



香港銀行學會

The Hong Kong Institute of Bankers

# CB Programme Handbook 2022

## Certified Banker

Syllabus, Regulations and General Information

CB (Stage I)

CB (Stage II)

# Certified Banker (CB)

CB (Stage II)

CB (Stage I)

### QF Level 6

- CB is recognised under the QF at Level 6.  
(QR Registration No.: 20/000543/L6)  
Validity period: 1/8/2020 – 31/7/2025



CERTIFIED  
BANKER

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## **1. Introduction**

### **A. *Benchmark for Professional***

The Certified Banker (CB) is a professional qualification developed and offered by The Hong Kong Institute of Bankers (HKIB) to help banking practitioners at all levels raise their professional standards with skills relevant for the fast-changing banking environment. It also provides a common qualification benchmark that is recognised by regulators and leading authorised institutions. It is an enhancement and replacement for the Associate of The Hong Kong Institute of Bankers (AHKIB) qualification, which was launched over two decades ago.

### **B. *Overview of the Hong Kong Institute of Bankers***

Since 2012, all HKIB's Professional Qualification Programmes (PQPs) have been accredited through Learning Programme Accreditation (LPA) exercises conducted by the statutory accrediting body, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) which are pitched at QF Levels 4 to 6 under the Hong Kong Qualifications Framework (HKQF). In 2020, the HKIB stepped forward being appointed as a Professional Qualifications Assessment Agency (PQAA) by the Secretary for Education (SED) for HKIB's nine Professional Qualifications which are recognised under the Hong Kong Qualifications Framework (HKQF) and registered in the Qualifications Register (QR). The appointment of PQAA by SED demonstrates HKIB's capability of delivering outstanding standard of professional qualification assessment in the Banking industry in Hong Kong.

### **C. *Qualifications Framework (QF)***

In order to ensure sustainable manpower development amidst the rapidly changing world, the Education Bureau (EDB) of the Government of the Hong Kong Special Administrative Region (HKSAR) officially launched the Qualifications Framework (QF) in Hong Kong on 5 May 2008.

The QF in Hong Kong (HKQF) is a seven-level hierarchy covering qualifications in the academic, vocational and professional as well as continuing education sectors to promote and support lifelong learning with a view to continuously enhancing the quality, professionalism and competitiveness of our workforce in an increasingly globalised and knowledge-based economy. Qualifications recognised under the QF are quality assured and level-rated in accordance with objective and well-defined standards.

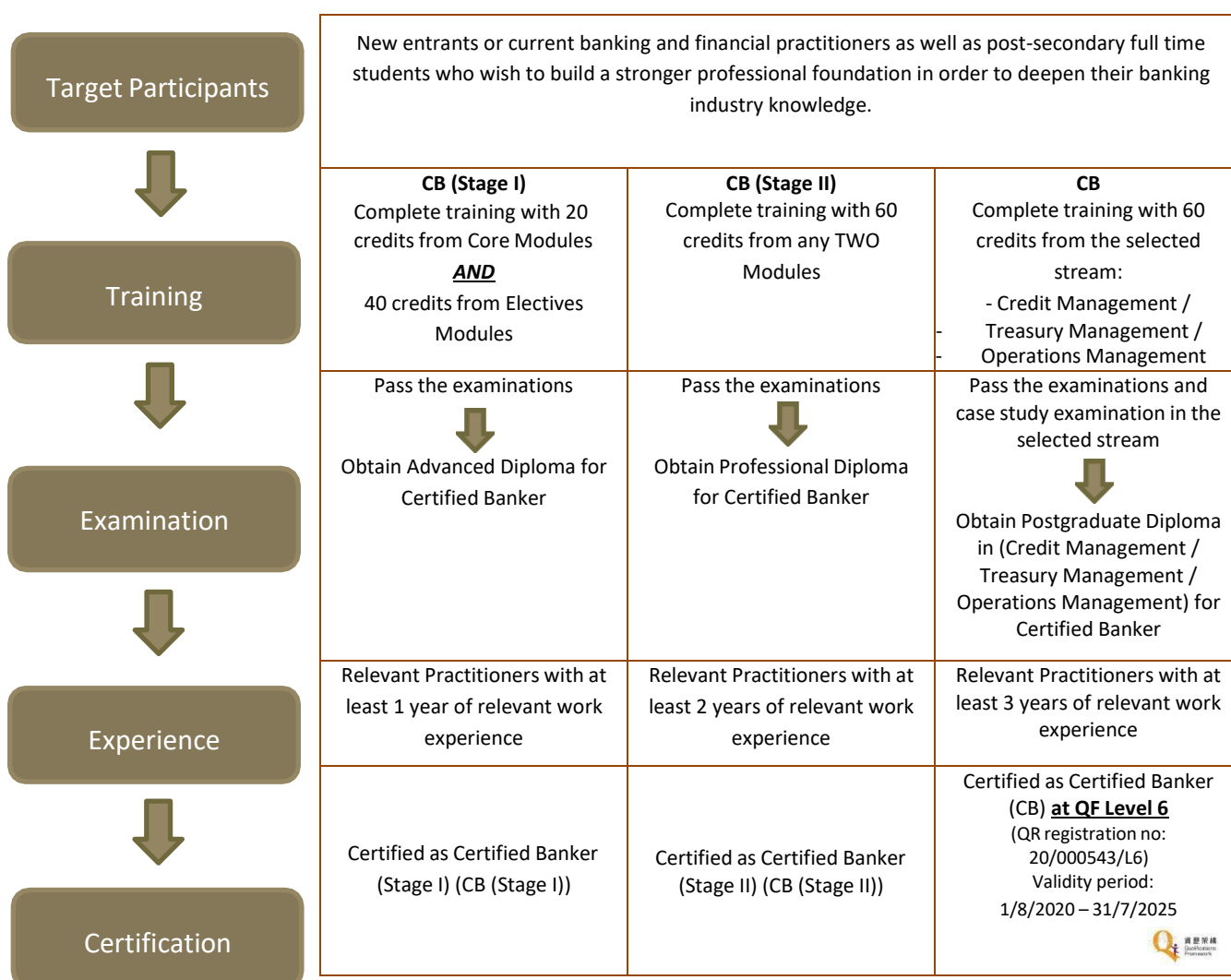
Certified Banker contains three programmes in progressive levels. Learners should attempt the programme progressively according to their academic background and related work experience. The Postgraduate Diploma for Certified Banker has been quality assured by the Hong Kong Council for Accreditation of Academic and Vocational Qualification (HKCAAVQ) and are recognized under the Qualifications Framework (QF). Their learning contents are encompassing all relevant Units of Competency (UoCs) drawn from the SCS of banking industry.

Programme	Award	Professional Qualifications
Certified Banker	Postgraduate Diploma for Certified Banker	CB (QF Level 6) (QR Registration No.: 20/000543/L6)
Certified Banker (Stage II)	Professional Diploma for Certified Banker	CB (Stage II)
Certified Banker (Stage I)	Advanced Diploma for Certified Banker	CB (Stage I)

**D. ECF Modules Integrated**

The programme of CB encompasses both generic and specialist topics. It also integrates the programmes developed by the Hong Kong Monetary Authority’s Enhanced Competency Framework (ECF). The ECF programmes, which are the building blocks of CB are administered by the HKIB.

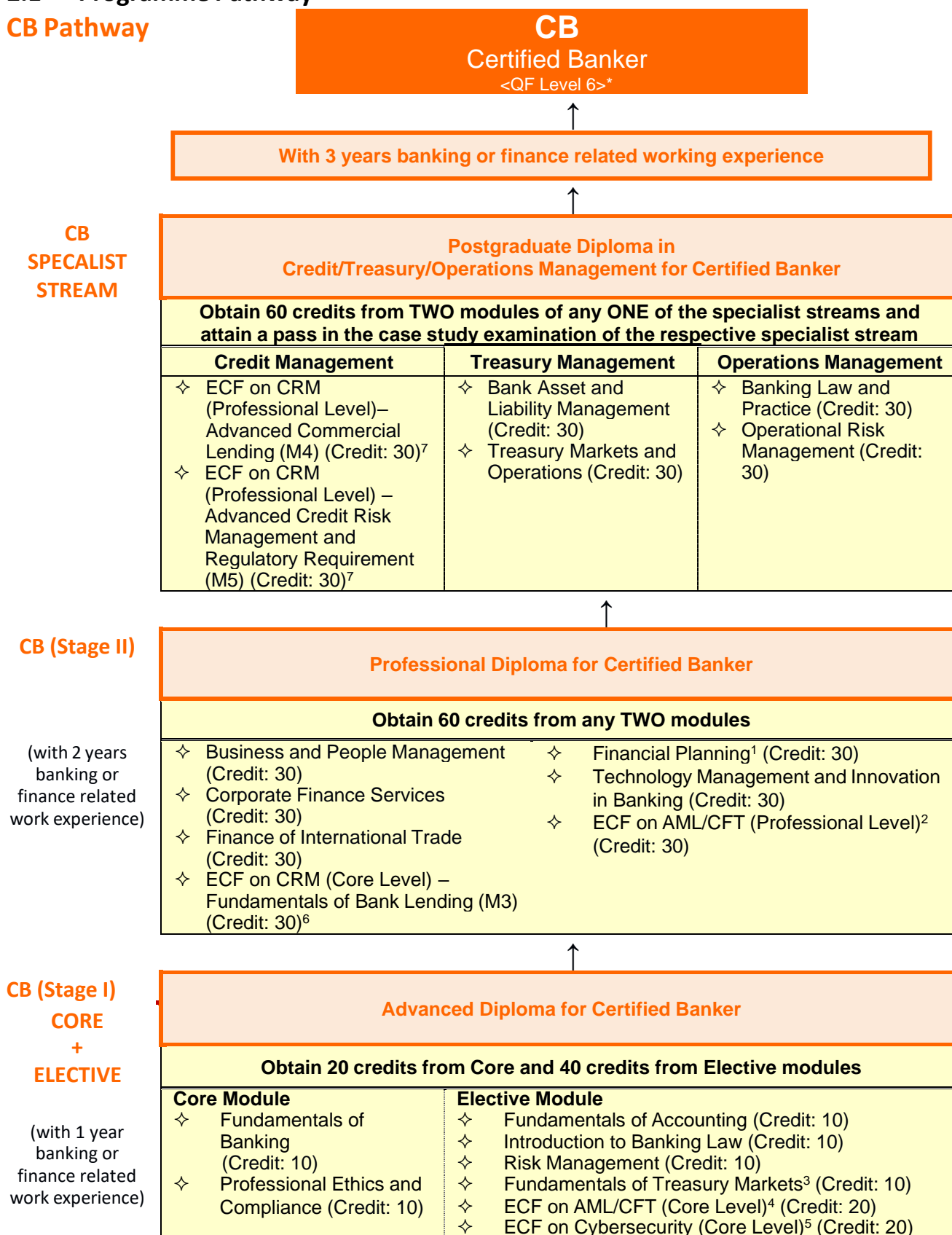
**E. Becoming a Certified Banker (CB)**



## 2. Programme Structure

### 2.1 Programme Pathway

#### CB Pathway



### Notes:

1. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Professional Certificate for ECF on Retail Wealth Management (RWM) offered by HKIB are eligible to apply for “**Financial Planning**” module exemption.
2. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Professional Certificate for ECF on AML/CFT or respective grandfathered certificate are eligible to apply for **ECF on AML/CFT (Professional Level)** module exemption after passing the written assessment developed by the HKIB.
3. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Professional Certificate in Treasury Markets (i.e. ECF on Treasury Management (Core Level) offered by LiPACE of OUHK are eligible to apply for “**Fundamentals of Treasury Markets**” module exemption.
4. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Advanced Certificate for **ECF on AML/CFT** or respective grandfathered certificate (plus submission of the form – Recognising Prior Learning Assessment Criteria for ECF on AML/CFT (Core Level) are eligible to apply for module exemption.
5. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Advanced Certificate for **ECF on Cybersecurity** offered by HKIB are eligible to apply for “ECF on Cybersecurity” module exemption.
6. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Core Level Training Certificate for **ECF on CRM** or respective grandfathered certificate are eligible to apply for **ECF on CRM (Core Level) – Fundamentals of Bank Lending (M3)** module exemption after passing the written assessment developed by the HKIB.
7. If you have completed this module, you can apply for direct exemption and study for the remaining modules. Holders of the Professional Level Training Certificate for **ECF on CRM** or respective grandfathered certificate are eligible to apply for **ECF on CRM (Professional Level) – Advanced Commercial Lending (M4)** or **ECF on CRM (Professional Level) Advanced Credit Risk Management and Regulatory Requirements (M5)** module exemption after passing the written assessment developed by the HKIB.

\* For CB, the Professional Qualification of CB is recognised under the QF at Level 6. (QR Registration No.: 20/000543/L6) Validity period: 1/8/2020 – 31/7/2025

## 2.2 Entry Requirements

### 2.2.1 Certified Banker (Stage I)

Learners of CB (Stage I) need to be an HKIB Individual Member and fulfil ONE of the following entry requirements:

- Associate degree (AD) / Higher diploma (HD) students in any disciplines; OR
- Equivalent qualifications or above; OR
- Mature applicants\* with 3 years of relevant banking experience with recommendations from employer.

### 2.2.2 Certified Banker (Stage II)

Learners of CB (Stage II) need to be an HKIB Individual Member and fulfil ONE of the following entry requirements:

- Certified Banker (Stage I) holders; OR
- Holders of bachelor's degree in banking or finance related discipline (QF L5); OR
- Holders of bachelor's degree in any disciplines with 3 years of relevant banking experience (QF L5); OR
- Holders of associate degree / higher diploma in banking or finance (QF L4) with 3 years of relevant banking experience; OR
- Equivalent qualifications or above; OR
- Mature applicants\* with 6 years of relevant banking experience (2 years at supervisory level) with recommendations from employer.

### 2.2.3 Certified Banker

Learners of CB need to be an HKIB Individual Member and fulfil ONE of the following entry requirements:

- Certified Banker (Stage II) holders; OR
- Two ECF Certificates (QF L5) and fulfilled entry requirement for Certified Banker (Stage II); OR
- Holders of bachelor's degree in banking or finance related disciplines (QF L5) with 6 years of relevant banking experience (2 years at managerial grade); OR
- Equivalent qualifications or above; OR
- Mature applicants\* with 10 years of relevant banking experience (3 years at managerial grade) with recommendations from employer.

Remark: Learners with direct entry to Certified Banker (Stage II) or Certified Banker would be required to complete two CORE modules, namely, Fundamentals of Banking, and Professional Ethics and Compliance (no exemption would be granted for this module) and pass the examination.

**\*Mature applicants (aged 21 or above) who do not possess the above academic qualifications but with relevant banking experience and recommendation from their employers will be considered on individual merit.**



## 2.3 Award and Professional Qualifications

Certified Banker contains three programmes in progressive levels. Individual members who successfully complete a particular level with relevant years of work experience in the banking and financial services sector will be entitled to use the respective CB Professional Qualification upon election by HKIB committees. Professional Qualification holders are entitled to print the highest attained CB Professional Qualification on their business card and curriculum vitae which signifies their professional excellence.

Award	Professional Qualifications
Advanced Diploma for Certified Banker	Certified Banker (Stage I) <i>(with one year banking or finance related work experience)</i>
Professional Diploma for Certified Banker	Certified Banker (Stage II) <i>(with two years banking or finance related work experience)</i>
Postgraduate Diploma (Stream) for Certified Banker - Credit Management - Treasury Management - Operations Management	Certified Banker <QF Level 6> <i>(with three years banking or finance related work experience)</i>

### Remarks:

- ✦ To facilitate public recognition of CB and acknowledge the achievement of our Professional Qualification holders, Professional Qualification holders will be registered as **Certified Individuals (CI)** of HKIB in HKIB website, and name of Professional Qualification holders will be presented on the HKIB website and also published on the Institute’s journal “Banking Today”.
- ✦ To maintain the Professional Qualification status, Professional Qualification holders should maintain **HKIB membership** and fulfil the HKIB Continuing Professional Development (CPD) annual requirements.
- ✦ No CPD is required for Professional Qualification holders in the year when respective Certification is granted
- ✦ Fellow Certified Bankers and Professional Members are required to comply with the Continuing Professional Development (CPD) requirements set out by the HKIB. The objective of implementing the CPD requirements is to ensure banking practitioners continue to maintain, upgrade and broaden their knowledge and perspectives throughout their careers. Through individuals pursuing ongoing professional improvement, the standards of the wider industry will continue to rise. For

details of HKIB's CPD requirements, please download and read Overview of HKIB CPD Scheme from Membership web page in HKIB website.

## 2.4 Exemption

### 2.4.1 Exemption Criteria

- Module exemption applications are accepted for recognised qualifications (i.e. pre-approved qualifications e.g. Mutual of Understanding with HKIB).
- Individual qualifications will be assessed on a case-by-case basis if **over 70%** of the Institute's syllabus is covered.
- Applicants with appropriate qualification(s) may apply module(s) exemption with exemption ceiling as required.
  - Advanced Diploma for Certified Banker: **75%** (with non-HKIB programmes no more than 50% of total credits).
  - Professional Diploma for Certified Banker: **50%** of total credits.
- For CB (QF Level 6), only the two modules in Credit Management stream of Postgraduate Diploma for Certified Banker can be exempted. However, the case study examination is still required. Holders of respective ECF on CRM grandfathered certificates need to pass a written assessment developed by the HKIB before participating in the case study examination.
- The core module of Advanced Diploma for Certified Banker: "Professional ethics and compliance" cannot be exempted.

### 2.4.2 Exemption Application

- To apply for exemption, the applicant should be a current member of The Hong Kong Institute of Bankers (the Institute).
- The applicant should submit the **Completed Certified Banker (CB) - Module Exemption Application Form** which can be downloaded from the HKIB website together with all relevant documentary evidence for his/her qualifications (i.e. certificates, official transcripts, etc.) together.
- The photocopies of the documents must be certified as true copies by either one of the following bodies:
  - (i) The Hong Kong Institute of Bankers; or
  - (ii) Current employer's HR Department; or
  - (iii) Liaison Officer (District Offices), Home Affairs Department of the HKSAR

Remarks

- The application fee and exemption fee will be waived for the exemption as stated below:
  - ✓ The elective module of Advanced Diploma for Certified Banker: “ECF on AML/CFT (Core)” can be exempted by using the Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) or the respective grandfathered certificate with the form – Recognising Prior Learning Assessment Criteria for ECF on AML/CFT (Core Level).
  - ✓ The elective module of Advanced Diploma for Certified Banker: “ECF on Cybersecurity” can be exempted by using the Advanced Certificate for ECF on Cybersecurity.
  - ✓ The elective module of Professional Diploma for Certified Banker: “Financial Planning” can be exempted by using the Professional Certificate for ECF on Retail Wealth Management (RWM) provided by HKIB.
  - ✓ The elective module of Professional Diploma for Certified Banker: “ECF on AML/CFT (Professional)” can be exempted by using the Professional Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) or the respective grandfathered certificate after passing the written assessment developed by the HKIB.
  - ✓ The elective module of Professional Diploma for Certified Banker: “ECF on CRM (Core Level) – Fundamentals of Bank Lending (M3)” can be exempted by using the Core Level Training Certificate for ECF on CRM or respective grandfathered certificate after passing the written assessment developed by the HKIB.
  - ✓ The elective module of Postgraduate Diploma for Certified Banker: “ECF on CRM (Professional Level) – Advanced Commercial Lending (M4)” or “ECF on CRM (Professional Level) – Advanced Credit Risk Management and Regulatory Requirements (M5)” can be exempted by using the Professional Level Training Certificate for ECF on CRM or respective grandfathered certificate after passing the written assessment developed by the HKIB.
  
- Exemption results will normally be given in writing within **two months** after the receipt of application and supporting documents. If further assessment is needed due to unexpected circumstances, separate notifications will be given. The decision of the Institute is final and cannot be appealed.

### **3. Programme Overview - Advanced Diploma for Certified Banker**

#### **A. Programme Objectives**

This programme is developed with the objective to provide banking professionals with essential knowledge for multi business functions in the banking business. The modules developed for the Advanced Diploma for Certified Banker aim to equip candidates with the core competence required under the Enhanced Competency Framework (ECF), the banking industry standard introduced by the Hong Kong Monetary Authority.

#### **B. Programme Intended Learning Outcomes**

Upon successful completion of this Programme, learners should be able to:

1. Understand the financial system and market settings in order to identify skills and knowledge to build career in the banking industry.
2. Explain and apply the wide range of generic knowledge and financial theories that are related to the banking settings in Hong Kong and the globe.
3. Apply advanced skills and professional knowledge on accounting, finance, law and regulations to daily job.
4. Identify the types of risks faced by financial institutions and manage the risks by selecting suitable tactics.
5. Identify the relevant legal and ethical issues faced by financial institutions and recommend suitable course of actions to handle different issues by complying with the legal and regulatory requirements and industry practices.

### **3.1 Fundamentals of Banking**





#### **A. *Module Objectives***

This module contributes to the achievement of the Programme Intended Learning Outcomes by providing learners with a solid background and overview of the various facets of the banking service sectors and how they are generally operated under the financial markets and systems. It will also equip the learners with essential knowledge about the development of the banking business, operations and products which including the highlights of financial technology.




Topics covered in this module such as the macro-level foundation knowledge serves as an important building block for learners as they proceed further to the ultimate specialist level of modules such as “Credit Risk Management” and “Operational Risk Management”.

#### **B. *Module Intended Learning Outcomes***

Upon completion of this module, learners should be able to:

-  Articulate the functions of the financial markets and systems and interpret their implications to the development of the banking business and operations;
-  Identify and relate the regulatory framework and requirements to banking services and operations;
-  Identify and introduce relevant banking services and products to satisfy customers’ needs; and
-  Recognise the latest developments in financial technology and leverage technology in their daily work.

