>	Asset Management	LE Papers 7+12		LE Paper 1	LE Papers 1*+6
<b>Type 10</b>	Providing Credit Rating Services	LE Papers 7+10		LE Paper 1	LE Papers 1*+4

\* Paper 1 is not required for a licensed representative applying to be a responsible officer.

Notes 1: Type 3 RA (Leveraged Foreign Exchange Trading) is not included in the above table since the HKSI Institute does not offer any examination papers on this RA.

Notes 2: There is no competence requirement for a Type 7 RA (Providing Automated Trading Services).

Notes 3: Type 6 licensees who intend to engage in sponsor work are required to complete Paper 15 "Sponsors (Principals)" and/or Paper 16 "Sponsors (Representatives)".

For further licensing information, please refer to the Licensing Handbook lately published by the SFC or consult the SFC for any licensing-related enquires.



Licensing  
Handbook



Guidelines on  
Competence





# New Members

## New Corporate Members – Category C



### New Individual Members

Ms ASHUROVA Tetyana	Mr HUNG Ling Fai	Mrs QIAO Lepeng
Mr CHA Jen Wah Johnathan	Mr ISHIGAMI Daniel Akio	Mr QU Shijie
Mr CHAN Hung Ngam Younker	Mr JACKOWSKI Maksymilian Kamil	Mr SATTERFIELD Christopher Wesley
Mr CHAN Ka Wai	Ms JAO Fang-Ming	Miss SHEA Kwai Ying
Mr CHAN Man Yiu Simon	Mr JIANG Aijun	Mr SHUM Chi Ho Elton
Ms CHAN Nga In	Mr KESHAV-RATAN	Mr SMIDT-OLSEN Jarl Christian
Ms CHAN Pak Ling Juanie	Ms KOK Lai Yin	Ms SO Wai Yee Betty
Mr CHAN Pok Man	Mr KU Tsz Chung	Mr TAM Kiu Hei
Mr CHAN Yik Lun	Mr KWONG Yun Kai Peter	Mr TAM Wai Lam
Mr CHAN Yue Hon	Ms LAI Cheuk Ling	Ms TAN Yu Sian
Mr CHANG Tun Fu	Mr LAM Man Kwong David	Mr TANG Cheuk Lun Alan
Mr CHAU Sau Tsun	Mr LEE Gilbert Ka Ho	Ms TANG Wai Po
Miss CHEN Wen-Ling	Miss LEE Ho Ki	Mr TSANG Chi Yuen
Miss CHENG Min	Mr LEE Kwok Wai	Mr TSANG Siu Tung
Miss CHENG Yuen Ching	Mr LEE Lun	Mr TSANG Wing Kee Adrian
Mr CHEUNG Ka Wai	Miss LEE Man Yu	Mr WONG Chui
Mr CHEUNG Kam Lun	Ms LEE Stephentica Vinkie	Mr WONG Ki Tung
Ms CHIU Ka Lai	Miss LEE Vivian	Mr WONG Kwan Lik
Mr CHIU Kai Fai	Ms LEE Yun Wing	Ms WONG Oi Ming Christine
Ms CHOI Wai Ying Patrice	Mr LEUNG Kwan Ho	Ms WU Zhicheng
Mr CHOONG Chee Ming	Mr LEUNG Yiu Bong Raymond	Mr YEE Wai Man
Mr CHOU Chuk Nam	Miss LI Li	Mr YIP Chi Fai
Mr CUELLAR ILLERA Andres	Mr LIEW Khee Soon	Ms YONG Kar Khee
Ms DING Kexin	Miss LIM Chai Geok	Mr ZENG Shuai
Ms GHOZALI Nasrine	Ms LIU Lin	Miss ZHENG Xiaolin
Mr HEBER PERCY Peter Hugh	Miss LO Yan Chee	Mr ZHENG Zehui
Mr HEUNG Ying Kai	Mr MAK Kwok Leung	Mr ZHOU Mubing
Ms HO Ching Man Teresa	Miss PENG Cheng	Mr ZHOU Yonggang
Ms HOU Yiyun	Miss POON Kit Yi	Ms ZHU Xiwen

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