

Module Outline

ECF on Compliance (COM)

Module 2 “Regulatory Framework and Compliance in Banking”

Benchmarked HKQF Level:	4
No. of Credits:	10
Total Notional Learning Hours:	100
a) Class contact hours:	15 hours (3-hour per session x 5)
b) Self-study hours:	83.5 hours
c) Assessment hours:	1.5 hours
Pre-requisite:	N/A

Module Objective

This module aims to provide candidates with both a board overview of the regulatory framework governing banks in Hong Kong and in depth understanding and application of compliance requirements applicable to banks in Hong Kong covering the various regulatory regimes under the following regulators and governing laws.

Module Intended Outcomes (MIOs) and Units of Competencies (UoCs)

Upon completion of the Module 2, candidates should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Understand and explain the role and function of financial regulatory framework specifically the role of the HKMA and various other regulators including SFC and IA in regulating the banking industry.	107408L4 107409L4 109310L4
MIO-2	Describe and apply the Banking Ordinance and other relevant laws applicable to banks, as well as the HKMA statutory guidelines and guidance notes, in the day to day running of various businesses of a bank.	109333L5
MIO-3	Design and implement systems and controls for banks in respective areas to ensure all legal and regulatory requirements are satisfied.	
MIO-4	Assess compliance related operational risk indicators, assessment of the risks and based on the legal and regulatory requirement in respective areas and develop relevant measures to mitigate the risks maintaining compliance position of the bank at the tolerance level.	

MIO-5	Monitor and identify problems and issues in various banking businesses and making informed judgement and propose solutions in compliance with all the legal and regulatory requirements.	
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**Note: For the details of the UoCs, please refer to the Specification of Competency Standards (SCS) of [Retail Banking](#) and [Corporate & Commercial Banking](#) which were developed by HKCAAVQ.*

Assessment

Examination duration:	1.5 hours
Examination format:	Multiple Choice Questions (MCQ) with 50 questions
Pass mark:	70%

Syllabus

Chapter 1: Overview of Regulatory Regime for Bank in Hong Kong	
1.1	Overall Financial Regulatory Framework in Hong Kong
1.1.1	- Overview of the Financial Market in Hong Kong
1.1.2	- Major Types of Business in the Financial Market
1.1.3	- Why Financial Markets Must Be Regulated
1.1.4	- The Basic Regulatory Model of the Financial Business
1.1.5	- Financial Regulation
1.1.6	- Different Financial Regulators in Hong Kong
1.2	Hong Kong Monetary Authority – Regulatory Framework
1.2.1	- Definition of Banking Business
1.2.2	- Banking Ordinance and its Subsidiary Legislation
1.2.3	- Different Types of Authorised Institution
1.2.4	- HKMA - History and Background
1.2.5	- HKMA - Regulatory Powers
1.2.6	- HKMA - Role and Composition
1.2.7	- HKMA - Relationship with Banks
1.3	Securities and Futures Commission – Regulatory Framework
1.3.1	- Definition of Securities-related Business
1.3.2	- Securities and Futures Ordinance and its Subsidiary Legislation
1.3.3	- Licensed Corporation vs Registered Institution
1.3.4	- SFC - History and Background
1.3.5	- SFC - Regulatory Powers
1.3.6	- SFC - Role and Composition
1.3.7	- SFC - Relationship with Banks