#### **C. *Assessment Method***

-  Examination: 50 Multiple Choice questions
-  Passing mark for this module is 70%
-  Time allowed: 1.5 hours

**D. Syllabus**

Chapter 1: Financial Systems and Markets			
1.	Introduction to Financial Institutions	1.1 1.2 1.3	Nature Roles Classification of financial institutions
2.	The Global Financial System	2.1 2.2 2.3 2.4 2.4.1 2.4.2 2.4.3 2.4.4 2.4.5 2.4.6	US financial system UK & European financial systems China’s financial system Role and function of a central bank Monetary policy Banking supervision Reliability of payment systems Lender of last resort Banker to governments Issuer of currency
3.	Hong Kong’s Financial System and Markets	3.1 3.2 3.3 3.4 3.4.1 3.4.2 3.4.3 3.4.4 3.4.5 3.4.6	Governing structure Money supply in Hong Kong Linked Exchange Rate System Financial markets Hong Kong dollar inter-bank market Interest rate market Money market Capital market Commodities market Derivatives market

Chapter 2: Banking Systems and Regulations			
1.	Introduction	1.1 1.2 1.3 1.3.1	The history and recent developments in banking (e.g. One Belt, One Road) Function of banks relating to the economy General organisational structure Front, middle and back offices
2.	Banking Systems	2.1 2.2 2.3 2.4	Banking systems in Hong Kong Banking systems in Mainland China Banking systems in the US Islamic banking

		2.5	International financial organisations 2.5.1 BASEL Committee 2.5.2 IMF including RMB SDR 2.5.3 Asian Infrastructure Investment Bank
3.	Banking Regulatory Framework and Banking Regulations	3.1	Banking regulatory framework 3.1.1 Introduction 3.1.2 Regulatory bodies
		3.2	Banking regulations 3.2.1 Basel guidelines (including capital adequacy requirements and liquidity requirements) 3.2.2 The Banking Ordinance 3.2.3 HKMA Guidelines 3.2.4 The Code of Banking Practice
		3.3	Risk management 3.3.1 Types of risks 3.3.2 Sound risk management systems
		3.4	Corporate governance

Chapter 3: Banking Products, Services and Operations			
1.	Retail Banking Products, Services & Operations	1.1	Bank liability products 1.1.1 HKD deposits 1.1.2 Foreign currency deposits 1.1.3 Deposit Protection Scheme
		1.2	Bank asset products 1.2.1 Credit cards 1.2.2 Personal loans 1.2.3 Personal overdrafts 1.2.4 Mortgage loans
		1.3	Investment products 1.3.1 Securities dealing 1.3.2 Margin trading 1.3.3 Debt securities 1.3.4 Investment funds 1.3.5 Gold bullion 1.3.6 Structured products 1.3.7 REITs
		1.4	Insurance products

		1.5	MPF
		1.6	Retail Wealth Management services
		1.7	Private Wealth Management services
		1.8	Retail banking operations
2.	Corporate and Commercial Banking Products, Services and Operations	2.1	Lending services
		2.1.1	Infrastructure loans
		2.1.2	Syndicate loans
		2.1.3	Start-up loans, venture capital financing, working capital financing
		2.1.4	Project financing
		2.1.5	Supply chain financing
		2.1.6	Invoice financing
		2.1.7	Receivable financing
		2.1.8	Letters of Guarantees
		2.2	Trade finance
		2.2.1	Roles of banks in international trade finance
		2.2.2	Methods of payment
		2.2.3	Documentary credits
		2.2.4	Documentary collections
		2.2.5	Import financing
		2.2.6	Export financing
		2.2.7	Shipping guarantees
		2.2.8	Bills for collections
		2.3	Other services
		2.3.1	Transaction banking
		2.3.2	SME business
		2.4	Corporate and commercial banking operations
3.	Private Banking	3.1	Who are private banking customers?
		3.2	Private banking products
		3.2.1	Structured derivatives (e.g. accumulators)
		3.2.2	Private equity
		3.2.3	Hedge funds
		3.2.4	Commodities
		3.2.5	Real assets
		3.3	Private banking services
		3.3.1	Bespoke solutions
		3.3.2	Round-the-clock market coverage
		3.3.3	Discretionary trading



4.	Treasury Markets and Operations	4.1	Treasury products
			4.1.1 Foreign exchange contracts
			4.1.2 Interest rate contracts
			4.1.3 Exchange Fund papers, Certificates of Deposit
			4.1.4 Repurchase agreements
			4.1.5 Equities trading and margin trading
			4.1.6 Commercial papers and bonds
			4.1.7 Commodities
			4.1.8 Derivatives (e.g. interest rate linked, etc.)
		4.2	Treasury operations
5.	Investment Banking	5.1	Financing
			5.1.1 IPOs
			5.1.2 Underwriting
			5.1.3 Debt capital markets
			5.1.4 Asset securitisation
		5.2	Advisory services
			5.2.1 M & A
			5.2.2 Cross border deals
			5.2.3 Corporate finance advisory services
			5.2.4 Corporate risk management advisory services
			5.2.5 Assets and liabilities management
		5.3	Global trading
			5.3.1 Financial product structuring
			5.3.2 Market making
			5.3.3 Equity sales and trading

Chapter 4: Financial Technology			
1.	Recent Developments in FinTech		
2.	Fintech Products	2.1	Payments e.g. Bitcoin, Apple Pay, OePay
		2.2	Investment e.g. Robo-advise
		2.3	Financing e.g. Peer-to-peer lending, Yu’ebao, crowdfunding, internet financing e.g. Ant Financial, Yu’ebao


3.	The Technology behind FinTech	3.1	Cloud computing
		3.2	Big data analytics
		3.3	Artificial intelligence
		3.4	Blockchain
4.	Risk and Risk Management	4.1	Risk e.g. data security, risk to depositor, lender and investor
		4.2	Data and Cyber security
		4.3	Regulation e.g. license of stored value facilities, sandbox

**E. Essential Readings**

 HKIB Study Guide – Fundamentals of Banking (2018)


**F. Supplementary Readings**

 HKIB E-learning Course No. 28 – Financial Privacy


 HKIB E-learning Course No. 37 – International Trade Services

 HKIB E-learning Course No. 38 – Introduction to Bank Lending Environment

**G. Further Readings**

 HKIB E-learning Course No. 33 – Global Banking Supervision

 HKIB E-learning Course No. 50 – UCP600

 John R. Boatright. (2008). Ethics in Finance (2nd ed.). Wiley-Blackwell

*For more details, please refer to further reading session at end of each chapter.*

## **3.2 Professional Ethics and Compliance**




### **A. Module Objectives**

This module contributes to the achievement of the Programme Intended Learning Outcomes by providing learners with essential requirements or information related to major areas of professional ethics and compliance as the respective ethical and compliance aspects and issues faced by individuals or corporations today, and also its relevance in the context of corporate governance.




With the knowledge base of this module on ethical issues, learners would be well-prepared to examine and analyse further issues when they proceed to study specialist modules such as “Bank Lending”, “Treasury Markets and Operations”, “Operational Risk Management” in their advanced level of studies under the CB programme.

### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  Understand and apply the principles of ethics and codes of ethics relating to the day-to-day work in the banking industry
-  Identify and exercise the requirements of professional ethics in various roles during job execution; and
-  Perform compliance monitoring and the practical application of legal and regulatory requirements in their daily work

### **C. Assessment Method**

-  Examination: 50 Multiple Choice questions
-  Passing mark for this module is 70%
-  Time allowed: 1.5 hours

**D. Syllabus**

Chapter 1: Ethics and the Individual			
1.	Introduction	1.1	Historical background
		1.2	Approaches to normative ethics: absolutism & relativism
2.	Ethics and the Individual	2.1	Introduction
		2.2	Code of Conduct
		2.2.1	Bank on Integrity
		2.2.2	Conflicts of interest
		2.3	Code of Banking Practice
		2.3.1	Customer information management
		2.3.2	Equal opportunities
		2.3.3	Bank marketing
		2.3.4	Customer complaint management
		2.4	Ethical dilemmas
		2.4.1	Ethics in practice

Chapter 2: Ethics and the Corporation			
1.	Ethics and the Corporation	1.1	Introduction
		1.1.1	Corporate social responsibility
		1.1.2	Corporate accountability
		1.1.3	Corporate citizenship
		1.2	Social environmental issues facing modern business organisations
		1.3	Public perception & reputation risk
		1.4	Globalisation
		1.5	Reputation & sustainability

Chapter 3: Regulatory Framework and Regulatory Requirements			
1.	Regulatory Framework	1.1	Introduction
		1.2	The Hong Kong Monetary Authority (HKMA)
		1.3	The Securities and Futures Commission (SFO)
		1.4	The Insurance Authority (IA)
		1.5	The Mandatory Provident Fund Schemes Authority (MPFA)
2.	Regulatory Requirements	2.1	Know Your Customer

		2.2	Laws and regulations applicable to financial services, Anti-money laundering, sanctions risk, tax evasion, Foreign Account Tax Compliance Act, automatic exchange of information, common reporting standards and Counter Terrorist Financing
		2.3	Suitability obligations & mis-selling
		2.4	Market misconduct under the SFO
		2.4.1	Insider trading
		2.4.2	Price rigging
		2.4.3	Other types of securities fraud e.g. market manipulation
		2.5	Customer protection laws
		2.5.1	Treat Customers Fairly Charter
		2.5.2	Personal Data (Privacy) Ordinance
		2.6	Equal opportunities
		2.7	Bribery & corruption, acceptance of gifts & entertainment
		2.8	Prevention of financial crimes

Chapter 4: Corporate Governance and Internal Control			
1.	Corporate Governance	1.1	Introduction
		1.2	Structuring of the bank
		1.2.1	Organisational structure
		1.2.2	The board
		1.2.3	Specialised committees
		1.3	Stakeholders in corporate governance
		1.4	Implications of CG6 and ECF
2.	Internal Controls	2.1	Elements of internal control systems
		2.2	Attributes of an effective control system
		2.3	Compliance
		2.4	Internal audit
		2.5	Risk management
		2.6	Costs & benefits of internal control

**E. Essential Readings**

✚ HKIB Study Guide - Professional Ethics and Compliance (2018)

**F. Supplementary Readings**

✚ Mark Hsiao. (2013). Principles of Hong Kong Banking Law. Sweet & Maxwell

**G. Further Readings**

✚ John R. Boatright. (2014). Ethics in Finance (3rd ed.). Wiley-Blackwell.

✚ HKIB E-learning Course No. 16 – Corporate Governance

✚ HKIB E-learning Course No. 33 - Global Banking Supervision

*For more details, please refer to further reading session at end of each chapter.*

### **3.3 Fundamentals of Accounting**





#### **A. Module Objectives**

This module contributes to the achievement of the Programme Intended Learning Outcomes by enabling learners to an understanding on the general principles of basic accounting, budgeting principles and legal concepts related to banking and finance. It will also help the learners to relate essential knowledge and concepts in financial accounting to real life application.




This is an introductory module that serves to equip learners with the fundamental but essential knowledge on the two professional areas such that learners would be well-prepared to examine and analyse further issues in these two areas when they proceed to study specialist module such as “Banking Law and Practice” in their advanced level of studies under the CB programme.

#### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  employ the concepts and accounting principles in financial reporting which relate to different areas of work;
-  apply the concepts in financial accounting which are relevant to commercial lending;
-  employ the wide range of key accounting concepts and principles essential to the world of banking in an appropriate manner;
-  understand and apply budgeting principles to evaluate business performance.

#### **C. Assessment Method**

-  Examination: 50 Multiple Choice questions
-  Passing mark for this module is 70%
-  Time allowed: 1.5 hours

**D. Syllabus**

Chapter 1: Financial Reporting			
1.	Basics of Book Keeping	1.1 1.2 1.3	Accounting of financial transactions Double-entry booking system Construction of a trial balance
2.	Understanding Financial Statements	2.1 2.2 2.2.1 2.2.2 2.2.3 2.2.4 2.3 2.4 2.4.1 2.4.2	Objectives of financial statements Major components of financial statements Balance sheet Income statement Statement of changes in equity Cash flow statement Conceptual framework for the preparation of financial statements Features of financial statements Quantitative characteristics Qualitative characteristics
3.	Regulatory Environment for Financial Reporting in Hong Kong	3.1 3.2	Framework for the preparation of financial statements Regulatory bodies responsible for setting accounting standards

Chapter 2: Interpretation of Financial Statements			
1.	Use of Financial Statements in Commercial Lending	1.1 1.2	Introduction Objectives of financial statement analysis
2.	Financial Statement Analysis	2.1 2.2 2.3 2.3.1 2.3.2 2.3.3 2.3.4 2.3.5 2.3.6 2.3.7 2.3.8	Earnings analysis Developing a profit projection Ratio analysis Profitability ratios Efficiency ratios Investor ratios Return on assets as a measure of operating profitability Return on Shareholders' Equity Liquidity ratios Stability ratios Usefulness and limitations of ratio analysis



		2.4	Financial performance trend analysis and industry comparison
3.	Comparison of Financial Statements of a Bank to Non-bank Entities	3.1	Financial statements of a bank
		3.2	Financial statements of non-bank entities

Chapter 3: Investment Decisions and Valuation			
1.	Fundamental Analysis of Investment Decisions	1.1	Risk and return
		1.2	Expected rate of return
2.	Capital Expenditure Analysis	2.1	Capital budgeting
		2.2	Discounted cash flow
3.	Value of a Firm	3.1	Present value of expected future cash flow
		3.2	Net asset / Net worth approach
		3.3	Fundamental analysis of financial statement based information
		3.3.1	Net assets
		3.3.2	Earnings
		3.4	Goodwill and fair values


Chapter 4: Budgeting & Performance Measurement in Banking			
1.	Planning Decisions	1.1	Cost/volume/profit analysis
		1.2	Contribution margin
		1.3	Break-even point
2.	Budgeting and Evaluating Performance	2.1	Basics of standard costing
		2.2	Variance analysis
		2.3	Bank level performance measurements
		2.4	Division level performance measurements

**E. Essential Readings**

 HKIB Study Guide – Fundamentals of Accounting (2018)

**F. Supplementary Readings**

 HKIB E-learning Course No. 24 – Financial Accounting

 HKIB E-learning Course No. 51 – Understanding financial Statements

- ✚ Thomas Edmonds, Christopher Edmonds, Frances McNair and Philip Olds. (2015). Fundamental Financial Accounting Concepts (9th ed.). McGraw Hill

**G. Further Readings**

- ✚ HKIB E-learning Course No. 18 – Credit Analysis
- ✚ HKIB E-learning Course No. 25 – Financial Institution Analysis – CAMELS Approach
- ✚ HKIB E-learning Course No. 39 – Management Accounting
- ✚ Scott McCleskey. (2010). When Free Markets Fail: Saving the Market When It Can't Save Itself (1st ed.). Wiley

*For more details, please refer to further reading session at end of each chapter.*

### **3.4 Introduction to Banking Law**




#### **A. *Module Objectives***

This module aims to equip learners with the fundamental but essential knowledge on the general principles of legal concepts related to banking and finance. It also helps them to understand the relevant application of laws and regulations, and to comply with relevant laws, regulations and internal policies.




This is an introductory module that serves to equip learners with the fundamental but essential knowledge on the this area such that learners would be well-prepared to examine and analyse further issues when they proceed to study specialist module such as “Banking Law and Practice” in their advanced level of studies under the CB programme.

#### **B. *Module Intended Learning Outcomes***

Upon completion of this module, learners should be able to:

-  Apply relevant laws and regulations, and comply with internal policies relating to the banking industry when executing tasks, tackling business issues, and handling requests from law enforcement agencies and regulatory bodies;
-  Develop a fair and cordial banker-customer relationship through the application of relevant laws, regulations and codes of conduct; and
-  Understand the rights and liabilities of the bank and its customers when dealing with negotiable instruments in order to comply with the legal requirements.

#### **C. *Assessment Method***

-  Examination: 50 Multiple Choice questions
-  Passing mark for this module is 70%
-  Time allowed: 1.5 hours

**D. Syllabus**

Chapter 1: Basic Legal Principles			
1.	Sources of Laws Applicable to the Banking Industry	1.1 1.2 1.3 1.3.1 1.3.2 1.3.3 1.3.4 1.3.5 1.3.6 1.3.7 1.3.8 1.3.9 1.3.10 1.3.11 1.4 1.5	Introduction The Basic Law of the HKSAR Legislation Banking Ordinance Financial Institutions (Resolutions) Ordinance Securities and Futures Ordinance Anti-money laundering legislation Personal Data Privacy Ordinance Prevention of Bribery Ordinance Companies Ordinance Bills of Exchange Ordinance Inland Revenue Ordinance Anti-discrimination legislation Competition Ordinance Common law & equity Regulatory guidelines
2.	Law of Contract in Banking	2.1 2.2 2.3 2.4 2.5 2.6 2.7 2.8 2.9 2.10	The essentials of a valid contract Intention to create legal relations Formalities: forms of a contract Capacity Terms of a contract Misrepresentation Undue influence Discharge of a contract Effect of breach of contract Limitation of action
3.	Other Relevant Banking Laws	3.1 3.2 3.3 3.4 3.5	Trust law Insolvency law Land law relating to mortgages Agency law Law of guarantee

Chapter 2: Regulatory Framework in Banking and Financial Markets			
1.	Regulatory Framework	1.1	Purposes and cause of regulation
		1.2	Role of the regulatory bodies
		1.2.1	HKMA including the Code of Conduct
		1.2.2	SFC
		1.2.3	MPFA
		1.2.4	IIA
		1.3	Relationship between regulations and governmental policy
2.	Major Statutory and Regulatory Requirements	2.1	Banking Ordinance
		2.1.1	Limitations on granting loans and advances
		2.1.2	Limitations on advances to directors and connected parties
		2.1.3	Limitations on advances to employees
		2.1.4	Limitations on shareholding by AIs
		2.1.5	Limitations on holding of interest in land by AIs
		2.1.6	Liquidity requirements
		2.2	Securities and Futures Ordinance
		2.2.1	Licensing
		2.2.2	Regulation over the sale of retail investment products
		2.2.3	Offences and misconduct
		2.3	Insurance Companies Ordinance
		2.3.1	Licensing
		2.3.2	Guidelines
		2.4	Supervisory regime – (Basel) International standards
		2.4.1	Basel Committee
		2.4.2	Basel I & II
		2.4.3	Basel III
		2.4.4	The major reforms
		2.5	Banking Compliance


Chapter 3: Negotiable Instruments			
1.	Introduction	1.1	Types of negotiable instruments
		1.1.1	Bills of exchange
		1.1.2	Cheques
		1.1.3	Promissory notes

			<ul style="list-style-type: none"> <li>1.1.4 Banker’s drafts</li> <li>1.1.5 Travellers’ cheques</li> <li>1.1.6 Bearer bonds</li> <li>1.1.7 Debentures</li> </ul>
		1.2	Rights and liabilities of parties
2.	Cheques	2.1	<ul style="list-style-type: none"> <li>General features of Cheques</li> <li>2.1.1 Characteristics of a cheque</li> <li>2.1.2 Relationship with other bills of exchange</li> <li>2.1.3 Classification of cheques and indorsement</li> <li>2.1.4 Liabilities of parties</li> <li>2.1.5 Holder for value, holder in due course</li> <li>2.1.6 Crossings</li> <li>2.1.7 Discharge of liabilities</li> </ul>
		2.2	<ul style="list-style-type: none"> <li>Collection of cheques</li> <li>2.2.1 The Hong Kong Clearing System</li> <li>2.2.2 Collecting banker’s duties</li> <li>2.2.3 The bank as holder for value</li> <li>2.2.4 Claims by third parties against collecting bankers</li> <li>2.2.5 Defence for collecting banks</li> </ul>
		2.3	<ul style="list-style-type: none"> <li>Payment of cheques</li> <li>2.3.1 Paying banker’s duties</li> <li>2.3.2 Claims by third parties against paying bankers</li> <li>2.3.3 Statutory protection of the paying banker</li> </ul>

**E. Essential Readings**

 HKIB Study Guide – Introduction to Banking Law (2018)

**F. Supplementary Readings**

 Chan Bo-ching Simon. (2000). Hong Kong Banking Law and Practice (Vol.1). The Hong Kong Institute of Bankers.

 Mark Hsiao. (2013). Principles of Hong Kong Banking Law. Sweet & Maxwell

**G. Further Readings**

 Claire Wilson. (2016). Banking Law and Practice in Hong Kong. Sweet & Maxwell.

 HKIB E-learning Course No. 1 – Anti Money Laundering

 HKIB E-learning Course No. 7 – Basel III

*For more details, please refer to further reading session at end of each chapter.*

## 3.5 Risk Management

### A. *Module Objectives*

This module aims to provide the learners with a solid and practical knowledge on risk management. They are expected able to identify and analyze different types of risks related to general banking and finance area especially for the ones threatening the banking industry today. They will also understand and apply the basic risk management principles at bank level.

Topics covered in this module serve as an important building block for learners as they proceed further to the ultimate specialist level of modules such as “Credit Risk Management” and “Operational Risk Management”.

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- ✚ Apply and follow the principles of sound governance, and environmental and social responsibilities that apply to risk management at work;
- ✚ Analyse the risk issues faced by the banking industry nowadays;
- ✚ Apply risk management techniques to alleviate different types of risks encountered at work; and
- ✚ Execute and monitor measures according to legal, regulatory and compliance requirements in a business context relating to risk.

### C. *Assessment Method*

- ✚ Examination: 50 Multiple Choice questions
- ✚ Passing mark for this module is 70%
- ✚ Time allowed: 1.5 hours



**D. Syllabus**





Chapter 1: Introduction & Process of Risk Management			
1.	Introduction to Risk Management	1.1 1.2 1.3 1.4 1.5	Definition of risk Types of risk Principles of risk management Concepts of risk financing, risk control, hedging and insurance The need for risk management
2.	Process of Risk Management	2.1 2.2 2.2.1 2.2.2 2.3 2.3.1 2.3.2 2.4 2.4.1 2.4.2 2.4.3 2.5 2.5.1 2.5.2 2.5.3	Introduction Identifying risk Inherent risks in banking activities Identification of risk drivers Measuring risk Risk measurement methodologies Risk measurement in practice Managing risk Principles for developing risk policies and procedures Limits setting Use of tools and methods Monitoring risk Risk management information systems Key risk indicators Risk mitigation

Chapter 2: Regulatory Requirements in Risk Management			
1.	Regulations of Financial Institutions	1.1	The HKMA supervisory policy manual 1.1.1 Risk management environment 1.1.2 Oversight of risk management by the board and senior management 1.1.3 Policies, procedures and limits of a sound risk management system 1.1.4 Risk assessment prior to launching new products and services 1.1.5 Risk measurement, monitoring and reporting 1.1.6 Enterprise risk management framework (3 lines of defence)

		1.1.7	Risk measurements and the Risk Management function
		1.2	CAMEL rating system for banks
		1.3	Bank culture reform
2.	Basel	2.1	Basel Committee on Banking Supervision
		2.2	Development of Basel
		2.2.1	Basel I
		2.2.2	Basel II
		2.2.3	Basel III
		2.3	Applications of Basel in different business models
3.	Case Sharing on the Consequences of Violating Regulatory Requirements in Risk Management		

Chapter 3: Structuring Risk Management Functions			
1.	Organisation of Risk Management Functions in a Bank	1.1	General Risk Management Committees
		1.1.1	Risk Executive Committee
		1.1.2	Group Reputational Risk Committee
		1.1.3	Finance and Audit
		1.2	Roles & responsibilities of major parties
		1.2.1	Management Board
		1.2.2	Supervisory Board
		1.2.3	Chief Risk Officer
		1.3	Framework for internal control
2.	Risk Management Tools and Measures	2.1	Use of economic capital for risk management
		2.1.1	VaR
		2.1.2	RWA
		2.1.3	Capital adequacy (Common Equity Tier 1)
		2.1.4	Risk-adjusted return on capital

**E. Essential Readings**

-  HKIB Study Guide – Risk Management (2018)
-  HKMA Background Brief No. 2 –Banking Supervision in Hong Kong (second edition) issued by the HKMA
-  HKMA Supervisory Policy Manual IC-1: General Risk Management Controls
-  HKMA Supervisory Policy Manual SA-1: Risk-based Supervisory Approach

- ✚ HKMA Supervisory Policy Manual OR-1: Operational Risk Management

**F. *Supplementary Readings***

- ✚ HKMA's Guidelines and Circulars to all authorized institutions in Hong Kong: Implementation of Basel III in Hong Kong (dated 26 January 2011)
- ✚ HKIB E-learning Course No. 41 – Market Risk – Basic
- ✚ HKIB E-learning Course No. 47 – Risk Analysis

**G. *Further Readings***

- ✚ Basel III: A global regulatory framework for more resilient banks and banking systems –revised version June 2011 (issued by Basel Committee on Banking Supervision)
- ✚ John Hull. (2015). Risk Management and Financial Institutions (4th ed.). Wiley.
- ✚ HKMA Supervisory Policy Manual CA-G-1: Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions
- ✚ HKMA (2016). Guide to Authorization: Chapter 3 - The Legal and Supervisory Framework.
- ✚ HKIB E-learning Course No.17 – Counter Party Credit Risk
- ✚ HKIB E-learning Course No. 35 – Governance, Risk and Compliance
- ✚ HKIB E-learning Course No. 42 – Market Risk – Intermediate
- ✚ HKIB E-learning Course No. 46 – Operational Risk Management
- ✚ Saptarshi Ganguly, Holger Harreis, Ben Margolis, Kayvaun Rowshankish (2017). Digital risk: Transforming risk management for the 2020s. Available at <https://www.mckinsey.com/business-functions/risk/our-insights/digital-risk-transforming-risk-management-for-the-2020s>

*For more details, please refer to further reading session at end of each chapter.*

## 3.6 Fundamentals of Treasury Markets

### A. *Module Objectives*

This module aims to provide the learners with a solid and rigorous introduction to the basic functions and regulatory framework of financial systems and treasury markets, as well as the overview of the relevant treasury products and operations.

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- ✚ Apply macroeconomic theories in explaining how the financial system works;
- ✚ Understand the key aspects of the regulatory framework in treasury markets;
- ✚ Differentiate and analyse different treasury markets and financial products;
- ✚ Explain the key concepts of prudent risk management; and
- ✚ Apply the Code of Conduct and Practice in their work environment.

### C. *Assessment Method*

- ✚ Examination: 50 Multiple Choice questions
- ✚ Passing mark for this module is 70%
- ✚ Time allowed: 1.5 hours

**D. Syllabus**

Chapter 1: Financial markets and systems	
1.	Features and functions of financial markets and market participants
2.	Types of financial instruments, exchange-traded and over-the-counter markets
3.	Money demand and supply, equilibrium interest rate and economic indicators
4.	General market practices and dealing room operations
5.	Objectives and functions of a central authority, monetary policy and the policy implications on the economy.

