



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Guidelines on Competence

勝任能力的指引

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1. Introduction

- 1.1 The Guidelines on Competence are made under section 399 of the Securities and Futures Ordinance, Cap. 571 (“SFO”). They set out the matters that the Securities and Futures Commission (“SFC”) will normally consider in assessing whether a person is competent to carry on any regulated activity.
- 1.2 The competence requirements stemmed from the fitness and properness requirements with the objective of ensuring a person is equipped with the necessary technical skills and professional expertise to be "fit", and is aware of the relevant ethical standards and regulatory knowledge to be "proper" in carrying out regulated activities.
- 1.3 These Guidelines replace the 2nd Edition of the Guidance Note on Competence issued in June 2001. They are an elaboration on the Fit and Proper Guidelines.
- 1.4 These Guidelines do not have the force of law and should not be interpreted in a way that would override the provisions of any applicable laws, codes or other regulatory requirements. Failure to follow these Guidelines may reflect adversely on the fitness and properness of a person to carry on any regulated activity.
- 1.5 These Guidelines should be read in conjunction with the Fit and Proper Guidelines and the Guidelines on Continuous Professional Training (“CPT”), which set out the general expectations of what is necessary to satisfy the requirements of fitness and properness and the continuous competence requirements respectively.

2. Application and Interpretation

- 2.1 These Guidelines are applicable to the following persons carrying on any regulated activities under Part V of the SFO:
- (a) an individual who applies for licence or is licensed as a representative;
 - (b) a licensed representative who applies for approval or is approved as a responsible officer;
 - (c) a corporation which applies for licence or is licensed as a licensed corporation; and
 - (d) an authorized financial institution which applies for registration or is registered as a registered institution.
- 2.2 An individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority (“HKMA”) under section 20 of the Banking Ordinance (“relevant individual”) has to meet the same competence requirements as a representative. It is the responsibility of a registered institution to ensure that a relevant individual meets the same competence requirements as those applicable to a representative before submission of his name to the HKMA for the purpose of entering in this register.
- 2.3 Separately, an individual who applies to the HKMA for consent or who has been given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance has to meet the same competence requirements as those applicable to a responsible officer. The HKMA will take this into account when considering whether to grant consent.
- 2.4 For the purposes of these Guidelines, corporations and authorized financial institutions are collectively known as “corporations”. “Corporate licensees” refer to licensed corporations or registered institutions. “Individual licensees” refer to individuals licensed under the SFO including responsible officers.
- 2.5 Throughout these Guidelines, unless otherwise stated, where references to “responsible officer” are made, the term covers executive officer of a registered institution; similarly, the term “representative” covers relevant individual (other than an executive officer) of a registered institution.

- 2.6 For paragraphs 5.1 to 7.6, and Appendices D and E of these Guidelines, unless otherwise stated, regarding the SFC's requirements and procedures for an individual to demonstrate compliance with a certain requirement or seek exemption; or a corporation to provide an undertaking,
- (a) the HKMA will adopt the same requirements and procedures for an executive officer of a registered institution; and
 - (b) for other relevant individuals, the registered institution concerned has to ensure that such individuals comply with the corresponding requirements, and sufficient records (with supporting documents, where applicable) on how these requirements are satisfied should be maintained and made available for inspection upon request from the HKMA. While a registered institution does not have to provide an undertaking to the HKMA in relation to a relevant individual (other than an executive officer) seeking exemption from initial competence requirement, it will be held responsible for ensuring that the required actions covered under such undertaking are taken in the required manner.

3. Fitness and Properness

- 3.1 The SFC is obliged to refuse to grant a licence or registration if the applicant fails to satisfy the SFC that he is fit and proper. Similarly, the HKMA is obliged to refuse to grant consent to an individual to be an executive officer of a registered institution unless the individual satisfies the HKMA that he is fit and proper. Besides, it shall be a statutory condition of registration for every registered institution that its relevant individuals are fit and proper. Under section 129 of the SFO, the matters that shall be considered in assessing a person's fitness and properness include his:
- (a) financial status or solvency;
 - (b) educational or other qualifications or experience having regard to the nature of the functions to be performed;
 - (c) ability to carry on the regulated activity competently, honestly and fairly; and
 - (d) reputation, character, reliability and financial integrity.
- 3.2 The Fit and Proper Guidelines set out the SFC's general expectation of what is necessary to satisfy the licensing or registration requirements that a person is fit and proper. Among the requirements are paragraphs 5.1.1, 6.1.1 and 6.1.2 which state that individuals and corporations will generally not be considered fit and proper unless they can demonstrate that they have the ability to carry on the regulated activity competently.
- 3.3 The Fit and Proper Guidelines provides that the SFC may consider taking disciplinary action if the corporate licensees and individual licensees are no longer considered fit and proper. The SFC and HKMA may also consider taking disciplinary action if the relevant individuals or executive officers of registered institutions are no longer fit and proper. In this regard, corporate licensees, individual licensees as well as the relevant individuals and executive officers of registered institutions are expected to remain competent in order to remain licensed, registered, or as relevant individuals or executive officers as the case may be.
- 3.4 The expectations set out in these Guidelines are not exhaustive.