1.4	Insurance Authority – Regulatory Framework
1.4.1	- Definition of Insurance Business
1.4.2	- Insurance Ordinance and its Subsidiary Legislation
1.4.3	- Different Types of Insurance Business
1.4.4	- IA - History and Background
1.4.5	- IA - Regulatory Powers
1.4.6	- IA - Role and Composition
1.4.7	- IA - Relationship with Industrial Bodies
1.4.8	- IA - Relationship with Banks
1.5	Mandatory Provident Fund Scheme Authority – Regulatory Framework
1.5.1	- Definition of MPF Business
1.5.2	- Mandatory Provident Fund Schemes Ordinance and its Subsidiary Legislation
1.5.3	- Different Roles in MPF Business
1.5.4	- MPFA - History and Background
1.5.5	- MPFA - Regulatory Powers
1.5.6	- MPFA - Role and Composition
1.5.7	- MPFA - Relationship with Banks
1.6	Hong Kong Monetary Authority – The Lead Regulator of Bank
1.6.1	- HKMA - Regulatory Oversight of Other Financial Business of AIs
1.6.2	- Cooperation with Other Financial Regulators in Hong Kong
1.6.3	- Cooperation with Industrial Bodies in Hong Kong
1.6.4	- International Cooperation
1.6.5	- Professional Education through Educational Bodies
1.6.6	- Example of Regulatory Investigation with Other Financial Regulators
Chapter 2: Banking Supervision, Internal Policies, Standards and Guidelines	
2.1	Supervisory Approach and CAMEL Rating
2.1.1	- Supervisory Objectives
2.1.2	- Compliance with Basel Core Principles
2.1.3	- Supervisory Approach and Regulatory Expectations of the HKMA
2.1.4	- On-site Examination
2.1.5	- Offsite Review and Prudential Meeting
2.1.6	- Tripartite Meeting with External Auditors
2.1.7	- Sharing of Information with Other Supervisors
2.1.8	- Supervisory Framework
2.2	Risk-Based Supervisory Approach
2.2.1	- Introduction
2.2.2	- Key Objectives and Benefits of the Risk-Based Supervisory Framework
2.2.3	- Six-step Methodology
2.2.4	- Risk Assessment
2.2.5	- Eight Inherent Risks

2.2.6	- Sound Risk Management
2.3	Hong Kong Monetary Authority and Hong Kong Exchanges and Clearing Limited – Corporate Governance Requirements
2.3.1	- Definition of Corporate Governance
2.3.2	- Why is Corporate Governance important for AIs
2.3.3	- Principles of Corporate Governance
2.3.4	- Guidelines on Corporate Governance
2.3.5	- Responsibilities of the Board
2.3.6	- Structure and Functioning of the Board
2.3.7	- Performance Evaluation of the Board
2.3.8	- Corporate Governance Code – Listing Rules
2.3.9	- Example of a Corporate Governance Report of a Listed AI
2.4	Risk Management System of AIs
2.4.1	- Introduction
2.4.2	- Risk Governance
2.4.3	- Risk Appetite
2.4.4	- Management Policies, Procedures and Limits
2.4.5	- Risk Management Systems and Processes
2.4.6	- Internal Control System, Compliance and Internal Audit Functions
2.4.7	- Example – Risk Management Framework of a Listed AI
2.5	Regulatory Expectation of Internal Controls System
2.5.1	- Definition of Internal Control
2.5.2	- Purposes of Internal Control
2.5.3	- Internal Control Activities
2.5.4	- Key Regulatory Expectations of Internal Control
2.5.5	- Common Issues of Internal Control
2.5.6	- Example of an Internal Control Report of a Listed AI
2.5.7	- Example of Compliance controls
Chapter 3: Bank Culture Reform	
3.1	Treat Customers Fairly Charter (2013)
3.1.1	- Background
3.1.2	- TCF Charter Launching Ceremony (28 October 2013)
3.1.3	- Main Principles of TCF Charter (28 October 2013)
3.1.4	- TCF Charter for Private Wealth Management Industry (8 June 2017)
3.1.5	- From TCF Charter to Bank Culture Reform
3.2	Bank Culture Reform Circular (2017)
3.2.1	- Background
3.2.2	- Bank Culture Reform Circular (2 March 2017)
3.2.3	- Sound Bank Culture – Three Pillars
3.2.4	- Governance

