

Standards & Insights

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Feature – 20th Anniversary

Since 1997, the work of the HKSI Institute has had a profound impact on the securities and investment industry in Hong Kong through developing and administering high quality examinations, by providing training and education, and by being the standard bearer for integrity and professionalism in our market. Twenty years is a significant milestone. It is an occasion to celebrate, an opportunity to pause for a moment to look back and a time to plan for the future.

To Celebrate

Our anniversary celebration kick-started with the Chairman’s Cocktail in the first quarter, followed by a series of Members Only programmes. On 16 November 2017, more than 350 members and guests attended the HKSI Institute’s 20th Anniversary Dinner, in celebration of its two-decade milestone in the financial services industry. Dr Bill Kwok,

one of the founding members of the HKSI Institute, was conferred the Honorary Fellowship, in recognition of his distinguished contributions to the Institute and the advancement of the financial services industry in Hong Kong. Dr Kwok was Past Chairman of the HKSI Institute and served on many Committees within the Institute over the years, providing wise counsel and strategic direction.



Front row, left to right: Miss Ruth Kung (Chief Executive, HKSI Institute); Mr Andrew Wong (Permanent Secretary for Financial Services and the Treasury (Financial Services)); Dr Edgar Cheng (Honorary Fellow, HKSI Institute); Mr Carlson Tong (Chairman, Securities and Futures Commission); Dr Bill Kwok (Honorary Fellow, HKSI Institute); The Hon James Lau (Secretary for Financial Services and the Treasury); The Hon Paul Chan (Financial Secretary of The Government of the Hong Kong Special Administrative Region); Mr John Maguire (Chairman, HKSI Institute); Miss Au King-chi (Honorary Fellow, HKSI Institute); Mr Joseph Chan (Under Secretary for Financial Services and the Treasury); and Ms Salina Yan (Director-General of Trade and Industry).

Back row consists of senior members of the HKSI Institute, left to right: Ms Katherine Ng (20th Anniversary Celebration Committee Member); Mr Phil Tye (Board Director); Mr Gordon Jones and Prof Alexa Lam (Honorary Fellows); Dr Au King Lun (Past Chairman); Mr Craig Lindsay (20th Anniversary Celebration Committee Member); Mr Benson Lo (Organising Chair of the 20th Anniversary Celebration Committee); Mr Anthony Muh and Ms Barbara Shiu (Past Chairmen); Mr Paul Day and Ms Clara Chiu (Board Directors); Mr Edward Kwan (Past Chairman); and Mr Colin Shaftesley (20th Anniversary Celebration Committee Member).

 Feature – 20th Anniversary

Dr Bill Kwok was conferred the Honorary Fellowship while four esteemed HKSI Institute members were inducted as Senior Fellows, for their work and support towards the Institute and the grooming of young people for the industry. They are Mr Benson Lo, Mr Paul Day, Ms Judy Vas and Mr Lewis Wan.



Dr Bill Kwok received the HKSI Institute's Honorary Fellowship from Mr John Maguire.



A group photo with the newly inducted HKSI Institute Honorary Fellow and Senior Fellows. From left to right: Dr Bill Kwok, Mr John Maguire, Mr Lewis Wan, Mr Benson Lo, Mr Paul Day and Miss Ruth Kung.



Ms Judy Vas accepted the HKSI Institute's Senior Fellowship from Dr Bill Kwok prior to the dinner event.



The Hon Paul Chan (centre), flanked by Mr John Maguire and Miss Ruth Kung.



Our senior members with longstanding partners of the HKSI Institute.

In addition, the 20th anniversary commemorative publication was published and distributed to our guests, walking readers through the HKSI Institute's 20-year development. The electronic version of the commemorative publication can be downloaded via our website.



We would like to extend our appreciation to the following organisations for their support of the HKSI Institute's 20th Anniversary Dinner:

Lead Sponsor

Pacific Foundation Securities Limited

Booklet Sponsor

REF Financial Press Limited

Diamond Sponsor

I-Access Group Limited

Supporting Organisation

Securities and Futures Commission

To Look Back

Our Chairman and past Chairmen reviewed their journey with the HKSI Institute.

