

Module Outline

Revised

Professional Qualification: Associate Operational Risk Management Professional (AORP) (QF Level 4)

Programme Title: Advanced Certificate for ECF on Operational Risk Management (ORM)

Module Title: Regulatory Framework and Compliance in Banking Industry (M2)

Credit: 10 (15 contact hours, 1.5 examination hours and 83.5 self-study hours)

Teaching/Training Activities: Training Class

Pre-requisite: N.A.

Remarks: **Pitched at QF Level 4

Professional Qualification Objective

This Professional Qualification has been developed with the aim to nurture a sustainable talent pool of operational risk management practitioners in the banking industry. Candidates will acquire technical skills, professional knowledge and conduct for entry-level and junior level of job roles in the operational risk management function that take up a majority of responsibility in the operational risk management and business function risk and control.

Professional Qualification Intended Outcomes(PQIOs) (for M1, M2 and M3

Upon completion of the Professional Qualification, candidate should be able to:

PQIO 1:	Comply with business ethics and understand their place within modern financial institutions; understand ethical questions encountered in the second line of defence in the context of the broader risk environment
PQIO 2:	Assess the regulatory landscape as per defined guidelines and procedures and identify operational risks encountered by different business units of the AI
PQIO 3:	Apply the principles and methodologies of operational risk management for conducting operational risk monitoring duties according to the AI's policies and guidelines
PQIO 4:	Analyse operational risks within different business units and effectively measure the likelihood and impact of such risks
PQIO 5:	Apply appropriate techniques and requirements of operational risk assessments within different business units
PQIO 6:	Understand the typical types of controls used in the banking industry
PQIO 7:	Implement appropriate controls that effectively mitigate operational risks within different business units
PQIO 8:	Examine operational risk matters and report to relevant stakeholders

PQIO 9:	Analyse operational risk metrics and use operational risk reporting and dashboards to identify the potential operational risks
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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) & Units of Competencies (UoCs)

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

MIOs	Intended Outcome/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	107398L3 107392L5/ 109319L5
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	107398L3 107408L4 107409L4
MIO 3:	Design and implement systems and controls for banks to ensure all legal and regulatory requirements are satisfied	107392L5/ 109319L5
MIO 4:	Assess compliance related operational risk indicators, assessment of the risks and based on the legal and regulatory requirement, develop strategies to mitigate the risks maintaining compliance position of the bank at the tolerance level; and	107409L4
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.	107408L4 107388L5 109333L5

Assessment Activity

Type of Assessment Activity	PQIO/MIO	Weighting (%)
Examination	MIO 1 - 5	100%

Examination Format and Duration

Time allowed: 1.5 hours

The examination consists of: 50-60 Multiple Choice Questions

Examination passing rate: 70%

AORP Certification Requirement

Completion of Module 1-3 of the ECF on ORM (Core Level) training and successfully passed all the following examinations and currently as a Relevant Practitioner.

Syllabus

Chapter 1: Overview of Regulatory Regime for Bank in Hong Kong	
1	- Introduction
2	- Overall Financial Regulatory Framework in Hong Kong
3	- Hong Kong Monetary Authority – Regulatory Framework
4	- Securities and Futures Commission – Regulatory Framework
5	- Insurance Authority – Regulatory Framework
6	- Mandatory Provident Fund Scheme Authority – Regulatory Framework
7	- Hong Kong Monetary Authority – The Lead Regulator of Bank
Chapter 2: Banking Supervision, Internal Policies, Standards and Guidelines	
1	- Introduction
2	- Supervisory Approach and CAMEL Rating
3	- Risk-Based Supervisory Approach
4	- Hong Kong Monetary Authority and Hong Kong Exchanges and Clearing Limited – Corporate Governance Requirements
5	- Risk Management System of Als
6	- Regulatory Expectation of Internal Controls System
Chapter 3: Bank Culture Reform	
1	- Introduction
2	- Treat Customers Fairly Charter (2013)
3	- Bank Culture Reform Circular (2017)
4	- Supervisory Measures for Bank Culture
5	- Self-assessment on Bank Culture Reform
6	- Focus Review, Culture Dialogue and Industrial Survey
Chapter 4: Major Statutory Requirements for Bank in Hong Kong	
1	- Introduction
2	- Banking Ordinance
3	- Securities and Futures Ordinance
4	- Insurance Ordinance
5	- Mandatory Provident Fund Schemes Ordinance

