

Module Outline

Professional Qualification:	Associate Compliance Professional (ACOP)
Programme Title:	Advanced Certificate for ECF on Compliance
Module Title:	An Effective Compliance Function (M3)
Credit:	20 (18 contact hours, 2.5 examination hours and about 179.5 self-study hours)
Teaching/Training Activities:	Training Class
Pre-requisite:	N.A.
Remarks:	Benchmarked at QF Level 4

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 responsibilities in this function.

Professional Qualification Intended Outcomes (PQIOs) for 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 candidates with fundamental concept and knowledge in relations to the element of an effective compliance function. Basic principles and the components of compliance framework associated with the three lines of defence. Roles and responsibilities of the HKMA in the banking supervisory function are also discussed. Compliance programmes and common compliance tools are introduced to enable candidate to apply in their daily job tasks as a compliance professional. The role of technology in compliance is also introduced.

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:	Assess the key elements of the compliance function and its relationship with other parties in an Authorized Institution	107398L3
MIO 2:	Analyse the key principles and requirements of an effective compliance function as a second line of defence of an Authorized Institution	107398L3 109345L5
MIO 3:	Examine the interaction between the HKMA and bank when the HKMA is executing its supervisory function	107398L3
MIO 4:	Analyse the duties, roles and responsibilities of the compliance function	109345L5 109327L4
MIO 5	Apply common compliance tools and various compliance programme designed to manage and control compliance risks	107408L4 109310L4
MIO 6:	Evaluate the organization structure and reporting line that enable an authorized institution to drive a sound compliance culture	Nil
MIO 7:	Analyse challenges faced by the compliance function in an authorized institution, current and in the foreseeable future	109609L4/ 107622L4
MIO 8:	Execute Regtech adoption in performing compliance and risk management functions	109609L4/ 107622L4

Assessment Activity

Type of Assessment Activity	PQIO/MIO	Weighting (%)
Examination	MIO 1 - 8	100%

Examination Format and Duration

Time allowed: 2.5 hours

The examination consists of 80-90 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

Chapter 1: Key Elements of Effective Compliance Function	
1	- Introduction
2	- Compliance's Function in an Authorized Institution <ul style="list-style-type: none"> • Purpose of Regulation • Nature and Scope of Compliance Function • Key risks from banking activities and Compliance Risk
3	- The Myths of and Misunderstanding to Compliance Function <ul style="list-style-type: none"> • Why Regulate (Protection, Promotion, Registration, Restriction, and Standard) • The Role of Compliance Function • Conflict of Interest, Market Misconduct, Corruption and Bribery
4	- Key Elements of Compliance Function in an Authorized Institution <ul style="list-style-type: none"> • Independence • Formal Status • No Conflict of Interest • Access to Information and Personnel • Adequate Resources • Rapport Building • Prevention and Detection of Financial Crime • Code of Conduct
Chapter 2: Principles and Components of Compliance Frameworks and Internal Controls	
1	- Introduction
2	- Requirements for an Effective Compliance Function <ul style="list-style-type: none"> • Compliance as Part of Risk Governance: Internal Control, Compliance, and Risk Management • The Human Factor
3	- Compliance Function as an Internal Risk Control Function <ul style="list-style-type: none"> • What is Internal Control System? • Types of Internal Control • Identifying Issues • Limitation of Internal Control (Judgment, Breakdowns, Management Override, Collusion, Costs and Benefits and Usual Transactions)
4	- The Risk Management Process <ul style="list-style-type: none"> • The Relationship between Risk Management and Compliance Function • Risk Assessment • Risk Analysis • Risk Evaluation • Risk Reporting and Communication • Risk Treatment
5	- Relationship between Compliance and Internal Audit Function <ul style="list-style-type: none"> • Monitoring and Review of the Risk Management Process • Structure and Administration of Audit Programme • Audit Opinion
6	- Relationship between Operations, Operational Risk Management, and Compliance Function