4. Assessment of Competence for Corporation

- 4.1 In determining whether a corporation is competent to carry on any regulated activities, the SFC will consider the corporation's organizational structure and the combined competence of its personnel.
- 4.2 A corporation should satisfy the SFC that it has proper business structure, good internal systems and qualified personnel to enable it to properly manage the risks it will encounter in carrying on its business as detailed in its business plan.
- 4.3 Examples of matters that will be considered by the SFC in assessing the competence of a corporation are listed in Appendix A.
- 4.4 Without compromising investor protection, the SFC will administer the competence criteria on a flexible basis. Absence of the matters set out in Appendix A will not necessarily lead the SFC to conclude that the corporation is not competent but the SFC may call for additional explanation. In particular, the SFC will wish to be satisfied in the particular case, either that the matter may be unnecessary for a corporation of that size (or one conducting that type of business), or that the objective to be served by a particular arrangement is addressed in another manner.
- 4.5 For corporations in which the scale of business operation and the number of staff are relatively small, the SFC will take into account that certain aspects of segregation of duties may not be possible. Under such circumstances, the SFC may consider requesting alternative arrangements, either at the company or the group level, if the corporation can demonstrate competence in managing its risk exposures and exercising effective control over its operations. Clear written operational and compliance procedures should be available.
- 4.6 Corporate licensees must remain competent and ensure that the individuals they engaged remain competent including compliance with the CPT requirements. They must also keep the SFC informed of any material changes in their business plans, organizational structures and personnel.

5. Assessment of Competence for Individual

- 5.1 An individual applying to carry on a regulated activity has to demonstrate competence and satisfy the SFC that he:
- (a) has a good understanding of the regulatory framework, including the laws, regulations and associated codes governing his intended industry sectors;
 - (b) is aware of the ethical¹ standards expected of an individual licensee; and
 - (c) is knowledgeable of the financial products that he deals in or advises upon and the markets in which he provides services.
- 5.2 Where an individual applies to carry on a Type 6 (advising on corporate finance) regulated activity and intends to give advice on matters falling within the ambit of the Codes on Takeovers and Mergers and Share Repurchases (“Codes”), he should satisfy the SFC that he has sufficient experience in this area. For this purpose, he has to complete the “*Questionnaire on respondent’s experience relating to the Codes*”. If the SFC is not satisfied that he is competent to acting on his own to advise on Codes-related matters, certain conditions may be imposed on his licence limiting the scope of his work.
- 5.3 *Test of Competence for Responsible Officer*

In assessing the competence of an individual applying to be a responsible officer, the SFC will ensure that he possesses appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation’s proposed activities. To be a responsible officer, he has to fulfil four basic elements as follows:

¹ One reference point is the “Ethics in Practice – A Practical Guide for Financial Practitioners” published jointly with the Independent Commission Against Corruption, SAR in October 1999.

Test of Competence for Responsible Officer

<i>4 Basic Elements</i>			<i>Can be Compensated by</i>
(1)	Academic/ Industry Qualification	Passed one of the recognized industry qualifications	<ul style="list-style-type: none"> • Degree in Accounting, Business Administration, Economics, Finance or Law; or other degree (with passes in at least two courses in the above disciplines); or • Internationally recognized professional qualifications in Law, Accounting or Finance²; or • Passes in English or Chinese, and Mathematics in HKCEE or equivalent³ plus an additional 2 years relevant industry experience⁴; or • An additional 5 years relevant industry experience. • <i>Applicant may apply for exemption from the recognized industry qualification requirement if he satisfies the exemption criteria as set out in Appendix D of these Guidelines.</i>
(2)	Industry Experience	Possesses 3 years relevant industry experience over the 6 years immediately prior to the date of application	—
(3)	Management Experience	Has a minimum of 2 years proven management skill and experience	—
(4)	Regulatory Knowledge	Passed one of the recognized local regulatory framework papers	<i>Applicant may apply for exemption from taking the recognized local regulatory framework paper if he satisfies the exemption criteria as set out in Appendix E of these Guidelines.</i>

² Internationally recognized professional qualifications in Finance include Chartered Financial Analyst (“CFA”), Certified International Investment Analyst (“CIIA®”) and Certified Financial Planner (“CFP”).

³ All high school public examinations (such as university entry examinations) will be recognized as equivalent to HKCEE.

⁴ In assessing the relevance of an applicant’s experience, the SFC will consider the role and functions to be undertaken by the applicant and whether the applicant possesses the recognized industry qualifications. Experience gained in Hong Kong or elsewhere that is closely related to the functions to be performed will be recognized.