Chapter 2: Forex and money markets	
1.	Characteristics of forex and forex dealing
2.	The exchange rate system
3.	Importance of the forex market, market size, and major forex trading centres and participants
4.	Spot and forward forex markets
5.	Forex dealing in the spot market
6.	Characteristics and functions of the money market
7.	The money market and forex market
8.	Participants in the money market

Chapter 3: Interest rate and the economy	
1.	Borrowing and lending maturities
2.	Factors affecting interest rates determination
3.	Short-term money market instruments

Chapter 4: Debt and capital markets	
1.	Basic features of a bond (coupon, principal, maturity, price, yield and credit quality)
2.	Bond issuing and investing (issuers, investors, indexes, pricing and investment risks)
3.	Types of bonds (classification by properties and characteristics and by issuers)
4.	Bond markets (primary and secondary markets) and the development of RMB bonds
5.	Types of equity security and the Hong Kong Stock Exchange

Chapter 5: Derivatives and commodities markets			
1.	Futures and forwards	1.1	Characteristics and differences
		1.2	Types of forward and futures transactions and market participants
		1.3	Settlement and delivery procedures
		1.4	Over-the-counter markets
		1.5	Hedging
2.	Types of swaps (interest rate, cross-currency and credit default)		
3.	Options	3.1	Factors affecting an option's value
		3.2	Delivery and settlement
		3.3	Credit options, options in other financial markets and exotic options
4.	Structured products		
5.	Precious metals and other commodities markets (market features, participants and pricing fundamentals)		

Chapter 6: Operations and risk management			
1.	Introduction to risk management		
2.	Operational risk	2.1	Internal and external fraud
		2.2	Employment and business practices
		2.3	Business disruption, system failures and contingency

3.	The Basel Committee’s ten principles for managing operational risks
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Chapter 7: Ethics and compliance	
1.	Code of Conduct and Practice of the TMA (Elementary Level)
2.	Overview of the legal and regulatory framework in Hong Kong

**E. Essential Readings**

- + Fabozzi, F J, Modigliani, F and Jones, F J (2013) *Foundations of Financial Markets and Institutions*, 4th Edition, Upper Saddle River, NJ: Pearson Education.
- + HKIB E-learning Course No. 25 - Financial Institution Analysis - CAMELS Approach
- + HKIB E-learning Course No. 45 - Operational Risk Management
- + Treasury Markets Association Code of Conduct and Practice (30Jun2017 version) <http://www.tma.org.hk/PubFile/tmacode.pdf>

**F. Supplementary Readings**

- + Brigham, E.F., & Ehrhardt, M.C. (2013). *Financial management: Theory & Practice*. Cengage Learning.
- + Christoffersen, P.F. (2012). *Elements of Financial Risk Management*. Academic Press.
- + Grinblatt, M., & Titman, S. (2016). *Financial Markets & Corporate strategy*.
- + Ho, S.S., R.H., & Wong, K.A. (2004). *The Hong Kong Financial System: A New Age*. Oxford University Press.
- + King, M.R., Osler, C.L., Rime, D. (2011). *Foreign exchange market structure, players and evolution*.

**G. Further Readings**

- + HKIB E-learning Course No. 10 – CTM – Foreign Exchange Management
- + HKIB E-learning Course No. 19 – Credit Derivatives
- + HKIB E-learning Course No. 22 – Equity Markets
- + HKIB E-learning Course No. 29 – Fixed Income Markets
- + HKIB E-learning Course No. 31 – Foreign Exchange Markets
- + HKIB E-learning Course No. 32 – Futures and Forwards

✚ HKIB E-learning Course No. 43 – Money Markets

✚ HKIB E-learning Course No. 48 – Swaps

### 3.7 ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) (Core Level)

#### A. Syllabus - Core Level

<b>Chapter 1: Fighting money laundering/ terrorist financing – Why it is important and what is the legal/ regulatory framework?</b>			
1	What are money laundering and terrorist financing?	1.1 1.2 1.3 1.4	What is money laundering? What is terrorist financing? How terrorist financing compares with money laundering Relationship between money laundering and bribery and corruption
2	Why combating ML/TF is important?	2.1 2.2	International AML/CFT environment ML/TF in Hong Kong
3	International AML/CFT regime	3.1 3.2 3.3 3.4 3.5	Financial Action Task Force (FATF) and FATF Recommendations FATF-style regional bodies Basel Committee on Banking Supervision Other AML/CFT-related international organisations Other relevant overseas bodies or standards
4	Hong Kong AML /CFT regime	4.1 4.2 4.3 4.4	Introduction AML/CFT-related legislation Government agencies Industry associations
<b>Chapter 2: Managing the risk of ML/TF in banks in Hong Kong – How does ML/TF take place?</b>			
1	How are the three stages of money laundering relevant to banks?		



2	How is the banking sector vulnerable to ML/TF?	2.1	Product/service risk
		2.2	Delivery/distribution channel risk
		2.3	Customer risk
		2.4	Country risk
		2.5	Other risks related to ML/TF
		2.6	Case studies
3	ML/TF vulnerabilities when dealing with particular types of customers or in specific bank services, products and delivery channels	3.1	Customers/Counterparts
		3.2	Bank Accounts
		3.3	Bank Products
		3.4	Banking Services
		3.5	Delivery Channels
<b>Chapter 3: How can banks combat ML/TF through establishing AML/CFT risk management framework?</b>			
1	Objectives of AML/CFT risk management		
2	Risk-based approach to AML/CFT	2.1	What is the risk-based approach?
		2.2	Why is the risk-based approach important?
		2.3	Risk appetite
3	Core elements of ML/TF risk management system	3.1	Assessment and understanding of risk (at institutional and customer level)
		3.2	Risk governance
		3.3	Three lines of defence
		3.4	Policies and procedures
		3.5	Customer acceptance policies and procedures
		3.6	Ongoing monitoring
		3.7	Record-keeping requirements and information management
		3.8	Ongoing staff training
<b>Chapter 4: Knowing your customer – Customer due diligence</b>			
1	Customer due diligence (CDD) and why it is important	1.1	What is CDD?
		1.2	Customer risk assessment
		1.3	Customer acceptance policy
		1.4	Enhanced due diligence (EDD)
		1.5	Simplified due diligence (SDD)

2	Identification and verification requirements	2.1 2.2 2.3 2.4 2.5	Common types of customers Beneficial owners Persons purporting to act on behalf of customers Reliance on intermediaries to perform CDD on customers Insufficient information, or information that gives rise to suspicion
3	Purpose and intended nature of the business relationship		
4	Specific types of customers	4.1 4.2 4.3 4.4 4.5 4.6 4.7	Politically Exposed Persons (PEPs) Customers not physically present for identification purposes Correspondent banking Private banking Customers with bearer shares Customers with use of nominees accounts Shell companies
5	Ongoing review and monitoring	5.1 5.2 5.3	Ongoing monitoring Periodic reviews Event-triggered reviews
<b>Chapter 5: Monitoring, sanctions compliance and suspicious transaction reporting</b>			
1	Ongoing monitoring	1.1 1.2	What is ongoing monitoring? Transaction monitoring
2	Customer and transaction screening	2.1 2.2 2.3	Sanctions regime in Hong Kong How to comply with sanctions requirements Components of an effective screening system
3	Suspicious transaction reporting	3.1 3.2 3.3 3.4	Obligation to file an STR Internal reporting framework Reporting to the JFIU Post-reporting matters

**B. Recommended Readings - Core Level**

**Essential Readings**

HKIB Study Guide: Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) (2018).

### **Supplementary Readings**

1. FATF (2016). *The FATF Recommendations, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation Version February 2012*. Hong Kong
2. Hong Kong Monetary Authority (2015). *Guideline on Anti-Money Laundering and Counter Terrorist Financing (for Authorized Institutions)*. Hong Kong.
3. Hong Kong Monetary Authority (2016). *Supervisory Policy Manual*. Hong Kong.

### **Further Readings**

1. IMF. "The IMF and the Fight Against Money Laundering and the Financing of Terrorism, 6 October 2016". 27 October 2016.
2. Narcotics Division, Security Bureau of The HKSAR Government. "Anti-Money Laundering and Counter-Terrorist Financing". 27 October 2016.
3. United Nations. "United Nations Convention Against Transnational Organized Crime and the Protocols Thereto. 2004". 27 October 2016.
4. Custom and Excise Department of the HKSAR Government. "Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)". 1 November 2016.
5. Dennis, C. (2011). *Introduction to Money Laundering Deterrence*. New Jersey: John Wiley & Sons, Inc.
6. Hong Kong Monetary Authority. "Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Stored Value Facility Licensees)". 1 November 2016.
7. Hong Kong Monetary Authority. "Guidance Paper Anti-Money Laundering Controls over Tax Evasion (March 2015)". 1 November 2016.
8. Jonathan, T. (2011). *Money Laundering Prevention*. New Jersey: John Wiley & Sons, Inc.
9. Securities and Futures Commission. "Guideline on Anti-Money Laundering and Counter-Terrorist Financing". 1 November 2016.
10. The Hong Kong Association of Banks. "Guidance Paper on Combating Trade-based Money Laundering". 1 November 2016.
11. Bank for International Settlements. "Basel Committee on Banking Supervision: Guidelines on Sound management of risks related to money laundering and financing of terrorism, February 2016". 1 November 2016.
12. FATF. "Risk-Based Approach Guideline for the Banking Sector, October 2014". 1 November 2016.
13. Hong Kong Monetary Authority. "Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance". 1 November 2016.

14. Hong Kong Monetary Authority. "Basel Committee on Banking Supervision's Paper on "Sound management of risks related to money laundering and financing of terrorism". 1 November 2016.
15. Hong Kong Monetary Authority. "FATF Risk-Based Approach Guidance for the Banking Sector and Money Laundering and Terrorist Financing Risk Assessment". 1 November 2016.
16. Bank for International Settlements. "Customer due diligence for banks". 1 November 2016.
17. Basel Institute on Governance. "Basel AML Index 2015 Report". 1 November 2016.
18. Custom and Excise Department of the HKSAR Government. "Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)". 1 November 2016.
19. FATF. "An effective system to combat money laundering and terrorist financing". 1 November 2016.
20. FATF. "Third Mutual Evaluation Report – Anti-money laundering and combating the financing of terrorism Hong Kong, China". 1 November 2016.
21. Financial Conduct Authority. "Banks' management of high money-laundering risk situations". 1 November 2016.
22. Hong Kong Monetary Authority. "Code of Banking Practice (February 2015)". 1 November 2016.
23. Hong Kong Monetary Authority. "Feedback from recent AML/CFT examinations AML Seminars". 1 November 2016.
24. Hong Kong Monetary Authority. "Industry Working Group on Prevention of Money Laundering and Terrorist Financing, FAQ on Politically Exposed Persons". 1 November 2016.
25. Hong Kong Monetary Authority. "Regulatory Update on AML/CFT — Understanding Source of Wealth Requirements, 21 January 2016". 1 November 2016.
26. Hong Kong Monetary Authority. "Treat Customers Fairly Charter". 1 November 2016.
27. HKIB e-learning:
  - a. What is money laundering
  - b. International Initiatives
  - c. Customer Identification Program
  - d. USA Patriot Act
  - e. Wolfsberg Principles on Correspondent Banking
  - f. Terrorist related Money Laundering
  - g. Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) - Overview
  - h. BSA/AML - Compliance Program Requirements

For latest details, please refer to [ECF on AML/CFT \(Core & Professional\) Programme Handbook](#)

### 3.8 ECF on Cybersecurity (Core Level)

#### A. Syllabus

<b>Chapter 1: Technical Foundation of Cybersecurity</b>	
<b>1</b>	<p><b>Foundation of a Network</b></p> <ul style="list-style-type: none"> <li>- OSI and TCP/IP Model</li> <li>- LAN and WAN Technologies and Devices</li> <li>- An Overview of Internet Architecture</li> <li>- Intrusion Detection System and Intrusion Prevention System</li> <li>- Common Network Protocols</li> <li>- DMZ and Network Segmentation</li> <li>- Wireless Network Infrastructure</li> </ul>
<b>2</b>	<p><b>IT Security Principles</b></p> <ul style="list-style-type: none"> <li>- Confidentiality, Integrity, Availability</li> <li>- Accountability, Non-repudiation</li> <li>- Types of Security Controls</li> <li>- Least Privilege</li> <li>- Separation of Duties</li> <li>- IT Asset Management</li> </ul>
<b>3</b>	<p><b>Foundation of Access Control</b></p> <ul style="list-style-type: none"> <li>- Access Control Concepts</li> <li>- Identification, Authentication, Authorisation</li> <li>- Identity Management</li> <li>- Common Access Control Implementation</li> </ul>
<b>4</b>	<p><b>Overview of Cryptography</b></p> <ul style="list-style-type: none"> <li>- Hashing</li> <li>- Salting</li> <li>- Symmetric/Asymmetric Encryption</li> <li>- Digital Signatures</li> <li>- Merkle Tree</li> <li>- Cryptographic Key Management</li> </ul>

<b>5</b>	<b>Foundation of Cloud Computing</b> <ul style="list-style-type: none"> <li>- Virtualisation</li> <li>- Infrastructure as a Service, Software as a Service and Platform as a Service</li> <li>- Public Cloud and Private Cloud</li> <li>- Data Governance on Cloud Computing</li> <li>- Jurisdiction Concerns</li> </ul>
<b>6</b>	<b>Open Banking with the API Framework</b> <ul style="list-style-type: none"> <li>- The Readiness of Open API Adoption</li> </ul>
<b>Chapter 2: Bank IT Security Controls</b>	
<b>1</b>	<b>International Standards and Regulatory Requirements</b> <ul style="list-style-type: none"> <li>- ISO 27001 Principles and Process</li> <li>- ISO 27001 Control Objectives</li> <li>- The HKMA’s Technology Risk Management Policies and Guidelines</li> <li>- Other International Standards</li> </ul>
<b>2</b>	<b>Network Security Administration</b> <ul style="list-style-type: none"> <li>- Understanding Wireless Security</li> <li>- Protecting the Network Infrastructure</li> <li>- Protecting the Network Management Platform</li> <li>- Network Vulnerability Management</li> </ul>
<b>3</b>	<b>System Security Administration</b> <ul style="list-style-type: none"> <li>- Database Security</li> <li>- System Hardening</li> <li>- Patch Management</li> <li>- Sandboxing</li> <li>- Application Whitelisting</li> <li>- Virtual Desktop</li> </ul>
<b>Chapter 3: Cybersecurity Monitoring</b>	
<b>1</b>	<b>Threats, Malware and Malicious Activities</b> <ul style="list-style-type: none"> <li>- Threats</li> <li>- Malware</li> <li>- Rootkits</li> <li>- Botnets</li> <li>- APT</li> <li>- DDoS</li> </ul>

<b>2</b>	<p><b>Malware Infection Vectors</b></p> <ul style="list-style-type: none"> <li>- Social Engineering</li> <li>- Spam, Phishing, Spear-phishing</li> <li>- Social Networking</li> <li>- Physical Media</li> <li>- Software Vulnerability</li> <li>- Watering Hole Attack</li> </ul>
<b>3</b>	<p><b>Network and System Monitoring</b></p> <ul style="list-style-type: none"> <li>- Log Files and Log Management</li> <li>- Security Events, Detection Mechanisms and Logs</li> <li>- Monitoring Tools</li> <li>- Wireless Attack Monitoring</li> </ul>
<b>4</b>	<p><b>Network Attack Pattern Analysis</b></p> <ul style="list-style-type: none"> <li>- SIEM Architecture and Components</li> <li>- Correlation Rule</li> <li>- Detection of Malicious Activities</li> </ul>
<b>Chapter 4: Security Incident Response</b>	
<b>1</b>	<p><b>Security Incident Response Process</b></p> <ul style="list-style-type: none"> <li>- Containment</li> <li>- Eradication</li> <li>- Recovery</li> <li>- Improvement</li> <li>- ISO 27043 Incident Investigation Principles and Processes</li> </ul>
<b>2</b>	<p><b>Digital Evidence</b></p> <ul style="list-style-type: none"> <li>- First Responder</li> <li>- Evidence Handling</li> <li>- Preservation of the Scene</li> <li>- Chain of Custody</li> <li>- Evidence Related to Network Events</li> </ul>
<b>3</b>	<p><b>Security Incident Communication</b></p> <ul style="list-style-type: none"> <li>- Internal Communication and Preparation of Management Reports</li> <li>- Structured Threat Information Expression (STIX)</li> <li>- Communication between Banks and Other Parties</li> </ul>
<b>Chapter 5: IT Risk Management and Control</b>	

<b>1</b>	<b>Risk Management Process</b> <ul style="list-style-type: none"> <li>- Risk Management Concepts</li> <li>- Risk Assessment</li> <li>- Risk Treatment (Accept, Transfer, Mitigate, Avoid)</li> </ul>
<b>2</b>	<b>Risk Monitoring and Compliance Checking</b> <ul style="list-style-type: none"> <li>- Risk Visibility</li> <li>- Risk Register and Risk Dashboard</li> <li>- Compliance Self-assessments</li> </ul>
<b>3</b>	<b>Risk Acceptance</b> <ul style="list-style-type: none"> <li>- Risk Ownership</li> <li>- Risk Acceptance Process</li> </ul>
<b>4</b>	<b>Security and Risk Awareness Training</b>
<b>Chapter 6: IT Audit</b>	
<b>1</b>	<b>Principles of IT Audit</b> <ul style="list-style-type: none"> <li>- Audit Team Functions</li> <li>- Independence</li> <li>- Audit Trail</li> <li>- IT Audit</li> </ul>
<b>2</b>	<b>Security and Compliance Control Testing</b> <ul style="list-style-type: none"> <li>- Document Review</li> <li>- Sampling</li> <li>- Walkthrough and Control Verification</li> <li>- Control Effectiveness Testing</li> </ul>
<b>3</b>	<b>Audit Reports and Follow Up</b>
<b>Chapter 7: Security Testing</b>	
<b>1</b>	<b>Penetration Test Process</b> <ul style="list-style-type: none"> <li>- Preparation</li> <li>- Vulnerability Scanning and Assessment</li> <li>- Network-layer Penetration Test</li> <li>- Application-layer Penetration Test</li> </ul>
<b>2</b>	<b>Red Team Approach</b> <ul style="list-style-type: none"> <li>- Red Team Testing Approach</li> <li>- Assume Breach</li> </ul>



## **B. Recommended Readings**

### **Essential Readings**

HKIB Study Guide – Advanced Certificate for ECF on Cybersecurity (2018).

### **Supplementary Readings**

1. Josiah Dykstra (2015). Essential Cybersecurity Science: Build, Test, and Evaluate Secure Systems, "O'Reilly Media, Inc."
2. Vacca, J. (Ed.). (2013). Computer and Information Security Handbook, Second Edition. Morgan Kaufmann.
3. European Union Agency for Network and Information Security (ENISA). (2017). Cyber Security Culture in organisations ENISA. <https://www.enisa.europa.eu/publications/cyber-security-culture-in-organisations>
4. Cole, E. (2013). Advanced Persistent Threat: Understanding the Danger and How to Protect Your Organization. Syngress Publishing.
5. Michael S. Collins (2016) Network Security Through Data Analysis: Building Situational Awareness, 2<sup>nd</sup> Edition. "O'Reilly Media, Inc."
6. Federal Office for Information Security. (n.d.). A Penetration Testing Model. Retrieved from [https://www.bsi.bund.de/SharedDocs/Downloads/EN/BSI/Publications/Studies/Penetration/penetration\\_pdf](https://www.bsi.bund.de/SharedDocs/Downloads/EN/BSI/Publications/Studies/Penetration/penetration_pdf)
7. Hong Kong Monetary Authority. (2016). Cyber Resilience Assessment Framework.  
Retrieved from <http://www.hkma.gov.hk/media/eng/doc/key-information/speeches/s20160518e2.pdf>
8. HKCERT <https://www.hkcert.org/faq>
9. CIS – Center of Internet security <https://www.cisecurity.org/cybersecurity-best-practices>
10. GovCERT <https://www.govcert.gov.hk/en/index.html>
11. Cybersechub <https://www.cybersechub.hk/en/home/cert>
12. HK Police CSTCB [https://www.police.gov.hk/ppp\\_en/04\\_crime\\_matters/tcd/index.html](https://www.police.gov.hk/ppp_en/04_crime_matters/tcd/index.html)
13. HKIB e-learning course: Cybersecurity Essentials  
<https://secure.kesdee.com/ksdlms/?Partner=HKIB>

**Further Readings**

**For Chapter 1:**

1. Schneier, B. (1993). Applied Cryptography. John Wiley & Sons Inc.
2. Jonathan Katz, Yehuda Lindell, CRC Press. (2007). Introduction to Modern Cryptography: Principles and Protocols
3. Kavis, M. J. (2014). Architecting the Cloud: Design Decisions for Cloud Computing Service Models (SaaS, PaaS, and IaaS). Wiley.

**For Chapter 2:**

1. BackTrack 5 Wireless Penetration Testing by V. Ramachandran, published in September 2011 by Packet Publishing
2. Australian Signals Directorate. (2018). Protect: Implementing Application Whitelisting. Retrieved from [https://www.asd.gov.au/publications/protect/application\\_whitelisting.htm](https://www.asd.gov.au/publications/protect/application_whitelisting.htm)
3. Vacca , J. (Ed.). (2013). Computer and Information Security Handbook, Second Edition . Morgan Kaufmann.

**For Chapter 3:**

1. The Art of Deception: Controlling the Human Element of Security by Kevin D. Mitnick and William L. Simon, published in 2002 by John Wiley & Sons.
2. Advanced Persistent Threat: Understanding the Danger and How to Protect Your Organization by Eric Cole, published in 2013 by Syngress Publishing.
3. Applied Network Security Monitoring: Collection, Detection, and Analysis, by Chris Sanders and Jason Smith, published in 2014 by Syngress Publishing.

**For Chapter 4:**

1. Schultz, E. E. J., & Shumway, R. (2001). Incident Response: A Strategic Guide to Handling System and Network Security Breaches. Sams Publishing.
2. Johansen, G. T. (2017). Digital Forensics and Incident Response: A practical guide to deploying digital forensic techniques in response to cyber security incidents. Packt Publishing.
3. Anatomy of a Breach, Microsoft. (2016)

**For Chapter 5:**

1. Hoo, K. J. (2000). How Much Is Enough? A Risk-Management Approach to Computer Security. US: Consortium for Research on Information Security and Policy.
2. General Principles for Technology Risk Management. (2003). HK: HKMA.
3. Joint Task Force Transformation Initiative (Ed.). (2012). Guide for Conducting Risk Assessments. HK: National Institute of Standards and Technology (NIST).
4. COBIT 5, ISACA
5. ISO/IEC 27005:2011 Information technology -- Security techniques -- Information security risk management
6. ISO/IEC 27001:2013 Information technology -- Security techniques -- Information security management systems requirements
7. Trull, J. C. C. (2016, October 16). Use Security Education and Awareness Programs to Your Advantage. Available from:  
<https://cloudblogs.microsoft.com/microsoftsecure/2016/10/26/use-security-education-and-awareness-programs-to-your-advantage/>

**For Chapter 6:**

1. Leveraging COSO across the Three Lines of Defense. The Institute of Internal Auditors (2015).
2. Moeller, R. (Ed.). (2010). IT Audit, Control, and Security. Wiley.
3. National Institute of Standards and Technology. (2018). Cybersecurity Framework. Retrieved from <https://www.nist.gov/cyberframework>

**For Chapter 7:**

1. Scarfone, K., Souppaya, M., Orebaugh, Angela, & Cody, A. (2008). Technical Guide to Information Security Testing and Assessment. NIST.
2. Shrestha, N. (2012). Security Assessment via Penetration Testing: A Network and System Administrator's Approach. UNIVERSITY OF OSLO.

For latest details, please refer to [ECF on Cybersecurity \(Core Level\) Programme Handbook](#)

## 4. Programme Overview - Professional Diploma for Certified Banker

### A. Programme Objectives

In response to the talent development needs of the industry, HKIB provides the Professional for Certified Banker programme. The modules aim to prepare the learners to fulfil the professional competence required under the banking industry standard, the ECF.

