

## Module Outline

<b>Professional Qualification:</b>	Associate Compliance Professional (ACOP)
<b>Programme Title:</b>	Advanced Certificate for ECF on Compliance
<b>Module Title:</b>	Regulatory Framework and Compliance in the Banking Industry (M2)
<b>Credit:</b>	10 (15 contact hours, 1.5 examination hours and about 83.5 self-study hours)
<b>Teaching/Training Activities:</b>	Training Class
<b>Pre-requisite:</b>	N.A.
<b>Remarks:</b>	<ol style="list-style-type: none"><li>1. Module 2 is identical for both ECF on Operational Risk Management and ECF on Compliance. Hence, an RP who has completed Module 2 will not be required to complete the same module when he/she undertakes the training programme under the other ECF stream.</li><li>2. Benchmarked at QF Level 4</li></ol>

### Professional Qualification Objective

This Professional Qualification has been developed with the aim to nurture a sustainable talent pool of compliance 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 compliance function that take up majority of responsibility in this function.

## 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 non-compliance issues encountered by different business units of the AI
PQIO 3:	Interpret the requirements of compliance monitoring activities and how to execute these activities
PQIO 4:	Analyse compliance vulnerabilities/risks within different business units and implement controls to adequately mitigate such risks
PQIO 5:	Examine compliance breaches and prepare compliance reports to escalate compliance matters to relevant stakeholders
PQIO 6:	Apply different compliance tools to manage and control compliance risk
PQIO 7:	Apply compliance knowledge in the support and delivery of compliance related training
PQIO 8:	Execute Regtech adoption in performing compliance and risk management functions

### Module Objective

This module aims to provide the candidates with essential knowledge related to major areas of professional ethics, risk and compliance in the context of corporate governance. The respective ethical and compliance aspects and issues encountered by individuals or corporations in the second line of defence in the context of the boarder risk environment is to be explained.

## Module Intended Outcomes (MIOs) & Units of Competencies (UoCs)

Upon completion of the Module, 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	109319L5/ 107392L5 107398L3
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	109319L5/ 107392L5
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.	109333L5 107388L5 107408L4

### 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

Pass mark: 70%

### QF-recognized ACOP Certification Requirement

- Completion of both training and examination of Module 1 to Module 2 of the ECF on Compliance/ ECF on Operational Risk Management (Core Level) programme and Module 3 of ECF on Compliance (Core Level) programme; and
- Currently a Relevant Practitioner

## Syllabus

<b>Chapter 1: Overview of Regulatory Regime for Bank in Hong Kong</b>	
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
<b>Chapter 2: Banking Supervision, Internal Policies, Standards and Guidelines</b>	
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 AIs
6	- Regulatory Expectation of Internal Controls System
<b>Chapter 3: Bank Culture Reform</b>	
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
<b>Chapter 4: Major Statutory Requirements for Bank in Hong Kong</b>	
1	- Introduction
2	- Banking Ordinance
3	- Securities and Futures Ordinance
4	- Insurance Ordinance
5	- Mandatory Provident Fund Schemes Ordinance
6	- Personal Data (Privacy) Ordinance
<b>Chapter 5: Regulatory Objectives and Relevant Mandates</b>	
1	- Introduction
2	- Code of Banking Practice
3	- Code of Conduct for Persons Licensed by or Registered with the Securities and Futures 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)

<b>Chapter 6: Introduction to International Regulation</b>	
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)
<b>Chapter 7: Registration and Licensing Requirements</b>	
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
<b>Chapter 8: Regulatory Breach and Operational Risk Incident Management</b>	
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
<b>Chapter 9: Future Development in Banking and the Relevant Regulatory Requirements</b>	
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
<b>Chapter 10: Case Studies – Compliance Challenge</b>	
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 – M2: Regulatory Framework and Compliance in Banking Industry (2022)

### Supplementary Readings

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

### Further Readings

NIL