

Module Outline

ECF on Compliance (COM)

Module 2 “Regulatory Framework and Compliance in Banking”

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| 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) |
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| 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 109333L5 |
| 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. | |
| 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. | |

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| 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

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| 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 | |
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| 1.1.3 | - Why Financial Markets Must Be Regulated |
| 1.1.4 | - The Basic Regulatory Model of the Financial Business |
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| 1.1.6 | - Different Financial Regulators in Hong Kong |
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| 9.2.3 | - Open API for Banking – Concept and Practice |
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| 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 |

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| 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.
11. Competition Commission. (2015). Guideline on the First Conduct Rule and Guideline on the Second Conduct Rule.

Further Readings

1. Nil