5.4 *Test of Competence for Representative*

In assessing the competence of an individual applying to be a representative, the SFC will expect him to have a basic understanding of the market in which he is to work as well as the laws and regulatory requirements applicable to the industry. There are three basic elements for an individual seeking to be a licensed representative:

Test of Competence for Representative

<i>3 Basic Elements</i>			<i>Can be Compensated by</i>
(1)	Academic Qualification	Passes in English or Chinese, and Mathematics in HKCEE or equivalent	<ul style="list-style-type: none"> • Degree in Accounting, Business Administration, Economics, Finance or Law; or other degree (with passes in at least two courses in the above disciplines); or • Internationally recognized professional qualifications in Law, Accounting or Finance; or • An additional 2 years relevant industry experience for lacking <i>either (1) or (2)</i>; or • An additional 5 years relevant industry experience for lacking <i>both (1) and (2)</i>. • <i>Applicant may apply for exemption from the recognized industry qualification requirement if he satisfies the exemption criteria as set out in Appendix D of these Guidelines.</i>
(2)	Industry Qualification	Passed one of the recognized industry qualifications	
(3)	Regulatory Knowledge	Passed one of the recognized local regulatory framework papers	<i>Applicant may apply for exemption from taking the recognized local regulatory framework paper if he satisfies the exemption criteria as set out in Appendix E of these Guidelines.</i>

Note: *A representative engaging in a Type 3 (leveraged foreign exchange trading) regulated activity who handles discretionary account activities has to obtain additional 3 years' direct foreign exchange trading experience in the inter-bank foreign exchange market or currency futures market, or its equivalent over the past 6 years.*

- 5.5 A summary of the options for satisfying the competence requirements for responsible officer and representative is attached as Appendix B.
- 5.6 An individual licensee, or a relevant individual (whether an executive officer or not) of a registered institution, should comply with the CPT requirements as set out in the Guidelines on CPT to demonstrate that he has taken steps to remain competent.

6. Points to Note

- 6.1 The recognized industry qualifications and local regulatory framework papers mentioned above should be relevant to the activities to be performed by the individual. Lists of recognized industry qualifications and local regulatory framework papers versus each type of regulated activity are set out in Appendix C which will be updated as and when changes occur.
- 6.2 For an individual who satisfies the competence requirements other than the element of regulatory knowledge, the SFC may grant approval on condition that he must pass a recognized local regulatory framework paper within 6 months of obtaining the approval. This will allow the applicant an opportunity to begin carrying on regulated activities in an appropriately supervised environment before he passes the local regulatory framework paper. It should be noted that failure to obtain a pass within the specified time may render the approval invalid unless a further extension of time is granted by the SFC. The SFC may consider such an extension under exceptional circumstances as it considers appropriate. The SFC may also impose additional condition(s) on the individual licensee limiting the scope of his business activities.
- 6.3 Applicants are expected to obtain the appropriate recognized industry qualifications and pass the recognized local regulatory framework papers not more than 3 years prior to the date of application.
- 6.4 However, the SFC and the HKMA will recognize industry qualifications gained more than 3 years ago if the individual has substantial relevant working experience and has remained in the industry (either in Hong Kong or overseas) or can prove recent registration with a relevant overseas regulator.
- 6.5 An individual licensee seeking approval for a transfer of accreditation, or an existing relevant individual (whether an executive officer or not) seeking to be engaged by another registered institution, is deemed to have met the competence requirements if he applies for the same type of regulated activity and in the same role.

7. Exemptions from the Recognized Industry Qualification and Local Regulatory Framework Paper Requirements

- 7.1 The recognized industry qualification requirement is to assess whether the individual is sufficiently knowledgeable in the financial products in which he deals or on which he advises.
- 7.2 The local regulatory framework paper requirement is to ensure that the individual has an acceptable understanding of the relevant local laws and regulations with which he must comply when conducting the regulated activities. This is particularly important, in light of the criminal nature of liability that will be imposed on intermediaries for violations under the SFO.
- 7.3 The objective of requiring individuals engaging in regulated activities to meet the recognized industry qualification and pass the regulatory exam is to ensure that they are adequately equipped to carry out the regulated activities and are aware of their legal responsibilities as well as potential liabilities.
- 7.4 The SFC may, at its sole discretion, consider granting exemption for an individual from obtaining a recognized industry qualification and/or passing a local regulatory framework paper if he can demonstrate that he possesses qualifications comparable to those prescribed above. The SFC will review and consider all relevant facts and circumstances presented in a pragmatic manner in granting the exemptions. Criteria under which exemptions may be considered are given at Appendices D and E. These criteria may be changed and updated where necessary.
- 7.5 In granting the exemptions, the SFC may impose other conditions on and/or request for the provision of undertakings to the SFC from the individuals and/or sponsoring corporation as and when appropriate. Conditional exemptions so granted are specific to the facts and circumstances set forth in the application and in the context of the individual's engagement with the sponsoring corporation, and therefore, *non-transferable*. The individual may be required to obtain a relevant industry qualification or pass a recognized local regulatory framework paper if there are changes to his role or to the sponsoring corporation.
- 7.6 A breach of any of the conditions imposed or undertakings provided shall be deemed to be a violation of the Fit and Proper Guidelines and subject the individual and/or the sponsoring corporation to possible disciplinary action.

8. Role of the Academic and Accreditation Advisory Committee

- 8.1 The Academic and Accreditation Advisory Committee (“AAAC”) of the SFC is comprised of representatives from the SFC, the industry and academic institutions. It will consider and approve industry based qualifications and local regulatory framework papers for meeting the competence requirements.
- 8.2 The AAAC will from time to time amend the list of approved qualifications that it has endorsed for meeting the competence requirements, and the list will be updated on the SFC website at www.hksfc.org.hk as and when changes occur.