3.2.5	- Incentive Systems
3.2.6	- Assessment and Feedback Mechanisms
3.2.7	- Implementation of the Culture Reform Requirements by AIs
3.3	Supervisory Measures for Bank Culture
3.3.1	- Supervision of Bank Culture Circular (19 December 2018)
3.3.2	- Major Supervisory Measures
3.3.3	- Self-assessment
3.3.4	- Focus Review
3.3.5	- Culture Dialogue
3.3.6	- Experience from Overseas Practices
3.4	Self-assessment on Bank Culture Reform
3.4.1	- Background
3.4.2	- Self-assessment – Purpose and AIs Covered
3.4.3	- Major Areas Assessed
3.4.4	- Report on Review of Self-assessments on Bank Culture
3.4.5	- Range of Practices and Common Themes of the AIs
3.4.6	- Next Steps for AIs
3.5	Focus Review, Culture Dialogue and Industrial Survey
3.5.1	- Focus Review on Incentive Systems
3.5.2	- Culture Dialogue with Bank – Incentive System, Staff Training and Internal Escalation of Culture Issues
3.5.3	- Industrial Survey – Opinion from Bank Employees
3.5.4	- Further Development and Follow-up Actions
Chapter 4: Major Statutory Requirements for Bank in Hong Kong	
4.1	Banking Ordinance
4.1.1	- Purposes of the Ordinance
4.1.2	- Major Provisions
4.1.3	- Regulatory Powers of the MA on AIs
4.1.4	- Authorisation for the Conduct of Banking Business and Business of Taking Deposits
4.1.5	- Approval of Controller, Chief Executive, Director, etc.
4.1.6	- Financial Disclosure, Reporting and Notification Requirements
4.1.7	- Liquidity Requirements
4.1.8	- Capital Requirements
4.1.9	- Limitations on Exposures and Interests of AIs
4.1.10	- Code of Practice and Guidelines on Business Practice
4.1.11	- Other Important Provisions in Part X of the BO
4.1.12	- Major Subsidiary Legislation
4.2	Securities and Futures Ordinance
4.2.1	- Purposes of the Ordinance

4.2.2	- Regulated Activities
4.2.3	- Major Provisions
4.2.4	- Regulatory Powers of the SFC
4.2.5	- Exchanges, Clearing Houses, Exchange Controllers, Investor Compensation Companies and Automated Trading Services
4.2.6	- Regulation of Offers of Investments
4.2.7	- Licensing and Registration of Intermediaries
4.2.8	- Business Conduct, Supervision and Investigation of Intermediaries
4.2.9	- Major Subsidiary Legislation
4.3	Insurance Ordinance
4.3.1	- Purposes of the Ordinance
4.3.2	- Insurance Activities Governed by the Ordinance
4.3.3	- Major Provisions
4.3.4	- Regulatory Powers of the IA
4.3.5	- Authorisation of and Regulatory Powers over Authorised Insurers
4.3.6	- Long Term Business and General Business
4.3.7	- Licensed Insurance Intermediaries
4.3.8	- Conduct Requirements of Licensed Insurance Intermediaries and Disciplinary Powers of the IA
4.3.9	- Major Subsidiary Legislation
4.4	Mandatory Provident Fund Schemes Ordinance
4.4.1	- Purposes of the Ordinance
4.4.2	- Major Provisions
4.4.3	- Regulatory Powers of the MPFA
4.4.4	- Mandatory Contributions of Employers and Employees of MPF Schemes
4.4.5	- Supervision of MPF Schemes
4.4.6	- Supervision of MPF Intermediaries
4.4.7	- Major Subsidiary Legislation
4.5	Personal Data (Privacy) Ordinance
4.5.1	- Background and Purpose of the Ordinance
4.5.2	- Six Data Protection Principles
4.5.3	- Regulatory Powers of the Privacy Commissioner for Personal Data ("PCPD")
4.5.4	- Engagement of AIs with the PCPD
Chapter 5: Regulatory Objectives and Relevant Mandates	
5.1	Code of Banking Practice - annual self-assessment
5.1.1	- Background and Objectives of the CoBP
5.1.2	- Applicability of the CoBP
5.1.3	- General Principles
5.1.4	- Major Recommendations on Banking Services
5.1.5	- Annual Compliance Self-assessment of the CoBP