Dr Bill Kwok, Chairman 1998-2001

“...the industry of financial services has changed, it has become more demanding and more regulated...accept the terms of the working environment, then joining the HKSI Institute will definitely help them move forward. //”

Dr Au King-lun, Chairman 2006-2008

“Some of the members suggested that we should really make the exams more accessible and based on that idea we decided that we should introduce a computer-based program. //”

“CEPA was first introduced in 2003, and we were the first institute, I believe, to have actually a partnership with the mainland regulators to have mutual arrangement for examination administration. //”

Ms Barbara Shiu, Chairman 2008-2010

“...we went through about 8000 questions in the record time of about eight months and we got the whole examination question bank completely overhauled. //”

“I became chairman right after the global financial crisis and the examination enrollment numbers fell by about 50%...we tried to put more emphasis on training...I really have to thank the staff and also that then the Chief Executive, SF Wong, because they all put tremendous into getting the Institute through this very tough period of time. //”

Mr Anthony Muh, Chairman 2010-2012

“Some of the existing practitioners extended our original name of Hong Kong Securities Institute to Hong Kong Securities & Investment Institute to recognize the fact that we represent much broader than just the sell side of the industry and we do encompass the buy side as well. //”

“We embarked on a number of initiatives to try and reach out to the younger generation. //”

Mr Craig Lindsay, Chairman 2012-2015

“We’ve also seen over the next few years the development of many mainland firms coming to Hong Kong as well and we’ve been very happy to help them as well with their training and also the examination. //”

“...we need to figure out what the young people need. //”

“We are going to an era now of fintech, artificial intelligence...that’s why this training platform, the ALP, is so important for us. //”

Mr John Maguire, Chairman 2015 – Present

“...by launching the Young Professionals Club and putting on social events where the young people get to meet our more senior members, it gives them a fantastic opportunity to network in a way that they wouldn’t normally be able to get to meet and so they instantly can get access to leaders in the industry. //”

“...use time which is convenient to them rather than burn past their day sitting in a classroom...the Advanced Learning Platform which we have just launched is going to be the future of how we deliver our courses and educational offerings to the market, especially for young people. //”





Feature – 20th Anniversary

We have also interviewed 4 staff who joined the HKSI Institute at early years. Let's see what their memorable experiences are.

Vincent, Finance and Operations, joined in 1998
 Daisy, Membership and Outreach, joined in 2002
 Fiona, Curriculum and Examinations, joined in 1999
 Cally, Human Resources and General Administration, joined in 1998

Vincent: Early Years

// All staff members were just like family and we had to be flexible to cover the needs of the day. Membership and examinations enrollments were accepted in paper form. There were days when we received more than 200 cheques a day.

We remember that in 2001 when the Institute hosted ASAF 2001 Conference in Hong Kong. There were only about 20 staff and all of us had to be out to the conference venue to help. //

HKSI Institute Developments**1997**

Started operation at the office at Arbuthnot Road

1998

Moved to the office at Des Voeux Road Central

1998 April

Became the organisation representing Hong Kong at Asian Securities Analysts Federation (ASAF, now Asian Securities and Investments Federation (ASIF))

1999 to 2000

Held examinations including the MPF Intermediaries Examination, Futures and Options Exchange Participant Examination, Securities Industry Examination and Diploma Programme Examination which was approved by the SFC as recognized industry qualification under the "Guidelines on Competence" for securities and futures intermediaries

2005

The first LE was held in Shenzhen

2008

Introduced the computer based examinations (CBE)

2013

Pilot run of Mentoring Programme to young members

2015

Moved office to 5/F Wing On Centre

Fiona: Exam Administration

// When I joined the Institution, all examinations were paper-based and held on Saturdays. The CBE was introduced in 2008 and examinations have been being able to be held on weekdays since then. Before the CBE, we did not have an examination venue of our own that we needed to arrange renting of places for carrying out examinations. There were occasions that we received enrolments for one examination from thousands of applicants, creating quite a demand of manpower to input applicants' particulars into the enrolment system, print and mail the administration forms. CBE also means a greener way as much less papers are required. With the launch of ALP in 2017 with the HKSI Institute Online Portal, it is expected that the examination enrolment and administration process will become more efficient and flexible. //

Cally: Office Facilities

// We used to rely on renting external venues for examinations and training courses. Now we have a training area which can be used for big events and also divided into a number of different size of training rooms for various courses. Our examination center is used to be on a separate floor and it is now with our office. Self-sufficiency of facilities help provide a more stable and reliable services to our customers and users. //

Daisy: Membership and ALP

// We were among the first to introduce “e-Seminars”. Back in 2004, we have already introduced tech-based learning solutions. The pilot run launched in 2004 offered 1 free online CPT hour for an individual member taking courses via e-Seminar platform. In 2005, the Securities and Futures Commission (SFC) approved the HKSI Institute to give maximum 3 online CPT hours via e-Seminar platform. In 2017, the ALP has been fully launched. It enables users to access our CPT courses via mobile device on an anytime-anywhere basis.

