

## 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 client relationship management skills, wealth planning, portfolio management and risk management.

<b>Module 1: Technical, Industry and Product Knowledge</b>		<b>Training Hours</b>	<b>Examination Hours</b>
T1	Overview of PWM Industry, Products and Services	2	Paper 1 on Financial Instruments (T2 to T9): 1.5
T2	Fixed Income Investments	2	
T3	Equity Securities	2	
T4	Foreign Exchange	2	Paper 2 on Wealth Management (T1, T10 to T14): 2
T5	Derivatives	4	
T6	Structured Products	4	
T7	Alternative Investments	4	
T8	Unit Trusts and Investment Funds	2	
T9	Lending and Leverage	2	
T10	Wealth Planning	3	
T11	Portfolio Management – Theories and Practices	4	
T12	Behavioural Finance	3	
T13	Mainland China and Asia-Pacific Financial and PWM Markets	3	
T14	Client Relationship Management	3	
<b>Total Hours</b>		<b>40</b>	<b>3.5</b>

## **T1 Overview of PWM Industry, Products and Services**

T1.1	Industry Outlook
T1.1.1	Trends in Global and Asia Pacific Markets
T1.1.2	Sophisticated/ Mature Markets
T1.1.3	Dynamic/ Emerging Markets
T1.1.4	Size of Assets Under Management
T1.1.5	Growth and Distribution of Investable Assets
T1.1.6	Cost/ Income Ratio and Revenue Growth
T1.2	Clients and Stakeholders
T1.2.1	High Net-Worth Individuals (HNWI)
T1.2.2	Ultra High Net-Worth Individuals (UHNWI)
T1.2.3	Family Offices, Trusts, Endowments, Foundations
T1.3	Wealth Management Business Models
T1.3.1	Bank/ Trust Company Model
T1.3.2	Brokerage Model
T1.3.3	Independent Financial Advisor Model
T1.3.4	Strategic Alliance Model (partnership with business introducer and external asset manager)
T1.4	Private Wealth Management Focus Areas
T1.4.1	Wealth Accumulation and Growth
T1.4.2	Wealth Preservation
T1.4.3	Wealth Succession and Transfer
T1.5	Products and Services
T1.5.1	Investment Management
T1.5.1.1	Advisory Solutions
T1.5.1.2	Discretionary Portfolio Management
T1.5.1.3	Brokerage
T1.5.2	Lending Solutions
T1.5.3	Wealth Planning and Insurance
T1.5.4	Philanthropic Planning

## **T2 Fixed Income Investments**

T2.1	Money Markets Instruments
T2.1.1	Characteristics of Money Markets Instruments
T2.1.2	Non-securitized Money Markets Investments
T2.1.2.1	Deposits
T2.1.2.2	Interbank Money Markets and Interbank Offered Rates
T2.1.3	Securitized Money Markets Investments
T2.1.3.1	Government Bills or Promissory Notes
T2.1.3.2	Commercial Papers
T2.1.3.3	Short-term Negotiable Certificates of Deposit
T2.1.3.4	Primary Fixed Income Market
T2.2	Bonds
T2.2.1	Features of a Straight Bond
T2.2.1.1	Issuers <ul style="list-style-type: none"><li>- Supranationals</li><li>- Governments</li><li>- Government Agencies</li><li>- Municipalities</li><li>- Corporates</li></ul>
T2.2.1.2	Face Value
T2.2.1.3	Term to Maturity
T2.2.1.4	Coupon, Coupon Rate and Coupon Frequency <ul style="list-style-type: none"><li>- Fixed Coupon</li><li>- Floating Coupon</li><li>- Zero-coupon</li></ul>
T2.2.1.5	Seniority <ul style="list-style-type: none"><li>- Senior Bonds</li><li>- Subordinated Bonds</li></ul>
T2.2.1.6	Credit Rating <ul style="list-style-type: none"><li>- Investment Grade Bonds</li><li>- Speculative Grade, Unrated and High Yield Bonds</li></ul>
T2.2.2	Other Types of Bonds
T2.2.2.1	Inflation Linked Bonds
T2.2.2.2	Callable and Puttable Bonds
T2.2.2.3	Convertible and Exchangeable Bonds
T2.2.2.4	Asset Backed Securities
T2.2.2.5	Collateralised Debt Obligations
T2.2.2.6	Perpetual Bonds
T2.2.2.7	Bonds with Loss Absorption Features
T2.2.3	Bond Pricing and Yield
T2.2.3.1	Quotation of Bonds