5.1.6	- Published Results of the Self-assessment
5.1.7	- Non-Compliance with the CoBP and Follow-up
5.2	Code of Conduct for Persons Licensed by or Registered with the Securities and Future Commission
5.2.1	- Background and Purposes of the SFC Code
5.2.2	- Applicability of the SFC Code to AIs (as RI)
5.2.3	- General Principles
5.2.4	- Major Provisions
5.2.5	- Enforcement of the SFC Code by the SFC
5.2.6	- Non-Compliance with the Code and Follow-up
5.3	Code of Conduct for Licensed Insurance Agents and Code of Conduct for Licensed Insurance Brokers
5.3.1	- Background and Aims of the Codes
5.3.2	- Applicability of the Insurance Agent Code to AIs (as Insurance Agency)
5.3.3	- General Principles
5.3.4	- Major Provisions
5.3.5	- Enforcement of the Insurance Agent Code by the IA
5.3.6	- Non-compliance with the Insurance Agent Code and Follow-up
5.4	Guidelines on Conduct Requirements for Registered Intermediaries (Issued by the Mandatory Provident Fund Schemes Authority)
5.4.1	- Background and Purposes of the MPFI Guidelines
5.4.2	- Applicability of the MPFI Guidelines
5.4.3	- Minimum Standards
5.4.4	- Major Provisions
5.4.5	- Enforcement of the MPFI Guidelines by the MPFA
5.4.6	- Non-compliance with the MPFI Guidelines and Follow-up
Chapter 6: Introduction to International Regulation	
6.1	International Regulations (Role of Regulators, Regulatory Powers and International Regulatory Models and Latest Market Trends)
6.1.1	- Background of International Regulation
6.1.2	- Development of International Business and MNCs with Cross-border Business across Different Geographies
6.1.3	- Necessity for Regulations to be Applicable outside of the Country, e.g. AML/CTF Rules and Anti-tax Evasion Regulations
6.1.4	- Different International Regulatory Models: Single Country Regulation (e.g. FATCA) vs International Regulatory Standards (e.g. CRS/AEOI)
6.1.5	- Internationalisation of Business and Market Trends of International Regulatory Cooperation in Addressing International Regulatory Risks
6.2	Foreign Account Tax Compliance Act (“FATCA”)
6.2.1	- Background and Purposes of FATCA
6.2.2	- Applicability of FATCA to Banks in Hong Kong
6.2.3	- FATCA Requirements for AIs and AIs' Customers

6.2.4	- Control and Operational Procedures for FATCA
6.2.5	- Non-participating Foreign Financial Institutions and Consequential Penalty Tax
6.2.6	- Challenges in Compliance with FATCA Requirements
6.3	Common Reporting Standards (AEOI/CRS)
6.3.1	- Background and Purposes of CRS/AEOI
6.3.2	- Inland Revenue (Amendment) (No.3) Ordinance (Cap. 112) 2016
6.3.3	- Applicability of CRS/AEOI in Hong Kong
6.3.4	- CRS/AEOI Requirements for AIs and AIs' Customers
6.3.5	- Control and Operational Procedures for CRS/AEOI
6.3.6	- Consequences of Non-Compliance with CRS/AEOI Requirements
6.3.7	- Challenges in Compliance with CRS/AEOI Requirements
6.4	EU General Data Protection Regulation (GDPR)
6.4.1	- Background and Purposes of the GDPR
6.4.2	- Extra-territorial Application of the GDPR and Applicability in Hong Kong
6.4.3	- Comparison between the PDPO and the GDPR
6.4.4	- Major Provisions of the GDPR Relevant to AIs and AIs' Customers in Hong Kong
6.4.5	- Data Privacy Governance, Data Mapping and Impact Assessment
6.4.6	- New and Enhanced Rights of Data Subjects
6.4.7	- Data Protection Seals, Codes of Conduct and Cross-jurisdiction Data Transfer
6.5	FX Global Code / Volcker / MIFID
6.5.1	- FX Global Code
6.5.2	- Volcker Rule
Chapter 7: Registration and Licensing Requirements	
7.1	Banking Ordinance – AI, CE, ACE and Manager
7.1.1	- Types of AI under the BO
7.1.2	- Minimum Criteria of the MA for Authorization of AIs
7.1.3	- Continuous Satisfaction with the Minimum Criteria for Authorization by AIs
7.1.4	- Requirements of Local Branch, Local Office and Overseas Branch
7.1.5	- Requirements of Foreign Bank Branch and Representative Office in Hong Kong
7.1.6	- Approval Requirements for CE, ACE and Director and Systems of Control for Appointment of Section 72B Manager
7.1.7	- Assessment Criteria of the MA on Approval for CE and Director
7.1.8	- Statutory Notification Requirement for Appointment of Section 72B Manager
7.2	Securities and Futures Ordinance – Registered Institution and Relevant Individual
7.2.1	- Registration Requirements for AI Carrying on RAs as RI under the SFO
7.2.2	- Requirements for Appointment of Two or More EOs for Each RA
7.2.3	- Fit and Proper Requirements for EO

