

## Syllabus for Module 1

### Learning Outcome

- To demonstrate an adequate understanding of the Asia-Pacific PWM industry and wealth management products, and adequate knowledge and practical application of customer relationship management skills, wealth planning, portfolio management and risk management.

<b>Module 1: Technical, Industry and Product Knowledge</b>			<b>Examination Durations</b>
Paper 1: Financial Instruments	T1	Basic Products: Fixed Income Investment, Equity Securities and Foreign Exchange	80 mins
	T2	Derivatives and Structured Products	
	T3	Investments Solutions: Unit Trusts, Investment Funds and Alternative Investments	
	T4	Portfolio Management: Theories and Practices	
	T5	Lending and Leverage	
Paper 2: Wealth Management	T6	Wealth Planning	100 mins
	T7	Behavioural Finance	
	T8	Customer Relationship Management	
	T9	Overview of Private Wealth Management Industry	
	T10	Overview of Private Wealth Management Markets: Hong Kong, Mainland China and Asia-Pacific	

## **Topic 1: Basic Products: Fixed Income Instruments, Equity Securities and Foreign Exchange**

### 1 Money market instruments

- Characteristics of money market instruments
- Non-securitised money market instruments
- Securitised money market instruments
- The primary and secondary fixed income markets

### 2 Bonds

- Primary bond features
- Non-vanilla bond variants
- Bond pricing
- Bond risks
- Bond yields and the term structure of interest rates

### 3 Equities

- Share ownership
- Equity markets
- Corporate actions
- Equity returns
- Equity risk
- Equity analysis
- Equity valuation
- Equity index

### 4 Foreign exchange

- Exchange rate systems
- Foreign exchange market
- Foreign exchange quotation
- Cross rates
- Spot rates
- Forward foreign exchange
- Forecasting exchange rates
- Banknote dealing

## **Topic 2: Derivatives and Structured Products**

### 1 Derivatives

- Key derivatives terminology
- Forwards/futures: definition and characteristics
- Futures markets, participants and trading
- Using futures/forwards
- Futures/forwards pricing and arbitrage
- Specific futures contracts
- Options
- Option markets, participants and trading
- Using options
- Option price
- Investment strategies with vanilla options
- Exotic options
- Swaps

### 2 Structured products

- Definition and purpose of structured products
- Benefits of structured products
- Risks of structured products
- Components of structured products
- Pricing structured products
- Common categories of structured products
- Uncapped capital protection with participation
- Capital protection with coupon
- Yield enhancement products
- Participation products
- Leverage products
- Primary and secondary market offering and tools
- Applying investor offering in a customer's portfolio

### **Topic 3: Investment Funds and Alternative Investments**

#### 1 Investment funds

- Basic definition
- Fund pricing and costs
- Other particular funds/characteristics
- Parties in the investment funds' rights and obligations
- Regulation and supervision of fund service providers
- Funds by investment type
- Funds by markets
- Funds by investment profile
- Funds by investment style
- Fund factsheet
- Fund audited reports
- Fund performance
- Red flags

#### 2 Alternative investments

- Commodities
- Property/real estate
- Hedge funds
- Private markets
- Comparison of alternative investments

#### 3 Islamic finance

- Characteristics of Islamic finance
- Sharia compliant products
- Risks of Sharia compliant products

## **Topic 4: Portfolio Management: Theories and Practices**

- 1 Portfolio management theories
  - Risk and return
  - Causes of risk
  - Measuring investment risks and returns
  - Portfolio theory and diversification
  - Systematic and unsystematic risk
  - Risk-return framework
  - Efficient market hypothesis
- 2 Portfolio management practice
  - Purpose and considerations of investment management
  - Portfolio management process
  - Equity management strategies
  - Bond management strategies
  - Equities, bonds and other assets in a multi-asset portfolio
- 3 Case studies

## Topic 5: Lending and Leverage

- 1 Principles of lending
  - Interest margin
  - Financial transformation
  - Lending risks and risk control
  - Banking supervision and the Basel Accords
- 2 Assessing and monitoring loans/credit
  - Risk-return relationship
  - Suitability
  - Nature
  - Interest basis and rate
  - Credit term/tenor
  - Collateral
  - Drawdown method
  - Credit risk assessment
- 3 Lombard lending
  - Lombard credit principles
  - Structure and characteristics of Lombard products
  - Lombard loan lifecycle
  - Customer and product suitability for basic Lombard products
  - Comparison between Lombard lending and mortgage lending
- 4 Share margin financing
  - Benefits of margin financing
  - Risks of margin financing
- 5 Derivatives trading and contingent positions
  - Initial margin
  - Marked-to-market
  - Overall margin requirement
- 6 Accumulators
  - Accumulator risks
  - Suitability assessment
  - Margin calculation of equity accumulators