There are two main objectives of the Professional Diploma programme:

#### Generalist Knowledge

The programme is developed with the objective of providing participants with generalist knowledge across different major areas of banking in order to be capable of discerning the intricacies between different operations. This is important for developing a comprehensive evaluation of impacts and risks on its own management regime and paves the way for taking up managerial positions in banks.

#### Evaluative Skills

Besides generalist knowledge, management of a bank also requires cognitive skills to evaluate and integrate information in a banking context. Hence, one can apply the learned skills on other disciplines in banking to his/her own regime and pave the way for the “Professional Diploma for Certified Banker” which participants will be developed into a specialist in a particular discipline of banking. As a result, HKIB launched the Professional Diploma for Certified Banker to offer a learning opportunity for banking practitioners to become a generalist.

### B. Programme Intended Learning Outcomes

Upon completion of the Programme, learners should be able to:

- ✚ Evaluate and integrate key theories / knowledge in a major discipline of banking in order to design strategies for achieving the business goals and objectives;
- ✚ Analyse information provided by the bank’s customers, different banking units or other sources in order to assess and identify critical issues for successful implementation of the strategies (e.g. inherent risks, changes in the banking environment, the needs of different stakeholders, etc.); and
- ✚ Manage execution and exceptional issues during the implementation of the bank’s strategies by developing a solution / management plan after appraising the situations, potential risks, the changing banking environment, etc





## **4.1 Business and People Management**

### **A. Module Objectives**




This module contributes to the achievement of the Programme Intended Learning Outcomes by offering the learners a unique position and perspective to examine important issues in a business and in an organisation. This module encompasses business planning, strategic corporate management issues as well as the people element in a business and organization. The various approach to analyze issues linked with people and business management by use of technological aids would enable the learners to meet other programme outcomes

### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  compare and contrast the different components of the business planning process;
-  evaluate how the process is critically applied in formulating business plans and corporate strategies;
-  analyse the personal attributes of a leader and identify the prerequisites for development of leadership;
-  manage team management issues by applying the most appropriate approach after appraising the particular situation

### **C. Assessment Method**

-  Examination: 50-60 Multiple Choice questions and TWO Essay questions out of THREE
-  Passing mark for this module is 60%.
-  Time allowed: 3 hours.

**D. Syllabus**

A. Business Organization and Management			
1.	The management process	1.1 1.2 1.3 1.4 1.5 1.6 1.7	Working in contemporary organizations Organizational culture and diversity Internal environmental issues and culture External environmental issues and competitive forces The purpose of the business plan The elements of a typical business plan Ethical behaviour and social responsibility
2.	Managing and developing human resources	2.1 2.2 2.3 2.4 2.5 2.6	Foundations of human behaviour Motivation theory and practice Financial and non-financial methods of motivation Measuring the effectiveness of the workforce Training and appraising the workforce Workforce planning
3.	Communication	3.1 3.2 3.3 3.4 3.5 3.6	The communication process Improving communication Causes of conflict and conflict resolution Formal and informal communication The nature and benefits of different communication media, including 'information and communications technology' (ICT) Understanding and overcoming the barriers to communication
4.	Implementing and managing change	4.1 4.2 4.3	Understanding the causes and effects of change Understanding and dealing with resistance to change Implementing and evaluating the change process
5.	Strategic Management	5.1 5.2 5.3 5.4	The strategic management process Strategic analysis Corporate-level and business-level strategy formulation Strategy implementation

B. Marketing			
1.	Marketing	1.1	Understanding the marketing concept
		1.2	The nature and benefits of marketing research
		1.3	The nature and benefits of market segmentation
		1.4	Understanding the nature and use of the marketing mix (4Ps and 7Ps)
		1.5	Understanding the nature and significance of the product life cycle - Conducting a product portfolio analysis
		1.6	Analysing the different marketing environments
		1.7	Assessing the competition and the key competitive forces
		1.8	Marketing planning and objective setting
		1.9	Developing and implementing appropriate marketing strategies

C. Leadership			
1.	Leadership	1.1	The nature of leadership
		1.2	The characteristics of leaders
		1.3	Developing an appropriate leadership style and approach
		1.4	Understanding the different types of groups and teams
		1.5	Understanding the stages of group development
		1.6	Understanding the different roles of individuals within a team
		1.7	Recognising the nature and importance of team building
		1.8	Understanding the role of leadership in managing change

D. Team Management			
1.	Team Management	1.1	The nature and functions of management
		1.2	Essential managerial skills and competencies
		1.3	The decision-making process
		1.4	Fundamentals of planning
		1.5	Types of plans and planning tools
		1.6	Fundamentals of organizing
		1.7	Organization structure
		1.8	Fundamentals of control

		1.9	The control process and control tools and techniques
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**E. Essential Readings**

- ✚ John R. Schermerhorn, Jr. (2015). Introduction to Management (13<sup>th</sup> ed.). John Wiley & Sons, Inc.
- ✚ Dave Hall, Rob Jones, Carlo Raffo and Alain Anderton. (2008). Business Studies (4<sup>th</sup> ed.). Pearson Education.

**F. Further Readings**

- ✚ Michael A. Hitt. (2010). Organizational Behavior (3rd ed.). Wiley.



## 4.2 Corporate Finance Services

### A. *Module Objectives*

Corporate finance bankers nowadays may also act as advisors to provide specific corporate finance applications, by helping corporations analyze their financing needs and to recommend tailored-made solutions. This module contributes to the achievement of the Programme Intended Learning Outcomes by drawing learners' attention to the market segments where the financing needs of corporate borrowers are identified, before applying their knowledge to discuss the different financing alternatives for customers under different situations. Together with the considerations for risk management options in the corporate financing market, the topics covered in this module serve to equip the learners with the necessary techniques for the next stage of studies under the CB programme, such as "Bank Lending", "Credit Risk Management", "Treasury Markets and Operations"

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- ✚ plan and design an appropriate package of credit solutions and capital-raising strategies to meet the domestic or international financing needs of customers in different markets;
- ✚ identify and assess the risks involved in corporate financing transactions to both the borrower and the financier;
- ✚ consolidate the risk issues in corporate finance and construct strategies to deal with the issues for discussion with peers of all levels.

### C. *Assessment Method*

- ✚ Examination: 50-60 Multiple Choice questions and TWO Essay questions out of THREE
- ✚ Passing mark for this module is 60%.
- ✚ Time allowed: 3 hours.

**D. Syllabus**

A. Sources and Types of Finance for Corporations			
1.	Corporate Lending	1.1	Term loans; syndicated loans; and leveraged leasing; standby facilities, revolving credits and note issuance facilities
		1.2	Choice of debt market (e.g. euro-dollar market, domestic market)
		1.3	Lending policy and procedure (e.g. credit analysis, loan review)
2.	Debt financing	2.1	Alternatives to bank finance including bonds, foreign bonds; euronotes; commercial paper, and Medium Term Note (MTN) facilities.
		2.2	Bond issuing (e.g. bond price, bond covenants, call provision)
		2.3	Bond rating
		2.4	Convertible bonds
		2.5	Leasing
		2.6	Mortgage backed securities, CMOs and CDOs
		2.7	Developments in the Hong Kong bond market
3.	Equity financing	3.1	Features of common stock; preferred stocks; ETFs; convertible securities and warrants, and ADRs.
		3.2	IPO and Costs & benefits of new issues
		3.3	Methods of listing; offer for subscription; offer for sale; open offer; and rights issues.
		3.4	The private equity market
		3.5	Developments in Hong Kong and characteristics of the Hong Kong equity market: e.g. "H" shares and over subscription problems
4.	Financing special transactions or projects	4.1	Project finance - limited recourse; impact on borrower's and project sponsor's balance sheet
		4.2	Advantages of borrowing on project terms

B. Sources and Types of Risks for Financial Management in Banks			
1.	Cross-Border Risks	1.1	Use and parameters for country risk analysis
		1.2	Cross border lending risks, e.g. exchange control;

			regulatory and tax considerations, etc
2.	Corporate Treasury Management	2.1	Currency and interest rate risk and exposure management
		2.2	Understanding of currency swaps; interest rate swaps; asset swaps; financial futures; forward contracts; options; negotiable instruments
3.	Credit Risk Management in Bank Lending	3.1	Credit derivatives and its limitations (documentation, counterparty issues, etc.) for the management of risk

**E. Essential Readings**

✚ Ross, Lim, Tan & Wong. (2015). Corporate Finance (Asia Global ed.). McGraw-Hill

**F. Supplementary Readings**

✚ Pascal Quiry, Yann Le Fur, Antonio Salvi and Maurizio Dallochio. (2011). Frequently Asked Questions in Corporate Finance (1<sup>st</sup> ed.). Wiley.

✚ Barbara Weber, Hans Wilhelm Alfen (2010). Infrastructure as an Asset Class: Investment Strategies, Project Finance and PPP. Wiley

**G. Further Readings**

✚ Saunders and Cornett. (2006). Financial Institutions Management: A Risk Management Approach (7th ed.). McGraw-Hill.

✚ McKinsey & Company Inc., Tim Koller, Richard Dobbs and Bill Huyett. (2010). Value: The Four Cornerstones of Corporate Finance (1st ed.). Wiley.




## **4.3 Finance of International Trade**

### **A. Module Objectives**




This module contributes to the achievement of the Programme Intended Learning Outcomes by providing the learners a very important background on the international trade environment today, in which not only importing and exporting corporations operate alone but also financiers aid to offer their package of financing solutions. Leveraging on the above essential knowledge on the settings, learners would extend their analytical skills to the more technical side of international trade financing activities. Learners would also explore and assess other areas of import/export trade such as trade promotions and support programmes, and also the related risks involved in international trade-financing, in order to achieve a complete discussion of this specialist banking area.

### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  Attain enhancement of specialised knowledge in international trade terms and internationally accepted code of practice which serve as a solid ground of communications with a range of audiences including international trade finance customers, peers and internal operation units within banks;
-  Analyse critically the financing needs of trade borrowers and design tailored-made financing solutions to meet clients' needs;
-  Diagnose the key risk issues in trade financing transactions and mitigate the risks involved.

### **C. Assessment Method**

-  Examination: 50-60 Multiple Choice questions and TWO Essay questions out of THREE
-  Passing mark for this module is 60%.
-  Time allowed: 3 hours.

**D. Syllabus**

A. Introduction to International Trade Finance			
1.	What is International Trade Finance?	1.1	Meaning and importance of international trade finance
		1.2	Types of customers in Hong Kong and abroad; their needs and the opportunities for banks and other bodies that these present;
		1.3	Various roles of banks in facilitating international trade; growth of world trade and changes in its commodity and geographical composition;
		1.4	Importance of services in international trade;
		1.5	Basic understanding of logistic management and trade finance; non-bank trade service providers, e.g. Bolero (Bolero.net), Tradecard (Tradecard.com), upscapital.com

B. International Trading Practice			
1.	Methods of Payment in International Trade	1.1	Collection; documentary credit; advanced payment; counter trade; barter/compensation trade; bilateral payment agreement/arrangement and forfaiting
2.	International Payment, Settlement and Clearing Systems	2.1	Payment settlement and clearing; cheques, drafts, mail and telegraphic payment orders (including express money transfers); SWIFT; nostro and vostro accounts and procedures (in general terms); general concept and procedures of Real Time Gross Settlement (RTGS)
		2.2	Electronic banking services including payment and credit cards, giro transfers and means of making regular payments
		2.3	Payment and collection services available from correspondent banks abroad
		2.4	Settlement in Foreign Currencies (Rates of exchange; factors affecting the movement of rates; protection against exchange risks; mechanics of forward contracts)
3.	Commercial and Shipping Terms	3.1	Common shipping terms and meaning

	Used in International Trade	3.2	Purpose of the relevant Incoterms; risks and responsibilities of the parties involved, Incoterms 2010 (ICC Publication 715)
4.	Documents Used in International Trade	4.1	Types and uses of bills of exchange; features and functions of basic, shipping, transport and insurance documents;
		4.2	Control and transfer of ownership of goods and insurance;
		4.3	Implications of Electronic Data Interchange (EDI) on international trade

C. Documentary Collections & Documentary Credits			
1.	Documentary Collections	1.1	Collection of cheques and bills of exchange, both clean and documentary. Terminology and procedures.
		1.2	Actions to be taken in the event of dishonour; protection of goods; avalisation of inward bills.
		1.3	A detailed knowledge of Uniform Rules for Collections ICC publication 522 and the relevant features of Bills of Exchange Ordinance
2.	Documentary Credits	2.1	Main types of documentary letters of credit and their documentary requirements and procedures namely, opening, advising, confirmation, negotiation, payment and reimbursement;
		2.2	Liabilities and responsibilities of the parties;
		2.3	Examination of documents and treatment of discrepancies.
		2.4	Uses of credits including acceptance/deferred payment credits, red clause letters of credit, revolving credits, standby credits, transferable and back-to-back credits.
		2.5	A detailed knowledge of Uniform Customs and Practice for Documentary Credits UCP600 and Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credit, ICC publication 725, International Standby Practice ISP 98, ISBP and eUCP

D. Trade Finance Services and Trade Related Risk			
1.	Import and Export Finance	1.1	Import financing, including produce/merchandise advances against security of goods and trust receipt.
		1.2	Export financing, including purchasing, negotiating, accepting and discounting bills under documentary credits or documentary collections; packing loan; factoring; invoice discounting; advance under ECIC policies; banker's acceptance.
		1.3	Risks involved in granting trade finance facilities to importers and exporters. Difference between foreign L/C and local L/C.
2.	Trade Promotion and Supporting Services	2.1	Trade promotion services from banks, official and semi-official bodies (e.g. Trade and Industry Department, Trade Development Council, Export Credit Insurance Corporation, Chambers of Commerce) to develop trade and investment
		2.2	Letters of introduction; sources of information/advice; using correspondent banks including status reports, economic conditions, entry to overseas markets.
		2.3	Types and procedures of bank guarantees and bonds in facilitating international trade; risks and responsibilities of issuers; ways to minimize risks; Uniform Rules for Demand Guarantees, etc
		2.4	Other government involvement in export credit arrangement; need for export credit; export promotion schemes and facilities in other countries such as UK – ECGD and other EC countries, USA – EXIM bank, China – Import-Export Bank (general basic understanding).
		2.5	WTO and GATT and other agencies involved in international trade.
3.	Trade Fraud	3.1	Types of trade fraud
		3.2	Fake goods
		3.3	Forged documents
		3.4	Money laundering
		3.5	Prevention measures

4.	Risk and Risk Management in International Trade	4.1	Types of risk: political and economic risk, credit risk, performance risk, documentary risk, foreign exchange risk, transfer risk, interest rate risk
		4.2	Fraud
		4.3	Risk Management, including protection against above risks
		4.4	Rules and regulations governing fraud and money laundering

**E. Essential Readings**

✚ Luk Kwai Wing. (2011). International Trade Finance: A Practical Guide (2<sup>nd</sup> ed.). City University of HongKong

**F. Supplementary Readings**

✚ Paul Cowdell & Derek Hyde. (2004). Finance of International Trade (8th ed.). Financial World Publishing.

✚ ICC Guide to Incoterms 2010. (2010). ICC Publication 715. International Chamber of Commerce.

✚ ICC Guide to the eUCP. ICC Publication 639. International Chamber of Commerce.

**G. Further Readings**

✚ ICC Uniform Customs and Practice for Documentary Credits. ICC Publication 600 + eUCP. International Chamber of Commerce.

✚ ICC Uniform Rules for Bank-to-Bank Reimbursements - A Commentary. ICC Publication 725. International Chamber of Commerce.

✚ ICC Uniform Rules for Collections. ICC Publication 522. International Chamber of Commerce.

✚ ISBP - International Standard Banking Practice for Examination of L/C. ICC Publication 745. International Chamber of Commerce.

✚ ISP 98 - International Standby Practice - The Commentary. ICC Publication 947. International Chamber of Commerce.

✚ ISP 98 - International Standby Practice - The Rules. ICC Publication 590. International Chamber of Commerce.



## 4.4 Technology Management and Innovation in Banking

### A. *Module Objectives*

This module aims to provide the learners comprehensive knowledge on the latest development of IT system and financial technology. They are expected to relate the application and implications of the IT systems and financial technology including the relevant regulations and security control to the bank and finance area.

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- ✚ Assess and analyze the latest development and market trends of IT systems and financial technology and associate their implications to identify the technology needs of the banks or financial institutions;
- ✚ Evaluate different kinds of financial technology, IT and security infrastructure to enhance and optimize the effectiveness and efficiency of IT platforms and services;
- ✚ Plan, design and implement data analytics based on risks level, technology regulatory requirements and the effectiveness of the security measures;
- ✚ Manage and monitor the system development projects in according to system development standards and requirements; and
- ✚ Monitor the IT operations and services and identify the potential risks for taking actions to ensure smooth operations and risk mitigation.

### C. *Assessment Method*

- ✚ Examination: 50-60 multiple choice questions and 2 out of 3 essay questions
- ✚ Passing mark for this module is 60%
- ✚ Time allowed: 3 hours

**D. Syllabus**

Chapter 1: Overview of Information Systems and Technology Management			
1.	Transformation of the Banking Industry	1.1 1.2 1.3	The next generation of the banking industry Partnership and incubation Emerging ‘banking groups’
2.	Impacts of Disintermediation & the Shared Economy	2.1 2.2 2.3	What is ‘Banking’ and ‘Banking Groups’? Paradigm shift of banking for evolving banking needs and client demographics Roles of IT services and talents in the evolving banking industry
3.	Open up Banking	3.1 3.2 3.3	Banking as a Service (BaaS) Private and open API banking Changes in the banking business architecture and industry framework
4.	Banking on the Cloud	4.1 4.2	Cloud architecture Cloud deployment models
5.	Case Sharing on Facing the Challenges and Seizing the Opportunities Arising from the Banking Transformation	5.1 5.2 5.3 5.4 5.5 5.6	Blockchain technology Innovation Lab Payment services Credit technologies Investment – fundraising Remittance services

Chapter 2: Cyber Security and Data Privacy			
1.	Regulatory framework and related regulations for technology management and cybersecurity e.g. HKMA SMP Technology risk management and risk management in E-Banking		
2.	Cyber Security Threats		
3.	Information System Security Management	3.1 3.2	Principles and general practices ISO/IEC 27001 Information security management system

4.	Cyber Security Regime	4.1	Enhanced Competence Framework (ECF)
		4.2	Cybersecurity Fortification Initiative (CFI)
5.	Cyber Security Technologies, Defence and Mitigations	5.1	Anti-DDoS and Security Operation Centre (SOC)
		5.2	Intelligence platforms, Security Information and Event Management (SIEM)
		5.3	Endpoints and mobile device management (MDM)
		5.4	Next-generation firewalls and virtual machine (VM) security
		5.5	Biometrics and multi-factor authentication
		5.6	Cryptography and data encryption standards and applications
6.	Data Privacy Considerations	6.1	Data privacy regulations in Hong Kong

Chapter 3: Data Management, Analytics and Artificial Intelligence			
1.	Big Data Analytics for Financial Services	1.1	Structured Data Analytics
		1.2	Unstructured Data Analytics
		1.3	Data Analytics in Retail Banking
		1.4	Data Analytics in Commercial Banking
		1.5	Data Analytics in Investment Banking and Treasury and Markets
2.	Big Data and Deep Learning Technologies	2.1	Data Pattern Recognition
		2.2	Predictive Analysis
		2.3	Machine Learning and AI
3.	Applications of Artificial Intelligence in Financial Services	3.1	Financial Risk Analysis
		3.2	Fraud Detection
4.	Credit Investigation Services	4.1	Consumer Credit Data
		4.2	SME Credit Data
		4.3	Capital Markets Credit Data

Chapter 4: FinTech for Digital Banking and Service Channels			
1.	Payment	1.1	Current interbank payment infrastructure

		1.2	Overview of emerging non-bank payment infrastructures
		1.3	Introduction of Stored Value Facilities (SVF) and regulations
		1.4	Functional comparison of conventional and emerging payment solutions in HK
2.	Remittance	2.1	Current remittance architecture
		2.2	SWIFT – history and recent developments
		2.3	Emerging remittance technologies
		2.4	Functional comparison of conventional and emerging remittance solutions in HK
3.	Chatbots	3.1	Technology overview of Chatbots
		3.2	Client services channel
		3.3	Revolution of banking process re-engineering
		3.4	Regulatory and compliance considerations of Chatbots in banking
4.	Robot Advisory	4.1	Overview of conventional retail investment platforms
		4.2	Theoretical review of robo advisory services
		4.3	Robo Advisor versus Human advisor in retail investment
		4.4	Regulations and suitability of robo advisory services in retail investment
		4.5	Introduction of social investing
		4.6	Introduction of algorithm trading in institutional investment
5.	Digital Branch	5.1	Online-to-offline client servicing
		5.2	Roles of branch staff, location and facilities in digital branches
		5.3	Branch banking officers and tellers
		5.4	Retail investment advisors
		5.5	Premier banking services
		5.6	Commercial banking services
		5.7	Increasing Digital Penetration – Change in Roles

			of Conventional Branches
6.	Digital Currency	6.1 6.2 6.3 6.4 6.5	Technological overview of digital currencies Development of digital currencies in Hong Kong and internationally Roles of central banks, issuing banks and payment channels Cashless transactions in retail payments Regulatory and compliance considerations
7.	Distributed Ledger Technology	7.1 7.2 7.3 7.4 7.5	Technological overview of Distributed Ledger Technology DLT versus conventional distribution systems Cross-institutional banking workflows DLT applications and future directions Regulatory and compliance considerations
8.	Mobile First and Mobile Only	8.1 8.2 8.3 8.4	Client demographics and banking behaviour Mobile banking versus internet banking versus banking at a branch Business analytics in mobile banking Overview of mobile and related technologies: HTML5, push technologies, open banking API, and mobile devices

Chapter 5: Compliance with Information Technology			
1.	Overview of regulatory technology (RegTech)		
2.	Transaction surveillance and AML	2.1 2.2	Application of data analytics Privacy and the use of analytics
3.	Know-your-client (KYC) and onboarding technologies	3.1 3.2	Aggregation of identity Biometric authentication
4.	International efforts	4.1 4.2	Joint Financial Intelligence Unit (JFIU) Financial Action Task Force on Money Laundering (FATF)

Chapter 6: Business Analytics, System Projects, and IT Operations			
1.	Overview of system application development and project management methodologies	1.1 1.2 1.3 1.4 1.5	SDLC Agile Development Rapid application development (RAD) and prototyping Project management inventory and tools Quality assurance, testing, and change management
2.	Enterprise architecture	2.1 2.2 2.3 2.4	Enterprise architecture versus application design Service oriented architecture (SOA) and industry frameworks Technological stack, inventory, and tools User-centric design (UCD)
3.	Vendor and service outsourcing management	3.1 3.2 3.3 3.4	Principles of IT outsourcing Inception and exit strategies Service level agreement (SLA) Regulatory and compliance considerations
4.	Professional development	4.1 4.2 4.3 4.4	Project management: PMP System service management: ITIL, PRINCE2 Business analysis: IIAB Cyber security: CISA, CISSP

**E. Essential Readings**

+ HKIB, Study Guide - Technology Management & Innovation in Banking (2018)

**F. Supplementary Readings**

+ Marakas, G.M. and O’ Brien, J. (2008). Introduction to Information Systems (16<sup>th</sup> ed.). Irwin/McGraw-Hill

+ Chris Skinner. Digital Bank: Strategies to Launch or Become a Digital Bank, ISBN 978-9814516464

+ Efraim Turban and Linda Volonino. (2011). Information Technology Management (8th ed.). Wiley

**G. Further Readings**

- ✚ Chaffey D. and Wood S. (2010). Business Information Management – Improving performance using information systems (2nd ed.). Prentice Hall

*For more details, please refer to further reading session at end of each chapter.*

## 4.5 Financial Planning

### A. *Module Objectives*

This module aims to provide the learners with an understanding of the legal and regulatory framework governing various banking and wealth management laws and regulations. The learners will also acquire the basic knowledge of banking practices, services, insurance, tax and retirement planning, fund and asset management, financial planning process.