At the time when I joined the institute, it has been just established for 5 years. Interestingly, the first task to tackle was to “cleanse” the membership database, making sure active members’ records were updated. It is very encouraging to see more young professionals are joining our membership community. Their active participation, including serving on various committees, help bring in ideas and thoughts for new activities. //

2000

Moved office to 24/F Wing On Centre at Connaught Road

2001 December

Hosted ASAF 2001 Conference in Hong Kong

2001-2002

Was recognized by the SFC as an approved CPT provider, got the approval from the SFC for providing Licensing Examination for Securities and Futures Intermediaries (LE)

2003

Launched LE

2004

Launched Scholarship Programme

2016

Launched the Young Professional Club

2017

Launched the Advanced Learning Platform (ALP)

To the Future

The Institute appreciates and thanks the efforts and contributions staff made. The heart-warming memories of these four long-servicing staff members give a sense of high morale and unity working with the Institute.

To Plan for the Future

As we reflect on our past achievements, we also look forward to continuing to build a solid foundation for our industry – advocating ethical behaviour and best practices in the industry, as well as enhancing our infrastructure and systems to better serve our stakeholders. One such recent initiative is the ALP, which was launched with the support of the SFC to enhance the accessibility and scope of the Institute’s technology based learning offerings.

The HKSI Institute continues its journey of evolution by defining its 2020 strategic goals. Some of the initiatives for achieving the goals are targeted to be launched in 2018, including a mobile app for customising users’ communications and learning experience with us, and a revamped examination systems for streamlining the workflow of question development, quality assurance and examination operation with our usual high security standards.

With the solid foundation and a comprehensive plan, the HKSI Institute will continue to grow, sharpen our competitive edge and continue to deliver the HKSI Institute’s mission to create value for our Members and the financial services industry as a whole.



Feature – 20th Anniversary

Words from Leaders

HKSI Institute 20-year Achievement

// Increasingly crucial //

Mr Ashley Alder
Chief Executive Officer
Securities and Futures Commission

// Excellence, standard, integrity and dedication //

Mr Ronald Arculli
Honorary Fellow

// Professionally dedicated //

Miss Au King-chi
Honorary Fellow

// Professionalism //

Dr Moses Cheng
Chairman
Insurance Authority

// Maintain and enhance professional excellence //

Mr Gordon Jones
Honorary Fellow

// Standard //

Mr Charles Li
Chief Executive
Hong Kong Exchanges and Clearing Limited

// Vitaly important to the growth and development of the industry //

Mr Carlson Tong
Chairman
Securities and Futures Commission



Quotes from
"Share Our Joy"
video

To Look Forward

Promoting regulatory standard and business ethics

“ Everybody in the industry is operating in a far more complex environment where risk management, amongst other thing, and obviously ethical issues, are increasingly central to the way which a firm can succeed. //

Mr Ashley Alder
Chief Executive Officer
Securities and Futures Commission

“ ...exceptional number of mainland companies now listing on the Hong Kong stock exchange...would like to see possible further engagement of the HKSI Institute with these companies in attempt to raise their corporate governance and regulatory standard and the Institute will have to continue to work with the entire membership. //

Mr Gordon Jones
Honorary Fellow

Providing market-driven, proactive and flexible offerings

“ I think the Institute plays a key role in the financial market and financial sector in Hong Kong...the latest catch of word will be “fintech”...the HKSI Institute got to make sure that you remain at the cutting edge and the leading edge to be the leader of the industry and not to be a follower. //

Mr Ronald Arculli
Honorary Fellow

“ When you devise your new programmes, to listen to what the participants concerns are. //

Miss Au King-chi
Honorary Fellow

“ I think that the great current practitioners need to embrace technology and they can only embrace technology if they understand how technology can help the job and so I think through effective training programmes, the HKSI Institute can help practitioners. //

Dr Moses Cheng
Chairman
Insurance Authority

“ I think we need more young people to come into the industry...I think our market participants are busy...it's not always easy to come to classes so...we should continue to put more lectures and learning materials on our web and also through e-learning courses. //

Mr Carlson Tong
Chairman
Securities and Futures Commission

Expanding professional community

“ I would like to see the HKSI Institute tries to get into the universities and partner with them and tries to bring different aspect of education into the universities for the students, I think that will be great. //

Professor Alexa Lam
Honorary Fellow

“ We want to be China's international exchange of choice and the world's China exchange of choice and so we are early in the middle bring the work together...the continuing arrival of new members to become part of this great community and together we can achieve our aspirations. //

Mr Charles Li
Chief Executive
Hong Kong Exchanges and Clearing Limited



Quotes from
 “Market Position”
 video

Initial Coin Offerings

With the rapid development of cryptocurrency based on the distributed ledger technology, initial coin offerings (ICOs) has emerged as a subject of international concern and has increasingly become popular as a form of crowdfunding or “crowdselling”. Global financial regulators become more vocal regarding the potential risks associated with ICOs. In the perspectives of investors and financial practitioners, it is necessary to understand the mechanism and major risks of ICOs, and regulators’ concerns on ICOs.

