



## Supervisory Policy Manual

CG-6

Competence and Ethical Behaviour

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This module should be read in conjunction with the [Introduction](#) and with the [Glossary](#), which contains an explanation of abbreviations and other terms used in this Manual. If reading on line, click on blue underlined headings to activate hyperlinks to the relevant module.

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### Purpose

To reiterate the importance of the competence and ethical behaviour of staff at all levels within an AI's organizational structure and to provide guidance on measures AIs are expected to adopt in monitoring and maintaining the competence levels and ethical behaviour of their staff

### Classification

A non-statutory guideline issued by the MA as a guidance note

### Previous guidelines superseded

~~This is a new guideline~~ [CG-6 "Competence and Ethical Behaviour" \(V.1\) dated 11.7.11 \(updated 23.01.13\)<sup>1</sup>](#)

### Application

To all AIs

### Structure

1. Introduction
2. Responsibility to ensure staff competence
3. Assessing competence
4. Maintaining competence

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<sup>1</sup> [Update reflecting that \(i\) "Hong Kong Securities Institute" has been renamed "Hong Kong Securities and Investment Institute" and \(ii\) the "Code of Conduct and Practice" was issued by the Treasury Markets Association in July 2011.](#)



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4.1 Monitoring competence

4.2 Developing and strengthening competence

5. Ethical behaviour

[Annex A: Professional qualifications of the TMA](#)

[Annex B: Professional qualifications of the HKIB](#)

[Annex C: Professional qualification of the PWMA](#)



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### 1. Introduction

- 1.1 Authorized Institutions (AIs) should engage and deploy personnel with sufficient skills, knowledge, experience and soundness of judgement for the discharge of the particular duties and responsibilities allocated to them. ~~The past few years have been a period of rapid innovation in AIs' businesses, product lines and markets as AIs' business and operations have expanded, developed, and become more complex. As financial products and markets can evolve quickly, there is a need therefore~~ for AIs to ensure that the skills of their staff keep pace with the ongoing changes and that their staff are adequately equipped to assess and address the risks to which the institutions are exposed and to undertake and fulfil their duties and responsibilities properly. ~~Taking treasury market activities as an example of an area where some AIs' operations and the risks which they face have developed and increased fairly rapidly over the past few years (particularly as regards liquidity management and trading of derivatives and structured products): it is the case that excess, unappreciated levels of risk assumed by AIs can pose a significant threat to their overall safety and soundness. In enhancing their treasury market capabilities, AIs should ensure that sufficient attention is paid to the knowledge and expertise of their staff and the development of their staff's requisite skill-sets as well as to the AIs' risk management systems and controls.~~
- 1.2 The propriety and integrity of individuals employed by AIs are also of fundamental importance. AIs differ from other types of institutions<sup>5</sup> in that most of the funds used in the conduct of their business belong to third parties including, particularly, their depositors. Trust and reputation are therefore critical elements in the conduct of banking business and ethical banking practices are essential for safeguarding depositors' interests and maintaining the stability of the banking system.
- 1.3 Section 7(2) of the Banking Ordinance, which sets out the "Functions of the Monetary Authority", provides for the Monetary Authority (MA) to take all reasonable steps to ensure that any business of an AI is carried on with integrity, prudence, and the appropriate degree of professional competence and in a manner which is not detrimental to the interests of depositors or potential depositors. These requirements are also reflected



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in paragraph 12 of the Seventh Schedule to the Banking Ordinance which provides that, for an AI to become and remain authorized under the Ordinance, the MA must be satisfied that the AI's business is carried on with integrity, prudence and the appropriate degree of professional competence and in a manner not detrimental, or likely to be detrimental, to the interests of depositors or potential depositors.

- 1.4 Ensuring satisfactory levels of competence and ethical behaviour is key to achieving the MA's functions as described in subsection 1.3 above. More broadly, standards of competence and a reputation for integrity and probity are also key to the successful development of Hong Kong as an international financial centre.
- 1.5 The requirements regarding competence and ethical behaviour extend to personnel at all levels within an AI's organizational structure, from senior management to junior members of staff. They are not confined to those persons, such as directors, chief executives or executive officers, whose appointments are subject to the MA's consent under the Banking Ordinance. Nor are they confined to "managers"<sup>2</sup> or to "relevant individuals"<sup>3</sup> carrying out regulated functions under the Securities and Futures Ordinance, in respect of whom [CG-2](#) – "Systems of Control for the Appointment of Managers" and the Fit and Proper Guidelines, the Guidelines on Competence and the Guidelines on Continuous Professional Training issued by the Securities and Futures Commission (SFC) are applicable respectively.
- 1.6 This guidance sets out the HKMA's supervisory expectations for AIs in ensuring the competence, probity and integrity of their staff. AIs are expected to establish and implement policies and

<sup>2</sup> Under section 2 of the Banking Ordinance, a "manager" means any individual (other than (i) a director or chief executive [for a locally incorporated AI, or \(ii\) a chief executive for an AI incorporated overseas](#)) appointed by the AI, or by a person acting for or on behalf of or by arrangement with the AI, to be principally responsible, either alone or with others, for the conduct of any one or more of its affairs or business specified in the Fourteenth Schedule of the Ordinance.