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- ✚ Understand and comply with the general and wealth management specific regulatory requirements;
- ✚ Apply the suitability obligation to the sale of specific types of investment and insurance products;
- ✚ Conduct financial planning in accordance with prescribed steps, such as financial needs analysis and risk assessment;
- ✚ Construct financial plans based on analysis of the needs of customers; and
- ✚ Explain recommendations of bank products and services to customers with respect to their needs and preferred communication style.

### C. *Assessment Method*

- ✚ Examination: 50-60 multiple choice questions and 1 case study
- ✚ Passing mark for this module is 60%
- ✚ Time allowed: 3 hours



**D. Syllabus**

Chapter 1: Insurance and Retirement planning	
1.	Principles of Insurance
2.	Functions and Benefits of Insurance
3.	Types of Insurance Products
4.	Retirement Plans and the Mandatory Provident Fund (MPF)
5.	Insurance as a Protection Planning Solutions and Personal Risk Management

Chapter 2: Investment and Asset Management			
1.	Asset Management Products and Services	1.1 1.2 1.3 1.4 1.5 1.6	Fixed income investments Equity securities investments Foreign exchange Derivatives Structured products Investment funds and unit trusts
2.	Portfolio Management Theory and Practice	2.1 2.2 2.3 2.4	Introduction to statistics relevant to Portfolio theory Portfolio theory Capital asset pricing model Portfolio management process
3.	Asset Allocation of Investment Funds Portfolio	3.1 3.2	Client investment objectives and fund investment objectives Asset allocation strategies

Chapter 3: Tax Planning and Estate Planning	
1.	Overview of the Taxation System
2.	Principles of Tax Planning
3.	Principles of Estate Planning
Chapter 4: Financial Planning and Wealth Management	

1.	Regulatory Framework of the Financial Services Industry in Hong Kong		
2.	Overview of the Wealth Management Industry and Asset Management Industry		
3.	Fundamentals of Financial Planning	3.1 3.2	Financial planning process Financial management
4.	Client Relationship Management		
5.	Upholding Professional Ethics and Avoiding Conflicts of Interest		

**E. Essential Readings**

✚ HKIB Study Guide - Financial Planning (2017)

**F. Supplementary Readings**

✚ Estate Duty Ordinance

✚ Estate Duty Office Interpretation and Practice Notes

✚ Harold Evensky, Stephen M. Horan, Thomas R. Robinson (2011) “The New Wealth Management: The Financial Advisor’s Guide to Managing and Investing Client Assets, First Edition”, CFA Institute Investment Series.

✚ HKSAR Judiciary: <http://www.info.gov.hk/jud/eindex.htm>

✚ Ho P., Hong Kong Taxation and Tax Planning, 16th edition (2017), Pilot Publishing, Hong Kong

✚ Hong Kong Revenue Legislation (including cases) (CCH)

✚ Hong Kong Taxation and Tax Planning, 13th Edition. Author: Patrick Kin-Wai Ho; (2014), Pilot Publishing,

✚ Inland Revenue Ordinance

✚ Inland Revenue Board of Review Decisions (Hong Kong Government Printer)

✚ John L. Maginn, Donald L. Tuttle, Dennis W. McLeavey, Jerald Pinto (2007) “Managing Investment Portfolios: A Dynamic Process, Third Edition”, CFA

✚ The family office dynamic: Pathway to Successful family and wealth management, Credit Suisse Securities ( USA ) LLC

-  Towers Watson / Financial Times Global Alternatives Survey July 2014
-  HKIB E-learning Course No. 29 – Fixed Income Markets
-  HKIB E-learning Course No. 43 – Money Markets
-  HKIB E-learning Course No. 22 – Equity Markets
-  HKIB E-learning Course No. 31 – Foreign Exchange Markets
-  HKIB E-learning Course No. 23 – Estate Planning
-  HKIB E-learning Course No. 10 – Foreign Exchange Management
-  HKIB E-learning Course No. 11 – Funding and Investments
-  HKIB E-learning Course No. 4 – Asset Securitization
-  HKIB E-learning Course No. 52 – Value at Risk
-  HKIB E-learning Course No. 40-42 – Market Risk
-  HKIB E-learning Course No. 44 – Mutual Funds
-  HKIB E-learning Course No. 27 – Financial Plan

*For more details, please refer to further reading session at end of each chapter.*

## 4.6 ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) (Professional Level)

### A. Syllabus - Professional level

<b>Chapter 6: Application of the risk-based approach</b>
<ol style="list-style-type: none"> <li>1. Formulating a tailored risk-based approach</li> <li>2. Implementing the risk-based approach (Risk identification, assessment and mitigation)</li> <li>3. Internal controls, monitoring and governance</li> <li>4. Training and awareness</li> <li>5. CDD requirements in cross-border context</li> <li>6. Managing high risk situations and relationships</li> <li>7. Handling and reporting of suspicious transactions</li> <li>8. Post-reporting measures</li> <li>9. Dealing with the authorities</li> </ol>
<b>Chapter 7: Building an effective AML/CFT risk management system</b>
<ol style="list-style-type: none"> <li>1. Essential elements of an effective risk management system</li> <li>2. Development of KRIs for AML/CFT and sanctions risk monitoring</li> <li>3. Making use of financial intelligence from internal and external sources (e.g. adverse news or FIU reports)</li> <li>4. Adopting AML/CFT technologies</li> <li>5. System testing and validation</li> <li>6. Tracking regulatory changes, identifying gaps or vulnerabilities and on-going quality assurance</li> <li>7. Monitoring rectification actions</li> <li>8. Managing risk across bank groups</li> </ol>
<b>Chapter 8: The risk-based approach and AML/CFT risks in specialist topics</b>
<ol style="list-style-type: none"> <li>1. Sanctions</li> <li>2. Anti-bribery and corruption (ABC) and politically exposed persons (PEPs)</li> <li>3. Transaction monitoring</li> <li>4. Trade based money laundering</li> <li>5. Tax/ fiscal risk</li> </ol>
<b>Chapter 9: Ensuring financial inclusion</b>
<ol style="list-style-type: none"> <li>1. Ensuring customers are treated fairly (and are seen to be)</li> <li>2. De-risking</li> </ol>

3. Emerging technologies
4. Alternative forms of value exchange
5. Innovative approaches – using the internet etc.
6. Providing services to the marginalised / unbanked
7. Keeping financial services in the regulated sector

#### **Chapter 10: Managing stakeholders effectively**

1. The balance of risk and responsibility between management, business and compliance
2. Personal liability / institutional liability
3. Negotiable and non-negotiable issues
4. Sharing of data – inter-bank data sharing, sharing information with regulator (and whether there is any issues under the data privacy laws - appropriate, possible and lawful)
5. Budgets, costs, risk/reward, investment, minimum and optimal requirements
6. Business strategies for dealing with AML/CFT risk; for example proactive investment versus reactive fines
7. Making appropriate choices

### ***B. Recommended Readings - Professional level***

#### **Chapter 6 – 10:**

##### **Essential Readings**

1. HKIB Study Guide: Professional Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT). (2018).
2. HKMA's "De-Risking and Financial Inclusion" Circular (8 September 2016)
3. HKMA's Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Authorized Institutions) (Revised February 2018).

#### **Chapter 6:**

##### **Essential Readings**

1. Sentencing judgment of HKSAR v Luo Juncheng [2013] HKCFI 182.
2. South China Morning Post news report (24 January 2013). - Mainlander jailed for 10 years for laundering HK\$13 billion in Hong Kong
3. Reasons for judgement of HKSAR v LAU Man-Ying CAAR 6/2011.
4. Judgment of HKSAR v Yang Sigai [2016] HKCFA 65.

### **Supplementary Readings**

1. FATF - Risk-Based Approach Guideline for the Banking Sector (October 2014).
2. The Wolfsberg Group – Wolfsberg Statement on Guidance on a Risk Based Approach for Managing Money Laundering Risks (March 2006).
3. European Banking Authority – The Risk Factors Guidelines (26 June 2017).
4. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 3 “How can banks combat ML/TF through establishing ML/TF risk management framework?”
5. HKMA – “FATF Risk-Based Approach Guidance for the Banking Sector and Money Laundering and Terrorist Financing Risk Assessment” (19 December 2014).
6. HKMA – “Frequently Asked Questions on Customer Due Diligence” (25 May 2017).

### **Chapter 7:**

#### **Essential Readings**

1. Notice of filing of Chief Executive Officer of the Australian Transaction Reports and Analysis Centre v Commonwealth Bank of Australia Limited ACN 123 123 124, 3 August 2017.
2. Concise Statement in Response filed by Commonwealth Bank of Australia, 13 December 2017.
3. The Sydney Morning Herald news report (15 September 2017) - It's not just CBA: all the banks are exposed to millions in money laundering.
4. Australian news report (11 August 2017) **(Subscription required)**
5. Association of Certified Financial Crime Specialists (26 September 2017) - Why artificial intelligence technology is the future of financial crime mitigation.
6. Bank for International Settlements - Basel Committee on Banking Supervision: Guidelines on sound management of risks related to money laundering and financing of terrorism (June 2017)

#### **Supplementary Readings**

1. FATF - Risk-Based Approach for the Banking Sector (October 2014).
2. The Wolfsberg Group – Wolfsberg Statement on Guidance on a Risk Based Approach for Managing Money Laundering Risks (March 2006).
3. European Banking Authority – The Risk Factors Guidelines (26 June 2017).
4. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 3 “How can banks combat ML/TF through establishing ML/TF risk management framework”?
5. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 5 “Monitoring, sanctions compliance and suspicious transaction reporting”?
6. HKMA – “Guidance Paper Transaction Screening, Transaction Monitoring and Suspicious Transaction Reporting” (December 2013).

## **Chapter 8:**

### **Essential Readings**

1. HKSAR v Li Ching [1997] HKCA 243. Hong Kong's Court of Appeal
2. Macau Business.com article (27 December 2017) - The Corruption Files | How long was the case?
3. Chinpo Shipping Co (Pte) Ltd v Public Prosecutor [2017] SGHC 108. Singapore High Court case
4. Reuters news article, "U.S. charges two with bribing African officials for China energy firm" (November 2017).

### **Supplementary Readings**

1. FATF – Laundering the Proceeds of Crime (June 2011).
2. FATF- Specific Risk Factors in Laundering the Proceeds of Corruption, Assistance to Reporting Institutions (June 2012).
3. FATF – Guidance on Politically Exposed Persons (Recommendations 12 and 22) (June 2013).
4. The Wolfsberg Group – Wolfsberg Guidance on Politically Exposed Persons (PEPs) (2017).
5. FATF – Trade Based Money Laundering (23 June 2006).
6. Financial Conduct Authority – Guidance consultation "Guidance on the treatment of politically exposed persons (PEPs) under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer Regulations 2017)".
7. U.S. Department of States – Executive Order 13224.
8. HKMA – Guidance Paper on Anti-Money Laundering Controls over Tax Evasion (March 2015).
9. Joint Financial Intelligence Unit – Politically Exposed Persons and Enhanced Due Diligence.
10. The Hong Kong Association of Banks – Guidance Paper on Combating Trade-based Money Laundering (1 February 2016).
11. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 2 "Managing the risk of ML/TF in banks in Hong Kong – How does ML/TF take place?"
12. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 4 "Knowing your customer – customer due diligence"

## **Chapter 9:**

### **Essential Readings**

1. Enforcement news by the United States Department of Justice. - HSBC Holdings Plc. and HSBC Bank USA N.A. Admit to Anti-Money Laundering and Sanctions Violations, Forfeit \$1.256 Billion in Deferred Prosecution Agreement.
2. South China Morning Post's news report "Bank account difficulties turning business away from Hong Kong" (26 March 2015).

3. Reuters' news report "Exclusive: Small UK companies complain after HSBC accounts frozen" (24 August 2017).
4. Arabian Business's news report "StanChart set to close bank accounts of thousands of UAE small businesses" (20 October 2014).
5. Financial Times' new report "JPMorgan shuts foreign diplomats' accounts" (6 May 2014).  
**(Subscription required)**

### Supplementary Readings

1. FATF guidance – Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion: With a Supplement on Customer Due Diligence (November 2017).
2. FATF publication – FATF clarifies risk-based approach: case-by-case, not wholesale de-risking (23 October 2014).
3. FATF publication – FATF takes action to tackle de-risking (23 October 2015).
4. FSB action plan to assess and address the decline in correspondent banking (4 July 2017).
5. ATF publication – FATF guidance on correspondent banking services (October 2016).
6. HKIB Study Guide – Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Chapter 2 "Managing the risk of ML/TF in banks in Hong Kong – How does ML/TF take place?"

### Chapter 10:

#### Essential Readings

1. Enforcement news by the HKMA - Coutts & Co AG, Hong Kong Branch.
2. Enforcement news by the HKMA - State Bank of India, Hong Kong Branch.
3. MAS - "MAS directs BSI Bank to shut down in Singapore" (24 May 2016).
4. DFS NY press release - "DFS fines Intesa Sanpaolo \$235 million for repeated violations of anti-money laundering laws" (15 December 2016).
5. US Department of Justice - "MoneyGram International Inc. Admits Anti-Money Laundering and Wire Fraud Violations, Forfeits \$100 Million in Deferred Prosecution" (9 November 2012).
6. U.S. Department of the Treasury v. Thomas E. Haider (MoneyGram International Inc.) (8 January 2016).
7. DFS NY, in the matter of Mega International Commercial Bank (19 August 2016).
8. Financial Supervisory Commission, R.O.C. (Taiwan) – "Mega International Commercial Bank fined NT\$10 million, received a reprimand and also subject to other punishment" (16 November 2016).
9. South China Morning Post news report - "Agricultural Bank of China: top China bank fined US\$215 million over money laundering violations in New York" (5 November 2016).
10. Financial Times news report – "*Deutsche Bank's financial crime head steps down after 6 months*" (4 January 2017). **(Subscription required)**



### Supplementary Readings

1. HKMA – “Guideline on Exercising Power to Impose Pecuniary Penalty” (June 2012).
2. HKMA – “Supervisory Policy Manual (IC-1) Risk Management Framework” (6 October 2017)
3. Hong Kong Association of Banks – “Production of Bank Records” (June 2016)

### Chapter 6 – 10:

#### Further Readings

1. HKIB Study Pack: Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT). (2018).
2. IMF. “The IMF and the Fight against Money Laundering and the Financing of Terrorism, 6 October 2016”. 27 October 2016.
3. Narcotics Division, Security Bureau of the HKSAR Government. “Anti-Money Laundering and Counter-Terrorist Financing”. 27 October 2016.
4. United Nations. “United Nations Convention against Transnational Organized Crime and the Protocols Thereto. 2004”. 27 October 2016.
5. Custom and Excise Department of the HKSAR Government. “Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)”. 1 November 2016.
6. Dennis, C. (2011). *Introduction to Money Laundering Deterrence*. New Jersey: John Wiley & Sons, Inc.
7. Hong Kong Monetary Authority. “Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Stored Value Facility Licensees)”. 1 November 2016.
8. Jonathan, T. (2011). *Money Laundering Prevention*. New Jersey: John Wiley & Sons, Inc.
9. Securities and Futures Commission. “Guideline on Anti-Money Laundering and Counter-Terrorist Financing”. 1 November 2016.
10. The Hong Kong Association of Banks. “Guidance Paper on Combating Trade-based Money Laundering”. 1 November 2016.
11. Hong Kong Monetary Authority. “Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance”. 1 November 2016.
12. Hong Kong Monetary Authority. “Basel Committee on Banking Supervision's Paper on "Sound management of risks related to money laundering and financing of terrorism". 1 November 2016.
13. Hong Kong Monetary Authority. "FATF Risk-Based Approach Guidance for the Banking Sector and Money Laundering and Terrorist Financing Risk Assessment". 1 November 2016.
14. Bank for International Settlements. “Customer due diligence for banks”. 1 November 2016.
15. Basel Institute on Governance. “Basel AML Index 2015 Report”. 1 November 2016.

16. Custom and Excise Department of the HKSAR Government. "Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)". 1 November 2016.
17. FATF. "An effective system to combat money laundering and terrorist financing". 1 November 2016.
18. FATF. "Third Mutual Evaluation Report – Anti-money laundering and combating the financing of terrorism Hong Kong, China". 1 November 2016.
19. Financial Conduct Authority. "Banks' management of high money-laundering risk situations". 1 November 2016.
20. Hong Kong Monetary Authority. "Code of Banking Practice (February 2015)". 1 November 2016.
21. Hong Kong Monetary Authority. "Feedback from recent AML/CFT examinations AML Seminars". 1 November 2016.
22. Hong Kong Monetary Authority. "Industry Working Group on Prevention of Money Laundering and Terrorist Financing, FAQ on Politically Exposed Persons". 1 November 2016.
23. Hong Kong Monetary Authority. "Regulatory Update on AML/CFT — Understanding Source of Wealth Requirements, 21 January 2016". 1 November 2016.
24. Hong Kong Monetary Authority. "Treat Customers Fairly Charter". 1 November 2016.
25. HKIB e-learning:
  - a. What is money laundering
  - b. International Initiatives
  - c. Customer Identification Program
  - d. USA Patriot Act
  - e. Wolfsberg Principles on Correspondent Banking
  - f. Terrorist related Money Laundering
  - g. Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) - Overview
  - h. BSA/AML - Compliance Program Requirements

For latest details, please refer to [ECF on AML/CFT \(Core & Professional\) Programme Handbook](#)







## **4.7 ECF on Credit Risk Management (CRM) (Core Level) – Fundamentals of Bank Lending (M3)**

### **A. Module Objectives**




This module aims to provide candidates with the knowledge of bank lending business process and skills of conducting risk assessment lending products, make appropriate recommendation for credit facilities based on customer needs and strengths. It will also help candidates to better monitor the collaterals as well as credit performance of the clients in order to minimize the bank's credit risk.

### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  Identify the financing needs of clients;
-  Conduct risk assessment and evaluate the performance of credit acquisition on commercial lending and make appropriate recommendation for approval;
-  Determine the arrangement of credit facility to minimize risks to the bank and structure credit facilities according to borrowing needs, business cycle and credit strength of the clients;
-  Present the customized credit solutions and facilities proposal to the clients by providing consultative advice on the lending product alternatives and related credit risk based on their financing needs;
-  Develop collaterals' valuation process for ongoing monitoring;
-  Develop terms and conditions of credit facility such as application of the appropriate contractual interest rates based on internal policies, payment period and payment options, etc. according to customer's needs and results of risk assessments.

### **C. Assessment Method**

-  Examination: 40-50 Multiple Choice Questions and 2-3 Essay Type Questions
-  Passing mark for this module is 60%
-  Time allowed: 3 hours

**D. Syllabus - Professional level**

<b>Chapter 1: Code of Ethics in Bank Lending Businesses</b>
<ol style="list-style-type: none"> <li>1. Overview of code of conduct</li> <li>2. Main attributes of generic code of conduct required for professional bankers</li> </ol>
<b>Chapter 2: Corporate Lending Business Process – Credit Initiation</b>
<ol style="list-style-type: none"> <li>1. Understanding of customer’s profiles and needs</li> <li>2. Assessment of customer’s management and owner’s integrity and capabilities</li> <li>3. Assessment of customer’s business model</li> <li>4. Assessment of customer’s financial strength</li> <li>5. Assessment of customer’s industry trend</li> <li>6. Assessment of customer’s repayment ability and risk articulation</li> <li>7. Verification of repayment abilities and current financial health through internal and external Sources</li> <li>8. Considerations of use of security as risk mitigation</li> <li>9. Assessment of customer facility for credit enhancement</li> <li>10. Proposition of credit grading</li> </ol>
<b>Chapter 3: Corporate Lending Business Process – Credit Review and Approval Process</b>
<ol style="list-style-type: none"> <li>1. Importance of a bank lending policy</li> <li>2. Elements of a good lending policy</li> <li>3. Credit granting process</li> <li>4. Independent credit review to detect warning signals</li> </ol>
<b>Chapter 4: Corporate Lending Business Process – Credit Documentation and Drawdown</b>
<ol style="list-style-type: none"> <li>1. Importance of Proper and Standard Documentation</li> <li>2. Differences among Facility Letter, Simple Loan Agreement and Comprehensive Loan Agreement</li> <li>3. Terms in a Comprehensive Loan Agreement</li> </ol>
<b>Chapter 5: Corporate Lending Business Process – Continuous Post Approval Credit Review</b>
<ol style="list-style-type: none"> <li>1. Regular credit review system</li> <li>2. Theme based portfolio credit review</li> </ol>
<b>Chapter 6: Corporate Lending Business Process – Problem Loan Management</b>
<ol style="list-style-type: none"> <li>1. Early warning system (Identification of Weak Credits)</li> <li>2. Recovery strategy and executions</li> <li>3. Regulator’s requirements on the provisioning</li> </ol>
<b>Chapter 7: Retail Lending Business Process</b>
<ol style="list-style-type: none"> <li>1. Initiation and verification process</li> <li>2. Approval process</li> </ol>

<ol style="list-style-type: none"> <li>3. Documentation process</li> <li>4. Post approval review process</li> <li>5. Problem loan management</li> </ol>
<p><b>Chapter 8: Lending Considerations for Main Kinds of Corporate Lending Products</b></p>
<ol style="list-style-type: none"> <li>1. Differences between corporate and commercial banking</li> <li>2. Trade-related corporate and commercial lending products and services</li> <li>3. Non-trade related corporate and commercial lending products and services</li> </ol>
<p><b>Chapter 9: Lending Considerations for Special Products-- Property Lending</b></p>
<ol style="list-style-type: none"> <li>1. Definition</li> <li>2. Residential Property financing</li> <li>3. Commercial Property Financing</li> <li>4. Construction Financing</li> </ol>
<p><b>Chapter 10: Lending Considerations for Special Products-- SME Financing Schemes</b></p>
<ol style="list-style-type: none"> <li>1. SME funding situation in Hong Kong</li> <li>2. SME Loan Guarantee Scheme</li> <li>3. SME Financing Guarantee Scheme</li> <li>4. Commercial Credit Reference Agency</li> </ol>
<p><b>Chapter 11: Lending Considerations for Special Products --Taxi, Public Bus, Vehicle, Equipment Financing</b></p>
<ol style="list-style-type: none"> <li>1. Description of products</li> <li>2. Major considerations – Primary Source of Repayment</li> <li>3. Major considerations – Secondary Source of Repayment</li> <li>4. Additional Credit Evaluation Consideration</li> </ol>

**E. Recommended Readings – Core Level**

**Essential Readings:**

- ✚ HKIB Study Guide – Fundamentals of Bank Lending (2019).

**Supplementary Readings**

- ✚ Golin, J. & Delhaise P. (2013). The Banks Credit Analysis Handbook: A Guideline for Analyst, Bankers and Investors. Chichester, United Kingdom: John Wiley & Sons Ltd.
- ✚ HKIB Study Guide. (2019). Credit Risk Management and Key Regulations.
- ✚ HKIB Study Guide. (2019). Fundamental Credit Risk Analysis.
- ✚ James, W. (2007). Credit Analysis and Commercial Lending, Foreign Languages Press

**Further Readings**

- ✚ Ciby J. (2013). Advance Credit Risk Analysis and Management. New York: John Wiley & Sons Ltd.
- ✚ HKMA. (2011) “General principles of credit risk management”, Supervisory Policy Manual, version 1-19.01.01
- ✚ HKMA. (2016) ‘Credit Risk Transfer Activities’, Supervisory Policy Manual, version 1-30.06.06
- ✚ HKMA. (2016) “HKMA Administrative Circular No 1/2016 Code of Conduct”.
- ✚ Rose, P S & Hudgins, S C. (2013) Bank Management and Financial Services. (9th ed). New York: Irwin/McGraw-Hill.
- ✚ Schilit H. (2002) Financial Shenanigans, 2nd ed, New York: McGraw-Hill

## **5. Programme Overview - Postgraduate Diploma for Certified Banker**

### **A. Programme Objectives**

This programme aims to provide banking professionals with expert knowledge and develop skill set required for managerial positions in major functional areas i.e. Credit Management, Treasury Management and Operations Management. As the programme was developed with the objective of nurturing talents for the banking profession, participants would be required to apply their cross-discipline general banking knowledge in the specific functional stream they choose. HKIB, as the programme developer will continuously update the existing modules and specific functional streams as the banking industry needs.