ICOs involve issuers offering tokens (or virtual coins) that are created and disseminated using the distributed ledger technology. The capital raised from the offer will fund the development of a digital platform, software, or any other project. A token is an intangible asset stored on a distributed ledger which entitles a token holder to a bundle of rights (e.g. rights to access the platform, use the software, or participate in the project) set out in smart contracts and other relevant documentation published online, such as an offering document or a whitepaper. Token holders can use tokens to settle trades or transfer money instantly in lieu of cash. They can also resell tokens in a secondary market on virtual currency exchanges or other platforms to make profits from the price differentials caused by increased usage of the tokens.

ICO provides an efficient and low cost funding to start-ups that is accessible to any participant across any geography reducing their entry barriers, and offers an opportunity of investments in a new and disruptive technology to gain on future potential. It therefore becomes popular. Some of the ICOs can raised billion in US dollar within few hours. The total fund raised from top five ICOs in 2017 reached nearly US\$10 billion.

Top 5 ICOs fundraisings of 2017

Rank	Company	Time	Fund raised (US\$ billion)
1	Filecoin	September 2017	2.57
2	Tenzo	July 2017	2.32
3	EOS Stage 1	July 2017	1.85
4	Sirin Labs	December 2017	1.57
5	Bancor	June 2017	1.53

Source: CoinDesk ICO Tracker and Business Insider

Risky Platform

Different from Initial Public Offerings, investors in ICOs do not receive ownership rights but instead receive a token, the value of which is highly questionable. Owing to the design of most ICOs with scarcity of tokens, a self-created market force can be developed and thereby push up the prices of the tokens. These prices can also be vulnerable to manipulations by speculators. Some cryptocurrencies may not be backed by any physical items. The function of such tokens issued under an ICO is limited only by the imagination of their creators, not all tokens are the same. Moreover, there is no inherent restriction on who can raise funds through ICOs. Even an individual who has the technological capability to create tokens could raise money to fund a new venture. As most jurisdictions have not enacted legislation or regulation governing cryptocurrency and the ICOs platform, tokens become uncertain and risky investment.

There are many risks associated with cryptocurrencies and ICOs, such as cybersecurity risk, trading platform risk and liquidity risk. Besides, there is the possibility that the ICO is a fraud simply designed to trick people out of money. As ICOs are unregulated, investors can only conduct their own due diligence to ICO projects, but there is basically a lack of transparency and investors have to trust the algorithms of the ICOs.

Also, as a fundraising platform, ICOs are susceptible to money laundering and terrorist financing risks due to the relatively anonymous nature of the transactions and the ease with which large sums of monies may be raised in a short period of time.



Regulators' Stance

Global regulators have begun actively commenting on ICOs given the investor risks. In short, regulators adopt three different approaches to ICOs. Financial regulators in China and Korea banned any ICO activity, as they consider ICOs as illegal and disruptive to economic and financial stability.

Most regulators in major markets, such as Hong Kong, Singapore, Australia, the UK and the US, pick a cautious approach. They issued a statement or guidance on existing regulations which could be applicable to ICOs and warned investors the risks associated with cryptocurrencies and ICOs. Indeed, some ICOs could be an issuance of securities or other financial products, if an investor has a right to benefit from the profits of the venture, or if a token provides some sort of beneficial interest in the token issuer (or another share), or if the value of the token is dependent on another asset. In such situations, the ICOs may subject the issuers to relevant regulatory regimes in the jurisdictions.

Regulators in Canada, France and Japan adopt a relatively accommodative approach to ICOs. They planned to formalise their regulatory framework for cryptocurrencies and ICOs. The Canadian regulator outlines the requirements for companies involved in the launch and management of ICOs and invites firms that are interested in launching an ICO to consider signing up for a regulatory sandbox while the French regulator provides mechanism for ICO organisers to carry out their plans under regulators' guidance. The Japanese regulator have started giving licences for cryptocurrency exchanges to operate legally in Japan.

Relevant Regulations in Hong Kong

In Hong Kong, there is no specific regulation to govern cryptocurrency and ICO. Also, the Hong Kong Monetary Authority (HKMA) defined cryptocurrency as a virtual commodity rather than a legal tender. As cryptocurrencies are legally not considered as "money", the licensing regime for money service operators under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance does not apply to ICO sponsors or other companies dealing in or transmitting cryptocurrency.

However, under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO), the HKMA may, by notice published in the Gazette, declare an entity to be a medium of exchange for the purposes of this Ordinance. This may potentially include cryptocurrency. There may be implications where a cryptocurrency platform is being used as a medium for payments, and whether the relevant platform is a stored value facility or designated by the HKMA as a retail payment system or a clearing and settlement system under the PSSVFO.