## **Topic 6: Wealth Planning**

- 1 Introduction to wealth planning
- 2 Wealth planning process
  - International standard
  - Establishing the relationship
  - Gathering information
  - Analysing customer information
  - Planning
  - Implementation
  - Monitoring and review
- 3 Wealth planning
  - Lifetime cash flow plan
  - Tax planning
  - Investment/liquidity planning
  - Risk management and asset protection
  - Debt planning
  - Business protection and business succession
  - Retirement planning
  - Succession and estate planning
  - Relocation planning
- 4 Wealth planning solutions
  - Bank account management
  - Trusts
  - Insurance solutions
  - Private label funds
  - Foundations
- 5 Family businesses
  - Nature of family businesses
  - Family business ownership
  - Family business challenges
  - Reconciling challenges and responsibilities
  - Succession plans
  - Private wealth management opportunities
  - Family office

## **Topic 7: Behavioural Finance**

- 1 Introduction to behavioural finance
  - Models of decision making
  - The scientific background of behavioural finance
- 2 Customer profiling
  - Investor profiling
  - Risk evaluation
- 3 Behavioural biases
  - Financial market dynamics
  - Impact of behavioural biases
- 4 Prospect theory
  - Perceived likelihood
  - Loss aversion
  - Framing against reference points
  - Risk attitudes
  - Independence axiom
- 5 Customer advisory lifecycle, customer biases and behaviours
  - Customer advisory lifecycle
  - Information selection/gathering
  - Planning and implementation
  - Monitoring and review
  - Cultural and social differences
- 6 Behavioural bias in the real world

## Topic 8: Customer Relationship Management

- 1 Definition and key attributes
  - Role of private wealth managers in relationship management
  - Customer relationship lifecycle
  - Essential skills
- 2 Prospecting
  - Identifying and connecting with prospects
  - Connecting with customers
  - Contact route
  - Initial contact message
  - Constructing and using a prospect pipeline management strategy
- 3 Initial engagement and engagement skills
  - How and why people choose to make a buying decision
  - Engagement meeting objectives and preparation
  - Conducting the engagement meeting
  - How to close
- 4 Gathering facts
  - The fact-gathering process
  - Recognising customer needs, objectives and tolerances
  - Quantifying and qualifying the objectives
  - Distinguishing between immediate and future objectives
  - Prioritising needs and objectives
- 5 Segmentation and relationship management strategy
  - Attractiveness-positioning matrix
  - Quadrant allocation
  - Relationship development strategy
- 6 Customer maintenance
  - Customer management objectives
  - Customer contact opportunities
  - Conducting customer reviews
  - Maintaining service quality through technology
  - Maintaining the customer experience
- 7 Customer retention
  - Understanding customer loss

- Customer retention plan

8 Service recovery

- How customers respond to service failures
- Benefits of a service recovery programme

## **Topic 9: Overview of Private Wealth Management Industry**

- 1 PWM industry and business model
  - Challenges faced by PWM institutions
  - PWM business models
  - Optimising the business models
- 2 PWM customer needs and preferences
  - Private wealth management lifecycle
  - Products and services
  - Typical needs by PWM market
- 3 Meeting PWM customer needs
  - HNWI market perceptions
  - Potential areas for service improvements
  - Satisfying regulatory requirements
- 4 PWM process for UHNWIs
  - UHNWIs needs
  - UHNWIs wealth management structures

## **Topic 10: Overview of Private Wealth Management Markets: Hong Kong, Mainland China and Asia-Pacific**

- 1 Trends and characteristics of PWM markets
  - Recent industry trends and emerging challenges for Hong Kong's private wealth managers
  - Key characteristics of Mainland China's financial markets
  - Trends in the Asia-Pacific PWM industry
- 2 Issues related to conducting PWM business with Chinese HNWIs/UHNWIs and in Mainland China
  - Issues affecting Mainland China's PWM business
  - Legal and regulatory constraints affecting offshore managers conducting business in Mainland China
  - Role of wealth planning and asset allocation services in enhancing relationships with Chinese HNWIs/UHNWIs
- 3 PWM products and services
  - Offshore and onshore investments for Mainland Chinese PWM customers
  - China-related PWM products for international investors
  - Services for Mainland Chinese customers with offshore assets

## Syllabus for Module 2

### Learning Outcome

- To demonstrate an adequate understanding and practical application of legal and regulatory requirements, and ethics relevant for practitioners, and
- To demonstrate a broad-based view of risk governance, risk culture and risk management, and an understanding of the wider implications and long-term impact of own actions on various stakeholders.

