

**Guidance Note on  
Continuous Professional Training**

Hong Kong  
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## **Purpose**

1. This Guidance Note is applicable to all persons registered or licensed under the Securities Ordinance (“SO”), the Commodities Trading Ordinance (“CTO”) and the Leveraged Foreign Exchange Trading Ordinance (“LFETO”). They are collectively named as “licensed persons” in this Guidance Note.
2. This Guidance Note aims to provide general guidance for licensed persons to comply with the Commission’s Continuous Professional Training (CPT) requirements as stipulated in the Fit and Proper Criteria.
3. This Guidance Note does not have the force of law and should not be interpreted in any manner which would override the provisions of any applicable laws, codes or other regulatory requirements. However, a failure to follow this Guidance Note may reflect adversely on the fitness and properness of a licensed person to continue to be licensed.

## **Introduction**

4. Licensed persons are required to be and to remain competent in that he or she is expected to have the ability to perform the functions of a licensed person efficiently.
5. The securities, futures and leveraged foreign exchange industries are characterised by rapid change and innovative financial products. In a changing technical and professional environment, licensed persons are required to continuously update their knowledge and skills through CPT in order to maintain their professional competence and to remain fit and proper.

## **Objectives of Continuous Professional Training**

6. CPT is the systematic maintenance, improvement and broadening of knowledge and skill to enable licensed persons to successfully carry out their duties competently and professionally. The objectives of CPT programme are:
  - (a) to maintain and enhance the technical knowledge and professional expertise of licensed persons;
  - (b) to provide reasonable assurance to investors at large that licensed persons have the technical knowledge, professional skills and ethical standard required to perform their licensed functions efficiently, effectively and fairly; and
  - (c) to maintain and enhance Hong Kong's international reputation for high standards amongst licensed persons.
7. The Commission believes that the objectives of CPT will not be achieved purely through work experience or "on the job" training. The Commission believes that it will generally be necessary for a licensed person to undertake CPT if they are to remain fit and proper.
8. The requirements for CPT will vary according to the size and nature of the business and the nature of the responsibilities undertaken by a licensed person. Rather than mandating particular programs, this Guidance Note describes the general attributes of the CPT program.

## **CPT Requirement**

9. The obligation to conduct and maintain CPT will be imposed upon all licensees, that is both corporate licensees and individual licensees.
10. For the purposes of this Guidance Note, corporate licensees refer to businesses carrying on licensed activities and include sole proprietors, corporations and partnership. Individual licensees refer to directors<sup>1</sup> or representatives who are required to be licensed under the relevant Ordinances.

## **Obligation of the Corporate Licensees**

11. Corporate licensees are held primarily responsible for designing and implementing a continuous education programme best suited the training needs of their licensed directors and representatives and to enhance their industry knowledge, skills and professionalism.
12. Corporate licensee should at least annually evaluate its training programme and prioritise the training needs of its staff.
13. In developing the training programme, consideration must be given to the corporation's size, organisation structure, risk management system, scope of business activities as well as prevailing regulatory framework and development.

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<sup>1</sup> These are : directors under sections 48 and 49 of the SO, approved directors under section 121I of the SO, directors under sections 26 and 27 of the CTO and responsible directors under section 8 of the LFETO

14. The training programme can be provided internally or make use of appropriate available external sources. Where internal training courses are provided, corporate licensee should ensure that the content of such courses is structured and of benefit to staff in the performance of their functions. Subjects relevant to the licensed persons' functions and which may enhance the licensed persons' performance of their functions would meet the CPT purpose.
15. Internally organised training provided by corporate licensees will not be pre-endorsed by the AAAC. Corporate licensees are expected to notify the Commission in advance of the date and details of the training to be conducted. An attendance record should be kept for persons who have completed the training. The Commission may attend any such training to ensure quality assurance.

#### **Minimum CPT Requirement on the Individual Licensees**

16. Individual licensees must remain fit and proper at all times. One of the criteria to assess the fitness and properness of a licensee is that he is continuously competent to perform his licensed functions. The Commission believes that such assessment can be made based on the CPT hours undertaken by the individual licensee.
17. The Commission will unlikely be satisfied that an individual licensee can remain competent if that individual undertakes less than 5 CPT hours per calendar year. The Commission will regularly review the requirements for CPT hours to ensure that such requirements meet general market needs and international standards.

18. The Commission may impose higher CPT hours requirement by way of condition on individual who is found by the Commission not able to discharge his licensed functions efficiently.

### **Means of Achieving CPT**

19. CPT hours are time spent by the individual in undertaking CPT activities. The CPT activities should be of relevance to the functions to be performed by the individual licensees and be of significant intellectual and practical content which involves interaction with other individual.
20. Attending courses, workshops, lectures and seminars, long distance learning and self-study which requires submission of assignments or assessment organised by recognised institutions, industry research, publication of papers, delivery of speeches and providing comments to industry consultation papers are considered to be acceptable CPT activities. The Commission will also recognise the time spent in giving relevant lectures or teaching as CPT activities although repeatedly giving the same lecture will not satisfy this requirement.
21. Normal working activities, general reading of financial press or technical, professional, financial or business literature and activities which do not involve interactions with other individual will generally not be regarded as acceptable CPT activities.

