

## Module Outline

### ECF on Compliance

#### **Module 5 “Investment and Insurance Compliance”**

<b>Benchmarked HKQF Level:</b>	5
<b>No. of Credits:</b>	30
<b>Total Notional Learning Hours:</b>	300
<i>a) Class contact hours:</i>	<i>21 hours (3-hour per session x 7)</i>
<i>b) Self-study hours:</i>	<i>276 hours</i>
<i>c) Assessment hours:</i>	<i>3 hours</i>
<b>Pre-requisite:</b>	NA

#### **Module Objective**

This module aims to cover the relevant applicable laws and regulations relating to the investment and insurance compliance. Learners of this module should be able to develop the required technical skills and professional knowledge for managing the compliance risk within an AI for their investment and insurance businesses. The main focus of this module is on the applications of key legal and regulatory requirements, associated with the investment and insurance businesses, set by the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC), the Insurance Authority (IA) and the Mandatory Provident Fund Authority (MPFA).

#### **Module Intended Outcomes (MIOs) and Unit of Competencies (UoCs)**

Upon completion of the Module 5, candidate should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Formulate or review compliance policies, procedures and internal standards associated with investment and insurance business for the AI	109157L5 109199L5 109320L5 109321L5 109322L5/107389L5
MIO-2	Plan the implementation of compliance monitoring programmes associated with investment and insurance business and execute these programmes	109325L5 109334L5 109345L5 109603L5
MIO-3	Evaluate compliance risk and apply appropriate response plans and mitigating measures associated with investment and insurance business	
MIO-4	Manage and investigate non-compliance issues of the investment and insurance business of the AI and propose remedial actions to senior management	
MIO-5	Specify the compliance requirements associated with the investment and insurance business	
MIO-6	Assess the regulatory approach adopted by various regulators for the investment and insurance business of the AI	
MIO-7	Specify regulatory expectations in Hong Kong regarding the sale of investment and insurance products and related submissions	



*\*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

<b>Examination duration:</b>	3 hours
<b>Examination format:</b>	50 Multiple Choice Questions and 2 out of 3 Essay Type Questions
<b>Pass mark:</b>	60%

## Syllabus

<b>Chapter 1: Overview of the Regulatory Approach adopted by Regulators towards Financial Services Organisations</b>	
<b>1.1</b>	<b>Regulatory Approaches adopted by Regulators</b>
1.1.1	Different Roles and Functions of Regulators
1.1.2	<p>Applications of Provisions relating to the Requirements on Sales of Financial Products</p> <ul style="list-style-type: none"> <li>Supervisory Policy Manual (SPM) issued by the HKMA</li> <li>Securities and Futures Ordinance (SFO)</li> <li>Insurance Ordinance (IO)</li> <li>Mandatory Provident Fund (MPF) Scheme Ordinance (MPFO)</li> </ul>
1.1.3	<p>Relationships among Regulators</p> <ul style="list-style-type: none"> <li>The Remit of Different Regulators and Different Areas of Focus for Individual Regulators</li> <li>Als as RIs under the Securities and Futures Ordinance (SFO)</li> <li>Als as Licensed Insurance Intermediaries under the Insurance Ordinance (IO)</li> </ul>
<b>1.2</b>	<b>The Regulatory Submissions required when Selling Investment and Insurance Products</b>
1.2.1	Events to be Reported by the Licensed Persons and Registered Institutions (RIs) as indicated in the HKMA Supervisory Policy Manual (SPM)
1.2.2	RIs have to Report in Writing to the HKMA
1.2.3	Compliance with Notification Requirements by the SFC
1.2.4	Compliance with Notification Requirements by the IA
<b>1.3</b>	<b>Regulatory Requirements on Sales of Financial Products</b>
1.3.1	Implications of Relevant Sections of the Supervisory Policy Manual, Guidelines, and Circulars issued by the HKMA
1.3.2	Applications of Relevant Sections of the Code of Conduct, Guidelines, and Circulars issued by the SFC
1.3.3	Applications of Relevant Sections of the Code of Conduct, Guidelines, and Circulars issued by the IA
1.3.4	Applications of Relevant Sections of the Conduct Requirements for Registered Intermediaries issued by the MPFA
<b>1.4</b>	<b>Compliance on Selling Investment and Insurance Products as required by the Treat Customers Fairly Charter</b>
1.4.1	Principles of the Treat Customers Fairly Charter
1.4.2	Examples and Implications by applying the Principles of the Treat Customers

