

Controls for ensuring the fitness and propriety of relevant individuals

RIs should put in place adequate policies and procedures to ensure that their relevant individuals are and continue to be fit and proper, according to the SFC Fit and Proper Criteria and the supplementary Guidance Notes. Controls should include, but are not limited to, the following:

1. The responsibilities of relevant individuals should be clearly defined and supported by up-to-date job descriptions, organisation charts and levels of authority.
2. The qualities required for individual positions in terms of skills, knowledge, experience, and training etc should be clearly defined.
3. RIs should have clearly defined policies and procedures for satisfying themselves about the fitness and propriety of relevant individuals at the time of appointment or recruitment. The possible assessment procedures include:
 - (a) obtaining a self-declaration from the individual regarding such matters that will require notification to the HKMA as mentioned in this circular;
 - (b) inspection of the individual's original documents to evidence educational or professional qualifications (including, where applicable, evidence of having passed the relevant recognised industry qualification and local regulatory framework paper) and membership of any professional bodies or associations;
 - (c) checking public records for evidence of public reprimands, disciplinary actions, personal bankruptcy and judgement debts (and, if the individual is currently a licensed representative or a relevant individual, inspecting the SFC register or the HKMA register respectively);
 - (d) obtaining references from previous employers and from referees nominated by the individual; and
 - (e) reviewing the record and past performance of the individual who is an existing employee.
4. RIs should maintain adequate records and documentary evidence in relation to their assessment of the extent to which each relevant individual meets the

requirements of the SFC Guidance Note on Competence. These should be made available for inspection when required by the HKMA.

5. RIs should have clearly defined systems for appraising the performance of relevant individuals. Such systems should give due weight to compliance with internal guidelines and legal and regulatory requirements.
6. RIs should design and implement a continuous training programme that best suits the needs of their relevant individuals. They should at least annually evaluate the training programme and prioritise the training needs of their relevant individuals.
7. Sufficient records and documentary evidence of attendance or completion of training should be maintained to record the Continuous Professional Training activities undertaken by each relevant individual. These should be kept for a minimum of 3 years and produced for inspection when required by the HKMA.
8. There should be designated personnel responsible for ensuring all relevant individuals of the RI are fit and proper in accordance with regulatory requirements and internal guidelines.
9. RIs should have clearly defined policies and procedures for investigating apparent breaches of internal guidelines or legal or regulatory requirements by relevant individuals or complaints about the conduct of such individuals. In the course of such investigation, a RI should conduct a thorough assessment to determine whether the individual is fit and proper. The assessment should be properly documented. Any doubt about the individual's fitness and propriety should be cleared before he can be appointed as a relevant individual or allowed to carry on his existing duties as a relevant individual.
10. There should be clearly defined policies and procedures for taking internal disciplinary action where this is appropriate.