	- Clean Price
	- Dirty Prices and Accrued Interest
T2.2.3.2	Bond Yields
	- Current Yield
	- Yield to Maturity
	- Yield to Call
T2.2.4	Term Structure of Interest Rates
T2.2.4.1	Shape of Yield Curve
T2.2.4.2	Interest Rates Theories
T2.2.5	Bond Valuation
T2.2.5.1	Valuation of Bond by Yield to Maturity
T2.2.5.2	Valuation of Bond by Spot Rates
T2.2.5.3	Benchmark Yield Curve
T2.2.5.4	Yield Spread
T2.2.6	Risks Investing in Bonds
T2.2.6.1	Credit Risk
	- Default Risk
	- Credit Spread Risk
	- Downgrade Risk
T2.2.6.2	Market Risk and Interest Rate Risk
T2.2.6.3	Re-investment Risk
T2.2.6.4	Inflation Risk
T2.2.6.5	Liquidity Risk
T2.2.6.6	Currency Risk
T2.2.6.7	Event Risk
T2.3	Short Term Drivers of Interest Rates
T2.4	Long Term Drivers of Interest Rates

## **T3      Equity Securities**

T3.1	Equities
T3.1.1	Ordinary Share
T3.1.1.1	Shareholder's Obligations
T3.1.1.2	Shareholder's Rights
T3.1.2	Preference Share
T3.1.3	Depository Receipts
T3.1.4	Primary Equity Market
T3.1.5	Risks
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T3.2	Share Margin Financing and its Risks
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T3.3	Corporate Actions
T3.3.1	Dividends
T3.3.1.1	Cash Dividends
T3.3.1.2	Stock Dividends
T3.3.1.3	Impact of Cash Dividend Payment on Share Price
T3.3.2	Right Issue
T3.3.3	Stock Split and Reverse Split
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T3.4	Equity Analysis
T3.4.1	Approaches
T3.4.1.1	Fundamental versus Technical Analysis
T3.4.1.2	Top-down versus Bottom-up approach
T3.4.2	Macro-economic Analysis
T3.4.2.1	Economic Cycles
T3.4.2.2	Sector Rotation
T3.4.3	Industry Analysis
T3.4.3.1	Product Life Cycle
T3.4.3.2	Michael Porter's Five Forces Model
T3.4.4	Company Analysis
T3.4.4.1	Financial Statement Analysis
	- Balance Sheet
	- Income Statement
	- Statement of Cashflows
T3.4.4.2	Financial Ratio Analysis
	- Liquidity Ratios
	- Efficiency Ratios
	- Profitability Ratios
	- Leverage Ratios

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	-	Limitations of Financial Ratio Analysis
T3.4.4.3		Share Parameters
	-	Earnings per Share
	-	Dividend per Share and Dividend Yield
	-	Book Value per Share
	-	Enterprise Value per Share
	-	Free Cash Flow per Share
T3.4.5		Equity Valuation
T3.4.5.1		Relative Valuation
	-	Price-Earnings Ratio
	-	Price-Earnings to Growth (PEG) Ratio
	-	Price-Book Value Ratio
	-	EV / EBITDA

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T3.5		Equity Index
T3.5.1		Uses of Market Index
T3.5.2		Factors to be Considered in Constructing an Index
T3.5.3		Weighting Methodology in Constructing an Index
T3.5.3.1		Price Weighted
T3.5.3.2		Value or Market Capitalization Weighted
T3.5.3.3		Equal Weighted