<b>Module 2: Ethics and Compliance</b>		<b>Training Hours</b>	<b>Examination Hours</b>
E1	Legal and Regulatory Regime in Hong Kong	1	
E2	Regulatory Requirements on Sale of Investment Products	2.5	
E3	Other Relevant Laws and Regulations	2.5	
E4	Ethical Standards Set by the PWMA	1	
E5	Fiduciary Duties, Ethical Values and Professional Conduct	1	
E6	Practical Application of Legal and Regulatory Requirements	1	
E7	Controls and Accountabilities: Reporting and Escalation Policies	1	
E8	Risk Management, Risk Governance and Risk Culture of PWM Institutions	2	
<b>Total Hours</b>		<b>12</b>	<b>1</b>

## **E1 Legal and Regulatory Regime in Hong Kong**

E1.1	Banking Ordinance
E1.1.1	Background
E1.1.2	Part II – Functions of Monetary Authority (Section 7)
E1.1.3	Part III – Banking Business and Deposit Taking Business (Sections 11, 12, 13 & 14)
E1.1.4	Parts IV to VII – Granting Approval of Authorized Institutions, Revocation, Suspension and Transfer of Authorization (Sections 16, 18, 20-25, 27 & 28)
E1.1.5	Part X – Powers of Control Over Authorized Institutions, Powers of Monetary Authority (Sections 52, 55, 56 & 58A)
E1.1.6	Parts XI & XII- Audits and Disclosures of Information by Authorized Institutions (Sections 59, 60, 63, 63A, 63B & 64)
E1.1.7	Part XIII - Ownership and Management of Authorized Institutions (Sections 71, 71C, 71D, 71E, 72A, 72B, 73 & 74)
E1.1.8	Part XV – Limitations on Loans by and Interests of Authorized Institutions (Sections 80, 81, 82, 83, 85, 86, 87, 87A, 88, 90 & 91)
E1.1.9	Part XVI – Advertisements, Representations and Use of Title “Bank”
E1.1.10	Part XX - Investigations of Authorized Institutions
E1.1.11	Part XXI – Offences by Directors, Executive Officers and Employees, Level of Fines for Offences, Prohibition on Receipt of Commission by Staff, Search Warrants and Seizures, Defence where Director or Manager, etc. Prosecuted, Validity of Contract in Contravention of Banking Ordinance or any Ordinance Repealed by Banking Ordinance (Sections 123, 124, 125, 126, 129 & 132B)
E1.2	Mortgage Lending
E1.2.1	The HKMA’s Key Regulatory Requirements Governing Mortgage Lending
E1.3	Securities and Futures Ordinance (“SFO”)
E1.3.1	Key SFO provisions related to PWM
E1.3.2	Part XIV - Offences Relating to Dealings in Securities and Futures Ordinance
E1.4	Deposit Protection Schemes (“DPS”) Ordinance and DPS Representation Rules