### **B. Programme Intended Learning Outcomes**

#### Develop the Strategies

Consolidate and compare the wide range of complex concepts, models and specialized skills in the discipline in order to evaluate the applicability of different approaches and formulate a set of coherent business strategies to meet with the current and future business needs.

#### Manage the Implementation

Compare and select the right research framework and tools to evaluate and anticipate the development in regulatory, economic, social and/or technological environment relevant to the banking industry in order to draw justified conclusions when making decision on the complex tasks of planning, design and/or management functions in the specialized discipline.

#### Solve the Problems

Formulate solutions or creative responses to tackle challenges, risks or changing environment by employing advanced business analysis and diagnostic skills to identify the implications and need for changes.

## Specialist Stream 1: Credit Management

### 5.1 ECF on Credit Risk Management (CRM) (Professional Level) – Advanced Commercial Lending (M4)

#### A. *Module Objectives*

This programme/module has been developed with the aim to nurture a sustainable talent pool of credit risk management practitioners for the banking industry. Candidates will acquire technical skills, professional knowledge and conduct for essential middle or senior level of job roles in the credit function that take up a majority of credit risk responsibility in the credit process, including credit initiation and appraisal; credit evaluation, approval and review.

#### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:


- ✚ Review the appropriateness of the industry and business risk assessment and approve credit application according to relevant policies, compliance and regulatory requirements;
- ✚ Formulate measures to monitor credit risk and optimize the quality of credit assets portfolio;
- ✚ Set up process to measure, control and manage potential credit risk exposures and identify early warning signals;
- ✚ Decide on application of risk assessment approach, risk monitoring, operation process and risk management process;
- ✚ Develop cross-border business strategies through understanding the cross-border lending practices and considerations.

#### C. *Assessment Method*

- ✚ Part 1: Individual Written Report (40%)
  - Time allowed: 6 weeks
  - Passing rate: 50%
  - Format: Take home assignment
- ✚ Part 2: On-site Examination (60%)
  - Time allowed: 3 hours



- Passing rate: 50%
- Format: Open book examination

 Candidates must submit an Individual Written Report, attend the On-Site Examination and pass both assessments

**D. Syllabus**

<b>Chapter 1: Planning of Lending Business Portfolio and Process</b>	
1.1	Planning of loan portfolio
1.2	Management processes of loan portfolio
1.3	Monitoring of the loan portfolio
1.4	Adjustment of loan portfolio by using credit risk transfer
<b>Chapter 2: New Lending Product Developments</b>	
2.1	Lending product innovation
2.2	Risk articulation process for new lending products
2.3	New lending product approval
2.4	Monitoring of new lending product performance
<b>Chapter 3: Structured Approach for Approval Process</b>	
3.1	Structured approach for approval execution
3.2	Systematic approval approach for different business segments
3.3	Management planning to build up the industrial expertise among lending and approval teams
<b>Chapter 4: Management Planning for Early Warning System</b>	
3.1	Integrated early warning system and process
3.2	Prompt system and process to work out weak credits
3.3	Balance among stakeholders' values in managing weak credits
<b>Chapter 5: Management Planning for Problem Loan Management</b>	
5.1	General problem loan management processes
5.2	Management control measures to pre-empt problem loans
5.3	Management control measures to manage problem loans
5.4	Management control measures for provisioning of problem loans
<b>Chapter 6: Cross Border Credit Business Opportunities</b>	
6.1	Feature and structure of typical cross border credits
6.2	Collateral for cross border credits
6.3	Cross border credit risk assessment process
6.4	Risks of cross border credits
<b>Chapter 7: Syndicated Loans</b>	
7.1	Feature and structure of syndicated loans
7.2	Syndicated loan bank consortium and roles of different banks
7.3	Syndicated loan processing
7.4	Syndicated loan risk assessment process
7.5	Risks of syndicated loans
<b>Chapter 8: Project Financing (including New Project and Expansion Projects)</b>	

8.1	Feature and structure of project finance
8.2	Different tranche and risk of project finance
8.3	Project finance loan risk assessment process
8.4	Risks of project finance loans
<b>Chapter 9: Structured Financing for Merger, Acquisition and Leveraged Buyouts</b>	
9.1	Feature and structure of structured finance
9.2	Different tranche and risk of structured finance
9.3	Structured finance loan risk assessment process
9.4	Risks of structured finance loans

**E. Essential Readings**

- ✚ HKIB Training Material – Advanced Commercial Lending (2019).

**F. Supplementary Readings**

- ✚ Carrell, R. (2014). Borrower's Guide to Commercial Lending. Evergreen House Publishing LLC.
- ✚ Kolari, J. W. & Gup, B. E. (2004). Commercial Banking: The Management of Risk. Wiley.
- ✚ Hong Kong Monetary Authority. (2017). Supervisory Policy Manual: Code of Conduct. The Sharing and Use of Commercial Credit Data through a Commercial Credit Reference Agency. Retrieved from <https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-7.pdf>

**G. Further Readings**

- ✚ Nichols, C, Kofman, E & Ruso, R. (2017). The Successful Lender's Field Guide: Commercial Lending Strategies That Maximize Value For Both Bank and Borrower.
- ✚ Cudby, A. (2018). Commercial Lending: Principles and Practice (Chartered Banker Series). (1st ed.). Kogan Page.







## **5.2 ECF on Credit Risk Management (CRM) (Professional Level) – Advanced Credit Risk Management and Regulatory Requirements (M5)**

### **A. Module Objectives**


This programme/module has been developed with the aim to nurture a sustainable talent pool of credit risk management practitioners in the banking industry. Candidates will acquire technical skills, professional knowledge and conduct for essential middle or senior level of job roles in the credit function that take up a majority of credit risk responsibility in the credit process, including credit evaluation, approval and review; credit risk management and control.

### **B. Module Intended Learning Outcomes**

Upon completion of this module, learners should be able to:

-  Evaluate different risk mitigation alternatives and take appropriate measures to protect the interests of all the stakeholders;
-  Evaluate different approaches in credit strategy and their performance in order to align with the bank's overall strategies and policies;
-  Apply appropriate credit asset classification and risk rating approaches to ensure compliance with statutory requirements;
-  Analyse the risk factors of all lending products and evaluate the bank's capital allocation strategy under different regulatory requirements;
-  Develop guidelines for stakeholders to follow and to communicate the current global capital requirements on credit risk management;
-  Analyse the results of portfolio performance and stress testing for proposing the strategies to allocate credit assets of the bank.

### **C. Assessment Method**

-  Part 1: Individual Written Report (40%)
  - Time allowed: 6 weeks
  - Passing rate: 50%
  - Format: Take home assignment

✚ Part 2: On-site Examination (60%)

- Time allowed: 3 hours
- Passing rate: 50%
- Format: Open book examination

✚ Candidates must submit an Individual Written Report, attend the On-Site Examination and pass both assessments.

**D. Syllabus**

<b>Chapter 1: Code of Conduct</b>	
1	Regulatory requirements on code of conduct
2	Best practice of code of conduct
<b>Chapter 2: Implication of Basel III Regulatory Requirements on Credit Risk Management</b>	
1	Implication of regulatory requirements on credit related RWA and capital requirements
2	Strategic decision on selection of standardised approach and IRB approach for RWA calculation
3	Optimisation of return to bank by best efficient use of capital
4	Continuous monitoring of risk-return performance and capital requirements
5	Continuous monitoring of model risk parameters, model accuracy and refinement
<b>Chapter 3: Implication of PRC Regulatory Requirements on Credit Risk Management</b>	
1	Overview of impact of the PRC economy and regulatory requirements
2	Strategic considerations to manage the impact of the PRC regulatory requirements
<b>Chapter 4: Implications of IFRS 9 on Credit Risk Management</b>	
1	Overview of impact of IFRS 9 requirements
2	Strategic considerations to manage the impact of IFRS 9 requirements on credit risk management process
3	Strategic considerations to manage the impact of IFRS 9 requirements on credit risk management system
<b>Chapter 5: Corporate Governance Structure on Credit Risk Management</b>	
1	Board supervision
2	Senior management oversight
3	Committee structure
4	Credit risk organisation - Three lines defence

<b>Chapter 6: Credit Risk Management - Overall Control Framework from Senior Management Perspective by Integrated Use of New and Traditional Risk Parameters</b>	
1	Credit risk appetite
2	Credit risk culture
3	Credit risk policy
4	Credit risk strategy and planning
5	Credit portfolio design and selection
6	Optimisation of credit capital use
7	Credit authority system
8	Credit risk grading system
9	Credit limit system and limit setting methodologies
<b>Chapter 7: Credit Portfolio Management</b>	
1	Portfolio performance measurement
2	Portfolio review and monitoring
3	Stress testing and scenario analysis
4	Portfolio adjustment and strategy
<b>Chapter 8: Country Credit Risk</b>	
1	Definition
2	Supervisory approach
3	Country risk management
4	Country risk provisioning

**E. Essential Readings**

- + HKIB Training Materials – Advanced Credit Risk Management and Regulatory Requirements (2019).

**F. Supplementary Readings**

- + Joseph, C. (2013). *Advanced Credit Risk Analysis and Management*. (1st ed.). Wiley.
- + Cossin, D. (2007). *Advanced Credit Risk Analysis: Financial Approaches and Mathematical Models to Assess, Price, and Manage Credit Risk*. Wiley.
- + HKIB e-learning: Credit Risk Mitigation – Netting

**G. Further Readings**

- + Deventer, D. R. V. (2004). *Advanced Financial Risk Management: Tools and Techniques for Integrated Credit Risk and Interest Rate Risk Managements*. (1st ed.). Wiley.
- + Pykhtin, M. (2005). *Counterparty Credit Risk Modelling: Risk Management Pricing and Regulation*. Risk Books.

## Specialist Stream 2: Treasury Management

### 5.3 Bank Asset and Liability Management

#### A. *Module Objectives*

This module contributes to the achievement of the knowledge and skills embedded in the Programme Intended Learning Outcomes by setting a scene for the learners to extend critical thinking over the practical areas of asset-liability management. By making thorough application of their accounting and professional knowledge, the learners are expected to demonstrate the ability to consider external factors and risks when strategizing over a range of internal problem areas.

#### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- + identify and critically evaluate how market factors impact the profitability of banks;
- + compare and select different approaches of bank asset and liability management from ALCO's perspectives and evaluate the appropriateness of particular strategies in fulfilling the bank's stated objectives;
- + demonstrate how market risks and liquidity risks overlap to exert pressure on banks' capital and identify strategic considerations in capital planning;
- + identify how interest rate risks threaten banks' financial stability and evaluate critically the effectiveness of technical strategies in providing immunization against such risks.

#### C. *Assessment Method*

- + Examination: FIVE Essay questions out of SEVEN
- + Passing mark for this module is 50%.
- + Time allowed: 3 hours.



**D. Syllabus**

A. Asset and Liability Management			
1.	Managing Bank Profitability	1.1	<p>Current banking structure and regulation;</p> <ul style="list-style-type: none"> <li>- Banking industry and bank organization - development post 2008 global financial crisis</li> <li>- Meeting regulatory capital requirements- Tier 1 and Tier 2 capital adequacy under Basel II &amp; Basel III framework</li> </ul>
		1.2	<p>Examine bank’s financial statement</p> <ul style="list-style-type: none"> <li>- Components of interest and non-interest income and profit</li> <li>- Off-balance sheet items and non-financial information</li> <li>- Ratios for performance measurement</li> </ul>
		1.3	<p>Evaluation of bank’s profit</p> <ul style="list-style-type: none"> <li>- Sources of income and profit</li> <li>- Components of interest and non-interest revenues/expenses</li> <li>- Cost of capital</li> <li>- Basis of capital allocation</li> </ul>
		1.4	<p>Measuring Bank Profitability</p> <ul style="list-style-type: none"> <li>- Cost of funds and internal transfer pricing, return on equity(ROE), return on assets(ROA) and net interest margin (NIM),</li> <li>- Different approaches in balance sheet management</li> <li>- Accounting profit Vs economic profit (risk-adjusted return on capital RAROC)</li> </ul>
2.	Asset and Liability Management Committee (ALCO)	2.1	<p>The role and functions of Asset and Liability Management Committee (ALCO) in</p> <ul style="list-style-type: none"> <li>- Asset and liability management</li> <li>- Liquidity and funding risk management</li> <li>- Formulating capital planning policy</li> </ul>
		2.2	<p>ALCO plan development</p> <ul style="list-style-type: none"> <li>- Sustainable growth model that considers bank strategy, return target, capital, leverage (on and off balance sheet) and liquidity risk</li> <li>- Medium and long term asset and liability management strategy</li> </ul>
		2.3	<p>ALCO pack</p> <ul style="list-style-type: none"> <li>- Objective of ALCO information reporting</li> <li>- Requirements of effective ALCO report – examples of ALCO pack</li> </ul>

3.	Managing Bank Assets and Liabilities	3.1	Managing Bank Assets <ul style="list-style-type: none"> <li>- The loan portfolio</li> <li>- The investment portfolio</li> <li>- Liquidity management - assets</li> </ul>
		3.2	Managing Bank Liabilities <ul style="list-style-type: none"> <li>- Source of funds</li> <li>- Deposit structure</li> <li>- Impact of interest rate changes on net interest spread</li> <li>- Liquidity management – liabilities</li> </ul>

B. Managing Liquidity Risk and Interest Rate Risk			
1.	Capital and Liquidity Management	1.1	Definition and measures of liquidity risk; liquidity standards under Basel III <ul style="list-style-type: none"> <li>- Liquidity Coverage ratio</li> <li>- Net Stable Funding ratio</li> <li>- BCBS principles for managing liquidity risk</li> </ul>
		1.2	Determining the Bank’s funding need <ul style="list-style-type: none"> <li>- Meeting legal reserve requirements</li> <li>- Loan and deposit trends forecast</li> <li>- Liquidity gap estimation</li> <li>- Liquidity planning</li> </ul>
		1.3	Stress Testing <ul style="list-style-type: none"> <li>- Formulating liquidity management strategies under normal and abnormal circumstances</li> </ul>
2.	Managing Interest Rate Risk	2.1	Types of interest rate risk
		2.2	Interest rate Gap analysis
		2.3	Duration analysis <ul style="list-style-type: none"> <li>- Practical applications of duration gap</li> </ul>
		2.4	Basis Point Value (BPV)
		2.5	Hedging interest rate risk
		2.6	Immunization and hedging interest rate risk
		2.7	Securitization
		2.8	Net Interest Income sensitivity analysis
3.	Asset and Liability Management Strategies in Changing Market Conditions	3.1	Lessons from the 2008 global financial crisis
		3.2	From stress testing to contingency plan execution
		3.3	ALM strategy and interest rate cycle

**E. Essential Readings**

- + HKIB. (2018). Bank Asset and Liability Management (1<sup>st</sup> ed.). Wiley
- + Koch & MacDonald, S. (2015). Bank Management (8<sup>th</sup> ed.). Scott Cengage Learning.

**F. Supplementary Readings**

- + Moorad Choudhry. (2009). The Principles of Banking (1<sup>st</sup> ed.). South-Western Pub.
- + Moorad Choudhry. (2011). An Introduction to Banking: Liquidity Risk and Asset-liability Management (1<sup>st</sup> ed.). Wiley.
- + Jean Dermine & Youssef F. Bissada. (2007). Asset and Liability Management, The Banker's Guide to Value Creation and Risk Control (8<sup>th</sup> ed.). Prentice Hall.

**G. Further Readings**

- + Moorad Choudhry. (2010). The Future of Finance: A New Model for Banking and Investment (1<sup>st</sup> ed.). Wiley.
- + Joseph F. Sinkey. (2002). Commercial Bank Financial Management (6<sup>th</sup> ed.). Prentice Hall
- + Saunders and Cornett. (2010). Financial Institutions Management: A Risk Management Approach (7<sup>th</sup> ed.). McGraw-Hill (SC).

## 5.4 Treasury Markets and Operations

### A. *Module Objectives*

This module contributes to the achievement of the knowledge and skills embedded in the Programme Intended Learning Outcomes by providing the learners an essential blend of professional and practical learning opportunity on the technical treasury operations. Learners would consolidate the previous knowledge and extend critical applications of accounting and financial knowledge in the sophisticated areas of treasury functions. Through participations and discussions, the learners would manifest tactic skills and exercise careful considerations on how and when to use what tools available for which markets.

### B. *Module Intended Learning Outcomes*

Upon completion of this module, learners should be able to:

- + undertake critical analysis on the roles and functions of treasury operations in banks and demonstrate how the operations provide check-and-balance internal controls;
- + deal with the day-to-day management of a wide range of treasury activities by market segments to fulfill the asset and liability management objectives of the bank;
- + identify the types and assess the magnitude of risks and decide on the deployment of resources and tools to implement effective risk measures and control;
- + conduct research on market practices and operation procedures to evaluate the effectiveness of risk control.

### C. *Assessment Method*

- + Examination: Part I – Practical Operation: TWO Essay questions out of THREE  
Part II – Calculations and Knowledge: TWO Essay question out of THREE
- + Passing mark for this module is 50%.
- + Time allowed: 3 hours.

**D. Syllabus**

A. Treasury Management			
1.	Treasury Management of Financial Institutions	1.1	<p>Role of Treasury's functions:</p> <ul style="list-style-type: none"> <li>- Balance sheet management</li> <li>- Liquidity risk management</li> <li>- Interest rate risk and foreign exchange exposure management</li> <li>- Management of settlement / pre-settlement credit risk</li> </ul>
		1.2	<p>Internal control as a protection against overexposures, errors and frauds:</p> <ul style="list-style-type: none"> <li>- Organization structure and segregation of duties</li> <li>- Position limits and VaR limits for dealers</li> <li>- Monitoring and control of the dealing operation</li> <li>- Internal audit functions</li> <li>- Compliance issues</li> <li>- Ethical issues - The Code of Conduct &amp; Practice of TMA</li> </ul>

B. Foreign Exchange, Money Market & Derivatives			
1.	Foreign Exchange Market	1.1	Spot market: spot rate, value date, direct and indirect quotations, reciprocal rate. One-way and two-way quotations, and cross rate.
2.	Money and Capital Markets	2.1	<p>The Hong Kong Dollar market:</p> <ul style="list-style-type: none"> <li>- Market structure and participants</li> <li>- the Linked Exchange Rate system and Exchange Fund operation</li> <li>- Interbank placement and money rate (HIBOR) fixing mechanism</li> <li>- HKMA discount window, repo between CMU member banks of USD CHATS, repo of Exchange Fund Bills and notes for intraday overdraft</li> <li>- Certificate of Deposit, RMB corporate bond HKD Government Bond issuance program</li> </ul>
		2.2	<p>International market:</p> <ul style="list-style-type: none"> <li>- Eurodollar bond, Eurozone bond, floating rate note, government securities</li> <li>- Eurodollar Interbank Money rate (LIBOR) fixing mechanism</li> <li>- Central bank bond repurchase programs and</li> </ul>

		2.3	<p>implication on market liquidity</p> <p>Credit:</p> <ul style="list-style-type: none"> <li>- Managing credit spread risk and default risk.</li> <li>- Credit rating and role of credit rating agencies</li> </ul> <p>Bond market</p> <ul style="list-style-type: none"> <li>- Yield curve and interest rate risk management</li> <li>- Bond issuance for long term funding and capital management (MTN, Cocos eg. contingent convertible bond)</li> </ul> <p>Offshore RMB money and capital market development</p> <ul style="list-style-type: none"> <li>- benchmark yield curve</li> <li>- CNH–HIBOR fixing</li> <li>- Shanghai FTZ and Qianhai SEZ</li> </ul>
3.	Derivatives	3.1	<p>Derivatives for hedging</p> <ul style="list-style-type: none"> <li>- Interest rate swap and currency swap, forward rate agreement, non-deliverable forward (NDF), options, financial futures</li> <li>- credit derivatives: credit default swaps (CDS)</li> <li>- other aspects: options pricing modeling, dealing convention (ISDA documentation), accounting principles and valuation, hedging techniques, risk consideration (distinguish hedging and speculation)</li> </ul>

C. Treasury Operation			
1.	Treasury Operations	1.1	<p>Operations in front office</p> <ul style="list-style-type: none"> <li>- interbank trading, proprietary trading, corporate treasury</li> </ul>
		1.2	<p>Operations in middle office</p> <ul style="list-style-type: none"> <li>- Treasury accounting (International Financial Reporting Standard 9), risk management, regulatory compliance, internal audit</li> </ul>
		1.3	<p>Operations in back office</p> <ul style="list-style-type: none"> <li>- cash management, payment and settlement processing</li> <li>- trades / position/ cash account reconciliation</li> <li>- operations process control – access right, setting levels of authorization, amendments</li> </ul>

		1.4	<p>and cancellation</p> <p>Treasury Markets Association Code of Conduct and Practice</p> <ul style="list-style-type: none"> <li>- General Standards</li> <li>- General Controls</li> <li>- Dealing Principles</li> <li>- Risk Management Principles</li> <li>- Back-Office Practices</li> <li>- Market Specific Dealing Practices and Conventions</li> </ul>
2.	Market Risk Measures	2.1	Risk consideration and control: country risk, counter-party risk, market risk, operations risk and settlement credit risk.
		2.2	<p>Mark to market, calculation of VaR (Value at Risk), tools to manage financial risk, monitoring and compliance.</p> <ul style="list-style-type: none"> <li>- exposures limit considerations, assessment and review process</li> </ul>
3.	Payment and settlement systems Risk Management	3.1	<p>Payment and Settlement systems</p> <ul style="list-style-type: none"> <li>- RTGS clearing and settlement system – major currencies and RMB, linkage of CHATS to international settlement systems including securities clearing and custody(EuroClear),</li> <li>- cross border collateral management</li> </ul>
		3.2	<p>OTC Derivatives counterparty risk management</p> <ul style="list-style-type: none"> <li>- Standardized OTC derivative transactions                             <ul style="list-style-type: none"> <li>• cleared through Central Counterparties (CCPs),</li> <li>• traded on exchanges or electronic trading platforms</li> </ul> </li> <li>- Non-centrally cleared OTC derivative transactions                             <ul style="list-style-type: none"> <li>• Credit Valuation Adjustment (CVA)</li> </ul> </li> </ul>

D. Case Studies			
1.	Case Studies	1.1	Risk Management & Control illustration: - operations risk on segregation of duties - settlement risk - liquidity risk
		1.2	Case studies on treasury fraud and/or control flaws

**E. Essential Readings**

- ✚ HKIB. (2014). Treasury Markets and Operations (1<sup>st</sup> ed.). Wiley
- ✚ Moorad Choudhry. (2007). Bank Asset and Liability Management – Strategy, Trading, Analysis. Wiley.

**F. Supplementary Readings**

- ✚ Andrew M. Chisholm. (2009). An Introduction to International Capital Markets: Products, Strategies, Participants (2nd ed.). Wiley.
- ✚ Heinz Rieh. (1999). Managing Risk in Foreign Exchange, Money and Derivative Markets. McGraw Hill.

**G. Further Readings**

- ✚ Bruce Tuckman and Angel Serrat. (2011). Fixed Income Securities: Tools for Today's Markets (3rd ed.). Wiley.
- ✚ John C. Hull. (2014). Options, Futures and Other Derivatives (9th ed.). Prentice Hall
- ✚ Joseph F. Sinkey. (2002). Commercial Bank Financial Management (6th ed.). Prentice Hall
- ✚ Simon Benninga. (2014). Financial Modeling (4th ed.). MIT.
- ✚ Steiner Robert. (2012). Mastering Financial Calculations: A Step-By-Step Guide to the mathematics of Financial Market Instruments. Pearson.



## Specialist Stream: Operation Management

### 5.5 Banking Law and Practice

#### A. *Module Objectives*

This module contributes to the achievement of acquiring an advanced level of knowledge and skills embedded in the Programme Intended Learning Outcomes by helping the learners develop a multi-perspective evaluation over bankers' rights and duties not only in banker-customer relationship, but also in internal areas of banking operations that support bankers' external functions. By discussing account conducts and the respective strategies of management, the learners are expected to enhance their cognitive skills of evaluation over the internal and external problems. Such competence and attribute would be strengthened by a thorough application of legal knowledge to different levels of banking operations.