Chapter 3: Roles and Responsibilities of The HKMA in Banking Supervisory Function	
1	- Introduction
2	- Different Regulatory Approaches in Overseeing Banking Activities <ul style="list-style-type: none"> • Licensing • Self-regulation • Law Enforcement
3	- Roles and Responsibilities of the Bank Departments in Banking Supervisory Functions <ul style="list-style-type: none"> • Organisational Structure • Roles and Responsibilities in the First Line of Defence • Roles and Responsibilities in the Second Line of Defence • Roles and Responsibilities in the Third Line of Defence
4	- Supervisory Approach and Framework <ul style="list-style-type: none"> • Law and Regulation: Principle Based Approach • Inspections and Examination • Law Enforcement • The Role of HKMA and its Collaboration with other Regulatory Bodies
Chapter 4: Roles and Responsibilities of a Compliance Function	
1	- Introduction
2	- Risk Oversight and Assessment <ul style="list-style-type: none"> • Credit Risk • Market Risk • Interest Rate Risk • Liquidity Risk • Operational Risk • Reputation Risk • Legal Risk • Strategic Risk • Other Emergency Risk
3	- Implementing Compliance Programme <ul style="list-style-type: none"> • Establish, Implement and Review Policy and Procedures • Provide Training and Education • Risk Measurement, Monitoring and Managing Reporting Systems • Compliance Incidents Occurs or being Uncovered – Reporting (Whistleblowing) and Investigations
4	- Compliance Breaches Investigation <ul style="list-style-type: none"> • What is Internal Investigation • Purpose and Benefits of Internal Investigation • When to Conduct an Internal Investigation • Process of Internal Investigation
5	- Remedial Steps and Reporting <ul style="list-style-type: none"> • Determining Remediation • Report Writing and Escalation Process • Report to Regulators

Chapter 5: Understanding Compliance Tools	
1	- Introduction
2	- Policies and Procedures <ul style="list-style-type: none"> • Locating Regulatory Reference • Identifying the Right Guidance • Reading HKMA Regulation (Supervisory Policy Manual)
3	- Monitoring <ul style="list-style-type: none"> • Reading HKMA Updates: Circular • Reading HKMA Updates: Frequently Asked Questions • Designing Form
4	- Training <ul style="list-style-type: none"> • Function • Goal Setting • Communication Tool • Dissemination of Compliance Requirement
5	- Governance, Risk and Compliance (GRC) Tools <ul style="list-style-type: none"> • Performance Indicators • Access to Information by Compliance Functions • Authority to Request Further Information
Chapter 6: Put in Practice - Sound Compliance Culture Development and its Challenges	
1	- Introduction
2	- A Sound Compliance Culture: Definition and the Essentials <ul style="list-style-type: none"> • Definition of Organisational Culture • Elements of Good Compliance Culture • Diversity, Equity and Inclusion
3	- Challenges on Compliance Development <ul style="list-style-type: none"> • Conduct and Ethics • Fintech and Regtech • ESG Agenda
4	- Put in Practice - How to Implement ECF-Compliance Requirement to the Bank? <ul style="list-style-type: none"> • Policy and Procedure • Human Resources • Corporate Culture • Monitoring and Review
Chapter 7: Regtech: Overview and Emerging Trend of Development (Adopted from ECF-Fintech M2)	
1	- Introduction to Regtech
2	- Evolution of Regtech
3	- Importance of Regtech to the Banking Industry
4	- Regtech's Underlying Technologies
5	- Regtech's Application Areas
6	- Regtech: Current State and Government Initiatives
7	- Regtech Adoption in Hong Kong: Opportunities and Challenges
8	- Case Studies and Insights: Regtech Applications in Banks
9	- Suptech and HKMA's Adoption of Suptech
10	- Future of Regtech

Chapter 8: Legislative Framework and Regulatory Technology (Regtech) Overview (Adopted from ECF-Fintech M11)	
1	- Regtech Taxonomy, LoNG PESTEL, BIDT
2	- Why Banking is under regulation?
3	- History of Regtech
4	- Regtech 1.0, 2.0,
5	- Regtech – Digital Identity, Digital Signature
6	- Managing Trust and Managing Risk
Chapter 9: Data, Financial Intelligence, and Customer Protection (Adopted from ECF-Fintech M11)	
1	- Data Governance in Open Banking Regtech – Ownership, Stewardship, Custodian
2	- Digital (Computer) Forensics in Regtech
3	- Corporate Strategy, Data Governance and Incident Response