6	- Personal Data (Privacy) Ordinance
Chapter 5: Regulatory Objectives and Relevant Mandates	
1	- Introduction
2	- Code of Banking Practice
3	- Code of Conduct for Persons Licensed by or Registered with the Securities and Future Commission
4	- Code of Conduct for Licensed Insurance Agents and Code of Conduct for Licensed Insurance Brokers
5	- Guidelines on Conduct Requirements for Registered Intermediaries (Issued by the Mandatory Provident Fund Schemes Authority)
Chapter 6: Introduction to International Regulation	
1	- Introduction
2	- International Regulations (Role of Regulators, Regulatory Powers and International Regulatory Models and Latest Market Trends)
3	- FATCA
4	- Common Reporting Standards (AEOI/CRS)
5	- EU General Data Protection Regulation (GDPR)
Chapter 7: Registration and Licensing Requirements	
1	- Introduction
2	- Banking Ordinance – AI, CE, ACE and Manager
3	- Securities and Futures Ordinance – Registered Institution and Relevant Individual
4	- Insurance Ordinance – Agency and Technical Representative
5	- Mandatory Provident Fund Schemes Ordinance – MPF Intermediary
6	- Listing Rules – Listed AIs
7	- Manager-in-charge (MIC) Regime – Applicability to AIs
Chapter 8: Regulatory Breach and Operational Risk Incident Management	
1	- Introduction
2	- Identification, Review and Classification of Incident
3	- Response and Management of Operational Risk Incident – Internal Escalation
4	- Response and Management of Operational Risk Incident - Remediation and Disclosure
5	- Response and Management of Operational Risk Incident - Lesson Learnt and System Enhancement
6	- Operational Risk Incident Regulatory Reporting Requirement of the HKMA
7	- Reputational Issue in Incident Management

Chapter 9: Future Development in Banking and the Relevant Regulatory Requirements	
1	- Introduction
2	- Digital Banking and e-Banking Regulatory Requirements
3	- Open API and Open Banking Development in Hong Kong
4	- Virtual Banking Licensing and Regulatory Development
5	- Sustainable and Green Banking Business Development in Hong Kong
6	- Regulatory and Compliance Challenges from Sustainable and Green Banking Business
Chapter 10: Case Studies – Compliance Challenge	
1	- Introduction
2	- Challenge of New Products and Services
3	- Challenge of Ongoing Changes in Regulatory Requirements
4	- Challenge of External Event
5	- Case Study – Compliance Breach involving Staff Misconduct
6	- Case Study – Operational Risk Incident with Major Customer Impact

Recommended Readings

Essential Readings:

1. HKIB Study Guide – Regulatory Framework and Compliance in Banking Industry (2021)

Supplementary Readings

2. Hong Kong Legislation – Chapter 155, Chapter 571, Chapter 41, Chapter 485 and Chapter 486.
3. Hong Kong Monetary Authority- Supervisory Policy Manual (2001) Risk-based supervisory approach
4. Hong Kong Monetary Authority- Supervisory Policy Manual (2017) Corporate governance of locally incorporated authorized institutions
5. Hong Kong Monetary Authority- Supervisory Policy Manual (2017) Risk Management Framework
6. Hong Kong Monetary Authority- Supervisory Policy Manual (2018) Interest Rate Risk in the Banking Book
7. Hong Kong Monetary Authority- Supervisory Policy Manual (2005) Operational risk management
8. Hong Kong Monetary Authority- Supervisory Policy Manual (2003) General principles for technology risk management
9. Hong Kong Monetary Authority- Supervisory Policy Manual (2001) General principles of credit risk management
10. Hong Kong Monetary Authority- Circular (2013) on Bank Culture Reform
11. The Hong Kong Association of Banks/The DTC Association - (2015) Code of Banking Practice
12. Securities and Futures Commission - (2020) Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission
13. Insurance Authority – (2019) Code of Conduct for Licensed Insurance Agents

14. Competition Commission – (2015) Guideline on the First Conduct Rule and Guideline on the Second Conduct Rule

Further Readings

1. Beecham, B.J., 2003 Monetary and Financial System in Hong Kong 3rd Edition. Hong Kong Institute of Bankers 2003