## **E2 Regulatory Requirements on Sale of Investment Products**

E2.1	The Product Life Cycle: Pre-Sale, Sale and Post Sale
E2.2	Suitability
E2.2.1	Advisory vs Execution-Only
E2.2.1.1	Understand What That Means
E2.2.1.2	Internal Policies and Controls
E2.2.2	Compliance with Suitability Obligations (SFC's Circular of 17 July 2012)
E2.2.3	Lessons from Lehman Incident and Court Cases
E2.3	Requirements for Licensed Corporations and Authorized Institutions
E2.3.1	Guarding against Risk of Client Asset Misappropriation (SFC's Circular of 1 February 2013)
E2.3.2	Offers of Investments
E2.3.2.1	Public Offer and Private Placement
E2.3.2.2	An Introduction to the SFC Handbook for Structured Investment Products
E2.3.3	Investor Characterisation
E2.3.3.1	Lessons from Lehman Incident
E2.3.4	Professional Investor (PI) Regime
E2.3.4.1	The Securities and Futures Ordinance, Securities and Futures (Professional Investor) Rules, and Code of Conduct
E2.3.4.2	Definition of a PI
E2.3.4.3	Steps to Assess Whether a Person is a PI
E2.3.4.4	Requirements that are/can be Waived for a PI
E2.3.5	Relevant Updated Requirements
E2.4	Additional Investor Protection Measures for Authorized Institutions
E2.4.1	"Flexible" Version of the HKMA's Enhanced Measures for Private Banking Customers (HKMA's Circular of 20 January 2012 entitled "Applicability of Enhanced Measures to Sales of Investment Products to Private Banking Customers")
E2.4.2	'Portfolio-based' Suitability Assessment (HKMA's Circular of 12 June 2012 entitled "Selling of Investment Products to Private Banking Customers")
E2.4.3	Selling of Accumulators (HKMA's Circulars of 31 October 2011 entitled "Rationale for Selling of Accumulators", 22 December 2010 entitled "Selling of Accumulators" and 21 June 2012 entitled "Selling of Investment Products to Private Banking Customers")
E2.4.4	Fraud Prevention (HKMA's Circular of 14 July 2009 entitled "Abuse and Fraud Prevention in Private Banking and Wealth Management")
E2.5	Relevant Updated Requirements

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E2.6	Product-Specific Regulatory Requirements
2.6.1	RMB Products
2.6.2	Fixed Income Products

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### **E3 Other Relevant Laws and Regulations**

E3.1	Core Compliance Knowledge for Private Wealth Management Practitioners
E3.1.1	Laws and Regulations related to Prevention of Money Laundering and Terrorist Financing; and New Obligations under Anti-Money Laundering (AML) Amendment Ordinance Effective 2012
E3.1.2	Personal Data (Privacy) Ordinance
E3.2	Looking for Potential Clients
E3.3	“Suitcase Banking”
E3.3.1	Travelling to Other Jurisdictions / Cross-border Marketing Issues
E3.3.2	Internal Policies and Controls
E3.4	On-Boarding a Client
E3.4.1	HKMA’s and SFC’s requirements of Know Your Clients /AML
E3.4.2	Clients Agreements
E3.4.2.1	SFC Code of Conduct Requirements
E3.4.2.2	Internal Policies and Controls on On-Boarding
E3.4.3	Migrating Clients from Another Institution
E3.4.3.1	Obligations of Confidentiality
E3.5	Managing the Client Relationship
E3.5.1	Hold Mail and Other Add-On Services
E3.5.1.1	Potential Hold Mail Issues
E3.5.2	Tax Issues
E3.5.2.1	Sharing of Information with Overseas Tax Authorities
E3.5.3	Client Confidentiality and Handling of Client Information
E3.5.3.1	Duty under Common Law
E3.5.3.2	Contractual Duty
E3.5.3.3	Internal Policies and Controls
E3.5.4	Dealing with Risk and Support Departments: Legal, Compliance, Risk, Operations, Financial Accounting, IT and Internal/ External Auditors
E3.6	When Things Go Wrong
E3.6.1	Complaint Handling
E3.6.1.1	Interaction with Legal and Compliance, and Your Supervisors
E3.6.1.2	Interaction with the Clients
E3.6.1.3	Audio Recordings
E3.6.2	Escalation Procedures
E3.6.3	How to Handle a Breach of Law/Regulation – Internally and with Regulators
E3.6.3.1	SFC Self-Reporting Obligation

E3.6.4	Internal Investigations
E3.6.5	Regulatory Investigations
E3.6.5.1	How Do They Start
E3.6.5.2	What to Expect
E3.6.6	Powers of the SFC and Other Regulators
E3.6.6.1	Disclosure of Documents
E3.6.6.2	Attend Interview
E3.6.7	Regulatory Sanctions and Penalties
E3.6.7.1	Reprimand
E3.6.7.2	Fines
E3.6.7.3	Suspension or Revocation of Licence
E3.6.7.4	Criminal Penalties
E3.6.8	Duty of Secrecy
E3.6.9	Financial Disputes Resolution Centre
E3.7	Case Studies

## **E4 Ethical Standards Set by the PWM Association**

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E4.1	General Principles
E4.1.1	Compliance with laws and regulations
E4.1.2	Diligence and professionalism
E4.1.3	Honesty
E4.1.4	Fairness and Conflict of Interest
E4.1.5	Confidentiality
E4.1.6	Competence