<sup>3</sup> Under section 20(10) of the Banking Ordinance, a "relevant individual" means an individual who carries out any regulated function in one or more regulated activities [for or on behalf](#) of a registered institution. AIs that are registered institutions under the Securities and Futures Ordinance should ensure that their relevant individuals meet the initial competence requirements in the [Securities and Futures Commission's Guidelines on Competence](#), which includes, among other things, acquiring a recognized industry qualification, or possessing a degree in a designated field, and passing a local regulatory framework examination paper (see para. 4.2.4 of [SB-1](#) "Supervision of Regulated Activities of SFC-Registered Authorized Institutions").



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procedures for monitoring, developing and maintaining the competence levels and ethical behaviour of their staff with due regard to the principles set out in this module. In so doing, AIs may adopt a proportionate approach, such that their policies and procedures are appropriate for and commensurate with the size, scope, nature and complexity of their business.

## 2. Responsibility to ensure staff competence

- 2.1 The Board of Directors (the Board) of an AI is ultimately responsible for ensuring that the AI's business is conducted with integrity, prudence and the appropriate degree of professional competence.
- 2.2 The Board should ~~therefore~~ act to ensure that a culture of competence and ethical behaviour is embedded within the AI at both the firm and individual staff levels. Staff recruitment and performance appraisal systems should be designed so as to include professional competence, ~~professionalism~~ and integrity as key assessment factors. Commitment to staff training and development should be expressed in policies promulgated by the Board. ~~Training should not be regarded as an optional additional cost but rather as a fundamental element of a successful business strategy.~~
- 2.3 ~~As it is in an AI's long term commercial interest for its staff to be competent and behave ethically,~~ The senior management of an AI should ensure that appropriate policies and procedures are put in place:
  - to assess the competence of newly recruited ~~individuals~~staff members, or ~~individuals~~incumbent staff members being transferred (permanently or on a temporary basis) between posts within the AI, for the duties and responsibilities being allocated to them;
  - to ~~monitor and review~~ assess whether the knowledge, skills and ~~performance~~ experience of ~~each individual staff members~~ remain appropriate for their roles ~~of staff to ensure their continuing competence on an ongoing basis~~;
  - to provide adequate levels of supervision to staff;



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- to provide relevant and timely training to staff members to develop, maintain and enhance their competencies ~~skills and ensure they remain competent for their roles;~~ and
- to address any identified competence failings or gaps in a timely fashion.

2.4 ~~The form and style of such arrangements may vary between AIs. Some AIs may prefer a more formal structure, whilst other (possibly smaller) AIs may adopt a more flexible approach. In any event,~~ Developing and maintaining staff competence and training arrangements should not be regarded ~~primarily merely~~ as a “mechanical” compliance exercise requirements (for example a system which “ticks a box” when a certain qualification is obtained but makes no further effort to monitor competence) but should be integrated into an AI’s operational risk agenda and reflective of the AI’s corporate values and standardseulture.

2.5 ~~To ensure sustainable manpower development amidst rapid globalization and advances in technology, the Government of the Hong Kong Special Administrative Region established the Qualification Framework (QF) in 2004. The QF aims to clearly define the standards of different qualifications, ensure their quality and indicate the relationship between different levels of qualifications. Specification of Competency Standards (SCSs) for selected industries<sup>4</sup> have been formulated, in which a set of core competencies which describe the skills, knowledge and attributes that are required at different levels in the industry, are set out. To support talent development and raise the professional competence of banking staff in Hong Kong, the HKMA embarked on developing the Enhanced Competency Framework (ECF) in collaboration with the banking industry and relevant professional bodies.<sup>5</sup> When developing policies~~