Recommended Readings

Essential Readings

1. HKIB Study Guide – M3: An Effective Compliance Function (2023)

Supplementary Readings

Chapter 1-6

1. HKMA Supervisory Policy Manual SA-1 Risk-based Supervisory Approach
2. HKMA Supervisory Policy Manual IC-1 Risk Management Framework
3. HKMA Supervisory Policy Manual CG-1 Corporate Governance of Locally Incorporated Authorized Institutions
4. HKMA Supervisory Policy Manual CG-3 Code of Conduct
5. HKMA Supervisory Policy Manual IC-4 Complaint handling procedures
6. HKMA Supervisory Policy Manual OR-1 Operational risk management
7. HKMA Supervisory Policy Manual OR-2 Operational Resilience
8. HKMA Supervisory Policy Manual SR-1 Strategic Risk Management
9. HKMA Supervisory Policy Manual RR-1 Reputation Risk Management
10. HKMA Circular dated 07 Jan 2022 – Self-Assessment of Code of Banking Practice
11. HKMA Circular dated 27 Sep 2022 – Enhanced Competency Framework on Compliance

Chapter 7

12. Hong Kong Monetary Authority (HKMA) (2021, Jan 21) Circulars & Guidance Papers. Circulars. Report on “AML/CFT Regtech: Case Studies and Insights” Encl. AML/CFT Regtech: Case Studies and Insights. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210121e1a1.pdf>
13. Hong Kong Monetary Authority (HKMA) (2020, Nov). Transforming Risk Management and Compliance: Harnessing the Power of Regtech. <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2020/20201102e3a1.pdf>
14. Hong Kong Monetary Authority (HKMA) (2019, Nov 12). Inaugural Issue of Regtech watch. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20191112e1.pdf>
15. Hong Kong Monetary Authority (HKMA) (2019, Nov 12). Regtech Watch Issue No. 1. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20191112e1a1.pdf>
16. Hong Kong Monetary Authority (HKMA) (2020, Mar 16). Regtech Watch Issue No. 2. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200316e2a1.pdf>
17. Hong Kong Monetary Authority (HKMA) (2020, Jun 12). Regtech Watch Issue No. 3. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200612e1a1.pdf>
18. Hong Kong Monetary Authority (HKMA) (2020, Sep 18). Regtech Watch Issue No. 4. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200918e2a1.pdf>
19. Hong Kong Monetary Authority (HKMA) (2020, Dec 16). Regtech Watch Issue No. 5. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20201216e1a1.pdf>
20. Hong Kong Monetary Authority (HKMA) (2021, Mar 19). Regtech Watch Issue No. 6. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210319e1a1.pdf>
21. Hong Kong Monetary Authority (HKMA) (2021, Jun 17). Regtech Watch Issue No. 7. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210617e1a1.pdf>

- circular/2021/20210617e1a1.pdf
22. Hong Kong Monetary Authority (HKMA) (2021, Jun 17). Seventh and Final Issue of Regtech Watch. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210617e1a1.pdf>
 23. Hong Kong Monetary Authority (HKMA) (2021, Jul 26). Second Issue of Regtech Adoption Practice Guide: Anti-Money Laundering/Counter-Financing of Terrorism. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210726e1a1.pdf>
 24. Hong Kong Monetary Authority (HKMA) (2021, Sep 27). Third Issue of Regtech Adoption Practice Guide: Governance, Risk and Compliance. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210927e1a1.pdf>
 25. Hong Kong Monetary Authority (HKMA) (2021, Jun 08). HKMA Unveils "Fintech 2025" Strategy. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/06/20210608-4/>
 26. Hong Kong Monetary Authority (HKMA) (2021, Jun 17). HKMA launches the Regtech Adoption Practice Guide series. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/06/20210617-5/>
 27. Hong Kong Monetary Authority (HKMA) (2021, Jun 30). HKMA hosts its flagship Regtech event - "Unlocking the Power of Regtech". <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/06/20210630-9/>
 28. Hong Kong Monetary Authority (HKMA) (2020, Nov 03). HKMA developed a two-year roadmap to promote Regtech adoption. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/11/20201103-3/>
 29. Barberis J., Arner D., Buckley R. (2019). The Regtech Book: The Financial Technology Handbook for Investors, Entrepreneurs and Visionaries in Regulation. Wiley.
 30. Arner D. W., Barberis J. , and Buckley R. P. (2017) FinTech, Regtech and the Reconceptualization of Financial Regulation. Northwestern Journal of International Law & Business Vol. 37 Issue 3. <https://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1817&context=njilb>

