

# The Licensing Examination for Securities and Futures Intermediaries

## Paper 2 Regulation of Securities

### Syllabus (Effective from 31 December 2019)

#### Topic 1: Regulatory Framework

- 1 Introduction
- 2 Securities and Futures Ordinance (“SFO”) and relevant regulations
- 3 Other relevant laws
- 4 Securities and Futures Commission (“SFC”)
- 5 Other relevant regulatory authorities
- 6 Hong Kong Exchanges and Clearing Limited
- 7 Overall licensing regime under the SFO
- 8 Types of regulated activity covered in this manual
- 9 Requirements for licensing – fitness and properness
- 10 Corporate governance and regulatory supervision
- 11 Provision of information to the SFC

#### Topic 2: Requirements of relevant subsidiary legislation

- 1 Securities and Futures (Financial Resources) Rules
- 2 Securities and Futures (Client Securities) Rules
- 3 Securities and Futures (Client Money) Rules
- 4 Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules
- 5 Securities and Futures (Keeping of Records) Rules

6 Securities and Futures (Accounts and Audit) Rules

7 Rules relating to compensation and insurance

8 Securities and Futures (Contracts Limits and Reportable Positions) Rules

89 Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping Obligations) Rules

910 Securities and Futures (OTC Derivative Transactions - Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules

11 Enforcement actions in relation to breaches of rules

#### Topic 3: Management and supervision of securities business

- 1 Duties and liabilities of responsible officers and executive officers
- 2 Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“Code of Conduct”)
- 3 Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission
- 4 Code of Conduct requirements for licensed or registered persons dealing in securities listed or traded on The Stock Exchange of Hong Kong Limited (“SEHK”)
- 5 Prevention of money laundering and terrorist financing
- 6 Enforcement actions in relation to breaches of codes and guidelines

#### Topic 4: Dealing in securities traded on the SEHK

- 1 Market participants in Hong Kong securities market
- 2 Participantship and trading right

- 3 Products traded on the SEHK
- 4 Trading mechanism and rules
- 5 Trading halt, suspension, cancellation and withdrawal of listing
- 6 Clearing and settlement services
- 7 The SEHK disciplinary procedures
- 8 Transaction costs

**Topic 5: Other securities activities**

- 1 Approved introducing agent
- 2 Securities margin financing
- 3 Short selling
- 4 Securities borrowing and lending
- 5 Advising on securities
- 6 Online trading and advising on securities
- 7 Alternative liquidity pools
- 8 Automated trading services
- 9 Offers of securities
- 10 Cross-border trading

11 Virtual assets

**Topic 6: Exchange traded options and over-the-counter (“OTC”) derivatives**

- A Exchange traded options
  - 1 Introduction
  - 2 Participant types and access rights
  - 3 Trades monitoring, position limits and reporting requirements
  - 4 Clearing and margin
  - 5 Settlement
- B OTC derivatives
  - 6 Licensing
  - 7 Ongoing requirements

**Topic 7: Market misconduct and improper trading practices**

- 1 How market misconduct is regulated in Hong Kong
- 2 Market misconduct
- 3 Consequences of market misconduct
- 4 Unsolicited calls
- 5 Improper trading practices
- 6 SFC Disciplinary Fining Guidelines
- 7 Enforcement actions

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