<sup>4</sup> ~~For the banking industry, the scope of the QF is divided into five core functional business areas: (i) Retail Banking, (ii) Corporate/Commercial Banking, (iii) Investment Banking, (iv) Private Banking and Asset Management, and (v) Treasury. The SCS for the Retail Banking function is available for reference and use by AIs. The SCS for the Corporate/Commercial Banking function is currently under preparation and will be issued in due course, followed by the SCS for other functional areas. For general information about the QF, please refer to the designated website ([www.hkqf.gov.hk](http://www.hkqf.gov.hk)).~~

<sup>5</sup> The ECF generally covers areas that are central to the safety and soundness of the banking sector. Currently the following areas have been identified: Anti-Money Laundering and Counter-Financing of Terrorism; Cybersecurity; Credit Risk Management; Private Wealth Management; Retail Wealth



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and ~~training plans procedures~~ to ensure staff competence, AIs are strongly encouraged to refer to the ECFQF, where applicable and available as a benchmark. For areas other than those covered under the ECF, AIs may make reference to other benchmarks as they deem appropriate, such as the Qualification Framework (QF) established by the Government of the Hong Kong Special Administrative Region.<sup>6</sup> AIs may also refer to other qualifications or benchmarks that are appropriate to the specific functional areas concerned.

- 2.6 If any part of an AI's business or operations is ~~outsourced~~ to external service providers, the AI should satisfy itself that competence levels within the service providers are such that they can meet the target service level stipulated in the outsourcing arrangements and the AI should monitor the performance of its service providers on an ongoing continuous basis. The AI should also assign staff with appropriate expertise to undertake such monitoring (see SA-2 "Outsourcing").

### 3. Assessing competence

- 3.1 AIs should implement a control process to assess the competence of their staff ~~members~~. Where applicable, AIs are strongly encouraged to adopt the ECF as a benchmark. An initial assessment should be made upon the staff member assuming a particular post (whether following initial recruitment or internal transfer) in the light of both the role to be performed and the level of supervision and support to be provided to the individual concerned. The ~~component elements of the~~ initial assessment process are is likely to vary depending upon the seniority level of the staff employees concerned and the job functions or activities proposed to be allocated to them. Thereafter, the competence of employees should be monitored

Management; Risk Management and Compliance; and Treasury Management. Individual modules are rolled out on a gradual basis.

<sup>6</sup> The QF is a seven-level hierarchy covering qualifications in the academic, vocational and continuing education sectors in Hong Kong. Under the QF, a set of Specification of Competency Standards (SCS) in respect of key functional areas of banking and other selected industries are being developed, maintained and updated. The SCS sets out the skills and knowledge required of the practitioners to perform various job functions in the industries effectively. Please refer to the QF website for further details: <https://www.hkqf.gov.hk>.





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on an ongoing basis ~~in the light of their performance and any changing circumstances~~ (see subsection 4.1 below).

- 3.2 AIs should draw up job specifications for the various posts within their organizational structure, with due regard to the nature of the tasks, duties and expected results associated with the relevant posts. AIs should also develop and document corresponding competence criteria covering the skills, knowledge, professional qualifications and experience required for individual posts within the AI. Both the job specifications and the corresponding competence criteria should be communicated to the staff concerned and regularly reviewed and updated in the light of changing circumstances.
- 3.3 On recruiting a new member of staff, or assigning an existing member of staff to a new job function or activity, AIs should assess the degree to which the staff member already meets ~~the specified competence criteria~~ or should be able to meet, given the appropriate training and supervision, ~~to meet the criteria-requisite level of competence~~ for the role.
- 3.4 AIs are expected to provide induction courses for new members of staff to cover a range of issues (including non-job specific issues), including for example ~~the contents of~~ the AI's code of conduct, the AI's staff performance appraisal system, key provisions in the AI's staff manual and ~~important aspects of~~ the AI's corporate values and standards culture.
- 3.5 Where an individual employee has not yet attained ~~met the competence criteria but is working towards attaining~~ the requisite level of competence for an assigned function or activity, he ~~or she~~ should not be permitted to substantively undertake ~~the assigned such~~ function or activity without close supervision ~~by competent supervisors (who have themselves demonstrably attained the relevant level of competence)~~ until such time as he/~~she~~ can demonstrate the appropriate-requisite level of competence. ~~It follows that there should be clear criteria for the point at which an individual is regarded as competent. Appropriate arrangements (e.g. adequate "on-the-job" training and coaching) should be provided to the employee concerned so that he can acquire the necessary experience to independently undertake the relevant function or activity.~~ Supervisors should not regard their role as confined solely to the monitoring of performance but should endeavour to guide and coach their supervisees as required. Simple ex post





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review of files is unlikely to amount, in itself, to adequate supervision. Once an employee has been assessed as competent, the level of ~~appropriate ongoing~~ supervision will likely be considerably less intense than in the initial assessment period.