Examples of matters that will be considered by the SFC in assessing the competence of a corporation applying to carry on a regulated activity

I. Organizational Structure

- (a) Corporate Governance
 - the presence of an organizational structure with clear lines of responsibility and authority
 - a Board of Directors and senior management, including Committees of the Board, composed of individuals with an appropriate range of skills and experience to understand and run the corporation's proposed activities
 - a Board of Directors and senior management, including Committees of the Board, organized in a way that enables it to address and control the activities of the corporation

- (b) Business Profile and Risk Profile
 - information on the proposed lines of business
 - information on target market clientele, products and service type
 - extent of system automation
 - analysis of risks inherent to the key lines of business such as market risk, credit risk, liquidity risk and operational risk

- (c) Risk Management and Control Strategy
 - the presence of a clear risk management strategy with reference to the proposed lines of business
 - the setting of proper exposure limits for each key line of business
 - the anticipated risks being supported by the available capital (typically this will be demonstrated by a projected Financial Resources Rules calculation, if applicable)
 - the timing of review of established policies (e.g. subject to regular review or just with respect to changes in business and markets...etc)
 - risk management and control strategy for branch operations

Appendix A (cont'd)

- (d) Risk Management Policy and Procedures
- appointment of an independent risk manager¹ who has the appropriate qualifications to oversee and monitor the risk exposures and systems of the corporation
 - the presence of clear reporting lines for the independent risk manager
 - the way that risk exposure limits are set and communicated to the responsible persons
 - the way that risks are being measured and monitored
 - the procedures to deal with exceptions to risk limits
 - processes to ensure that the corporation regularly carries out stress testing using appropriate measures
- (e) Reporting and Control Functions
- the presence of reliable reporting systems ensuring that robust information is produced for risk management and decision making purposes
 - the presence of control procedures to ensure data integrity and that data flowing into the risk management system should be consistent with trade and financial information
- (f) Internal Audit and Compliance Functions
- internal audit and compliance personnel have appropriate qualifications and working experience to understand the corporate activities and risk profile
 - internal audit group and compliance personnel are independent of core business functions and reporting directly to an independent and high level of authority
 - internal audit group to perform periodic (at least annual) risk assessment and ascribe various levels of risk to an appropriate audit cycle
 - all audit findings and compliance issues that are not resolved within established time frames must be reported to senior management

¹ The SFC will not insist that an independent risk manager or independent information technology manager be appointed if there is alternative arrangement in place which is sufficient to manage business risk exposures and exercise effective control over operations. This is irrespective of whether the alternative arrangement is undertaken in Hong Kong or elsewhere, at the company level or group level. In any cases, there should be clear segregation of duties; the responsibilities of the risk manager should be clearly separated from that of front office personnel. Clearly, in most circumstances, more than one person will need to be appointed.

Appendix A (cont'd)

- (g) Internal Control System
 - adequate internal control systems set up in accordance with the relevant codes and guidelines
 - arrangements in place to ensure that proper audit trails are maintained
 - the presence of procedures to deal with non-compliance
 - requirements for the proper documentation of all operational and control procedures²

- (h) Conflict of Interest
 - policies and procedures on “Chinese Walls” including “Wall Crossing Procedure” and other control procedures to address conflict of interest issues arising from carrying on more than one type of regulated activities concurrently (e.g. advising on corporate finance, securities research and asset management activities) in the corporation or its groups
 - controls in place to address other conflict of interest issues, such as employee dealing and client priority

- (i) Information Technology Support
 - appointment of an independent information technology manager¹ who is appropriately experienced to maintain the integrity of the corporation's operating systems
 - for corporations providing services over the Internet, suitably qualified staff assigned to handle Internet communication and transactions
 - sufficient capital resources to meet necessary technological maintenance and improvements

¹ The SFC will not insist that an independent risk manager or independent information technology manager be appointed if there is alternative arrangement in place which is sufficient to manage business risk exposures and exercise effective control over operations. This is irrespective of whether the alternative arrangement is undertaken in Hong Kong or elsewhere, at the company level or group level. In any cases, there should be clear segregation of duties; the responsibilities of the risk manager should be clearly separated from that of front office personnel. Clearly, in most circumstances, more than one person will need to be appointed.

² Proper documentation of all operational and control procedures is essential for providing staff with the necessary guidance in running the business in accordance with the corporation's business objectives, professional standards and regulatory requirements.