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## **T4 Foreign Exchange**

T4.1	Exchange Rate Systems
T4.1.1	Fixed Exchange Rate System
T4.1.2	Floating Exchange Rate System
T4.1.3	Linked Exchange Rate System
T4.2	Foreign Exchange Market
T4.2.1	Organization of the Market
T4.2.2	Market Participants
T4.2.3	Currency Traded and Currency Codes
T4.2.4	Types of Foreign Exchange Transactions and Risks
T4.3	Spot Foreign Exchange Quotation
T4.3.1	Base and Counter Currency
T4.3.2	American and European Term
T4.3.3	Direct and Indirect Quotes
T4.3.4	Bid and Offer
T4.3.5	Amount Conversion
T4.3.6	Cross Rates
T4.4	Forward Foreign Exchange
T4.4.1	Features of Outright Forward Foreign Exchange Contract
T4.4.2	Uses of Forward Foreign Exchange Contract
T4.4.3	Forward Rate Determination – Interest Rate Parity Theory
T4.4.4	Non-Deliverable Forwards
T4.5	Short Term Drivers of Exchange Rates
T4.5.1	Economic and Political News
T4.5.2	Market Sentiment
T4.5.3	Hot Money
T4.5.4	Technical Analysis
T4.5.5	Government Intervention
T4.5.6	Carry Trade
T4.6	Long Term Drivers of Exchange Rates
T4.6.1	Economic Performance
T4.6.2	Interest Rate level

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T4.6.3	External Trade
T4.6.4	Foreign Investment
T4.6.5	Inflation
T4.6.6	Government Policies

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## **T5 Derivatives**

T5.1	Overview of Financial Derivatives
T5.1.1	What are Financial Derivatives
T5.1.2	Major Categories of Financial Derivatives
T5.1.3	The Uses of Financial Derivatives
T5.1.4	Risks
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T5.2	Forward and Futures
T5.2.1	Forward Contracts
T5.2.2	Futures Contracts
T5.2.2.1	Market Structure
T5.2.2.2	Contract Specification
T5.2.2.3	Margin System
T5.2.3	Pricing of Forward and Futures Contracts
T5.2.4	Differences between Forward and Futures Contracts
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T5.3	Swaps
T5.3.1	Features of Swaps
T5.3.2	Interest Rate Swap and Its Applications
T5.3.3	Currency Swap and Its Applications
T5.3.4	Credit Default Swap and Its Applications
T5.3.5	Equity Swap
T5.3.6	Contract for Difference
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T5.4	Options and Warrants
T5.4.1	Option Basics
T5.4.1.1	Nature of an Option
T5.4.1.2	Call and Put
T5.4.1.3	Underlying Asset
T5.4.1.4	Strike Price
T5.4.1.5	Moneyness of Option
T5.4.1.6	Intrinsic and Time Value
T5.4.1.7	Option Style
T5.4.1.8	Premium
T5.4.1.9	Expiration
T5.4.1.10	Payoff at Expiration
T5.4.2	Factors Affecting Option Premium
T5.4.2.1	Spot Price of Underlying
T5.4.2.2	Strike Price
T5.4.2.3	Volatility
T5.4.2.4	Time to Expiry

T5.4.2.5	Interest Rate
T5.4.2.6	Expected Dividend
T5.4.3	Naked Option Trading Strategies
T5.4.3.1	Directional Trades
T5.4.3.2	Long Call
T5.4.3.3	Long Put
T5.4.3.4	Short Call
T5.4.3.5	Short Put
T5.4.3.6	Vertical Bull Spread
T5.4.3.7	Vertical Bear Spread
T5.4.4	Volatility Trades
T5.4.4.1	Long Straddle
T5.4.4.2	Long Strangle
T5.4.4.3	Short Straddle
T5.4.4.4	Short Strangle
T5.4.5	Combination of Option and Underlying
T5.4.5.1	Covered Call
T5.4.5.2	Protective Put
T5.4.5.3	Collar
T5.4.6	Exotic Options
T5.4.6.1	Quanto Option
T5.4.6.2	Average Option
T5.4.6.3	Barrier/Boundary Option
T5.4.6.4	Binary/Digital Option
T5.4.6.5	Basket Option