- 3.6 When assigning a member of staff to cover the duties of a particular post on a temporary basis as a replacement for the usual incumbent, care should be taken to ensure that the temporary transferee is competent for the role and has the appropriate suitably up-to-date skills and experience to perform the duties and responsibilities of the post.
- 3.7 In setting competence criteria, AIs should endeavour to cover at least the following factors:

### Knowledge of products, markets and regulatory requirements

3.7.1 AIs' staff members should have a sufficiently detailed knowledge of the products with which they deal, and of the market sectors in which they are engaged, to enable them to undertake their duties in a professional and responsible manner.<sup>7</sup> Frontline customer-facing staff ~~will should~~ also be equipped with need to have the communication skills and tools to provide necessary explanations to customers in order to avoid potentially misleading messages being conveyed to those customers.

3.7.2 ~~Staff who are relevant individuals undertaking regulated activities for AIs are subject to the SFC's Fit and Proper Guidelines, Guidelines on Competence and Guidelines on Continuous Professional Training. When conducting business activities, AIs must obviously~~ take steps to ensure their staff members comply with ~~these SFC Guidelines~~ the applicable regulatory guidelines issued by the relevant authorities; ~~but~~ However, AIs should beware of, and avoid any gravitation towards, a box-ticking mechanical compliance approach when it comes to assessing staff competence. ~~Recent years have seen~~

<sup>7</sup> For example, staff who are relevant individuals undertaking regulated activities for AIs are subject to the SFC's Fit and Proper Guidelines, Guidelines on Competence and Guidelines on Continuous Professional Training.



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In light of the increasing complexity in financial products, Als should emphasise ing on the need for staff to keep up-to-date with market developments.

- 3.7.3 Staff members should have sufficient information on, and understanding of, the regulatory requirements applicable to the business activities in which they are engaged. In addition to legal risk, the potential risk to reputation could be significantly increased if staff actions or activities attract public sanction.
- 3.7.4 Als should not launch new products or engage in new business activities unless ~~and until~~ they are satisfied that their staff have adequate knowledge of the relevant products, markets and associated regulatory requirements.
- 3.7.5 Where relevant to their activities, staff members (e.g. loan officers, dealers and traders) should also understand the AI's strategic direction, business development policies and goals, ~~tolerance levels risk appetite~~ and risk ~~control~~ limits.

### Professional Qualification

- 3.7.6 Whilst Als should not neglect “soft skills” such as accumulated on-the-job experience, it is perhaps to some degree inevitable that with the increasing sophistication and complexity of banking activities and the commensurately higher risk management requirements, emphasis and importance will be placed upon individuals obtaining professional qualifications relevant to the roles that they are performing and thereafter, where required, maintaining these qualifications through continuous professional training.
- 3.7.7 Professional qualifications serve as an objective measure of an individual's technical knowledge in a given area. Qualifications that are founded or based on occupational standards with a practical focus are particularly useful in demonstrating a body of skills and understanding. For example, the ECF certification awarded by the Hong Kong Institute of Bankers (HKIB), the Treasury Markets Association (TMA) and the Private Wealth Management



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~~Association (PWMA). The qualifications awarded by these organisations are described in Annexes A, B and C respectively. provides training and qualifications with specific relevance to AIs' staff engaged in key treasury market activities and the Hong Kong Institute of Bankers (HKIB) offers training and qualifications for personnel engaged in various specialized activities within an AI such as credit management, wealth management, treasury management, operations management, and financial planning and management.~~

~~3.7.8 For reference, the professional qualifications and training offered by the TMA<sup>8</sup> cover the following:~~

<del>Training programmes under the professional qualification framework of the TMA</del>	<del>Objectives</del>	<del>Class of membership attained upon passing the examination</del>
<del><b>Level 1</b> Foundation course in Treasury Markets and examination on TMA Code of Conduct and Practice (elementary level)</del>	<del>To provide junior staff engaged in treasury market activities with basic knowledge of the financial and treasury markets and their operating environment.</del>	<del>Associate Member</del>
<del><b>Level 2</b> Graduate Certificate in Treasury Market Management and examination on TMA Code of Conduct and Practice (advanced level)</del>	<del>To provide candidates who are middle/senior management staff engaged in treasury market activities with a greater breadth and depth of knowledge of the treasury markets and products; the responsibilities, relations and dynamics among all parties concerned; risk management and compliance operations.</del>	<del>Full Member</del>
<del><b>Level 3</b> Postgraduate Certificate in Treasury Market Management (being</del>	<del>To provide candidates with in-depth and advanced training in areas deemed vital for those who take senior management roles in treasury market</del>	<del>Fellow member</del>