II. **Personnel**

(a) Qualified Staff

- the presence of policies and procedures to ensure that suitably qualified staff are in post including, but not limited to, all licensed individuals (or, for a registered institution, all relevant individuals), risk managers, compliance officers, internal auditors, information technology managers, heads of settlement and accounting officers
- all supervisory staff for both front and back offices should have not less than 3 years relevant experience and appropriate qualifications

(b) Training Policies

- arrangements to ensure that operational and control policies and procedures are communicated to new recruits
- arrangements to ensure that updated operational and control manuals are distributed to staff and being accessible at all times
- arrangements to ensure that any changes to operational and control policies and procedures are communicated to staff
- the presence of appropriate staff on-going training policies and procedures

Table 1 – Test of Competence for Responsible Officer

	Option 1	Option 2	Option 3
Academic / industry qualification	<ul style="list-style-type: none"> Degree in the designated fields¹; or Other degree (with passes in at least two courses in the designated fields¹); or Professional qualifications²; or Recognized industry qualification³. 	Passes in Chin/ Eng + Maths in HKCEE or equivalent ⁴	—
Relevant industry experience⁵	At least 3 yrs over past 6 yrs	At least 5 yrs over past 8 yrs	At least 8 yrs over past 11 yrs
Management experience	2 yrs	2 yrs	2 yrs
Local regulatory framework paper³	Pass	Pass	Pass

Table 2 – Test of Competence for Representative⁶

	Option 1	Option 2		Option 3	
Academic qualification	<ul style="list-style-type: none"> Degree in the designated fields¹; or Other degree (with passes in at least two courses in the designated fields¹); or Professional qualifications². 	Passes in Chin/ Eng + Maths in HKCEE or equivalent ⁴		—	
Relevant industry experience⁵	—	At least 2 yrs over past 5 yrs	—	At least 5 yrs over past 8 yrs	At least 2 yrs over past 5 yrs
Recognized industry qualification³	—	—	Pass	—	Pass
Local regulatory framework paper³	Pass	Pass	Pass	Pass	Pass

¹ “Designated fields” refer to Accounting, Business Administration, Economics, Finance and Law.

² Internationally recognized professional qualifications in Law, Accounting or Finance. Internationally recognized professional qualifications in Finance include Chartered Financial Analyst (“CFA”), Certified International Investment Analyst (“CIIA®”) and Certified Financial Planner (“CFP”).

³ The recognized industry qualification and the local regulatory framework paper must not be completed more than 3 years prior to the date of application. Applicant may apply for exemption if he satisfies the exemption criteria as set out in Appendices D and E of these Guidelines.

⁴ All high school public examinations (such as university entry examinations) will be recognized as equivalent to HKCEE.

⁵ In assessing the relevance of an individual’s experience, the SFC or HKMA will consider the role and functions to be undertaken by the applicant and whether the applicant possesses the recognized industry qualifications. Experience gained in Hong Kong or elsewhere that is closely related to the functions to be performed will be recognized.

⁶ A representative engaging in a Type 3 (leveraged foreign exchange trading) regulated activity who handles discretionary account activities can only go for option 1 or 2. Furthermore, he has to obtain additional 3 years’ direct foreign exchange trading experience in the inter-bank foreign exchange market or currency futures market, or its equivalent over the past 6 years.

Table 1 – Recognized Industry Qualifications and Local Regulatory Framework Papers versus Regulated Activities (Responsible Officer)

RA	Country	Recognized Industry Qualifications	Local Regulatory Framework Papers
1, 4, 8	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+8	- HKSI DPE Paper 2 - HKSI PPE Paper 1 (+2 for SEHK participant engaging in RA1) - HKSI LE Papers 1+2
	US	- NASD Series 24 - AIMR Chartered Financial Analyst Designation	
	Australia	- Diploma Courses provided by SIA (in securities)	
	UK	- SFA Registered Persons Exams (in securities)	
	Canada	- Examinations conducted by CSI (in securities)	
	Japan	- JSDA Representative of Public Securities Course	
2, 5	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+9	- HKSI DPE Paper 2 - HKSI PPE Paper 1 (+3 for HKFE participant engaging in RA2) - HKSI LE Papers 1+3
	US	- NASD Series 3 - AIMR Chartered Financial Analyst Designation	
	Australia	- Diploma Courses provided by SIA (in derivatives)	
	UK	- SFA Registered Persons Exams (in derivatives)	
	Canada	- Examinations conducted by CSI (in derivatives)	
3	Hong Kong	- VTC Leveraged Foreign Exchange Trader's Responsible Director Examination Paper 2	- VTC Leveraged Foreign Exchange Trader's Responsible Director Examination Paper 1
	US	- AIMR Chartered Financial Analyst Designation	

Appendix C (cont'd)

RA	Country	Recognized Industry Qualifications	Local Regulatory Framework Papers
6	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+11	- HKSI DPE Paper 2 - HKSI PPE Paper 1 - HKSI LE Papers 1*+5
	US	- NASD Series 24 - AIMR Chartered Financial Analyst Designation	
	Australia	- Diploma Courses provided by SIA (in securities)	
	UK	- SFA Registered Persons Exams (in securities)	
	Canada	- Examinations conducted by CSI (in securities)	
	Japan	- JSDA Representative of Public Securities Course	
9	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+12	- HKSI DPE Paper 2 - HKSI PPE Paper 1 - HKSI LE Papers 1*+6
	US	- NASD Series 24 - AIMR Chartered Financial Analyst Designation	
	Australia	- Diploma Courses provided by SIA	
	UK	- SFA Registered Persons Exams	
	Canada	- Examinations conducted by CSI	
	Japan	- JSDA Representative of Public Securities Course	

Note: 1) * Not required for a licensed representative applying to be a responsible officer.
 2) There is no competence requirement for a Type 7 (providing automated trading services) regulated activity.