Where the tokens involved in an ICO fall under Securities and Futures Ordinance's (SFO) definition of "securities", the ICO is subject to the securities laws in Hong Kong. Dealing in or advising on such tokens, or managing or marketing a fund investing in such digital tokens, may constitute a regulated activity and thus are required to be licensed by or registered with the SFC irrespective of whether the parties involved are located in Hong Kong, so long as such business activities target the Hong Kong public. It is an offence under section 114 of the SFO to perform a regulated function in relation to a regulated activity without a licence from the SFC. Exemption may include an offer to no more than 50 persons in Hong Kong and/or to Professional Investors.


Moreover, according to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the SFO, ICOs involving the offer of shares or debentures to the public are subject to the detailed prospectus requirements and ICOs involving an offer to the public to participate in a collective investment schemes require SFC authorization, unless an exemption or safe harbour applies.


Conclusion


Even if an ICO is not subject to financial regulation in some jurisdictions, general contract principles, fraud, consumer protection laws, tax, anti-money laundering and counter-terrorist financing obligations and cross-border controls in some jurisdictions can apply when issuing or dealing tokens. With the wider adoption of Fintech, regulators should consider how to balance market innovation against consumer protection and ensure the regulatory regime remains relevant and agile. If the main benefit for subscribers of ICOs is to obtain faster payment and money transfer facilities for replacing the use of cash as a legal tender, the Government should have more initiatives for the imminent creation of cryptocurrency platforms or take the lead in the development of these platforms.

Meanwhile, financial practitioners, especially financial advisors and wealth managers, must have a thorough understanding of any investment product such as its nature, features (e.g. whether the token grants financial benefit and returns and ownership interests) and risks, and should also consider whether the product is suitable to their clients in terms of their investment circumstances. Financial practitioners also need to bear in mind that securities regulation is a country by country analysis and is typically based on where the investor, but not the issuer, is located. The legal position should therefore be checked before offering to investors in each jurisdiction.



Regulatory and Market Updates


 The SFC issued the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading on 27 October 2017 requiring all licensed or registered persons engaged in internet trading to implement 20 baseline requirements to enhance their cybersecurity resilience and to reduce and mitigate hacking risks. One key control, the implementation of two-factor authentication for clients to login to their internet trading accounts, will take effect on 27 April 2018, while all other requirements will take effect on 27 July 2018.

 The SFC released on 16 November 2017 the consultation conclusions on proposals to enhance asset management regulation and point-of-sale transparency and launched a further consultation on monetary and non-monetary benefits disclosure requirements applicable to discretionary accounts. The enhancements will be implemented to the Fund Manager Code of Conduct (FMCC) and the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct). The revised FMCC will become effective 12 months after it was gazetted on 17 November 2017 and the amendments to the Code of Conduct will become effective nine months following the gazettal.



 On 24 November 2017, the HKMA and the SFC issued a circular highlighting observations from their recent joint thematic reviews on managing conflicts of interest in financial groups. The reviews mainly focused on internal controls and compliance.

  The SFC announced on 30 November 2017 that it had reached an agreement with the China Securities Regulatory Commission (CSRC) on proposals to introduce an investor identification regime for Northbound trading under Mainland-Hong Kong Stock Connect. The SEHK published on the same date an information paper on the investor identification model, which is scheduled to have market communications, system changes and rehearsals in the fourth quarter of 2017 to the second quarter of 2018; and is planned to be rolled out by the third quarter of 2018. The introduction of the regime will entail the collection and use of personal data by the SEHK and its subsidiaries, as well as its transfer to the Mainland exchanges and the CSRC in accordance with all applicable data privacy laws and principles.

  Both the HKMA and the Insurance Authority entered into a Co-operation Agreement with the Dubai Financial Services Authority of Dubai International Financial Centre on 7 December 2017 to co-operate on information sharing for financial innovation and referrals of innovative firms seeking to enter the counterpart's market.

 The SFC issued a circular on 11 December 2017 to remind intermediaries that parties carrying on a business in dealing in Bitcoin futures contracts and cryptocurrency-related investment products without a relevant licence or authorisation from the SFC may be committing a criminal offence under the SFO. Investors are reminded that trading cryptocurrencies may expose them to risks including insufficient liquidity, high price volatility and potential market manipulation.

 On 12 December 2017, the SFC issued an updated guidance note highlighting the benefits of cooperating with the SFC in its investigations and enforcement proceedings and introducing new measures to encourage the types of cooperation which help the SFC investigate more serious legal or regulatory breaches and achieve timely and desirable enforcement outcomes.