~~<sup>8</sup> For further details of the training programmes / curriculum and the entry requirements for the qualifications / designations, please refer to [www.tma.org.hk](http://www.tma.org.hk).~~



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~~developed)~~

~~activities.~~

3.7.8 In assessing the technical competence of staff engaged in treasury market activities<sup>9</sup>, AIs should take into account any relevant qualifications obtained by the staff under the professional qualification framework of the TMA, ~~or comparable qualifications of other professional bodies,~~ having regard to the specific duties and responsibilities assigned to them<sup>10</sup>. ~~AIs may enquire with the TMA or visit its website for details of its latest available training programmes.~~

3.7.9 ~~It is mandatory for s~~Staff who are responsible for carrying out activities regulated by the SFC are required, to obtain the requisite qualifications under the licensing regime introduced by the Securities and Futures Ordinance. For this purpose, the ~~Hong Kong Securities and Investment Institute\*~~ (HKSI) provides the Licensing Examination for Securities and Futures Intermediaries ~~for relevant staff~~. Similarly, the HKSI provides the Mandatory Provident Fund (MPF) Intermediaries Examination which to enables relevant staff to meet the examination requirements to act as

<sup>9</sup> For the purposes of this SPM module, “treasury market activities” include

- managing the liquidity and funding of an AI and the trading of foreign currencies, securities or other financial instruments (including such activities if they are undertaken by the front or middle / back office); or
- selling treasury products to institutional and corporate customers; or
- recommending what kind of investment / wealth management products can be distributed to retail investors or providing training to staff who are authorized to sell investment / wealth management products to retail customers.

<sup>10</sup> Staff members who undertake treasury market activities may also be relevant individuals carrying out regulated activities under the Securities and Futures Ordinance. If the relevant individual during the course of carrying out his or her employment duties solely undertakes regulated activities under the Securities and Futures Ordinance, then the qualifications he or she has obtained pursuant to the licensing requirements of the Securities and Futures Ordinance may be regarded as sufficient without the need for obtaining additional professional qualifications. However, if the relevant individual also undertakes activities involving treasury products which are not regulated under the Securities and Futures Ordinance (e.g. currency and interest rate linked deposits and derivatives), AIs should follow the guidance in para. ~~3.7.9~~ 3.7.8.

\* ~~Formerly known as the Hong Kong Securities Institute.~~



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an MPF intermediary.<sup>11</sup> ~~In this connection, the HKSI provides professional training courses relevant to the needs of the market practitioners in taking the examinations.~~

3.7.10 In addition to the training programmes specific activities mentioned above, Als may also consider relevant training and qualification programmes offered by the HKIB as a means to sustain and augment the competence and professionalism of their staff members. ~~The programmes and qualifications offered by the HKIB<sup>12</sup> are set out below for reference:~~

Training programmes under the professional qualification framework of the HKIB		Objectives	Qualifications/Designations attained upon passing the examination
i	<b>Diploma in Banking and Financial Services</b> <del>— Banking Service and Professional Ethics</del> <del>— Fundamentals of Accounting and Law in Banking</del> <del>— Financial Systems and Risk Management</del>	<del>To provide candidates with essential knowledge covering banking services and professional ethics, accounting and law in banking, financial systems and risk management. The subject “Banking Service and Professional Ethics” is specially tailored to every banking practitioner</del>	<b>Accredited Banking Practitioner (ABP)</b>
ii	<b>Specialist Diploma in</b> <del>— Credit Management</del> <del>— Operations Management</del> <del>— Treasury Management</del> <del>— Wealth Management</del>	<del>To provide candidates who are experienced banking practitioners with professional knowledge on specific business functions</del>	<b>Certified Professional (CP)</b> <del>(upon completion of (i) and (ii))</del>

<sup>11</sup> Please refer to HKSI's website for details of its latest available training programmes: <http://www.hksi.org/hksi/>.

<sup>12</sup> For further details of the training programmes / curriculum and the entry requirements for the qualifications / designations, please refer to [www.hkib.org](http://www.hkib.org).