	Fairly Charter
<b>Chapter 2: Regulatory Expectations regarding the Sale of Investment Products and Handling of Client Securities</b>	
<b>2.1</b>	<b>Investor Protection Measures, Professional Investor Regime, and Private Placement Regime</b>
2.1.1	Applications of the HKMA Investor Protection Measures <ul style="list-style-type: none"> <li>Specific Compliance Requirements when Selling Investment Products</li> </ul>
2.1.2	Compliance Requirements under the Professional Investor Regime
2.1.3	Compliance Requirements under the Private Placement Regime
<b>2.2</b>	<b>Implications of the Pre-trade Disclosure Requirements</b>
2.2.1	Specific Compliance Requirements on Disclosure of Risk Statements
2.2.2	Specific Compliance Requirements on Providing Information to Customers to Make Informed Decisions
<b>2.3</b>	<b>Applications of the Sales Suitability Requirements in Online and Offline Environments</b>
2.3.1	Know Your Customer
2.3.2	Recommendations to Customers
2.3.3	Matching Recommendations with Risk-Return Profile of each Investment Product and the Personal Circumstances of each Customer
2.3.4	Consideration of Concentration Risk
2.3.5	Alternative Investment Products
2.3.6	Complex Products
2.3.7	Portfolio Suitability and Portfolio-based Suitability Assessment
2.3.8	Robo-Advisory
<b>2.4</b>	<b>Implications of the Requirements on Best Execution</b>
2.4.1	Applications of the Execution Controls and Monitoring
<b>2.5</b>	<b>Compliance on Cross-Border Business Activities</b>
2.5.1	Specific Requirements on Licensing Obligations of Corporations and Individuals
<b>2.6</b>	<b>Implications of the Requirements on Conflicts of Interest</b>
2.6.1	Disclosure and Fair Treatment
2.6.2	Importance of Independence
2.6.3	Disclosure of Sales of In-house Products
<b>2.7</b>	<b>Applications of Compliance on Licensing Requirements</b>
2.7.1	Competence Requirements
2.7.2	Determination of "Fit and Proper"
2.7.3	Continuous Professional Training (CPT) Requirements
<b>2.8</b>	<b>Specific Requirements when Handling Client Securities and Selling/Distributing Investment Products</b>
2.8.1	Circulars issued by the HKMA and the SFC
2.8.2	Enforcement Actions
<b>Chapter 3: Specific Requirements on the Sale of Insurance Products</b>	
<b>3.1</b>	<b>Compliance with Licensing Requirements</b>
3.1.1	Background
3.1.2	Code of Conduct for Licensed Insurance Agents