  On 15 December 2017, the Hong Kong Exchanges and Clearing Limited (HKEX) and The Stock Exchange of Hong Kong Limited (SEHK) published two separated conclusions on the Consultation Paper on the Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules; and the New Board Concept Paper. Based on the conclusion on GEM's consultation paper, GEM will become a standalone market for small and mid-sized companies instead of a stepping stone to the Main Board. Listing requirements of GEM will be aligned more closely with the Main Board. The revised GEM and Main Board Listing Rules will become effective on 15 February 2018. Meanwhile, based on the conclusion on the New Board Concept Paper, the Main Board regime will be expanded to allow (a) listing of emerging and innovative companies with weighted voting rights subject to additional disclosure and safeguards; (b) listing of pre-profit/pre-revenue companies from biotech industry; and (c) secondary listing of overseas companies with "centre of gravity" in Greater China. HKEX is finalising the proposed amendments to proceed with the formal consultation on the proposed Listing Rules amendments in the first quarter of 2018.



On 18 December 2017, the SFC launched a consultation (to be ended on 19 March 2018) on proposed amendments to the Code on Unit Trusts and Mutual Funds to update the regulatory regime for SFC-authorized funds and address risks posed by financial innovation and fast-moving market developments. Key proposals include strengthening requirements for key operators, providing greater flexibility and enhanced safeguards for funds' investment activities, and introducing new fund types such as active exchange-traded funds.



The SFC published the first issue of its SFC Compliance Bulletin: Intermediaries on 19 December 2017 to provide guidance to intermediaries and market practitioners on the SFC's regulatory and supervisory priorities. The bulletin is part of the SFC's efforts to enhance communication with Managers-In-Charge of core functions of licensed corporations.



On 20 December 2017, the SFC launched a consultation on over-the-counter (OTC) derivatives regime and conduct risks. It proposes to refine the scope of regulated activities to provide more clarity about the OTC derivatives licensing regime and to require licensed corporations to properly manage their financial exposures to group affiliates and other connected persons. The consultation will be ended on 20 February 2018.



The CSRC and the SFC jointly announced on 29 December 2017 that they have entered into a Memorandum of Understanding on Supervisory and Enforcement Cooperation on Matters concerning Futures (MoU). The MoU facilitates regulatory and enforcement cooperation in the Mainland and Hong Kong futures markets, and enhances supervisory assistance, enforcement cooperation and information exchange on various matters including cross-boundary derivatives, futures exchanges and futures brokers. It also facilitates the healthy development of the Mainland and Hong Kong futures markets.



On 17 January 2018, the HKMA launched a two-month public consultation on a set of proposed rules relating to loss-absorbing capacity requirements for authorized institutions under the Financial Institutions (Resolution) Ordinance. The proposals are designed to be aligned with the international standards on loss-absorbing capacity set by the Financial Stability Board. In drawing up the proposed rules, the HKMA has taken these standards into account, and made reference to the approaches adopted in comparable overseas jurisdictions. The deadline of the consultation is scheduled on 16 March 2018.



On 19 January 2018, the SFC launched a three-month consultation on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs (Takeover Codes) which is aimed at affording fair treatment for shareholders and protecting the interests of those who participate in Hong Kong's securities markets. Key proposals enhance investor protection by increasing the voting approval threshold for whitewash waivers to 75% of independent shareholders and empowering the Takeovers Panel to require compensation to be paid to shareholders who have suffered as a result of a breach of the Takeover Codes. The consultation sets out proposed amendments to the term "associate" as well as the approval of delistings by independent shareholders in jurisdictions which do not afford compulsory acquisition rights. The deadline of the consultation is scheduled on 19 April 2018.



The SFC issued a circular to licensed corporations (LCs) on 25 January 2018 on its expected standards of LCs in the sales of fixed-income and structured products. The circular reminds LCs of their obligations to comply with the suitability requirement and draws attention to the expected standards for product due diligence, measures to identify whether any suitability obligation has been triggered, assessment of suitability framework and the retention of compliance records.

Know Your Board Director

Mr Christopher Lee



Standards setting

As Chris became involved in the HKSI Institute's work, he was more motivated to contribute towards the HKSI Institute and the Hong Kong financial services industry. "The securities firms in the early 90s provided only apprenticeship training to new entrants. There was no qualification guideline back then," Chris recalled. "The HKSI Institute was then established by the SFC in 1997 to provide licensing examinations towards bench-marking the qualification standard of participants."

"As a part-time lecturer in the Capital Markets course at CUHK, I was honored to be involved in the standards setting process (as a member of the Examinations Committee)," Chris said. He was introduced to join the HKSI Institute by his good neighbor Mr Anthony Muh, past Board Chairman of the HKSI Institute, and was later invited to serve on the Examinations Committee by Mr SF Wong, then Chief Executive of the HKSI Institute.