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iii	<b>Advanced Diploma in Banking and Financial Services</b>	To provide candidates with all-round and advanced knowledge in banking for the purpose of grooming them for senior managerial positions  The AHKIB qualification is benchmarked to Level 6 in the QF, which is at a master degree level	<b>Associate of The Hong Kong Institute of Bankers (AHKIB)</b> <i>(upon completion of (i), (ii) and (iii))</i>
iv	<b>Professional Diploma in Financial Planning and Management</b>	To provide candidates with professional knowledge with specific relevance to wealth management  The CFMP qualification is benchmarked to Level 5 in the QF, which is at a bachelor degree level	<b>Certified Financial Management Planner (CFMP)</b>

3.7.11 Als should consider the extent to which their personnel engaged in the relevant areas have obtained or should obtain these qualifications, or comparable qualifications of other professional bodies, taking into account their previous experience, other qualifications they may hold and the specific duties and responsibilities assigned to them. ~~Als may enquire with HKIB or visit its website for details of its latest available training programmes.~~

~~3.7.11~~3.7.12 More broadly, there is a wide range of well-recognised professional qualifications and training provided by various international professional bodies covering areas such as accounting, financial analysis and risk management. These qualifications may also be relevant to staff engaged in the relevant areas of an AI's activities.

~~3.7.12~~3.7.13 As noted above however, Als should not focus on professional qualifications to the exclusion of all other criteria. Individual staff members' accumulated experience will also be a factor in assessing competence to perform a particular role.

### Practical experience



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~~3.7.13~~3.7.14 An AI's staff members should possess a sufficient degree of practical experience to supplement their technical proficiency and professional qualifications and to enable them to handle their duties and responsibilities independently. In the case of ECF-related areas, AIs may refer to the applicable work experience for the attainment of professional certification.

~~3.7.14~~ If staff members do not possess sufficient experience to function independently, they should be subject to appropriate supervision by experienced staff. AIs should also take appropriate steps, such as adequate, practical "on-the-job" training and coaching and appropriate job assignment (for example, initially deploying the staff members concerned in supporting positions within the respective activity areas with appropriate supervision), so that they can acquire the level of experience necessary to independently undertake the relevant activities.

## 4. Maintaining competence

### 4.1 Monitoring competence

4.1.1 AIs should maintain adequate systems of control to monitor and review regularly and frequently the competence of their staff so as to ensure that their staff members remain competent for their role, taking into account changing circumstances including market developments, product innovation and changes in the regulatory landscape.

4.1.2 Staff competence should be monitored during the course of an employee's work and should be reviewed in the regular performance appraisal. There should be clearly defined procedures for investigating any apparent breaches by staff of internal guidelines or regulatory requirements and any customer complaints suggestive of failures of competence on the part of staff members. The performance appraisal should take into account any competence failings identified in internal audit reports or compliance





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reports or from the investigation of customer satisfaction ratings, or customer complaints or otherwise.

- 4.1.3 Where competence gaps are identified, AIs should take appropriate remedial action. This could range from arranging suitable training; increasing the level of supervision; or, in extreme cases, suspending staff from the performance of their duties or posting staff to more suitable positions. In serious cases, where incidents of incompetence of an AI's staff have caused significant losses to the AI or are likely to result in significant adverse publicity with consequent reputation risks for the AI, the AI should notify the HKMA on a timely basis and discuss the remedial actions which the AI proposes to take to avoid recurrence of similar incidents in the future.
- 4.1.4 Staff members with supervisory responsibilities should clearly communicate and provide constructive feedback on competence issues to staff members under their supervision, with a view to motivating them to maintain or improve their competence levels.
- 4.1.5 An AI's policies and procedures for staff performance appraisal should ensure that staff are aware that their competence will be assessed as an integral part of their performance measurement and will be taken into account in the determination of any performance related variable remuneration which may be payable to them.

## 4.2 Developing and strengthening competence

- 4.2.1 To ensure that staff members remain competent to perform their roles effectively amidst changes in business activities, operating environments and regulatory requirements, AIs should determine the training needs of their staff members at regular intervals and ensure that suitable, relevant and timely training is provided to staff members. Where there are changes in the duties undertaken by staff members, AIs should specifically consider whether further training should be provided to them.