#### B. *Module Intended Learning Outcomes*

On completion of this module, learners should be able to:

- ✚ critically assess the implications of the current law and practice governing banker's roles in banker-customer contractual and non-contractual relationships;
- ✚ analyze critically the bank's duty in different types of accounts and account conduct in banking operations under the framework of banker-customer relationship;
- ✚ evaluate critically the law related to security which commonly accepted by the banks;
- ✚ communicate and assess the consequences of undertaking bankruptcy proceedings to the bank and customer in relation to bank's bad debt collection procedures.

#### C. *Assessment Method*

- ✚ Examination: Part I – Case Study question  
Part II – THREE Essay questions out of FIVE
- ✚ Passing mark for this module is 50%.
- ✚ Time allowed: 3 hours.

**D. Syllabus**

A. Banker-Customer Relationship and Account Opening			
1.	Contractual Relationship under Code of Banking Practice	1.1	Special relationship involved in <ul style="list-style-type: none"> <li>- Mandates</li> <li>- Powers of Attorney (including Enduring Power of Attorney)</li> <li>- Limitation of actions</li> <li>- Appropriation of payments</li> <li>- Set-off</li> <li>- Bankers' lien</li> </ul>
		1.2	Banker's Duty of Secrecy (including bankers' opinions/trade enquiries)
		1.3	Code of Banking Practice
		1.4	Code of Practice on Consumer Credit Data and Personal Data Privacy Ordinance
		1.5	Statement of account or passbook
		1.6	Wrongful dishonour of cheques
		1.7	Exemption Clauses
2.	The Opening and the Conduct of Accounts	2.1	The opening and the conduct of accounts in credit and debit for various customers: <ul style="list-style-type: none"> <li>- Personal customers</li> <li>- Joint customers</li> <li>- Minors</li> <li>- Executors, administrators and trustees</li> <li>- Proprietors and partnerships</li> <li>- Unincorporated clubs, societies and solicitors</li> <li>- Incorporated companies (including overseas companies, nominee holding companies)</li> </ul>
		2.2	Anti-money laundering and terrorist financing

B. Banking Operations			
1.	Bills of Exchange and Other Banking Operations	1.1	Types of negotiable and quasi negotiable instruments
		1.2	Bills of Exchange <ul style="list-style-type: none"> <li>- Definition of a bill of exchange</li> <li>- Parties, elements in a bill of exchange</li> <li>- Dating, acceptance, negotiation of a bill</li> <li>- Indorsement, holder for value, holder in due course, forged or unauthorized Signature</li> <li>- Delivery, duties of holder, discharge of a bill</li> <li>- Bills of Exchange relating to collecting bankers and paying bankers</li> </ul>

		1.3	<p>Promissory Notes</p> <ul style="list-style-type: none"> <li>- Definition of a promissory note</li> <li>- Differences between promissory notes and bills of exchange</li> <li>- Liabilities of parties</li> </ul>
		1.4	<p>Other Banking Operations</p> <ul style="list-style-type: none"> <li>- Credit cards</li> <li>- Direct debits (e.g. ATM, EPS, Standing orders)</li> <li>- Investment advice</li> <li>- Safe custody</li> <li>- Ancillary financial services (e.g. Hirepurchase, Factoring, Leasing)</li> <li>- Internet and phone banking</li> </ul>

C. Law related to Security			
1.	Guarantee	1.1	Guarantees and indemnities distinguished
		1.2	Types of guarantee and formal requirements
		1.3	Liability of guarantor, guarantor's rights against the creditor and guarantor's rights against the debtor
		1.4	Rights of co-guarantors among themselves and discharge of the guarantor
2.	Mortgage of Land	2.1	Definition and creation of mortgage
		2.2	Legal and equitable mortgage
		2.3	Mortgagee's powers and remedies
		2.4	Mortgagor's rights
3.	Other Security Interests	3.1	Company Charges: Definition and creation of charge, fixed and floating charges, chargee's powers and remedies, chargor's rights.
		3.2	Pledge: Definition and creation of pledge, pledgee's powers and remedies, ledgor's rights.
		3.3	Hypothecation: Hypothecation and pledge.
		3.4	Company Shares: Mortgages of company shares, powers and remedies of mortgagees.
		3.5	Insurance Policies: Creation of security interest in different types of insurance policies

D. Insolvency			
1.	Bankruptcy	1.1	Main functions of bankruptcy proceedings. Who may be made bankrupt? Who may present a bankruptcy petition?
		1.2	Grounds for commencement of a bankruptcy

		1.3	proceeding.
		1.4	The statutory demand.
		1.5	New concepts in bankruptcy: transactions at an undervalue, unfair preferences, extortionate credit transactions. Bankruptcy proceedings.
		1.6	Consequences of bankruptcy. Proof of debts. Setting off before proof. Property available for payment of debts.
		1.7	Trustees in bankruptcy.
		1.8	Discharge from bankruptcy.
			Voluntary arrangements
2.	Winding-up	2.1	Modes of winding up. Winding up by the court: jurisdiction, cases in which a company may be wound up by court, petition for winding up and effects thereof; commencement of winding up, consequences of a winding-up order, official receiver in winding up, liquidators, committee of inspection, general powers of court in case of winding up by court.
		2.2	Winding up by court by way of summary procedure.
		2.3	Winding up with a regulating order.
		2.4	Winding up of unregistered companies
		2.5	Assets of the company available for distribution: contributories, collection of the company's assets, onerous property.
		2.6	Voluntary winding up: resolutions for and commencement of voluntary winding up, consequences of voluntary winding up, declaration of solvency, members' voluntary winding up, creditors' voluntary winding up, powers and duties of the liquidator in a voluntary winding up, special procedure for voluntary winding up.
		2.7	Proof and ranking of claims, effects of winding upon antecedent and other transactions, dissolution of a company, offences before and in the course of winding up.

**E. Essential Readings**

 HKIB. Banking Law and Practice (1<sup>st</sup> ed.). John Wiley & Sons

**F. *Supplementary Readings***

- + Claire Wilson. (2016). *Banking Law and Practice in Hong Kong* (1<sup>st</sup> ed.). Sweet & Maxwell.
- + Derek Roebuck, DK Srivastava, HM Zafrullah and Sara Tsui. (2009). *Banking Law in Hong Kong: Cases and Materials* (2<sup>nd</sup> ed.). Lexis Nexis.
- + Mark Hsiao. (2013). *Principles of Hong Kong Banking Law* (1<sup>st</sup> ed.). Sweet & Maxwell.

**G. *Further Readings***

- + Chan Bo-ching Simon. (2000 & 2001). *Hong Kong Banking Law and Practice*. (Vol. 1 & 2). HKIB.
- + Douglas Arner, Berry Hsu, Say H. Goo, Syren Johnstone, Paul Lejot and Maurice Kwok-Sang Tse. (2016). *Financial Markets in Hong Kong: Law and Practice* (2nd ed.). Oxford University Press.
- + Hans Mahncke, Michael Ramsden, Luke Marsh and Sidney Yankson. (2014). *The Hong Kong Anti-Money Laundering Ordinances Commentary and Annotations (Collected Volume)* (1st ed.). Sweet & Maxwell.
- + Stephen SK Chan. (2012). *Butterworths Hong Kong Banking Law Handbook* (3rd ed.). Lexis Nexis.

## 5.6 Operational Risk Management

### A. *Module Objectives*

This module contributes to the achievement of the knowledge and skills embedded in the Programme Intended Learning Outcomes by integrating theory and real-life experience on a wide range of topics related to operational risk management. By utilizing tools and resources available, the learners would have an opportunity to develop research skills to map the latest market standard with internal operation. Such skills are crucial for shaping up the internal operations of an organization to meet external challenges, and they would enhance the learners' competence to develop investigative strategies which are vital for both individual and organizational development.

### B. *Module Intended Learning Outcomes*

On completion of this module, learners should be able to:

- + critically evaluate the performance of a wide range of operational functions related to product, services and process operations in the perspectives of operational risk management;
- + exercise judgment in day-to-day management work activities to distinguish the nature of risk in operations functions and operational functions issues to formulate risk management solutions in compliance with regulatory requirement;
- + propose justified solutions and recommendations on operational functions enhancement based on analysis and synthesis of relevant information.

### C. *Assessment Method*

- + Examination: Essay Questions
- + Passing mark for this module is 50%.
- + Time allowed: 3 hours.

**D. Syllabus**

A. Operational Risk in Banking Industry			
1.	Overview and definition of Operational Risk	1.1	Introduction <ul style="list-style-type: none"> <li>- What is operational risk?</li> <li>- Operational risk in financial institutions</li> <li>- Operational risk causal factors</li> <li>- Operational risk categories</li> </ul>
		1.2	Important operational risk events <ul style="list-style-type: none"> <li>- Grouped losses vs single events</li> <li>- Linked events</li> <li>- Legal events</li> <li>- Tax events</li> </ul>
		1.3	Distinguished from other types of risk <ul style="list-style-type: none"> <li>- Risk positions - quantification and exposure measure</li> <li>- Portfolio completeness</li> <li>- Data frequency</li> <li>- Modeling</li> </ul>
		1.4	Distinguished from operation risk <ul style="list-style-type: none"> <li>- Back office operations</li> <li>- Enterprise wide operation issue</li> </ul>
		1.5	Boundary of operation risk <ul style="list-style-type: none"> <li>- Credit risk</li> <li>- Market risk</li> <li>- Interest rate risk</li> <li>- Liquidity risk</li> <li>- Legal risk</li> <li>- Reputation risk</li> <li>- Strategic risk</li> </ul>
		1.6	Drivers of operational risk management <ul style="list-style-type: none"> <li>- Back office operations</li> <li>- Strategy, appetite and policy</li> <li>- Reassurance from regulators</li> <li>- Increasing merger and acquisition activity</li> <li>- Integration of best risk practices</li> <li>- Risk aggregation</li> <li>- New product and service examination</li> <li>- Performance and resources allocation measurement</li> </ul>
		1.7	Related disciplines <ul style="list-style-type: none"> <li>- Financial risk management</li> <li>- Audit and internal controls</li> <li>- Reliability engineering</li> </ul>

2.	Operational risk management framework	2.1	<p>What are operational risk management frameworks</p> <ul style="list-style-type: none"> <li>- Corporate structure</li> <li>- Operational risk management process</li> <li>- Components in operational risk management framework</li> </ul>
3.	Case studies	3.1	<p>Cases on different types of operational risks</p> <ul style="list-style-type: none"> <li>- Fraud, Compliance, Systems, Reputation, Escalation, Monetary and Non-monetary losses</li> <li>- People</li> <li>- Process</li> <li>- System</li> <li>- External events</li> </ul>

B. Process of Operational Risk Management			
1.	Methodologies and tools	<p>1.1</p> <p>1.2</p>	<p>Building ORM process – Defining scope and objectives</p> <ul style="list-style-type: none"> <li>- Measurement</li> <li>- RCSA</li> <li>- KRI verification and setting up</li> <li>- ILD building</li> </ul> <p>Managing operational risk</p> <ul style="list-style-type: none"> <li>- Risk identification and Assessment – Basel Committee on Banking Supervision (BCBS) principles for sound management of operational risk Principle 6, 7</li> <li>- Monitoring and Reporting – BCBS principles for sound management of operational risk Principle 8</li> <li>- Control and Mitigation – BCBS principles for sound management of operational risk Principle 9</li> <li>- Contingency and escalation</li> <li>- Business Resilience and Continuity – BCBS-principles for sound management of operational risk Principle 10</li> </ul>
2.	Risk identification	2.1	<p>Introduction</p> <ul style="list-style-type: none"> <li>- Define unit of measure</li> <li>- RCSA (Risk and Control Self Assessment)</li> <li>- KRI (Key Risk Indicators)</li> <li>- ILD (Incident and Loss Event Database)</li> </ul>



		2.2	<ul style="list-style-type: none"> <li>- Use of external loss data</li> <li>- Implementation</li> </ul> <p>Risk and Control Self-Assessment</p> <ul style="list-style-type: none"> <li>- Practical issues in applications</li> </ul>
		2.3	<p>Risk categorization</p> <ul style="list-style-type: none"> <li>- Implementation</li> <li>- Practical issues in applications</li> <li>- Business line mapping</li> <li>- Categorization of incidents and loss events</li> <li>- Implementation</li> <li>- Practical issues in applications</li> </ul>
3.	Risk measurement and assessment	3.1	<p>Impact and probability</p> <ul style="list-style-type: none"> <li>- Categorization of frequency and severity</li> <li>- Aggregated loss distribution from frequency and severity distributions</li> <li>- Expected loss and unexpected loss</li> <li>- Inference of operational risk capital using value at risk methodology</li> <li>- Background for Basel operational risk capital calculation methodology</li> </ul>
4.	Risk control and mitigation	4.1	<p>Risk response</p> <ul style="list-style-type: none"> <li>- Options and actions to reduce the likelihood or consequences of risk impact</li> <li>- Actions taken to mitigate the risk</li> <li>- Responsibilities assignment</li> </ul>
		4.2	<p>Incident management and loss data</p> <ul style="list-style-type: none"> <li>- Incident management processes</li> <li>- Loss prediction</li> <li>- Loss prevention</li> <li>- Loss control</li> <li>- Loss reduction</li> </ul>
		4.3	<p>Insurance</p> <ul style="list-style-type: none"> <li>- Operational risk insurance products</li> <li>- Financial institutions operational risk insurance's coverage</li> <li>- Limitation of insurance</li> <li>- Alternatives to insurance</li> </ul>
		4.4	<p>Internal control</p> <ul style="list-style-type: none"> <li>- Definition</li> <li>- Components of internal control</li> <li>- Internal control objectives</li> <li>- Internal control activities</li> </ul>

		4.5	Key risk exposure control and mitigation
			<ul style="list-style-type: none"> <li>- Risk assumption</li> <li>- Risk avoidance</li> <li>- Risk limitation</li> <li>- Risk planning</li> <li>- Research and acknowledgement</li> <li>- Risk transference</li> </ul>
		4.6	Contingency plan
			<ul style="list-style-type: none"> <li>- Reliability</li> <li>- Availability</li> <li>- Plan maintainability</li> </ul>
5.	Risk reporting	5.1	Introduction
			<ul style="list-style-type: none"> <li>- Steps to generate reports</li> <li>- Incident reports</li> <li>- Risk reports</li> <li>- Risk action reports</li> <li>- Risk summary reports</li> </ul>
		5.2	Heat map or operational risk profile business process mapping
			<ul style="list-style-type: none"> <li>- Business value</li> <li>- Performance</li> <li>- Maturity</li> <li>- Interconnectedness</li> <li>- Compliance and Governance</li> <li>- Processes</li> </ul>
		5.3	Key risk indicators (Preventive / BAU data)
			<ul style="list-style-type: none"> <li>- Definition</li> <li>- Role and purpose</li> <li>- Selecting risk indicators</li> <li>- Thresholds, limits and escalation triggers</li> </ul>
		5.4	Incidents and operational risk loss data reporting
			<ul style="list-style-type: none"> <li>- Embedding</li> <li>- Under &amp; over reporting</li> <li>- Thematic review</li> <li>- Timeliness</li> <li>- Lessons Learned</li> <li>- Confidence</li> </ul>
		5.5	Escalation (e.g. report to management, regulators)
			<ul style="list-style-type: none"> <li>- Escalations triggers</li> <li>- Resources overhead</li> <li>- Procedures</li> </ul>

6.	Other related techniques	6.1	Scenario analysis (AMA in context) <ul style="list-style-type: none"> <li>- Historical vs hypothetical events</li> <li>- Probabilities and frequencies of occurrence of the event</li> <li>- Business activities</li> <li>- Maximum internal and external loss</li> <li>- Possible mitigation techniques</li> <li>- Methodology</li> </ul>
		6.2	Stress testing <ul style="list-style-type: none"> <li>- Extreme event</li> <li>- Limitation of stress testing</li> </ul>
		6.3	Operational risk models <ul style="list-style-type: none"> <li>- Top-down vs bottom-up models</li> <li>- Casual vs statistical models</li> <li>- Selection of risk models</li> </ul>
		6.4	Application of tools <ul style="list-style-type: none"> <li>- Identifying and generating metrics</li> <li>- Parameterizing, prioritizing and developing mitigations</li> <li>- Tracking risks</li> <li>- Example</li> </ul>

C: Regulatory Framework and Governance Structure			
1.	Regulatory requirements	1.1	Basel II Capital Accord on Operational Risk (BCBS 128) <ul style="list-style-type: none"> <li>- Business line mapping</li> </ul>
		1.2	Basel Committee’s Sound Practices for the Management of Operational Risk
		1.3	HKMA SPM OR-1 and Banking Capital Rules Basel III
2.	Risk governance	2.1	Structure <ul style="list-style-type: none"> <li>- BCBS-principles for sound management of operational risk Principles 1, 2, 3, 4</li> <li>- HKMA-elements for a sound risk management system</li> <li>- Corporate governance</li> </ul>
		2.2	Roles and responsibilities of different parties (e.g. committee) <ul style="list-style-type: none"> <li>- Use of specialized committee</li> <li>- Role of internal control, compliance, risk management and internal audit</li> </ul>
		2.3	Relationship between RCSA, KRI and Operational

			<p>Risk Events</p> <ul style="list-style-type: none"> <li>- Interaction and how they work together</li> <li>- Action Plan and Reporting</li> <li>- Example</li> </ul>
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**E. Essential Readings**

+ HKIB. Operational Risk Management (1<sup>st</sup> ed.). Wiley.

**F. Supplementary Readings**

+ Abkowitz, Mark David. (2008). Operational Risk Management: A Case Study Approach to Effective Planning and Response. John Wiley & Sons.

+ Carol Alexander. (2003). Operational Risk: Regulation, Analysis and Management. Prentice Hall.

## 6. Learning Support

### HKIB Resources Corner Support

The Resources Corner situated at the premises of the Institute provides the required learning resources for study. Copies of Supplementary, Essential and Further Readings are available in the HKIB Resources Corner for borrowing.

Candidates are encouraged to prepare the examinations by acquiring relevant market information and module knowledge through various channels, e.g. reference readings, business journals, websites etc. Candidates should be aware that such market information may be important and pertinent to the examinations.

### E-learning Resources

HKIB also supports the E-learning. More than 500 courses are organized into 51 course libraries spanning about 700 hours of E-learning, covering areas of Banking, Accounting, Insurance and Risk Management. Topics range from basic financial concepts like “Understand Financial Statement” to complex topics like “Value at Risk” and an in-depth exploration of Financial Risk Management and Derivatives. It aims to provide further and recommended readings to learners on top of their in-class training materials to expand their self-study sources. For more details, please refer to HKIB website.

### Market Information Updates

The Institute regularly organizes training courses, seminars and luncheon talks on current issues and developments in financial markets that candidates may find essential, helpful and relevant to their learning.

## 7. Government Subsidies

HKIB has provided a number of approved professional training programmes (including the three levels of CB programmes) for your application of the government subsidies. It includes the “Pilot Programme to promote talent training for the asset and wealth management (WAM) sector” scheme which provides great financial support for the people to continue their own development.



### 7.1 The WAM Pilot Programme

The Hong Kong Government has launched a three-year Pilot Programme to promote talent training for the asset and wealth management (WAM) sector since 1 October 2016 and extended to the programme until 31 March 2023. The main purpose of the programme is to facilitate the long-term sustainable development of the sector by attracting more talents and enhancing the professional competency of the in-service practitioners in the asset and wealth management area.

One of the initiatives is the Financial Incentive Scheme for Professional Training. It encourages financial services industry practitioners to acquire and upgrade professional skills in the asset and wealth management field.

#### 7.1.1 HKIB WAM Eligible Training Programmes

The below modules are eligible for the WAM application.

<b>Certified Banker (CB)</b>
<p><b>Postgraduate Diploma in Treasury Management for Certified Bankers</b></p> <ol style="list-style-type: none"> <li>1. Bank Asset and Liability Management</li> <li>2. Treasury Markets and Operations</li> </ol> <p><b>Postgraduate Diploma in Operations Management for Certified Bankers</b></p> <ol style="list-style-type: none"> <li>3. Banking Law and Practice</li> <li>4. Operational Risk Management</li> </ol>

<b>Enhanced Competency Framework (ECF) on Retail Wealth Management</b>
<ol style="list-style-type: none"> <li>1. Regulatory Environment for Banking and Financial Planning</li> <li>2. Investment Planning</li> <li>3. Essentials of Banking</li> <li>4. Insurance and Retirement Planning</li> <li>5. Investment and Asset Management : Product Solutions</li> <li>6. Investment and Asset Management: Alternative and Wealth Solutions</li> <li>7. Financial Planning and Wealth Management</li> </ol>
<b>ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)</b>
<ol style="list-style-type: none"> <li>1. Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)</li> </ol>
<b>Certified Private Wealth Professional (CPWP) Module 2 – Ethics and Compliance</b>
<ol style="list-style-type: none"> <li>1. Regulatory Regime in Hong Kong and Requirement on Sale of Investment Products</li> <li>2. Relevant Laws and Regulations relating to Client Engagement and Relationship Building</li> <li>3. Ethics and Practical Application of Legal and Regulatory Requirements for Private Banking</li> <li>4. Risk Management, Risk Governance and Risk Culture of Private Wealth Management Institutions</li> </ol>

### 7.1.2 Eligibility

The applicant must be:

- a Hong Kong resident and lawfully employable in Hong Kong; AND either:
- a full-time in-service practitioner (not necessarily in the field of asset and wealth management) on the commencement date of the course concerned
- The applicant has completed any of the eligible courses and has been certified by the course provider.

- The applicant must not have received any other form of subsidy or financial assistance for the 80% of the course fees to be reimbursed under the Scheme from any publicly-funded schemes and/or the applicant's employer.

For more details about the eligibility, please visit the [Eligibility](#) page on website of WAM.

### 7.1.3 Application

The application should be submitted to Hong Kong Securities and Investment Institute (HKSI) within FOUR months from the last day of the course completed. The major steps are highlighted as below.

For the details about the application requirements or process, please visit [Application for Reimbursement](#) page on the website of WAM.

- 1) Enrol in eligible courses
- 2) Retain the official receipt (paper or electronic form)
- 3) Obtain attendance certificate
- 4) Complete online application form via online application portal with an unique system-generated application number for referencing
- 5) Print and sign the application form
- 6) Prepare the five supporting documents
  - a copy of the applicant's Hong Kong Identity Card;
  - a copy of the certificate issued by the course provider certifying that the applicant has completed the course to the satisfaction of the provider;
  - the original receipt of the course fee payment issued by the course provider (with name of applicant, name of the course attended and course date);
  - a documentation of the personal bank account for direct credit of reimbursement in the form of:
    - > a copy of the front page of bank passbook; or
    - > copy of the bank account statement; or
    - > copy of a bank debit card; or
    - > a copy of blank personal cheque.



- for in-service practitioners currently under employment, an original company letter issued by or an employment certification form (“Form”) endorsed by the applicant’s employer, with an authorised signature duly signed and the employer’s company chop stamped.

7) Submit application by mail or in person to HKSJ Institute’s office

#### **7.1.4 Enquiries on WAM Scheme or application:**

Please contact **“Hong Kong Securities and Investment Institute (HKSJ)”**

Address:	Room 510, 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Website:	<a href="https://www.wamtalent.org.hk">https://www.wamtalent.org.hk</a>
E-mail Address:	info@wamtalent.org.hk
Hotline:	(852) 3120 6100

## 8. Programme Enrolment

### A. Programme Schedule

For the latest information on the programme enrolment period and programme schedule, please contact the HKIB staff or refer to the HKIB website at <http://www.hkib.org>.

### B. Medium of Instruction

Teaching materials and assessment are in English while the training is conducted in Cantonese (unless otherwise specified).

### C. Training Duration

	Advanced Diploma for Certified Banker	Professional Diploma for Certified Banker	Postgraduate Diploma for Certified Banker
Training Programme Mode	Lecture		
Training Duration	9 hours <sup>1</sup>	15 hours	30 hours

### D. Learning Effort

Candidates are advised to spend for each module:

- i) Advanced Diploma: 100 learning hours<sup>2</sup>; OR  
200 learning hours (for ECF module only)
- ii) Professional Diploma: 300 learning hours
- iii) Postgraduate Diploma: 300 learning hours

<sup>1</sup> For the elective module *ECF on AML/CFT (Core Level)*, learners can select 6 or 15 training hours based on their needs. For more details, please refer to the AML/CFT Certificates Handbook.