Alternate route

When asked about his career path into investment banking, Chris jokingly said that it was by "accident and good luck!" After graduating from the University of

Before his election to the Board of HKSI Institute, Mr Lee had served on different Committees, including Examinations, Education and Outreach.

California, Berkeley with a B.S. degree in mechanical engineering, he worked in nearby Silicon Valley. "When pursuing my MBA some years later, my initial goal was to advance my career by learning to manage engineers. Instead, I became fascinated by the arcane world of equity derivatives and sales and trading business!" Chris enthused.

With opportune timing, Chris was hired as an associate in the derivatives team of Merrill Lynch after MBA and thus began his 17-year Wall Street career in the sales and trading business. Over the years, he served with increasing responsibility as Managing Director in Equities for UBS Investment Bank and as Head of Global Markets Investment Products & db-X platform, Asia (ex-Japan) region for Deutsche Bank.

Manage your career

"When I came back to Hong Kong in 2002, it was probably the worst timing. However, it also presented many opportunities as the HK market hit bottom the following year," Chris said.

These days, Chris urges young managers to take ownership of their career development, take risks and proactively manage their career. "Historically speaking, most investment banks in Asia tend to hire and fire hastily, leaving the longer-term career planning to the individuals." Chris advises mid-career i-bankers "to think about your career 3-5 years ahead as you should not rely on your managers for career planning".

After a rewarding career in "sell-side" investment banking, Chris made the decision in 2012 to move into the investment management business i.e. the "buy-side". Chris and his partners

then founded FAA Investments to focus on other asset management companies.

Invest in people

"Our investment philosophy is to not invest in securities directly but invest in portfolio managers. It is like the Yale University Endowment model which allocates capital to outstanding hedge fund, private equity and venture capital managers," Chris explained.

In addition to running his offices and fulfilling board commitments, Chris crafts out time to groom the new generation of financial professionals through the HKSI Institute's Mentoring Program. "Since becoming a mentor in 2013, I have enjoyed my time with my mentees. We learn from each other through exchanging new ideas, questions and observations about past, current and future trends in the market."



Hiking with Mentees

"I believe in investing in people and the securities and investment business is really a people business more so than a technology business. The HKSI Institute dedicates itself to developing and preparing students and young practitioners to become future leaders, and I feel privileged to play a role in helping them achieve their ambitions," Chris concluded.

Know Your Board Director

Mr David Chau



Elected to the Board in 2016 and sitting in the Outreach Committee, Mr David Chau is one of the strong advocates for bridging the senior and young members, and grooming new entrants for the finance community.

Changes in Landscape

“The industry has changed a lot in the last two decades. It has become a lot more specialised, complicated and bigger in size,” Mr Chau said. “Back in the 1980s, finance personnel were mainly inhouse professionals striving for the growth of a company. These days, it has evolved into an indispensable link serving corporate needs.” The companies in the financial services industry range from boutique firms to sizable operations worth from billions to trillions, and there is high demand for qualified and quality practitioners.

Learn the Ropes

David believes that new joiners have the creativity and energy to serve the industry, though, in general, they need to work hard for optimal outcomes. “New entrants need to know their areas of interest and try to specialise in that zone as early as possible. Hurdles are expected but you can always find support from experienced practitioners,” he opined.

Therefore, learning the ropes, establishing business connections and building the support system are necessary steps. He further advised that – if you do not like the field, change quickly, do not waste time or take an indirect route. Nevertheless, one needs to be mindful whether the change is a well-thought move or not. “Seniors and mentors can help prepare you for these moments,” David added.

Stay Connected

“What I have benefited from the HKSI Institute’s various programmes is connectivity,” David said. “Meaningful engagement such as the mentoring scheme, Young Professionals Club are good platforms for exchange of views. It’s especially important for employers, seniors and management heads to get closer to their younger colleagues and understand what young people think. After all, they are also part of the market and it is crucial for your business strategy and succession planning.”

David trusts the apolitical nature of the Institute makes it more focused in its goals, and advantageous in serving as a focal point connecting the industry, the regulators and thoughts leaders.

“We would be delighted to help groom young professionals as the new ideas and changes are likely to come from our next generation.” David, with a confident smile, said, “I hope more resources can be allocated for our young practitioners, and that in the not too distant future, we can have more young representatives serving on the board.”

✈ Mainland Mission to Qianhai



Visiting Qianhai Shenzhen-Hong Kong Youth Innovation and Entrepreneur Hub.

Since the establishment of the Qianhai special economic zone in 2010, more than 120,000 companies have registered in it, and about half of them are from banking and financial sector. The trend is expected to continue with the launch of the Qianhai Shenzhen-Hong Kong Fund Town, as well as the opportunities rising from the Belt and Road Initiative.