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- 4.2.2 Als should allocate sufficient resources, both in terms of human and financial capital to staff training, in a manner commensurate with the size, scope, nature and complexity of their business.
- 4.2.3 Training may be delivered in a variety of ways both in-house and externally. In each case, Als should review at regular intervals the quality and effectiveness of such training and satisfy themselves that the staff or entities providing the training are suitably qualified to do so. ~~Even though a~~An Al's ~~has established a~~ training programme should, ~~it is essential that it~~ be kept under regular review to ensure that it keeps pace with an Al's changing circumstances.
- 4.2.4 Als ~~should need to~~ ensure that the skill-sets of their staff keep pace with the developing and increasingly complex nature of the products with which they deal and the activities they are required to perform. Als should provide targeted training of specific relevance to the staff concerned. As mentioned above, for example, the HKIB provides a range of training programmes covering different streams of business activity. It offers both certification and continuing professional development programmes to cater for the development needs of different levels of staff. Similarly, ~~for reference~~, the TMA offers a range of ~~focussed~~ training courses designed for treasury market practitioners in Hong Kong, which can usefully support, complement and form an integral part of Als' training programmes.
- 4.2.5 Als are expected to facilitate the undertaking by relevant staff of the continuous professional training ~~courses activities~~ required under the ECF or by the TMA and other ~~comparable professional~~ bodies. The holders of certain qualifications may be required to participate in specified modules or specified amounts of continuous professional training to maintain and update their knowledge in their respective areas of expertise. Through these continuous professional training or continuous professional development programmes, the relevant staff of Als can enhance



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their technical skills and professionalism in their specialist areas. AIs are therefore expected to encourage their professional staff members to participate in such training.

### 5. Ethical behaviour

- 5.1 Employees' respect for, and commitment to, high standards of business conduct and integrity are fundamental in maintaining an AI's reputation. Reputation in turn is key to an AI's future sustainability. A good reputation can however be swiftly tarnished by instances of unethical behaviour or misconduct on the part of an AI's employees.
- 5.2 Good ethical behaviour should be required of all levels of staff within an AI. Staff members of an AI should act with integrity, due skill, care and diligence in carrying out their role and responsibilities. They should also behave in a way consistent with the AI's corporate values and standards. AIs should take steps to ensure that employees fully recognize their personal accountability in this respect. For example, the Board and senior management should serve as role models in demonstrating the types of behaviour to be pursued by the AI, which could be reinforced by regular communication between senior management and staff members. With a view to address and correct behaviour which may be inappropriate or inconsistent with their corporate values, AIs should also have a policy allowing their staff to communicate, in confidence and without the risk of reprisal, with the Board directly or indirectly (e.g. through an independent channel) material and bona fide concerns or observations of any violations.
- 5.3 AIs should ensure that integrity and professional ethics are integrated into their corporate values and standards set by the Board—culture. AIs are expected to include training on professional ethics (including guidance on the types of behaviour that are acceptable and not acceptable to the AI) as part of the induction course provided for all newly recruited staff members and as part of the ongoing training courses provided for the incumbent staff. Furthermore, certain professional qualifications, including but not limited to those awarded by the HKIB and the TMA, incorporate training programmes on ethical values and professional conduct which are applicable to



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personnel at all levels within an AI or staff dealing with particular business functions.

5.4 Als should ensure that staff members are aware of the management actions that may be taken in cases of unacceptable behaviour or transgression. Such management actions may include escalation procedures to higher levels of management, notification to the board and even disciplinary action for staff.

5.45.5 The adherence by staff to acceptable ethical standards of behaviour should be monitored during the course of their work and should be reviewed in the regular performance appraisal. There should be clearly defined procedures for investigating any apparent instances of unethical behaviour on the part of employees, whether the subject of customer complaints or otherwise. An AI's policies and procedures for staff performance appraisal should ensure that staff are aware that their standards of ethical behaviour will be assessed as an integral part of their performance measurement –and will be taken into account in the determination of any performance related variable remuneration which may be payable to them.

5.6 Staff members of an AI should observe the code of conduct issued by the AI (see [CG-3](#) "Code of Conduct"). They should also abide by applicable standards published from time to time by relevant regulatory authorities (such as the SFC's "Code of Conduct for Persons Licensed by or Registered with the SFC" for securities activities), and where applicable (and where not inconsistent with the AI's code of conduct or any applicable regulation, rule or regulatory standard) any codes of conduct or standards issued by professional bodies or industry associations of which they are members or associates (e.g. such as the Code of Conduct and Practice issued by the TMA<sup>13</sup>, and the Code of Ethics and Conduct issued by the Private Wealth Management Association<sup>14</sup>). To this end, Als should maintain adequate systems of control to ensure that their staff engaged in relevant activities observe and abide to the applicable standards.

<sup>13</sup> This document is endorsed by the HKMA and sets out the standards of ethical behaviour and best practice applicable to treasury markets in Hong Kong.

<sup>14</sup> This document sets out general principles and expectations of business conduct in the private wealth management industry.