Appendix C (cont'd)

Table 2 – Recognized Industry Qualifications and Local Regulatory Framework Papers versus Regulated Activities (Representative)

RA	Country	Recognized Industry Qualifications	Local Regulatory Framework Papers
1,4,8	Hong Kong	<ul style="list-style-type: none"> - HKSI DPE Papers 1+3 - HKSI LE Papers 7+8 - HKSI FPE Paper 2 	<ul style="list-style-type: none"> - HKSI DPE Paper 2 - HKSI PPE Paper 1 (+2 for SEHK participant engaging in RA1) - HKSI FPE Paper 1 - HKSI LE Paper 1
	US	<ul style="list-style-type: none"> - NASD Series 24 - AIMR Chartered Financial Analyst Designation - NASD Series 7 - AIMR Chartered Financial Analyst Exam Level 1 Passed 	
	Australia	<ul style="list-style-type: none"> - Diploma Courses provided by SIA (in securities) - Certificates provided by SIA (in securities) 	
	UK	<ul style="list-style-type: none"> - SFA Registered Persons Exams (in securities) 	
	Canada	<ul style="list-style-type: none"> - Examinations conducted by CSI (in securities) 	
	Japan	<ul style="list-style-type: none"> - JSDA Representative of Public Securities Course 	
2,5	Hong Kong	<ul style="list-style-type: none"> - HKSI DPE Papers 1+3 - HKSI LE Papers 7+9 - HKSI FPE Paper 3 	<ul style="list-style-type: none"> - HKSI DPE Paper 2 - HKSI PPE Paper 1 (+3 for HKFE participant engaging in RA2) - HKSI FPE Paper 1 - HKSI LE Paper 1
	US	<ul style="list-style-type: none"> - NASD Series 3 - AIMR Chartered Financial Analyst Designation - AIMR Chartered Financial Analyst Exam Level 1 Passed 	
	Australia	<ul style="list-style-type: none"> - Diploma Courses provided by SIA (in derivatives) - Certificates provided by SIA (in derivatives) 	
	UK	<ul style="list-style-type: none"> - SFA Registered Persons Exams (in derivatives) 	
	Canada	<ul style="list-style-type: none"> - Examinations conducted by CSI (in derivatives) 	

Appendix C (cont'd)

RA	Country	Recognized Industry Qualifications	Local Regulatory Framework Papers
3	Hong Kong	- VTC Leveraged Foreign Exchange Trader's Responsible Director Examination Paper 2 - VTC Leveraged Foreign Exchange Trader's Representative Examination Paper 2	- VTC Leveraged Foreign Exchange Trader's Responsible Director Examination Paper 1 - VTC Leveraged Foreign Exchange Trader's Representative Examination Paper 1
	US	- AIMR Chartered Financial Analyst Designation	
6	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+11 - HKSI FPE Paper 2	- HKSI DPE Paper 2 - HKSI PPE Paper 1 - HKSI FPE Paper 1 - HKSI LE Paper 1
	US	- NASD Series 24 - AIMR Chartered Financial Analyst Designation - NASD Series 7 - AIMR Chartered Financial Analyst Exam Level 1 Passed	
	Australia	- Diploma Courses provided by SIA (in securities) - Certificates provided by SIA (in securities)	
	UK	- SFA Registered Persons Exams (in securities)	
	Canada	- Examinations conducted by CSI (in securities)	
	Japan	- JSDA Representative of Public Securities Course	
	9	Hong Kong	- HKSI DPE Papers 1+3 - HKSI LE Papers 7+12 - HKSI FPE Paper 2 and/or 3
	US	- NASD Series 24 - AIMR Chartered Financial Analyst Designation - NASD Series 7 - AIMR Chartered Financial Analyst Exam Level 1 Passed	
	Australia	- Diploma Courses provided by SIA - Certificates provided by SIA	
	UK	- SFA Registered Persons Exams	
	Canada	- Examinations conducted by CSI	
	Japan	- JSDA Representative of Public Securities Course	

Note: 1) *Qualifications and exams that are shaded are also applicable to responsible officer.*
2) *There is no competence requirement for a Type 7 (providing automated trading services) regulated activity.*

Appendix C (cont'd)

Key:

AIMR	The Association for Investment Management and Research
CSI	The Canadian Securities Institute
DPE	HKSI Diploma Programme Examination
FPE	HKSI Foundation Programme Examination
HKFE	Hong Kong Futures Exchange Limited
HKSI	Hong Kong Securities Institute
JSDA	Japan Securities Dealers Association
LE	HKSI's Licensing Examination for Securities and Futures Intermediaries
NASD	The National Association of Securities Dealers, Inc.
PPE	HKSI Financial Market Principal Programme Examination
SEHK	The Stock Exchange of Hong Kong Limited
SFA	The Securities and Futures Authority
SIA	The Securities Institute of Australia
VTC	The Financial Services Development Centre of the Vocational Training Council
RA	Regulated Activity
Type 1	Dealing in Securities
Type 2	Dealing in Futures Contracts
Type 3	Leveraged Foreign Exchange Trading
Type 4	Advising on Securities
Type 5	Advising on Futures Contracts
Type 6	Advising on Corporate Finance
Type 7	Providing Automated Trading Services
Type 8	Securities Margin Financing
Type 9	Asset Management