In this regard, the HKSI Institute visited Qianhai in 2017 to keep abreast of its latest development. Delegates were impressed by the zone's notable effort in providing the much needed

support to groom young talents, and ensuring the presence of a conducive environment to facilitate collaboration between the two markets. Mr Lewis Wan, Senior Fellow of HKSI Institute, was the Organising Committee Chair of this Mainland Mission.

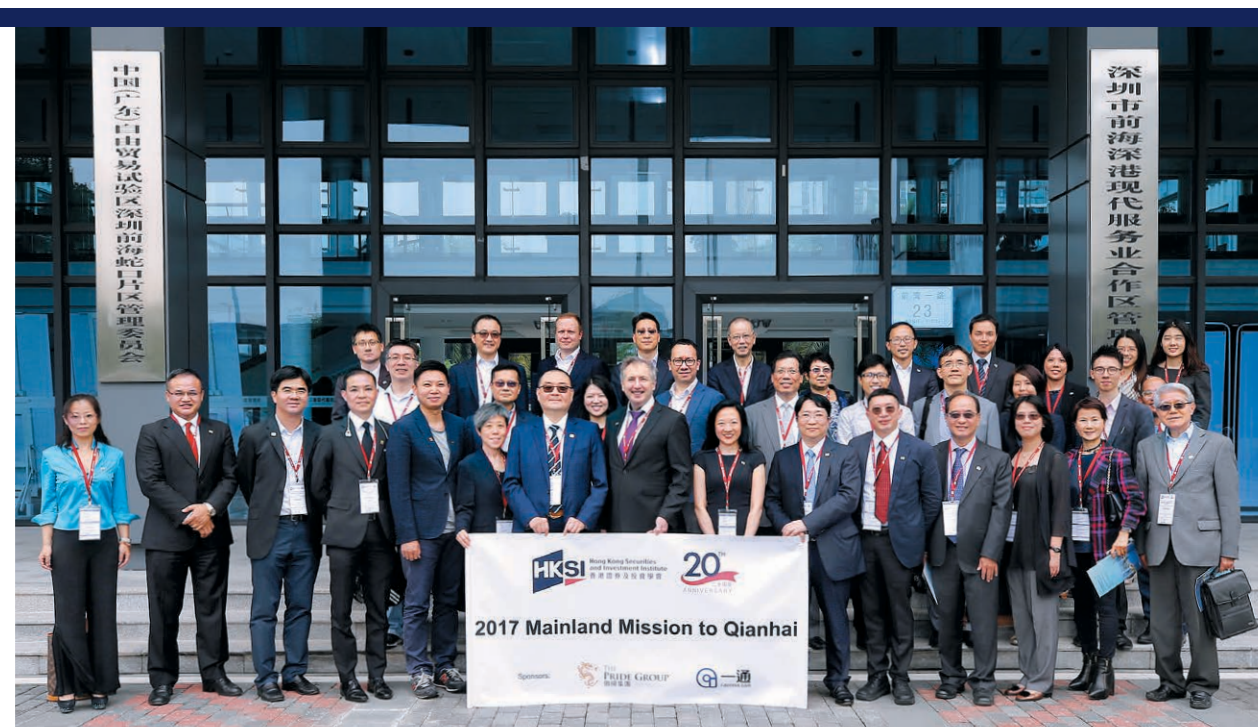
Led by the HKSI Institute's Chairman Mr John Maguire, the 40-member delegation of senior executives and young professionals visited The Authority of Qianhai and had a fruitful discussion about the cross-border financial



A tour to the HKEX's Qianhai Mercantile Exchange.



Briefing by Shenzhen Jinfuzi Capital Management Co. Ltd..



The delegation was warmly received by The Authority of Qianhai.

cooperation, especially in building a super connection hub in terms of regional infrastructure development and industrial cooperation. The delegation also met with Shenzhen Qianhai Chinese Gold & Silver Exchange Society Limited and Hang Seng Qianhai Fund Management Company Limited, which brought about major updates on cross market collaboration. It is very encouraging to see the fruitful results from the cooperation between the public and private sectors of the two markets.

A group of young executives from Shenzhen Jinfuzi Capital Management Co. Ltd also introduced the Fintech development to the delegates, demonstrating improved market efficiency with costs driven down as the key benefit from the technological leaps engineered by these young practitioners.

The group also enjoyed the tour to the newly opened HKEX's Qianhai Mercantile Exchange, and was introduced to their planned offerings.



Mr Haywood Cheung, President of the Chinese Gold & Silver Exchange Society Limited shared his view on the Renminbi Kilobar Gold and the future development of Chinese Gold and Silver industry.

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