## **T6            Structured Products**

T6.1	Overview of Structured Products
T6.1.1	What are Structured Products
T6.1.2	Common Categories of Structured Products
T6.1.3	Benefits and Risks of Structured Products
T6.2	Capital Protected Structured Products
T6.2.1	Capital Protection Level
T6.2.2	Participation Rate
T6.2.3	Structure of Capital Protected Structured Products
T6.2.4	Examples of Typical Capital Protected Structured Products
T6.2.5	Advantages and Disadvantages Investing In Capital Protected Structured Products
T6.3	Yield Enhancement Structured Products
T6.3.1	Nature of Yield Enhancement Structured Products
T6.3.2	Risks Investing in Yield Enhancement Structured Products
T6.3.3	Equity Linked Products
T6.3.3.1	Equity Linked Notes (ELNs) and Equity Linked Deposits (ELDs)
T6.3.3.2	"Worst-of" Equity Linked Notes
T6.3.3.3	Equity Accumulators and Decumulators
T6.3.3.4	Range Accrual Notes
T6.3.4	Currency Linked Products
T6.3.4.1	Dual Currency Investment and Currency Linked Deposits
T6.3.4.2	Target Redemption Forward
T6.3.4.3	FX Accumulators and Decumulators
T6.3.5	Credit Linked Products
T6.3.5.1	Credit Linked Notes (CLNs)
T6.3.5.2	The Case of Lehman Mini-bonds
T6.4	Participation Products

## **T7            Alternative Investments**

T7.1	Overview of Alternative Investments
T7.1.1	What are Alternative Investments
T7.1.2	Common Categories of Alternative Investments
T7.1.3	Advantages and Disadvantages of Alternative Investments
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T7.2	Hedge Funds
T7.2.1	Differences between Traditional Investment Funds and Hedge Funds
T7.2.1.1	Investment Objectives
T7.2.1.2	Short Selling
T7.2.1.3	Leverage
T7.2.1.4	Use of Derivatives
T7.2.1.5	Liquidity
T7.2.1.6	Fee Structure
T7.2.1.7	Regulation and Transparency
T7.2.1.8	Risks
T7.2.2	Hedge Fund Strategies
T7.2.2.1	Market Neutral
T7.2.2.2	Long-short Equity
T7.2.2.3	Dedicated Short Bias
T7.2.2.4	Market Timing
T7.2.2.5	Risk Arbitrage
T7.2.2.6	Distressed Securities
T7.2.2.7	Fixed Income Arbitrage
T7.2.2.8	Convertible Arbitrage
T7.2.2.9	Managed Futures
T7.2.2.10	Global Macro Strategy
T7.2.2.11	Emerging Market
T7.2.2.12	Fund of Hedge Funds
T7.2.3	Role of Hedge Funds in Asset Allocation
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T7.3	Commodities
T7.3.1	Characteristics of Commodities
T7.3.2	Categories of Commodities
T7.3.2.1	Energy Products
T7.3.2.2	Precious Metals
T7.3.2.3	Base Metals

T7.3.2.4	Agricultural Products
T7.3.3	Investing in Commodities
T7.3.3.1	Physical Investment
T7.3.3.2	Hedge Fund
T7.3.3.3	Futures Contracts
T7.3.3.4	Structured Products
T7.3.4	Role of Commodities in Asset Allocation
T7.3.5	Risks
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T7.4	Private Equity
T7.4.1	What is Private Equity
T7.4.2	Why is Private Equity Important
T7.4.3	Phases of Company Development
T7.4.4	Vehicles of Private Equity Investment
T7.4.4.1	Direct Investment
T7.4.4.2	Private Equity Funds
T7.4.5	Private Equity Fund Strategies
T7.4.5.1	Venture Capital
T7.4.5.2	Early Stage
T7.4.5.3	Later-stage
T7.4.5.4	Leverage Buyout
T7.4.5.5	Management Buyout
T7.4.5.6	Fund of Private Equity Funds
T7.4.6	Role of Private Equity in Asset Allocation
T7.4.7	Risks
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T7.5	Real Estates
T7.5.1	Types of Real Estate Investment
T7.5.1.1	Office Properties
T7.5.1.2	Retail Properties
T7.5.1.3	Industrial Properties
T7.5.1.4	Residential Properties
T7.5.1.5	Special Properties
T7.5.2	Vehicles of Real Estate Investment
T7.5.2.1	Real Estate Funds
T7.5.2.2	Real Estate Investment Trusts (REITs)
T7.5.2.3	Real Estate Stocks
T7.5.3	Role of Real Estate Investment in Asset Allocation