Exemptions from the Recognized Industry Qualification Requirement

I. Full Exemption

An individual may obtain full exemption from the recognized industry qualification requirement if he:

- (1) has been licensed under the SFO within the past 3 years or is a current licensee and now applies to carry on a regulated activity or is to be a relevant individual engaging in a regulated activity with the same competence requirement¹ and in the same role² as previously licensed. An example is for a person who is licensed to carry on a Type 1 (dealing in securities) regulated activity applies to carry on a Type 4 (advising on securities) regulated activity; or
- (2) similar to the above, has been a relevant individual within the past 3 years after the commencement of the SFO or is a current relevant individual of a registered institution and now applies for a licence, or is to be engaged by a registered institution, to carry on a regulated activity with the same competence requirement¹ and in the same role² as previously engaged.

¹ See Appendix C of these Guidelines.

² Responsible officer versus representative.

II. Conditional Exemption

- (3) Under very exceptional circumstances, an individual may apply for conditional exemption from the recognized industry qualification requirement if he is a current licensee who has 5 years of related experience over the past 8 years and now applies to carry on a regulated activity with different competence requirement¹ but in the same role². For example, if the sponsoring corporation is licensed to engage in a Type 1 (dealing in securities) regulated activity and a restricted Type 2 (dealing in futures contracts) regulated activity, such as acting as an introducing broker only, the accredited individuals may be granted with such exemption.

Conditions to be Imposed

- The SFC would consider imposing a restriction on the scope of activities to be undertaken by the individual (e.g.³ to act for an introducing broker only) or any other conditions deemed necessary.

Undertakings to be Provided

- The individual must complete an additional 5 CPT hours in industry/product knowledge in respect of the new regulated activity which is a one-off requirement. These additional CPT hours may be taken within 6 months preceding the application, in which case, the application should be accompanied by documentary evidence. Alternatively, he may take the additional CPT hours within 12 months after the approval is granted, in which case, an undertaking to this effect has to be provided by the sponsoring corporation.

¹ See Appendix C of these Guidelines.

² Responsible officer versus representative.

³ The examples set out here are not exhaustive.

Exemptions from the Local Regulatory Framework Paper Requirement

I. Full Exemption

An individual may obtain full exemption from taking the local regulatory framework paper if he:

- (1) has been licensed under the SFO within the past 3 years or is a current licensee and now applies to carry on a regulated activity or is to be a relevant individual engaging in a regulated activity with the same competence requirement¹ and in the same role² as previously licensed;
- (2) has been a relevant individual within the past 3 years after the commencement of the SFO or is a current relevant individual and now applies for a licence, or is to be engaged by a registered institution, to carry on a regulated activity with the same competence requirement¹ and in the same role² as previously engaged;
- (3) applies for temporary licence to engage in a Type 1, 2, 4, 5 or 6 regulated activity;
- (4) is to be temporarily engaged by a registered institution in a Type 1, 2, 4, 5 or 6 regulated activity; or
- (5) has been actively involved in regulatory or compliance work in Hong Kong in the relevant industry for not less than 3 years over the past 6 years.

¹ See Appendix C of these Guidelines.

² Responsible officer versus representative.

II. Conditional Exemption

- (6) An individual may obtain conditional exemption from taking the local regulatory framework paper if he can demonstrate **all** of the following:
- (a) *Experience*. The individual has proven substantial related experience but simply lacks the required level of local regulatory exposure. “Substantial” means having at least:
 - (i) 8 years related experience in recognized markets (with reference to Parts 2 and 3 of Schedule 1 to the SFO); or
 - (ii) 6 years related experience with at least 2 years licensed or being an executive officer or relevant individual of a registered institution in Hong Kong;
with some part of it gained in the recent 3 years.
 - (b) *Restriction of Permitted Activities*.
 - (i) Applicant is either only involved in a limited scope of activities for the sponsoring corporation or only assuming a very senior management level role (e.g.³, Regional Research Head coming to Hong Kong occasionally and is accompanied by other local licensed staff in client meetings, persons providing technical advice to clients on the structuring of corporate finance deals); or
 - (ii) The sponsoring corporation will only be carrying on a limited scope of business activities.
 - (c) *Regulatory Support from Other Personnel*. There is at least one approved responsible officer at the sponsoring corporation who is licensed in the relevant regulated activity, and would be directly reporting to or otherwise responsible for advising the applicant as well as supervising the daily operations of the regulated activity. This approved responsible officer should be designated by name to the SFC and replaced with someone else equivalently approved if the designated person changes job functions or employers. Instead of notifying the SFC whenever there are changes in the designated persons, the sponsoring corporation should provide an undertaking to the SFC that it has a system to maintain records whereby these designations are kept current to reflect personnel changes so that it can be inspected by the SFC if needed and that if there is no designated person available, the sponsoring corporation and the exempted individual will immediately inform the SFC.