7.2.4	- Fit and Proper Requirements for REI
7.2.5	- CPT Requirements for EO and REI
7.3	Insurance Ordinance – Agency and Technical Representative
7.3.1	- Licensing Requirements for AI as Licensed Insurance Agency under the IO
7.3.2	- Requirement for Appointment of an RO by a Licensed Insurance Agency
7.3.3	- Fit and Proper Requirements for RO
7.3.4	- Fit and Proper Requirements for Licensed Technical Representative (Agent) ("TR")
7.3.5	- CPD Requirements for RO and TR
7.4	Mandatory Provident Fund Schemes Ordinance – MPF Intermediary
7.4.1	- Registration Requirements for AI as PI under the MPFSO
7.4.2	- Requirement for Appointment of an RO by a PI
7.4.3	- Criteria of the MPFA for Approval of RO Appointed by a PI
7.4.4	- Registration Requirements for SI under the MPFSO
7.4.5	- CPD Requirements for RO and SI
7.5	Listing Rules – Listed AIs
7.5.1	- Background of the Rules - Listed AI
7.5.2	- Chapter 13 Equity Securities – Continuing Obligations
7.5.3	- Listing Rules on Debt Securities
7.5.4	- Chapter 24 Debt Securities - Application Procedures and Requirements
7.5.5	- Chapter 37 Debt Securities - Debt Issues to Professional Investors Only
7.5.6	- Appendix 14 Corporate Governance Code
7.5.7	- Compliance with the Rules
7.6	Manager-in-charge (MIC) Regime – Applicability to AIs
7.6.1	- Background of the SFC MIC Regime
7.6.2	- MICs Required for Licensed Corporation Licensed by the SFC
7.6.3	- Responsibilities and Legal Liabilities of MIC
7.6.4	- Management Structure Information for the SFC
7.6.5	- Application of the MIC Regime to AIs
7.6.6	- Ongoing Review and Monitoring of AIs' Compliance with the MIC Regime Requirements
Chapter 8: Regulatory Breach and Operational Risk Incident Management	
8.1	Identification, Review and Classification of Incident
8.1.1	- Definition of Operational Risk Incident
8.1.2	- Categories of Operational Risk Incident
8.1.3	- Identification of Operational Risk Incidents – Internal vs External Factors
8.1.4	- Internal Tools for Identification and Assessment of Operational Risk Incidents
8.1.5	- Incident Management Team ("IMT") – Operations, IT, Business, Communication and Compliance
8.1.6	- Incident Management Protocol – Based on Nature of Incident
8.2	Response and Management of Operational Risk Incident – Internal Escalation