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T7.5.4	Risks
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T7.6	Islamic Products
T7.6.1	Key Concepts of Islamic Finance
T7.6.2	Key Islamic Products, and Their Key Features and Risks

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## **T8 Unit Trusts and Investment Funds**

T8.1	Overview of Unit Trusts and Investment Funds
T8.1.1	Features and Risks of Unit Trusts and Investment Funds
T8.1.2	Open versus Closed End Funds
T8.1.3	Net Asset Value
T8.1.4	Actively versus Passively Managed Funds
T8.1.5	Absolute versus Relative Return Funds
T8.1.6	Fees and Charges
T8.1.7	Advantages and Disadvantages of Unit Trusts and Investment Funds
T8.1.8	Risks of Investing in ETFs (Including Use of Derivatives)
T8.2	Types of Funds
T8.2.1	Funds by Asset Class
T8.2.1.1	Money Market Funds
T8.2.1.2	Bond Funds
T8.2.1.3	Equity Funds
T8.2.1.4	Commodity Funds
T8.2.1.5	Real Estate Funds
T8.2.2	Funds by Markets
T8.2.2.1	Country Funds
T8.2.2.2	Regional Funds
T8.2.2.3	Global Funds
T8.2.2.4	Emerging Market Funds
T8.2.3	Asset Allocation Funds
T8.2.3.1	Capital Guaranteed Funds
T8.2.3.2	Income Funds
T8.2.3.3	Balanced Funds
T8.2.3.4	Growth Funds
T8.2.4	Funds by Investment Style
T8.2.4.1	Value Funds
T8.2.4.2	Growth Funds
T8.2.4.3	Income Funds
T8.2.4.4	Large Cap Funds
T8.2.4.5	Small and Mid Cap Funds
T8.2.4.6	High Dividend Yield Funds
T8.2.4.7	Exchange Traded Funds
T8.2.5	Other Funds
T8.2.5.1	Absolute Return Funds

T8.2.5.2	Social Responsible Funds
T8.2.5.3	Quantitative Funds
T8.2.5.4	Hedge Funds
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T8.3	Understanding Fund Factsheet
T8.3.1	Investment Objective
T8.3.2	Fund Strategy
T8.3.3	Investment Holdings
T8.3.4	Benchmark
T8.3.5	Performance
T8.3.5.1	Historical Return
T8.3.5.2	Risk Measure
T8.3.5.3	Sharpe Ratio
T8.3.6	Tracking Error
T8.3.7	Total Expense Ratio
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T8.4	Understanding Fund Audit Reports
T8.4.1	Clean or Qualified Audit Opinion
T8.4.2	Total Expense Ratios
T8.4.3	Leverage
T8.4.4	Red Flags (e.g. unusual footnotes, subsequent events, growth of AUM, change in structure, related party transactions)

## **T9      Lending and Leverage**

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T9.1	Lending
T9.1.1	Principles of Lending
T9.1.2	Types of Loans
T9.1.3	Lending Risks
T9.1.4	Collateralized Lending In Wealth Management

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T9.2	Lombard Loans
T9.2.1	Definition of Lombard Loans
T9.2.2	Benefits of Lombard Loans
T9.2.3	Client Suitability
T9.2.4	Product Suitability
T9.2.5	Definition and Impact of Leverage
T9.2.6	Haircut, Lending Value and Loan Amount

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T9.3	Handling the Credit Process
T9.3.1	Credit Process
T9.3.2	Request and Approval
T9.3.3	Establish Documentation
T9.3.4	Book a Loan
T9.3.5	Margin Erosion
T9.3.6	Margin Call
T9.3.7	Close-out

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T9.4	Applications of Leverage
T9.4.1	Mortgage
T9.4.2	Foreign Exchange Carry Trade

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## **T10      Wealth Planning**