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~~5.5—As an example of the latter in respect of AIs' treasury activities, the Code of Conduct and Practice issued by the TMA ("the TMA Code")<sup>45</sup>, which is endorsed by the HKMA, sets out standards of ethical behaviour and best practice applicable to treasury markets in Hong Kong. AIs should maintain adequate systems of control to ensure that their staff engaged in such activities observe the relevant standards in the TMA Code.~~

~~5.65.7~~ To reinforce staff members' level of awareness of the legal, regulatory and ethical issues that may arise during their day-to-day activities, AIs should regularly communicate to their staff members the standards and requirements of their own code of conduct and other codes issued by the regulatory authorities. Staff members of AIs should also keep themselves abreast of the standards and requirements of the codes issued by the professional bodies or industry associations, of which they are members or associates.

~~5.75.8~~ In the event of non-compliance by any staff member with the applicable codes, the AI concerned should promptly review the situation leading to the breach and assess if this is reflective of any deficiencies in its risk management or control systems that necessitate remedial action.

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<sup>45</sup>~~The TMA Code was first issued in July 2011 and updated in March 2014.~~



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### Annex A

#### Professional qualifications of the TMA<sup>16</sup>

<u>Programme</u>	<u>Designation</u>
<u>Professional Certificate in Treasury Markets</u>	<u>Associate Treasury Management Professional</u>
<u>Postgraduate Certificate in Banking and Corporate Treasury Management:</u> <u>Module 1 – Banking and Corporate Treasury Management; and</u> <u>Module 2 – Treasury Products and Financial Risk Management</u> <u>OR</u> <u>Module 2 – Treasury Products and Financial Risk Management; and</u> <u>Module 3 – Treasury Risk Management and Compliance</u>	<u>Certified Treasury Management Professional</u>  <u>(with 3 years of relevant experience)</u>
<u>Postgraduate Certificate in Banking and Corporate Treasury Management:</u> <u>Module 1 – Banking and Corporate Treasury Management; and</u> <u>Module 2 – Treasury Products and Financial Risk Management; and</u> <u>Module 3 – Treasury Risk Management and Compliance</u>	<u>Certified Senior Treasury Management Professional</u>  <u>(with 5 years of relevant experience)</u>

<sup>16</sup> As of the date of issue of this module. Details of the training programmes can be found at <http://www.tma.org.hk>, and may be updated by the TMA from time to time.



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### Annex B

#### Professional qualifications of the HKIB<sup>17</sup>

<u>Programme</u>	<u>Designation</u>
<u>Certified Banker</u>	
- <u>Advanced Diploma for Certified Banker</u>	<u>Certified Banker (Stage I)</u> <u>(with 1 year banking or finance related working experience)</u>
- <u>Professional Diploma for Certified Banker</u>	<u>Certified Banker (Stage II)</u> <u>(with 2 years banking or finance related working experience)</u>
- <u>Postgraduate Diploma for Certified Banker</u>	<u>Certified Banker</u> <u>(with 3 years banking or finance related working experience)</u>
<u>Certified Financial Management Planner</u>	
- <u>Stage 1</u>	<u>Advanced Diploma in Financial Planning</u>
- <u>Stage 2</u>	<u>Professional Diploma in Financial Planning and Management</u>
- <u>Stage 3</u>	<u>Certified Financial Management Planner</u> <u>(with 2 years banking or finance related working experience)</u>
<u>Enhanced Competency Framework on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)</u>	
- <u>Core Level</u>	<u>Associate AML Professional</u>
- <u>Professional level<sup>18</sup></u>	<u>Certified AML Professional</u> <u>(with 3 years of work experience in AML/CFT compliance)</u>

<sup>17</sup> As of the date of issue of this module. Details of the training programmes and examinations can be found at <http://www.hkib.org>, and may be updated by the HKIB from time to time.

<sup>18</sup> Under development at the date of issue of this module.





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**Annex C**

**Professional qualification of the PWMA**

<u>Programme</u>	<u>Designation</u>
<u>Enhanced Competency Framework on Private Wealth Management<sup>19</sup></u>	
<ul style="list-style-type: none"> <li>- <u>Module 1 (Technical Industry and Product Knowledge)</u></li> <li>- <u>Module 2 (Ethics and Compliance)</u></li> </ul>	<u>Certified Private Wealth Professional<sup>20</sup> (with 3 years of relevant work experience)</u>

<sup>19</sup> This ECF consists of two modules: Module 1 is provided by HKSI and Module 2 is provided by HKIB. Please refer to the websites of HKSI (<http://www.hksi.org/hksi>) and HKIB (<http://www.hkib.org>) for details of the respective training programmes and examinations, which may be updated by the providers from time to time.

<sup>20</sup> The certification is awarded by the PWMA. Details can be found at <http://pwma.org.hk/>, and may be updated by the PWMA from time to time.