<sup>2</sup> Learning time refers to the amount of time an average learner is expected to take to complete all learning pertaining to the module / programme, and achieve the learning outcomes of the module / programme. It includes time spent on all learning modes and activities, such as lectures, laboratories, workshops, guided learning, self-study, projects, assignments and assessments. Learning time is expressed in learning hours, and includes contact hours, self-study hours and assessment hours.

### **E. Programme Application**

- ✚ Applicants can obtain the application form: (i) from the HKIB website; or (ii) in person from the counter of HKIB Office during office hours
- ✚ The information provided on the application form must be true and clear. Completed application forms can be returned by email, by hand or by registered mail (to avoid being lost in transit) on or before the corresponding enrolment deadline. Attention should be paid to the application deadline. Postal applicants are reminded to allow sufficient time for mailing or a late entry fee will be charged.
- ✚ Inaccurate or incomplete applications may not be accepted even if the applicant has paid the programme fee.
- ✚ HKIB reserves the right to reject late applications and/ or any applications deemed inappropriate. Once HKIB has received the application form, NO alterations to the programme arrangement will be allowed.
- ✚ HKIB reserves the right to change the programme dates and the enrolment deadlines at any time.
- ✚ Applicants are advised to retain a copy of the completed application form for their own records.







### **F. Programme Fee and Payment**

- ✚ A digital version of training materials will be provided before the training commencement. Printed version will only be available at an additional cost of HKD500 (including delivery fee) on request by learners.
- ✚ Applicants should pay the programme fee:
  - By cheque (post-dated cheques will not be accepted), attached to the application form. Cheques/E-cheques should be made payable to "The Hong Kong Institute of Bankers"; OR
  - By credit card payment.
- ✚ Application forms without payment instructions will NOT be processed.
- ✚ All payments must be settled before the start of the programme. NO fees will be refunded or transferred under any circumstances.
- ✚ Applicants are advised to keep a record of their payment.
- ✚ Confirmation of programme enrolment will be sent to candidates via email within seven days prior to the programme date.
- ✚ Late entries: Late entries will be accepted up to seven days after the stipulated application deadlines. A late entry fee of HKD200 (in addition to the module entry fee) will apply.
- ✚ HKIB reserves the right to adjust the programme application, study guide and/or administration



## 9. Examination Enrolment and Regulations

### A. Examination Format

Module	Examination Question Format	Duration	Passing Mark
<b>Advanced Diploma Modules</b>	 Multiple Choice Questions	1.5 hours (2.5 hours for ECF module)	70%
<b>Professional Diploma Modules</b>	 Multiple Choice Questions  Essay Questions / Case Study	3 hours	60%
<b>Postgraduate Diploma Modules</b>	 Essay Questions	3 hours	50%
<b>Case Study Examination</b>	Case study examination  Individual Written Report  Case Study Questions	6 weeks 3 hours	50%

To attain the Postgraduate Diploma in a specialist stream, candidates are required to obtain a pass in the Case Study Examination of the respective stream upon completion of TWO Postgraduate Diploma modules in the same stream.

### **Case Study Examination**

#### **Prerequisites**

Completion of the two specialist modules in the selected stream

#### **Objectives**

The objective of the postgraduate diploma programme is to equip candidates with comprehensive conceptual and practical knowledge in a specialized area of banking and develop candidates with research skills to adopt an analytical approach in developing strategies to tackle different scenarios that may arise in real-life situation. Therefore, the Case Study Examination is to test whether a candidate can consolidate and evaluate the wide range of complex concepts, models and specialized skills in a discipline and apply them in real-life scenarios.

#### **Highlight**

The Case Study Examination consists of two parts: Individual Written Report and On-Site Examination.

Candidates will receive the "Examination case: Pre-seen examination information" document 6 weeks

prior to the examination. To produce the Individual Written Report, candidates are required to critically analyse the scenario depicted in the case(s), conduct research to gather relevant information and extend cross-discipline knowledge acquired in the two specialist modules to the case(s).

For the onsite examination, candidates are allowed to take all references listed in the Supplementary/Essential/Further Readings and all relevant training materials of related modules of CB and CCRP in paper format only, including all distributed lesson PowerPoint, notes and all kinds of facilitation materials. Anything outside of this list is not allowed. An invigilator will check the materials brought into the examination centre for appropriateness. Candidates are not permitted to access the internet for web-search and references purpose.

During the On-Site Examination, the examination questions, extended case scenarios and additional information about the pre-seen examination case will be provided. Candidates have to carefully study the case information to identify the problems and make the analysis based on the study material and case facts.

### ***Assessment Method***

#### **Individual Written Report (40%)**

✚ Passing mark: 50%

#### **On-Site Examination (60%)**

✚ Passing mark: 50%

✚ Time allowed: 3 hours.

✚ Format: Open book examination.

Candidates must submit an Individual Written Report, attend the On-Site Examination and pass both assessments.

**B. Grading**

	<b>Advanced Diploma Modules</b>	<b>Professional Diploma Modules</b>	<b>Postgraduate Diploma Modules / Case Study Examination</b>
<b>Pass with Distinction</b>	Above 90%	Above 85%	Above 80%
<b>Pass with Credit</b>	80-90%	75-85%	65-80%
<b>Pass</b>	70-79%	60-74%	50-64%
<b>Fail A</b>	60-69%	56-59%	46-49%
<b>Fail B</b>	50-59%	46-55%	36-45%
<b>Fail C</b>	Below 50%	Below 46%	Below 36%

**C. Examination Timetable**

For the latest information about the examination enrolment period and examination dates, please contact HKIB staff or refer to the HKIB website at <http://www.hkib.org>.

**D. Examination Enrolment**

- ✚ Candidates must have completed the training class before taking the examination.
- ✚ Applicants can obtain the application form: (i) from HKIB website; or (ii) in person from the counter of HKIB Office during office hours.
- ✚ The information provided on the application form must be true and clear. Applicants should submit the completed and signed application form, together with the appropriate examination fee, to HKIB Head Office on or before the corresponding application deadline.
- ✚ Application forms can be returned by email, by hand or by registered mail (to avoid being lost in transit). Attention should be paid to the application deadline. Postal applicants are reminded to allow sufficient time for mailing or a late entry fee will be charged.
- ✚ Late entries will be accepted up to 14 days after the stipulated application deadlines. A late entry fee of HK\$200 (in addition to the module entry fee) will apply.
- ✚ Inaccurate or incomplete enrolment applications may not be accepted even if the applicant has paid the examination fee.
- ✚ HKIB reserves the right to reject late applications and/ or any applications deemed inappropriate. Once HKIB has received the application form, NO alterations to the examinations and examination arrangements will be allowed.
- ✚ HKIB reserves the right to change the examination dates and the application deadlines at any time.
- ✚ Applicants are advised to retain a copy of the completed application form for their own records.

**E. Examination Fee and Payment**

- ✚ Applicants should pay the examination fee:
  - ✚ By cheque (post-dated cheques will not be accepted), attached to the enrolment form. Cheques should be made payable to "The Hong Kong Institute of Bankers". Please put your full name and contact phone number on the back of the cheque; OR
  - ✚ By credit card. Please provide credit card information in the application form.
  - ✚ Application forms without payment instruction will NOT be processed.
  - ✚ All payments must be settled before the examination. NO fees will be refunded or transferred under any circumstances.
  - ✚ Applicants are advised to keep a record of their payment.



- ✚ An acknowledgement email will be sent to the applicant with 2 working days after submitting an application. There is an Acceptance Notification email which will be sent to the applicant within 8 working dates after sending the acknowledgement email and for the final “Examination Attendance Notice”, it will also be sent 2 weeks before the examination. Candidates who fail to receive an acknowledgement within this time should inform the Institute immediately.
- ✚ HKIB reserves the right to adjust the examination, study guide and/ or administration surcharge fees (if applicable), at any time.

**F. Examination Attendance Notice**

- ✚ Examination Attendance Notices (Attendance Notices) will be sent to candidates via email ONLY about two weeks before the examination. Candidates are obligated to inform the Institute if they have not received the Attendance Notice one week before the examination.
- ✚ Candidates are required to print a copy of the Attendance Notice on a sheet of plain A4 paper before attending each examination.
- ✚ Candidates MUST present their Attendance Notice at the examination, along with a valid identification document (e.g. an HK Identity Card or Passport), which bears their current photograph.

**G. Alteration / Transfer of Enrolment for the Examination**

- ✚ HKIB reserves the right to cancel, postpone and/or reschedule the examinations.
- ✚ If an examination is rescheduled, HKIB will notify candidates of the new examination's date and time by email within one week of the originally scheduled examination date. Under such circumstances, candidates are not required to re-register for the examination.
- ✚ Under no circumstances will any changes to or transfers of examination enrolment be allowed.

**H. Examination Arrangements for Candidates with Special Needs**

- ✚ Candidates with special needs may request special examination arrangements. In these circumstances, they will be required to submit documentary evidence, such as medical proof issued by a registered medical practitioner, together with a written request, when applying for the examination.
- ✚ Any request for such arrangements may result in an additional charge.

**I. Examination Preparation**

- ✚ Candidates who have enrolled in the examination are required to study all the essential, recommended and further reading materials, if applicable, as part of their examination preparation.

**J. Examination Results**

- ✚ Candidates will receive their results slip by post within two to four weeks for CB (Stage I) from the examination date, six to eight weeks for CB (Stage II)/CB from the examination date of the last module of the exam diet.
- ✚ Results will not be revealed by telephone or email.
- ✚ Candidates may check their examination results online through the HKIB online platform. Candidates will receive email notification once the examination results are available. The online examination results will be removed one month after they are released.
- ✚ Results will be withheld from candidates who have not paid in full any monies due or payable to the Institute, including but not limited to examination enrolment fees.

**K. Examination Results Review**

- ✚ Candidates may request rechecking or remarking of their examination scripts within one month after the issue of examination results, by submitting a written request. An administrative fee may apply. Please contact HKIB staff for details.
- ✚ Rechecking is applicable to all examinations. Answer sheets are rechecked for technical errors such as incorrect mark entries.
- ✚ Remarking is only applicable to the case study examinations and examinations that involve essay questions. Remarking is not applicable to MC questions. The answer scripts will first be checked for technical errors. Each script will then be remarked by an independent marker. If the mark given by the marker differs from the original mark and leads to an upgrade of result, the script will be remarked by a second marker. Remarking is conducted by persons other than the original markers. The final mark of the examination is calculated by averaging out all valid marks given by the original markers and the marker(s).
- ✚ Regardless of the results of rechecking, candidates cannot apply for remarking of a module for which they have applied for rechecking.

- ✚ HKIB charges an administration fee of HKD500 per module for rechecking and HKD4000 per module for remarking. All payments are non-transferrable and non-refundable. However, if the rechecking or remarking leads to an upgrade of result, the fee will be refunded to the candidate concerned.
- ✚ After the answer scripts are rechecked or remarked, the results will be passed to Examination Team Head for review and approval. The decision of Examination Team Head is final.
- ✚ Candidates will be informed of their rechecking or remarking results by post and only with written notice within TWO MONTHS after receipt of the request.
- ✚ Candidates will not be given a copy of their marked answer scripts.

#### **L. General Examination Regulations**

- ✚ An examination is governed by the regulations in force at the time of the examination and not by the regulations in force at the time of enrolment, in case of any discrepancies between the two sets of regulations.
- ✚ On all matters concerning the interpretation of the regulations, the Professional Standard and Examination Board of the Institute has the final discretion.
- ✚ The examinations are conducted in English.
- ✚ For all multiple choice questions, candidates must use HB/2B pencil to answer the questions on the Answer Sheets.
- ✚ For essay questions and the case study questions in Case Study Examination, questions must be answered in English.
- ✚ The Individual Written Report of the Case Study Examination must be submitted in English.
- ✚ The examinations will be conducted and invigilated by responsible persons appointed by the Institute.
- ✚ Candidates should arrive at the examination venue at least 15 minutes before the start of the examination. Candidates must not enter the examination room until instructed to do so.
- ✚ Candidates are not allowed to sit for the examination if they are unable to produce the Attendance Notice/valid identification document, or the identification document does not contain a clear and current photograph of the candidate.

- ✚ All examinations will begin at the time stated on the Attendance Notice. Latecomers may be admitted during the first 30 minutes of the examination, but extra time will not be given to compensate for any time lost.
- ✚ Smoking, eating and drinking are not allowed in the examination room. All mobile phones and other electronic devices including smart watches must be switched off.
- ✚ All bags, books and other personal belongings must be placed in a location advised by the invigilator, before the examination begins.
- ✚ If you need to go to the toilet during the examination, you should seek permission from an invigilator. An invigilator will accompany you and you must NOT carry any mobile phones, other electronic devices, question books, answer sheets or paper to the toilet.
- ✚ Candidates must use only silent and non-programmable calculators. Invigilators have the right to prohibit candidates from using any unauthorized calculators. No other aids, such as books, dictionaries, computers (e.g. notebooks, PC tablets), and papers, are permitted in the examination. No draft paper will be provided during the examination. Rough workings or notes should be made on the question book and will not be marked.
- ✚ The packets of question papers will be opened in the presence of the candidates before the start of the examination. Candidates should remain silent and are not allowed to communicate with other students during the examination. Candidates interfering with the proper conduct of the examinations will be warned by the invigilator or expelled from the examination room in a serious case. In such circumstances, a report will be submitted to the HKIB to consider whether disciplinary action will be taken. Disciplinary action includes, but is not limited to, candidate disqualification.
- ✚ Candidates cannot leave the examination centre during the first 45 minutes and the last 15 minutes of an examination. Candidates who decide to leave early must notify the invigilator as quietly as possible, and will not be allowed to re-enter the examination centre.
- ✚ Candidates are not allowed to communicate with other candidates during an examination. They are also prohibited from communicating with third parties outside the examination centre by using any electronic device. The invigilator has the right to expel candidates from the examination centre if their behaviour interferes with the proper conduct of the examination. Any candidate who attempts to copy from another candidate's script or any other source will be disqualified.
- ✚ Candidates must stop writing when instructed to do so by the invigilator at the end of examination.
- ✚ Candidates must not detach any part of their answer sheet, or remove their answer sheet, whether wholly or partly, from the examination room.

If any candidate infringes any of the above regulations for the conduct of the examinations, he/she will be reported to the Professional Standard and Examination Board of the Institute and will be liable to disciplinary actions, including disqualification.

**M. Examination Prize Awards**

Module Prize and Freshman Prize are awarded to best performed candidates in each diet.

Module Prize

Module Prize is awarded to the candidate who has achieved the highest mark among all candidates of that module, and has obtained at least a Pass with Credit. The prizes are sponsored by Banks.

Freshman Prize

Freshman Prize winner is the best performing candidate who: -

- ✚ Attempts the CB Examination for the first time; and
- ✚ Attempts at least two modules in an examination diet; and
- ✚ Obtains highest average mark; and
- ✚ Not more than three years of banking experience.

## 10. Bad Weather Arrangement

In the event of bad weather on the training class/examination day, candidates should visit HKIB website at [www.hkib.org](http://www.hkib.org) for announcements about the latest arrangements, and should pay attention to radio/ television broadcasts about weather conditions.

- If the typhoon signal No. 8 or above, black rainstorm signal, or “extreme conditions” is hoisted or still in force on the day of a training class, the arrangements below apply:

Signal in force	Training Class(es) cancelled
At 6:30am	Morning Session (8:30am – 2:00pm) is cancelled.
At 12:00noon	Afternoon Session (2:00pm – 6:00pm) is cancelled.
At 3:00pm	Evening Session (6:00pm – 10:00 pm) is cancelled.

- If the typhoon signal No. 8 or above, black rainstorm signal, or “extreme conditions” is hoisted or still in force on the day of an examination at the following times, the arrangements below will apply:

Signal in force	Examination cancelled
At 6:00am	Examination(s) (8:00am – 1:00pm) are cancelled.
At 10:00am	Examination(s) (1:00pm – 5:00pm) are cancelled.
At 2:00pm	Examination(s) (at 5:00pm or after) are cancelled.

- If typhoon signal No. 8 or above, black rainstorm signal, or “extreme conditions” is hoisted or still in force while the training class / examination is in progress, the training class / examination continues as scheduled.
- If a training class / examination is rescheduled, HKIB notifies candidates of the new training class / examination date and time by email within **one week** of the originally scheduled date.

Under such circumstances, candidates are not required to re-register for the training class / examination. Applications for a refund and/or transfer are NOT allowed.

- ✚ HKIB reserves the right to postpone, cancel and/or reschedule any training class/ examination.

## 11. Personal Data Protection Policy

Personal data provided by the candidate are used for administrative and communicative purposes relating to training and examination. Failure to provide complete and accurate information may affect the provision of administrative services to the candidate. The Institute keeps the personal data provided confidential, but may need to disclose it to appropriate personnel in the Institute and other relevant parties engaging in the provision of examination services to the Institute. Candidates have the right to request access to and correction of their personal data. For details, candidates can contact the Institute.

Candidates are advised to read the Personal Data Protection Policy at **Appendix** to understand their rights and obligations in respect of the supply of personal data to HKIB and the ways in which HKIB may handle such data.

## 12. Addendums and Changes

HKIB reserves the right to make changes and additions to membership, training and examination regulations, enrolment / application procedures, information in this handbook and any related policies without prior notice. HKIB shall bear no responsibility for any loss to candidates caused by any change or addition made to the aforementioned items.

## 13. Contact Information

### ***HKIB Office Address***

3/F Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong



### ***General Enquiries/ Feedback***

Tel.: (852) 2153 7800

Email: [cs@hkib.org](mailto:cs@hkib.org)

### ***Membership Enquiries***

Tel.: (852) 2153 7879

Email: [membership@hkib.org](mailto:membership@hkib.org)

### ***Examination Enquiries***

Tel.: (852) 2153 7821

Email: [exam@hkib.org](mailto:exam@hkib.org)

### ***Training Programme Enquiries***

Tel.: (852) 2153 7877

Email: [programme@hkib.org](mailto:programme@hkib.org)

### ***Office Service Hours***

Monday – Friday: 09:00 - 18:00

Saturday, Sunday & Public Holiday: Closed



## Appendix: Personal Data Protection Policy

When HKIB collects information from participants in our activities, training and/or examinations (“Participants”), it is our policy to meet fully the requirements of the Ordinance, which regulates the treatment of personal data. Throughout this policy, the meaning of the term “personal data” is as defined in the Ordinance. In dealing with personal data, we ensure compliance by our staff with the standards of security and confidentiality prescribed under the Ordinance.

1. All information of a personal nature obtained by HKIB is for the purposes of administering our services, which may include, but are not limited to: training, examinations and other activities organized wholly or in part by HKIB; conducting subsequent performance assessments; and handling related irregularities, if any.

Personal data are supplied either by Participants themselves or from external sources, including, but not limited to: employers, service or learning providers, third parties who are otherwise affiliated to the service in which Participants are involved, and, who may provide HKIB with relevant information on their employees, members and/or students; and members of the public.

After the data obtained from Participants have been captured, processed and checked, hard copies – for example, of Participants’ information checklists or Attendance Notices – may be produced for all HKIB services in order to ensure accuracy of the data. Some data may also be used for the following purposes during registration and/or payment:

- To verify Participants’ identities;
  - To fulfil Participants’ specific requests, applications or enrolments relating to our services;
  - To administer and deliver information about the service;
  - To maintain and process examination marks and results, if any;
  - To process and handle Participants’ complaints, enquiries, feedback or irregularities, if any;
  - To maintain Participants’ records;
  - To conduct research or statistical analysis;
  - To release information to relevant third parties on whose behalf HKIB administers, conducts or organised services, and to any third party that HKIB engages to administer and/or conduct services for and on behalf of HKIB;
  - To promote and provide various HKIB member services to Participants;
  - To serve other purposes as permitted by law; and
  - To serve any other purposes as may be agreed between Participants and HKIB.
2. HKIB keeps personal data of Participants’ confidential. Nevertheless, as part of its operations, HKIB

may compare, transfer or exchange their data with the data already in HKIB's possession, or obtained hereafter by HKIB, for these or any other purposes.

3. HKIB is also professionally obliged to process the personal data fairly, confidentially and lawfully.
4. The provision of personal data or any information is voluntary. However, failure to provide the requested personal data may result in HKIB being unable to process Participants' requests, perform its statutory functions or deliver its services to Participants.
5. HKIB may contact a Participant if we require confirmation of his/her identity, or further information about the data requested that may assist HKIB to locate his/her personal data before complying with his/her request.
6. HKIB uses the data only for specifically or directly related purposes, as outlined on its enrolment / application form and the accompanying explanatory notes, if any. No exception to this rule is permitted without the express permission of HKIB.
7. HKIB recognises the sensitive and highly confidential nature of much of the personal data it handles, and maintains a high level of security in its work. HKIB has well-established guidelines and procedures for maintaining the security of all personal data, both as hard copies and in computer-readable form.
8. HKIB will do its best to ensure compliance with the Ordinance by providing guidelines and monitoring the compliance of the relevant parties. However, HKIB cannot control how third parties use Participants' personal information and assumes no responsibility for privacy protection provided by such third parties.
9. The means of Participants' communications with HKIB, including online, email, text message (SMS), and HKIB's customer hotline, may be recorded and retained for training and record-keeping purposes. Records may be used to monitor the quality of the assistance given and to verify the matters discussed.

Personal data protection in regions outside Hong Kong is subject to the requirements of these jurisdictions.

## Responsibility and Rights of Candidates

Participants are required to keep HKIB informed of any changes in their personal data once they have enrolled as Participants for services offered by HKIB or for an examination, and until such time as the service is completed or Participants have completed the examination. HKIB has well-established procedures to verify and process the amendment of Participants' particulars. After the data obtained from the enrolment / application forms have been captured, processed and checked, hard copies – for example, of Participants' information checklists or Attendance Notices – may be produced for all services offered by HKIB in order to ensure accuracy of personal data.

Under the Ordinance participants have the right to request access to, or correction of any data provided by them as per the manner and limitations prescribed therein. As the Ordinance allows, HKIB has the right to charge a reasonable fee for processing request for data access.

Participants who request access to data or correction of their data should do so in writing to HKIB. Participants should also write to HKIB if they do not want to receive any information on services offered by HKIB.

## Data Retention

Unless otherwise agreed, hard copies of all documents containing Participants' personal data they have provided to HKIB become the property of HKIB. HKIB destroys all documents it holds in accordance with its internal policy and applicable laws.

Personal data are retained only for such period as may be necessary for carrying out the purposes stated in this policy or as otherwise specified at the time of collection. In some circumstances, HKIB may retain certain records for other legitimate reasons, including to resolve disputes, cross-check against future examination application, if applicable, and to comply with other reporting and retention obligations.

## Transfer of Personal Data Outside of Hong Kong

At times it may be necessary and prudent for HKIB to transfer certain personal data to places outside Hong Kong SAR, in order to carry out the purposes, for which the personal data were collected. Where such a transfer is performed, it is done in compliance with the requirements of the Ordinance.

## Amendments

HKIB reserves the right to change or modify its privacy policy at any time without prior notice. Any such change or modification shall be effective immediately upon posting of the changes and modification on this website.

## General Enquiries/ Feedback

All access/ correction requests and any enquiries about this privacy policy statement should be directed to HKIB at the address and telephone numbers below:

The Hong Kong Institute of Bankers  
3/F Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
Tel.: (852) 2153 7800  
Email: [cs@hkib.org](mailto:cs@hkib.org)

# **The Hong Kong Institute of Bankers**

## **HONG KONG OFFICE**

3<sup>rd</sup> Floor, Guangdong Investment Tower  
148 Connaught Road Central, Hong Kong

Tel: (852) 2153 7800

Email: [cs@hkib.org](mailto:cs@hkib.org)

Website: [www.hkib.org](http://www.hkib.org)

## **BEIJING REPRESENTATIVE OFFICE**

8/F, Tower 5, Courtyard 1, Yuetan South Street  
Xicheng District, Beijing, China (Post Code: 100045)

Tel: (86) 10-6657 5550 Fax: (86) 10-6657 4966

E-mail: [hkib-beijing@hkib.org](mailto:hkib-beijing@hkib.org)