T10.1	Overview of Wealth Planning Services
T10.1.1	What is Wealth Planning
T10.1.2	Client Needs and Objectives
T10.1.3	Wealth Planning Products and Services
T10.1.3.1	Retirement Planning
T10.1.3.2	Tax Planning
T10.1.3.3	Succession Planning
T10.1.3.4	Asset Structuring
T10.1.3.5	Liquidity Solutions
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T10.2	Trust Solutions
T10.2.1	Main Characteristics of a Trust
T10.2.2	The Parties to a Trust Arrangement
T10.2.3	Types of Trusts
T10.2.4	Motivation for the Use of A Trust
T10.2.5	Advantages of a Trust
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T10.3	Foundation Solutions
T10.3.1	Main Characteristics of a Foundation
T10.3.2	The Parties Involved
T10.3.3	Advantages and Disadvantages of a Foundation
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T10.4	Family Offices
T10.4.1	Roles of a Family Office
T10.4.2	Importance of Family Governance

## **T11 Portfolio Management – Theories and Practices**

T11.1	Portfolio Theory
T11.1.1	Correlation of Returns
T11.1.2	Implication of Correlation on Portfolio Risk
T11.1.3	Efficient Frontier
T11.2	Capital Asset Pricing Model (“CAPM”)
T11.2.1	Risk Free Asset
T11.2.2	Combination of Risk Free to a Risky Portfolio
T11.2.3	Market Portfolio
T11.2.4	Capital Market Line
T11.2.5	Systematic versus Unsystematic Risk
T11.2.6	Beta Coefficient
T11.2.7	Risk Premium
T11.2.8	Required Rate of Return
T11.2.9	Application of CAPM
T11.3	Portfolio Management Process
T11.3.1	Investor Profile
T11.3.1.1	Investment Needs and Objectives
T11.3.1.2	Total Wealth
T11.3.1.3	Asset and Liabilities
T11.3.1.4	Return Expectation
T11.3.1.5	Risk Tolerance
T11.3.1.6	Investment Horizon
T11.3.1.7	Liquidity Needs
T11.3.1.8	Tax Consideration
T11.3.1.9	Legal and Regulatory Requirement
T11.3.1.10	Specific Preferences
T11.3.2	Strategic Asset Allocation
T11.3.2.1	What is Strategic Asset Allocation
T11.3.2.2	The Importance of Strategic Asset Allocation
T11.3.2.3	Determine Appropriate Strategic Asset Allocation Based on Investor Profile
T11.3.2.4	Re-balancing
T11.3.3	Tactical Asset Allocation
T11.3.3.1	What is Tactical Asset Allocation

T11.3.3.2	Economic Cycle and Tactical Asset Allocation
T11.3.3.3	Market Timing
T11.3.3.4	Security Selection
T11.3.3.5	Sector Rotation
T11.3.4	Portfolio Construction and Shift
T11.3.5	Portfolio Implementation
T11.3.6	Portfolio Review
T11.3.6.1	Performance Measurement
T11.3.6.2	Portfolio Attribution
T11.3.6.3	Portfolio Evaluation <ul style="list-style-type: none"><li>- Risk Return Ratio</li><li>- Sharpe Ratio</li><li>- Jensen's Alpha</li><li>- Treynor Ratio</li></ul>
T11.3.6.4	Case Studies

## **T12 Behavioral Finance**

T12.1	Traditional versus Behavioral Finance
T12.1.1	Risk Aversion versus Loss Aversion
T12.1.2	The Prospect Theory
T12.2	Common Behavioral Biases of Investors
T12.2.1	Over-confidence
T12.2.2	Fear of Regret and Seeking of Pride
T12.2.3	Disposition Effect
T12.2.4	Endowment Effect
T12.2.5	Anchoring
T12.2.6	Selective Perception
T12.2.7	Mental Accounting
T12.2.8	Representativeness
T12.2.9	Home Bias
T12.2.10	Information Cascades and Herding
T12.3	Implications of Behavioral Factors and Biases on Investment
T12.3.1	Influence of Behavioral Biases on Investment Decision Making
T12.3.2	Market Anomalies Caused by Behavioral Biases
T12.3.3	Influence of Behavioral Factors on Advisor-Client Interaction
T12.3.4	Influence of Behavioral Factors on Portfolio Construction
T12.3.5	Application of Behavioral Finance in Portfolio Construction
T12.3.6	Approaches to Mitigate the effects of Behavioral Biases on Investment Decision Making
T12.4	Case Studies