8.2.1	- Incident Management Protocol – Introduction and Major Elements
8.2.2	- Establishment of the IMT and Fact Finding
8.2.3	- First Management Escalation – Impact Analysis and Impact Control Action
8.2.4	- Implementation of Impact Control Action and Monitoring of Impact Situation
8.2.5	- External Escalation and Notification – Regulator, Customer and Public
8.2.6	- First Incident Report – Management and Regulator(s) (Including Customer Impact and Root Cause Analysis)
8.3	Response and Management of Operational Risk Incident - Remediation and Disclosure
8.3.1	- Management Review and Approval for Customer Impact Remediation Plan and IT Solution to Root Cause
8.3.2	- Notification to Regulator of the Remediation Plan and IT Solution
8.3.3	- Execution of Remediation Plan and IT Solution with Ongoing Updates to Management and Regulator(s)
8.4	Response and Management of Operational Risk Incident - Lesson Learnt and System Enhancement
8.4.1	- Identification of Accountability of Staff, Processes and Departments - Proposal and Execution of the Action
8.4.2	- Overall Financial Impact Analysis and Lessons Learnt
8.4.3	- Final Incident Report – Management and Regulator(s)
8.4.4	- Management Review and Approval for the Completion of the Incident and Dissolution of IMT
8.5	Operational Risk Incident Regulatory Reporting Requirement of the HKMA
8.5.1	- HKMA's Operational risk and Breach Incident Reporting Requirements
8.5.2	- Responsibilities of Chief Operating Officer
8.5.3	- Classification of Incident – Nature, Breach and Customer Impact
8.5.4	- Same-Day Reporting
8.5.5	- Disclosure to Affected Customers and the Public
8.5.6	- Root Cause Analysis
8.5.7	- Accountability of the Incident – Staff, Processes and Departments
8.5.8	- Ongoing Updates
8.5.9	- Final Report
8.6	Reputational Issue in Incident Management
8.6.1	- Importance of the Reputation of AIs
8.6.2	- Key Drivers of Reputation of AIs
8.6.3	- Effective Reputation Risk Management Process
8.6.4	- Reputation Risk Management – Operational Risk Incident
8.6.5	- Operational Risk Incident – Protection of the Reputation of AIs
8.6.6	- Example of Reputation Event – AI Annual Report Disclosure
Chapter 9: Future Development in Banking and the Relevant Regulatory Requirements	
9.1	Digital Banking and e-Banking Regulatory Requirements
9.1.1	- Definition of E-banking

9.1.2	- Evolution of HKMA E-banking Requirements since 2000
9.1.3	- Inherent Risks of E-banking Business
9.1.4	- From Internet Banking to Mobile Banking
9.1.5	- Risk Management of E-banking Services
9.1.6	- Technology Outsourcing
9.1.7	- IT Security Assessment and Independent Assessment of New E-banking Services
9.1.8	- E-banking Incident Management and Reporting
9.1.9	- Example – Faster Payment Security Issue
9.1.10	- Artificial Intelligence and Machine Learning (“ML”)
9.2	Open API and Open Banking Development in Hong Kong
9.2.1	- What is API Technology
9.2.2	- Definition of Open API for Banking
9.2.3	- Open API for Banking – Concept and Practice
9.2.4	- Open API Framework for the Hong Kong Banking Sector – Launch Approach of the HKMA
9.2.5	- Implementation of Open API Framework for the Hong Kong Banking Sector – Phases Launched – Phases I, II, III and IV
9.2.6	- Challenges ahead for Adoption of Open APIs for Banking in Hong Kong
9.2.7	- Open API Adoption in Banking – Experience in Other Countries
9.3	Digital Banking Licensing and Regulatory Development
9.3.1	- What is a Digital Bank
9.3.2	- Digital Banks vs Conventional Banks
9.3.3	- Digital Bank Authorisation Requirements
9.3.4	- Authorisation of Eight Digital Banks in 2019
9.3.5	- Commencement of Business of Digital Banks in 2020
9.3.6	- Digital Bank – Business and Operational Risks
9.4	Sustainable and Green Banking Business Development in Hong Kong
9.4.1	- Background of Green and Sustainable Banking to Address Climate Risk
9.4.2	- HKMA's Key Measures in Addressing Climate Risk – Three Sets of Measures: Green and Sustainable Banking, Responsible Investment and Centre for Green Finance
9.4.3	- Establishment of Green and Sustainable Finance Cross-Agency Steering Group in May 2020
9.4.4	- Status of Development in Green and Sustainable Banking in Hong Kong as of June 2022
9.5	Regulatory and Compliance Challenges from Sustainable and Green Banking Business
9.5.1	- Establishment of Common Assessment Framework for Measurement of “Greenness Baseline” for AIs
9.5.2	- White Paper on Green and Sustainable Banking – June 2020
9.5.3	- Supervisory Expectations on Climate Resilience for AIs