3.1.3	Code of Conduct for licensed Insurance Brokers
<b>3.2</b>	<b>Implications of the Requirements on Consumer Protection</b>
3.2.1	Specific Requirements on Consumer Protection
3.2.2	Applications of the Regulations and Industry Practices associated with the Sale of Insurance Policies <ul style="list-style-type: none"> <li>• Offering of Gifts</li> <li>• Regulation on the Sale of Long-term Policies, Policy Replacement, and Benefit Illustrations</li> <li>• Cooling-off Period</li> <li>• Guideline on Financial Needs Analysis (FNA)</li> <li>• Suitability and Affordability Assessment</li> <li>• Naming Requirements for Insurance Products</li> </ul>
<b>3.3</b>	<b>Specific Requirements when Selling Investment-linked Assurance Scheme (ILAS)</b>
3.3.1	Requirements on Selling Investment-linked Assurance Scheme (ILAS)
3.3.2	Applications of the Regulations and Industry Practices associated with the Sale of Investment-linked Assurance Scheme (ILAS)
<b>3.4</b>	<b>Specific Requirements when Selling Annuity Insurance Products</b>
3.4.1	Requirements on Selling Annuity Insurance Products
3.4.2	Applications of the Regulations and Industry Practices associated with the Sale of Annuity Insurance Products
<b>Chapter 4: Case Studies, Good Practices and Challenges associated with Compliance</b>	
<b>4.1</b>	<b>Applications of Good Practices by Embedding a Compliance Culture and Understanding the Compliance Risk Appetite across Different Business Units</b>
4.1.1	Case Study: The United Kingdom (“UK”) Financial Conduct Authority (“FCA”) fined Credit Suisse GBP147,190,276 and undertakes to the FCA to forgive USD200 million of Mozambican debt on 21 October 2021
4.1.2	Case Study: The FCA fined a Financial Penalty of GBP284,432,000 on Barclays Bank Plc for failing to control business practices in its foreign exchange (“FX”) business in London on 19 May 2015
<b>4.2</b>	<b>Alignment of Compliance Activities with the AI's Strategic Objectives</b>
4.2.1	Case Study: The FCA fined Lloyds Banking Group GBP117 million for failing to handle Payment Protection Insurance (“PPI”) complaints fairly on 5 June 2015
4.2.2	Case Study: The FCA fined Santander UK Plc GBP32.8 million for serious failings in its probate and bereavement process on 19 December 2018
<b>4.3</b>	<b>Involvement of Compliance where the AI seeks to undertake Significant Decisions, Major Change Projects, Strategic Initiatives and Major Transactions</b>
4.3.1	Case Study: The SFC reprimands and fines Citigroup Global Markets Asia Limited HKD348.25 million for serious regulatory failures over client facilitation activities on 28 January 2022
4.3.2	Case Study: The UK FCA fines Prudential GBP23,875,000 for failures relating to non-advised annuities sales on 30 September 2019
<b>4.4</b>	<b>Recent Significant enforcement cases in relation to misconduct issues in the sale of financial products.</b>

4.4.1	Case Study: SFC reprimands and fines Hang Seng Bank Limited \$66.4 million for misconduct in selling practices of investment product on 27 January 2025.
4.4.2	Case Study: FCA fines FXTB for unfair customer treatment practices on 9 August 2024.
4.4.3	Case Study: FCA fines and bans Martin Sarl for dishonest and reckless conduct on 14 August 2024.

## Recommended Readings

### Essential Readings

1. HKIB Study Guide – M5: Investment and Insurance Compliance (2025)

### Supplementary Readings

1. Hong Kong Monetary Authority, HKMA Supervisory Policy Manual - CG-3 Code of Conduct
2. Securities and Futures Commission, The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission
3. Insurance Authority, Code of Conduct for Licensed Insurance Agents
4. Insurance Authority, Code of Conduct for Licensed Insurance Brokers
5. Mandatory Provident Fund Schemes Authority, Guidelines on Conduct Requirements for Registered Intermediaries
6. Hong Kong Monetary Authority, Investor Protection Measures in respect of Investment, Insurance and Mandatory Provident Fund Products
7. Hong Kong Monetary Authority, HKMA Supervisory Policy Manual - SB-1 Supervision of Regulated Activities of SFC-Registered Authorised Institutions
8. Hong Kong Monetary Authority, HKMA Supervisory Policy Manual - IB-1 Supervision of Insurance Intermediary Business of Authorised Institutions
9. Hong Kong Monetary Authority, HKMA Circular - Treat Customers Fairly Charter

### Further Readings

1. Hong Kong Monetary Authority, Guidance on Selling of Investment Products and Handling of Clients Securities
2. Hong Kong Monetary Authority, HKMA Circular - Selling of Annuity Insurance Products
3. Hong Kong Monetary Authority, HKMA Circular - Cross-border Business Activities
4. Hong Kong Monetary Authority, HKMA Circular - Selling of Protection Linked Plan
5. Securities and Futures Commission, Fit and Proper Guidelines
6. Hong Kong Monetary Authority, HKMA Circular - Frequently Asked Questions on Investor Protection Measures