## **T13 Mainland China and Asia-Pacific Financial and PWM Markets**

T13.1	Mainland China's Financial Markets
T13.1.1	An Overview of Mainland China's Financial Markets
T13.1.2	Mainland China's Banking System
T13.1.3	Mainland China's Money Markets
T13.1.4	Mainland China's Foreign Exchange Market
T13.1.5	Mainland China's Bond Market
T13.1.6	Mainland China's Equity Market
T13.1.7	Mainland China's Derivatives Market
T13.1.8	Mainland China's Investment Fund Market
T13.1.9	Mainland China's Insurance Market
T13.2	Current Development of Mainland China's Private Wealth Management Business
T13.2.1	Organisation of Mainland China's Private Wealth Management Institutions
T13.2.2	Service and Business Models of Mainland China's Private Wealth Management Institutions
T13.2.3	The Evolution and Characteristics of Mainland China's Private Wealth Management Institutions
T13.2.4	Current Developments
T13.3	Issues Affecting the Development of Mainland China's Private Wealth Management
T13.3.1	Legal
T13.3.2	Regulatory Policy
T13.3.3	HR and Talents
T13.3.4	Products – Asset Management
T13.3.5	Competitions and Synergy between Private Wealth Management and Retail Banking Business
T13.3.6	Business Environment for Private Wealth Management
T13.3.7	The Impact of the Financial Crisis in the last decade
T13.4	Characteristics of Mainland China's Private Wealth Management Customers' Needs
T13.4.1	Target Customers and Customer Categories of Private Wealth Management
T13.4.2	Characteristics of Mainland China's Private Wealth Management Customers
T13.4.3	Analysis of Mainland China's Private Wealth Management Customers' Needs
T13.5	Trend of Mainland China's Private Wealth Management Business

T13.5.1	Change of the Structure of Private Wealth Management Institutions
T13.5.2	Change of Service and Business Model of Private Wealth Management
T13.5.3	The Potential of Family Office in China
T13.5.4	Online Services of Private Wealth Management
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T13.6	Mainland China's Private Wealth Management Regulations
T13.6.1	Need for Licensing to conduct Financial Businesses
T13.6.2	The general "doing business in China" Regulations
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T13.7	Increased overseas investor interest in China's capital markets
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T13.8	Private Wealth Management opportunities for Hong Kong Wealth Managers
T13.8.1	Hong Kong as Asia's leading Private Wealth Management Hub
T13.8.2	Products and Services
T13.8.2.1	Renminbi-linked Structured Deposits
T13.8.2.2	Fixed Income
T13.8.2.3	Equities
T13.8.2.4	Structured Products
T13.8.2.5	Real Estate Investment
T13.8.2.6	Asset Allocation Advisory
T13.8.2.7	Wealth Planning Services
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T13.9	Markets in Asia Pacific Region
T.13.9.1	Opportunities for Hong Kong Private Wealth Management Industry
T13.9.2	Current Development in the Asia-Pacific Region

## **T14 Client Relationship Management**

T14.1	Interpersonal Relationship and Wealth Management
T14.1.1	The Interpersonal Relationship
T14.1.2	The Wealth Manager and His Client: The Relationship Interpretation Model
T14.1.3	Interdependence and Expectations in the Wealth Manager-to-Client Relationship
T14.1.4	Effectiveness and Efficiency in Relationship Management
T14.2	Effective Management of the Client Relationship
T14.2.1	Information as a Strategic Resource for the Wealth Manager
T14.2.2	Where to Look for Information
T14.2.3	The Client as a Primary Source of Information
T14.2.4	Communication and Negotiation
T14.2.5	Intercultural Communication
T14.2.6	The Negotiation
T14.3	Efficient Customer Relations Management in Wealth Management
T14.3.1	The Lifecycle of a Relationship
T14.3.2	Strategy for an Efficient Relationship Management
T14.3.3	Customer Relations Management at the Operating Level
T14.3.4	Customer Segmentation
T14.4	Case Studies

## 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