22. By way of example, relevant topics for CPT activities with regards to directors who play a crucial role in ensuring effective corporate governance and control may include the following topics:
- (a) applicable compliance, legislative and regulatory standards;
  - (b) business conduct and ethical standard;
  - (c) new financial products in the industry and associated risk system;
  - (d) general law principles;
  - (e) business management;
  - (f) trade practices;
  - (g) risk management and control strategy;
  - (h) general management and supervisory skills;
  - (i) computer knowledge;
  - (j) macro and micro economic analysis; and
  - (k) financial reporting and quantitative analysis.
23. Representatives are required to remain fit and proper to perform the functions of a representative at a professional level. Relevant topics for them include, amongst others, updates on:
- (a) applicable compliance, legislative and regulatory standards;
  - (b) business conduct and ethical standard;
  - (c) new financial products in the industry and associated risk system;
  - (d) business communication skills and trade practices;
  - (e) general law principles;
  - (f) computer knowledge;
  - (g) basic accounting theories; and
  - (h) fundamental economic analysis.
24. The Commission would like to stress that the above topics are examples only. These are not mandatory subject matter and are by no means exhaustive.



## **Role of the Academic and Accreditation Advisory Committee**

25. The Commission's Academic and Accreditation Advisory Committee ("AAAC"), which comprises representatives from the Commission, the industry and academic institutions, will scrutinize and may give recognition to those professional bodies and tertiary institutions which provide CPT. The AAAC will from time to time publish a list of recognised institutions that it has endorsed for providing CPT.

## **Maintaining CPT records and Monitoring of CPT Compliance**

26. Corporate licensees should have in place a continuous education programme and be actively involved in arranging, organising or sponsoring training to promote and improve the professional competence and continued fit and proper standing of its licensed personnel. Sufficient records should be maintained to record the programme and the CPT activities undertaken by staff. In addition, a corporate licensee will be required to file a declaration in the annual return confirming that all its directors and representatives have undertaken the requisite CPT hours in the preceding calendar year.
27. Individual licensees are expected to comply with the 5 CPT hours per calendar year, and the required reporting is done by means of declaration of compliance in his annual return submission. An individual licensee is required to report on his attainment of CPT hours on a preceding year basis, i.e. 1 year after implementation of the CPT requirements or 1 year after they obtain licences.
28. For example, after the CPT requirement is implemented in April 2001, the first reporting will be for those individual licensees whose registration anniversary falls in April 2002. The first reporting period for CPT compliance will cover period April 2001 – December 2001 and the requisite pro-rata CPT hours 3.75. For those who are licensed after April 2001, say July 2001, they will have to

report CPT compliance in July 2002 covering the period July 2001 to December 2001. The requirement will be on a pro-rata basis: 2.5 hours of CPT for the 0.5 calendar year period.

29. Directors and representatives are also required to retain appropriate records of all CPT activities completed in a calendar year. Documentary evidence sufficient to support their attendance or completion of the CPT activities should be kept by the individual for a minimum of 3 years, and these should be produced when required by the Commission.
30. Several practical issues regarding the accumulation of CPT hours are set out in the following paragraphs:
  - (a) the CPT hours required for an individual, who is first licensed during the year, can be applied pro-rata with reference to the licence period;
  - (b) the training courses attended prior to the date of grant of licence but in the same calendar year of licence can be counted as CPT hours;
  - (c) when an individual licensee changes his employer within the same calendar year, he can carry forward his CPT hours earned at the old employer to the new employer. The new employer does not need to get the CPT information from the old employer. It can rely on declaration made by the staff;
  - (d) it is not necessary for individual licensees to apportion his CPT hours earned with reference to his periods of employment with the old and new employers;

- (e) new employers will not be penalised if the employee has not earned enough CPT hours at his old employer. However, they have to ensure that the new employee meets the yearly 5 CPT hours thereafter; and
- (f) excess CPT hours accumulated in one calendar year cannot be carried forward to the following year.

### **Consequence of Non-Compliance**

- 31. Licensees (corporations or individuals) are reminded that the onus is on them to maintain CPT records. Failure to produce the CPT records required will raise questions about their fitness and properness and may lead to disciplinary action by the Commission.
- 32. An incorrect or false declaration made to the Commission by licensees (corporate or individual) will raise serious concerns about whether the licensee is fit and proper, and may lead to revocation or suspension of the licence following disciplinary inquiry.
- 33. Whether CPT requirement has been complied with during the year will be, amongst others, one of the aspects that will be scrutinised by the Intermediaries Supervision Department of the Commission in its inspection. Corporate licensees who fail to have in place appropriate CPT programme or who fail to keep appropriate records in respect of its or its directors and representatives CPT compliance will cast doubt on its fitness and properness to remain licensed. Similarly, individuals who fail to comply with the minimum CPT requirements will raise doubt on their fitness and properness. These failures may lead to disciplinary action by the Commission.
- 34. Nevertheless, the Commission will take into consideration the circumstances and the facts of the case before it takes any disciplinary action. For first non-

compliance, it is most likely that the Commission will impose a condition requiring the licensed person to make up the CPT requirements within a reasonable time. However, for cases where, apart from the non-compliance of CPT requirements, there are other breaches which suggest that the licensed person is unable to perform his function efficiently, the Commission will likely impose a heavier penalty.

**Date from which Effective**

35. The requirements set out in this Guidance Note shall apply from 1 April 2001.