9.5.4	- Establishment of Business and Risk Management Systems to Comply with the Supervisory Expectations on Climate Resilience for AIs
9.5.5	- HKMA Circular Dated 30 Jun 2022 on Embedding Climate Risk in Banking Supervision
Chapter 10: Case Studies – Compliance Challenge	
10.1	Challenge of New Products and Services
10.1.1	- Expectation of New Products and Services from Customers
10.1.2	- New Products and Services to Cope with Market Situation
10.1.3	- Ongoing Changes in the Channel of Delivery of Products and Services including Digital Channels
10.1.4	- Risks Associated with New Products and Services
10.1.5	- Risks Associated with Different Delivery Channels
10.1.6	- New Products and Services - Internal Review and Approval Process
10.1.7	- New Delivery Channel – Pre-launch Review and Assessment
10.1.8	- Regulatory Requirements to Meet the Fast Pace of Development of New Products and Services in the Financial Market
10.1.9	- Ongoing Enhancement of Business and Product Knowledge of the Risk and Compliance and Functions
10.2	Challenge of Ongoing Changes in Regulatory Requirements
10.2.1	- Background – Ongoing Evolution of Regulatory Requirements
10.2.2	- Changes of Regulatory Requirements – Demand Driven and Immediate
10.2.3	- Changes of Regulatory Requirements – Well-Planned and Medium to Long-Term
10.2.4	- Challenges in Compliance with the New Requirements
10.2.5	- Structural Changes in Internal Control and Operational Processes Take time
10.2.6	- IT System Enhancements – Costly and Take Time
10.2.7	- New Processes – Staff Training and Compliance Monitoring of Staff Adherence to the New Process
10.3	Challenge of External Event
10.3.1	- External Event – Impact on AIs' Business and Compliance with Regulatory Requirements
10.3.2	- Major Types of External Event Affecting AIs' Business
10.3.3	- Effects on Business Volume
10.3.4	- Effects on Ways of Conducting Business
10.3.5	- Effects on Products and Services Offered
10.3.6	- AIs to Cope with these effects - Additional Sales and Operational Processes
10.3.7	- Enhancement of Compliance Monitoring and Review to Cope with the Additional Sales and Operational Processes
10.4	Case Study – Compliance Breach involving Staff Misconduct
10.4.1	- Overview of the Staff Misconduct Case
10.4.2	- Identification of the Case - Customer Complaint, Sales Quality Review
10.4.3	- Analysis of the Case - Facts, Customer Detriment, Misconduct

10.4.4	- Reporting - Management, Regulator
10.4.5	- Investigation by Regulator and Conclusion - Staff Misconduct involving Regulatory Breach
10.4.6	- Sanctions on Staff
10.4.7	- Lessons Learnt - Implications for the AI
10.5	Case Study – Operational Risk Incident with Major Customer Impact
10.5.1	- Overview of the Operational Risk Incident Case
10.5.2	- Identification of the Case - IT Check
10.5.3	- Analysis of the Case - Facts, Customer Detriment, IT Issue
10.5.4	- Reporting to Regulator
10.5.5	- Investigation by Regulator and Conclusion - IT Operational Issue involving Regulatory Breach
10.5.6	- Sanctions on the AI and Remediation Work
10.5.7	- Lessons Learnt - Enhancement of IT System, Implications for the AI

Recommended Readings

Essential Readings:

1. HKIB Study Guide of ECF-ORM: Module 2 Regulatory Framework and Compliance in Banking Industry. (2025).

Supplementary Readings

1. Hong Kong Legislation. Chapter 155, Chapter 571, Chapter 41, Chapter 485 and Chapter 486.
2. Hong Kong Monetary Authority. (2022). Supervisory Policy Manual, Risk-based supervisory approach.
3. Hong Kong Monetary Authority. (2017). Supervisory Policy Manual, Corporate governance of locally incorporated authorized institutions.
4. Hong Kong Monetary Authority. (2017). Supervisory Policy Manual, Risk Management Framework.
5. Hong Kong Monetary Authority. (2018). Supervisory Policy Manual, Interest Rate Risk in the Banking Book.
6. Hong Kong Monetary Authority. (2022). Supervisory Policy Manual, Operational risk management.
7. Hong Kong Monetary Authority. (2017). Circular on Bank Culture Reform.
8. The Hong Kong Association of Banks/The DTC Association. (2023). Code of Banking Practice.
9. Securities and Futures Commission. (2024). Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.
10. Insurance Authority. (2019). Code of Conduct for Licensed Insurance Agents.
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Further Readings

1. Nil