Chapter 8-9

31. UNCITRAL Model Law on Electronic Commerce with Guide to Enactment 1996 (full paper). https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/19-04970_ebook.pdf
32. Model Legislation on Money Laundering and Financing of Terrorism <https://www.imolin.org/pdf/imolin/ModelLaw-February2007.pdf>
33. Model Law on Electronic Evidence. https://thecommonwealth.org/sites/default/files/key_reform_pdfs/P15370_7_ROL_Model_Bill_Electronic_Evidence_0.pdf
34. HK Ordinance CAP 8 <https://www.elegislation.gov.hk>
35. ISO 27001 definition: What is ISO 27001? <https://www.itgovernance.co.uk/iso27001>
36. The investigator-centered approach to financial crime: Doing what matters <https://www.mckinsey.com/business-functions/risk-and-resilience/our-insights/the-investigator-centered-approach-to-financial-crime-doing-what-matters>
37. The five largest money laundering scandals of all time... so far. <https://medium.com/kyc-io-scalable-kyc-management-solutions/the-5-largest-money-laundering-scandals-of-all-time-so-far-d30ff4abee10>
38. AML cases. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210121e1a1.pdf>

Further Readings

Chapter 1-6

1. HKMA Circular dated 02 Mar 2017 – Banking Culture Reform
2. HKMA Circular dated 19 Dec 2018 – Supervision for Bank Culture
3. HKMA Circular dated 22 May 2020 – Report on Review of Self-assessment on Bank Culture
4. HKMA Supervisory Policy Manual CS-1 Group-HKMA wide supervisory approach to supervision of locally incorporated authorized institutions
5. HKMA Supervisory Policy Manual IC-2 Internal audit function
6. HKMA Supervisory Policy Manual RR-1 Reputational risk management
7. HKMA Supervisory Policy Manual AML-1 Supervisory approach on Anti-Money Laundering and Counter-Financing of Terrorists
8. Code of Banking Practice (HKAB)

Chapter 8-9

9. Understanding digital signatures.
<https://www.docuSign.ca/how-it-works/electronic-signature/digital-signature/digital-signature-faq>
10. UNCITRAL Model Law on Electronic Commerce with Guide to Enactment 1996 (full paper).
https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/19-04970_ebook.pdf
11. European Commission, “Introduction to the Connecting Europe Facility eID Building Block.”, March 2016.
http://www.esens.eu/sites/default/files/building_block_dsi_introdocument_eid-v1.04_4.pdf
12. Cloud-based IT security policy template generator allows you generate your security policy template, within minutes, guaranteed.
https://www.instantsecuritypolicy.com/it-security-policies.html?keyword=it%20security%20policies&matchtype=e&network=g&adposition=&device=c&gclid=Cj0KCQjw_fiLBhDOARIsAF4khR21_6FWPXr3HwPkHukyA02EjyG1Jok2VyoYSc-PjwH5yzULeU1vKYEaAkPfeALw_wcB
13. C. Hadnagy, “Social Engineering, Second Edition: The Science of Human Hacking”, 2018 John Wiley & Sons, Inc. (Book, ISBN: 978-1-119-43338-5)
14. K. Mitnick, “The Art of Deception: Controlling the Human Element of Security”, 2003 Kevin D. Mitnick (P)2009 Tantor Audio. (Book, ISBN: 978-0764542800)
15. HKMA CFI 2.0
<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/11/20201103-4/>
16. NIST
<https://csrc.nist.gov/Projects/risk-management#:~:text=The%20NIST%20Risk%20Management%20Framework,to%20support%20implementation%20of%20risk>