LE Paper 6 (Regulation of Asset Management)

Syllabus (Effective from 20 January 2027)

Topic 1: General regulatory framework

1 Introduction
2 Framework of laws and regulations
3 Regulators
4 Licensing and registration requirements under the Securities and Futures Ordinance ("SFO")
5 Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC")
6 Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission
7 Personal data
8 Anti-money laundering and counter-terrorist financing
9 Discipline
10 Corporate governance and regulatory supervision
11 Regulations of and supervision by the Mandatory Provident Fund Schemes Authority and the Insurance Authority

Topic 2: Back-office compliance

1 Ongoing notification requirements
2 Capital requirements
3 Client securities
4 Client money
5 Record keeping
6 Contract notes, statements of account and receipts
7 Accounts and audit
8 Open-ended fund companies
9 Reporting and record keeping obligations for over-the-counter derivative transactions

Topic 3: Asset management regulations

1 Conduct of business: Fund Manager Code of Conduct
2 SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products

3 Collective investment schemes ("CISs"): authorisation and ongoing requirements
4 Authorised CISs: investment requirements
5 Authorised CISs: managers and trustees/custodians
6 Code on Open-Ended Fund Companies
7 Real estate investment trusts
8 Authorised funds: liquidity risk management
9 Requirements and standards for climate-related risks
10 Recognising funds from outside Hong Kong
11 Authorisation, investment and ongoing requirements for Mandatory Provident Fund products

Topic 4: Misconduct

1 Market misconduct under the SFO
2 Consequences of market misconduct
3 Unsolicited calls
4 Improper trading practices
5 Enforcement actions

Expected Learning Outcomes

Topic 1: General regulatory framework

(a) describe the various products, services, service providers and investors concerned with the asset management industry;

(b) describe the principles guiding the activities of the SFC, the MPFA, the IA and the HKMA and the objectives they have set themselves in their work;

(c) explain the definition of asset management, securities, futures contracts and CISs (and any exceptions) under the SFO;

(d) explain the provisions governing offers of investments in Part IV, SFO, the authorisation of advertisements and control over misrepresentations and assess the importance of these provisions, authorisation and control;

(e) describe the nature of public open-ended fund company ("OFC") and the special provisions affecting them in Part IVA of the SFO;

(f) determine the various SFC codes and guidelines which are specific to the asset management industry (which will be studied in later Topics in detail);

(g) describe the framework of the law and regulations relating to Mandatory Provident Fund ("MPF") schemes;

(h) cite the roles and functions of the SFC, its committees and divisions;

(i) describe the structure and functions of relevant regulators and how they co-operate with each other in areas where their regulatory mandates overlap;

(j) explain the SFC's licensing regime for intermediaries involved in asset management and the general licensing and registration requirements and restrictions on conducting regulated activities under the SFO;

(k) explain the SFC's fit and proper requirements and its guidelines for intermediaries conducting asset management activities;

(l) explain how the Code of Conduct applies to intermediaries involved in the asset management industry;

(m) explain the general principles and other requirements of the Code of Conduct to practical matters;

(n) explain the key conduct requirements that apply to trustees and custodians undertaking Type 13 regulated activity;

(o) explain the conduct requirements in relation to dealing with over-the-counter derivative ("OTCD") transactions and determine the importance of these requirements;

(p) describe the objectives and guidelines for key areas of internal control identified under ICG;

(q) explain how senior management of the licensed corporations should supervise their businesses under the ICG;

(r) explain general principles guiding the handling of personal data under the PDPO;

(s) explain the key AML/CFT related legislations in Hong Kong and the steps applicable to the identification and reporting of money laundering and terrorist financing ("ML/TF");

(t) determine how to effectively adopt risk-based approach ("RBA") to identify suspicious circumstances and ML/TF risks that arise in relation to third parties and implement necessary AML/CFT policies and procedures to manage and/or report the ML/TF risks;

(u) describe the principles applied by the SFC in exercising its fining powers under the SFO and the AMLO;

(v) explain how senior management should direct and supervise a business, outlining the strengths and deficiencies in corporate governance;

(w) explain the mechanisms by which the SFC exercises its regulatory mandate to supervise the industry;

(x) describe the definition of MPF intermediaries, the supervisory role of the MPFA and the basic provisions of the guidelines issued by the MPFA concerning the conduct of MPF intermediaries;

(y) describe the basic provisions of the codes of conduct issued by the IA and covering licensed insurance agents and licensed insurance brokers.

Topic 2: Back-office compliance

(a) explain the requirements of SFO subsidiary legislations on ongoing notification, capital requirements, client securities, client money, record keeping, contract notes, accounts and audit for asset managers;

(b) explain the main operative provisions of the OFC Rules and evaluate how they affect the formation and subsequent operation of OFCs;

(c) explain the requirements of the Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping Obligations) Rules.

Topic 3: Asset management regulations

(a) explain the SFC's requirements for the asset managers as specified in the FMCC, the Handbook, the UT Code, OFC Code, Code on REITs and PRF Code;

(b) explain the authorisation procedures and requirements, the investment requirements as well as the ongoing requirements under the UT Code, Code on REITs, SFC Code on MPF Products, Code on MPF Investment Funds and PRF Code;

(c) explain the SFC's liquidity risk management and climate-related risk management requirements applicable to authorised funds and fund managers;

(d) describe the different arrangements that have been made under the MRF and RJS.

Topic 4: Misconduct

(a) explain the differences between MMT proceedings and criminal prosecutions under the market misconduct provisions in the SFO and how they are adopted by the SFC in its investigations and enforcement activities;

(b) explain the role of the MMT and the procedures adopted by the MMT in handling misconduct cases;

(c) explain the various types of market misconduct and apply market misconduct cases in real-life situations;

(d) describe the potential consequences of market misconduct under the MMT proceedings and criminal prosecutions;

(e) explain the private civil actions provided under the SFO that are available for persons affected by market misconduct;

(f) explain the prohibition against unsolicited calls and determine the circumstances where the prohibition applies;

(g) determine various common forms of improper trading practices;

(h) identify the reasons behind enforcement actions taken by the SFC.