³ The examples set out here are not exhaustive.

- (d) *Internal Control System in Place.* The sponsoring corporation has in place an appropriate risk and regulatory compliance infrastructure (including a comprehensive risk management system, internal audit, compliance staff and procedures).

Conditions to be Imposed

- The SFC would consider whether it is necessary to impose any conditions on the sponsoring corporation and/or the individual to provide extra regulatory comfort. Example of conditions may include a restriction on the business activities (e.g.³, the individual's activities are all confined within the same group of related companies, or the individual does not engage in any activities with retail clients). This is to ensure that any exemption granted is on a limited basis with respect to the activities of the applicant and of the sponsoring corporation.

Undertakings to be Provided

- The SFC may request the sponsoring corporation and/or the individual to provide undertakings as and when appropriate. For instance³,
- to ensure that the sponsoring corporation has suitably qualified back office staff (including finance, compliance, and audit staff); and
 - to require the individual as well as the sponsoring corporation to update the SFC in the event there is any significant change to the underlying circumstances including the job functions or the regulated activity he engaged in, the sponsoring corporation's business activity relevant to the individual or changes in any designated licensed or support personnel.

³ The examples set out here are not exhaustive.

Appendix E (cont'd)

- The individual must complete an additional 5 CPT hours in regulatory knowledge in the relevant regulated activity which is a one-off requirement. These additional CPT hours may be taken within 6 months preceding the application, in which case, the application should be accompanied by documentary evidence. Alternatively, he may take the additional CPT hours within 12 months after the approval is granted, in which case, an undertaking to this effect has to be provided by the sponsoring corporation.
 - After the individual has obtained the conditional exemptions for 3 years, the requirement for a designated responsible officer to provide regulatory support will be removed and the undertaking to this effect will lapse.
- (7) Itinerant professionals⁴ who perform regulated activities in Hong Kong may be exempted from taking the local regulatory framework paper subject to the following conditions and undertakings:

Conditions to be Imposed

- Not to carry out the regulated activities in Hong Kong for more than 30 days in each calendar year; and
- Shall at all times be accompanied by a licensed person (or, in the case of a registered institution, by a relevant individual of the institution) in performing regulated activities in Hong Kong.

Undertakings to be Provided

- The sponsoring corporation should provide an undertaking that it will assume full responsibility for the supervision of the individual's activities during his stays in Hong Kong, to ensure that the individual will comply at all times with the relevant rules and laws.

⁴ Itinerant professionals are individuals from overseas who need to repeatedly visit Hong Kong on business for a short period each time.

III. Conditional Exemption for Representative Only

- (8) A representative who has been licensed under the SFO within the past 3 years or is a current licensee and now applies to carry on a regulated activity with different competence requirement¹ may apply for a conditional exemption from taking the local regulatory framework paper relevant to the new regulated activity. For example, a representative licensed to carry on a Type 1 (dealing in securities) regulated activity applies for a Type 2 (dealing in futures contracts) or Type 3 (leveraged foreign exchange trading) regulated activity can apply for conditional exemption.

Undertakings to be Provided

- The individual must complete an additional 5 CPT hours in regulatory knowledge in the relevant regulated activity which is a one-off requirement. These additional CPT hours may be taken within 6 months preceding the application, in which case, the application should be accompanied by documentary evidence. Alternatively, he may take the additional CPT hours within 12 months after the approval is granted, in which case, an undertaking to this effect has to be provided by the sponsoring corporation.

¹ See Appendix C of these Guidelines.

IV. **Conditional Exemption for Responsible Officer Only**

- (9) A responsible officer who has 5 years related experience over the past 8 years and now applies for approval to engage in a regulated activity with different competence requirement¹ may apply for a conditional exemption from taking the local regulatory framework paper relevant to the new regulated activity.

Conditions to be Imposed

- The SFC would consider imposing restriction on the scope of activities to be undertaken by the individual or any other conditions deemed necessary.

Undertakings to be Provided

- The individual must complete an additional 5 CPT hours in regulatory knowledge in the relevant regulated activity which is a one-off requirement. These additional CPT hours may be taken within 6 months preceding the application, in which case, the application should be accompanied by documentary evidence. Alternatively, he may take the additional CPT hours within 12 months after the approval is granted, in which case, an undertaking to this effect has to be provided by the sponsoring corporation.
- (10) A licensed representative applying for approval to become a responsible officer for the same regulated activity may apply for conditional exemption(s) from taking the relevant local regulatory framework paper(s) if he possesses at least 3 more years of relevant industry experience in addition to the requirements set out in the Test of Competence for Responsible Officer (see Appendix B of these Guidelines).

¹ See Appendix C of these Guidelines.

Undertakings to be Provided

- The individual must complete an additional 5 CPT hours in regulatory knowledge in the relevant regulated activity which is a one-off requirement. These additional CPT hours may be taken within 6 months preceding the application, in which case, the application should be accompanied by documentary evidence. Alternatively, he may take the additional CPT hours within 12 months after the approval is granted, in which case, an undertaking to this effect has to be provided by the sponsoring corporation.