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E4.2	Risk Management and Client Complaints
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## **E5 Fiduciary Duties, Ethical Values and Professional Conduct**

E5.1	Understand Issues which Appear to Compromise Professional, Legal or Ethical Standards
E5.1.1	Clients' Expectation: Skills, Full Disclosure and Honesty
E5.1.2	Duty to Disclose Knowledge/Suspicious
E5.1.2.1	Prohibition of Loans
E5.1.2.2	Material Interests
E5.1.2.3	Transactions with Connected Persons
E5.1.3	Proper Conduct amongst Licensed and Registered Persons
E5.1.3.1	Minimum Contents in a Client Agreement
E5.1.3.2	Basic Standards in Dealing and Execution of Trade
E5.1.3.3	Client relations - Know Your Clients' Investment Experiences and Financial Situations
E5.2	Keep Up-to-date and Comply with Policies and Procedures
E5.2.1	Duty and Obligations of Licensed and Registered Persons and Directors Register and Acts of Directors
E5.3	Put Professional Interests ahead of Personal Agenda, Avoid and Manage Conflicts of Interest
E5.3.1	Safeguarding Interest of Investors
E5.3.1.1	Specific Rules and Procedures Relating to Transactions
E5.3.1.2	Misrepresentation and Advertising
E5.3.1.3	Undue Influence
E5.3.1.4	Improper Trading Practices
E5.3.1.5	Reporting and Disclosure
E5.4	Protect Confidentiality of Customer Data
E5.4.1	Information Management and Maintenance
E5.4.2	Operational Controls
E5.4.3	Remedies for Misuse of Data

## **E6 Practical Application of Legal and Regulatory Requirements**

- **Focus on practical application of and compliance with the HKMA's and the SFC's regulatory requirements in PWM context**

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E6.1	Case Studies
E6.1.1	Giving Suitable Advice
E6.1.2	Disclosure and Explanation of Advice
E6.1.3	Misappropriation of Client Assets
E6.1.4	System and Control
E6.1.5	Other Topics

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## **E7 Controls and Accountabilities; Reporting and Escalation Policies**

E7.1	Overview
E7.1.1	Understand Firm's Code of Conduct and Other Governance Principles
E7.1.2	Comply with Firm's Established Procedures and Policies
E7.1.3	Comply with Legal and Regulatory Requirements
E7.1.4	Understand the Cost of Non-compliance
E7.2	Controls and Accountabilities
E7.2.1	Roles of Control Functions (e.g. compliance, risk management, internal audit)
E7.2.2	Roles of Individual Staff
E7.2.3	Roles of Board and Senior Management
E7.3	Reporting and Escalation Policies
E7.3.1	Nature
E7.3.1.1	Preventive and/or Corrective
E7.3.2	Objectives
E7.3.2.1	Management and Executive Awareness
E7.3.2.2	Possible Mobilization of Resources
E7.3.2.3	Assurance of Customer Contact/ Involvement
E7.3.2.4	Cross-functional Collaboration
E7.3.3	Delineation
E7.3.3.1	Defined Roles and Responsibilities
E7.3.3.2	Defined Processes
E7.3.3.3	Severity Levels
E7.3.3.4	Specific Time Frame to Resolve or Escalate Upwards and/or Report to Specified External Parties
E7.4	Case Studies

## **E8 Risk Management, Risk Governance and Risk Culture of PWM Institutions**

E8.1	Overview of Risk Management
E8.1.1	Types of Risks
E8.1.1.1	Credit Risk
E8.1.1.2	Market Risk
E8.1.1.3	Interest Rate Risk
E8.1.1.4	Liquidity Risk
E8.1.1.5	Operational Risk
E8.1.1.6	Legal, Regulatory and Compliance Risks
E8.1.1.7	Reputation Risk
E8.1.1.8	Foreign Exchange Risk
E8.2	Definition of Risk Governance and Risk Culture
E8.3	Principles of Proper Risk Governance, Risk Culture, Risk Appetite and Values
E8.4	Relevance of Risk Governance and Culture to a Practitioner's Business Conduct
E8.5	Impact and Responsibilities of a Practitioner's Actions to Customers, the Institution and other Stakeholders
E8.5.1	Improper Sale Practices / Mis-selling
E8.6	Setting and Monitoring of Remuneration System that Aligns with Risk Management Objectives of the Institution
E8.7	Risk Management and Compliance
E8.8	Ensure Personal and Team Compliance
E8.9	Best Practices and Case Studies