

POINTS TO NOTE FOR SFC REVISED GUIDELINES ON COMPETENCE AND CONTINUOUS PROFESSIONAL TRAINING

**(FOR REFERENCE ONLY)
(AS OF JANUARY 2022)**



POINTS TO NOTE FOR SFC REVISED GUIDELINES ON COMPETENCE AND CONTINUOUS PROFESSIONAL TRAINING

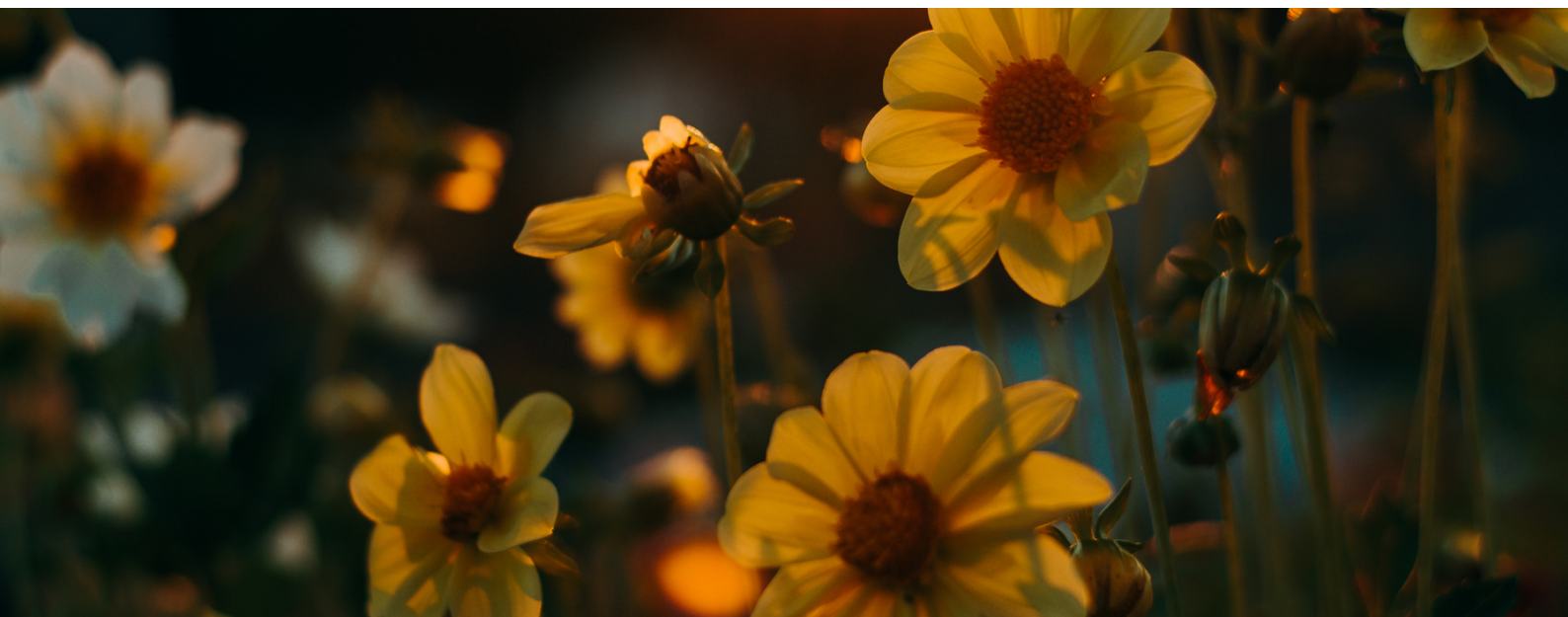
On 18 June 2021, SFC published its Consultation Conclusions on Proposed Enhancements to the Competency Framework for Intermediaries and Individual Practitioners to revise the entry requirements for licence application and ongoing competency standards for Individual practitioners, following the Consultation Paper issued in December 2020. Changes stated in the consultation paper have been effective from **1 January 2022**.

For the revised Guidelines on Competence, please refer to:

<https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-competence/Guidelines-on-Competence.pdf>

For the revised Guidelines on Continuous Professional Training, please refer to:

<https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-continuous-professional-training/Guidelines-on-Continuous-Professional-Training.pdf>



A. CHANGES TO COMPETENCY TEST FOR RESPONSIBLE OFFICERS ("RO") AND LICENSED REPRESENTATIVES ("LR")

1) Recognising degrees in other disciplines

SFC will recognise applicants with degrees in other disciplines that are not in the designated fields (accounting, business administration, economics, finance and law) **by completing extra CPT hours.**

Example 1:

Kelvin graduated with a degree of Arts in English Literature and he didn't pass two courses in the designated fields during his studies. He wishes to submit an RO Application in January 2022.

Kelvin can either complete extra **5 CPT hours** or passing relevant HKSI papers to satisfy the Recognised Industry Qualifications. The additional CPT hours should be taken within **six months** preceding the submission of the application.



2) Relevant Industry Experience Requirements

Under the new SFC competence framework, SFC may also consider the individual's overall career history accumulated within the industry in totality to assess whether an individual applicant has acquired "sufficient" relevant industry experience.

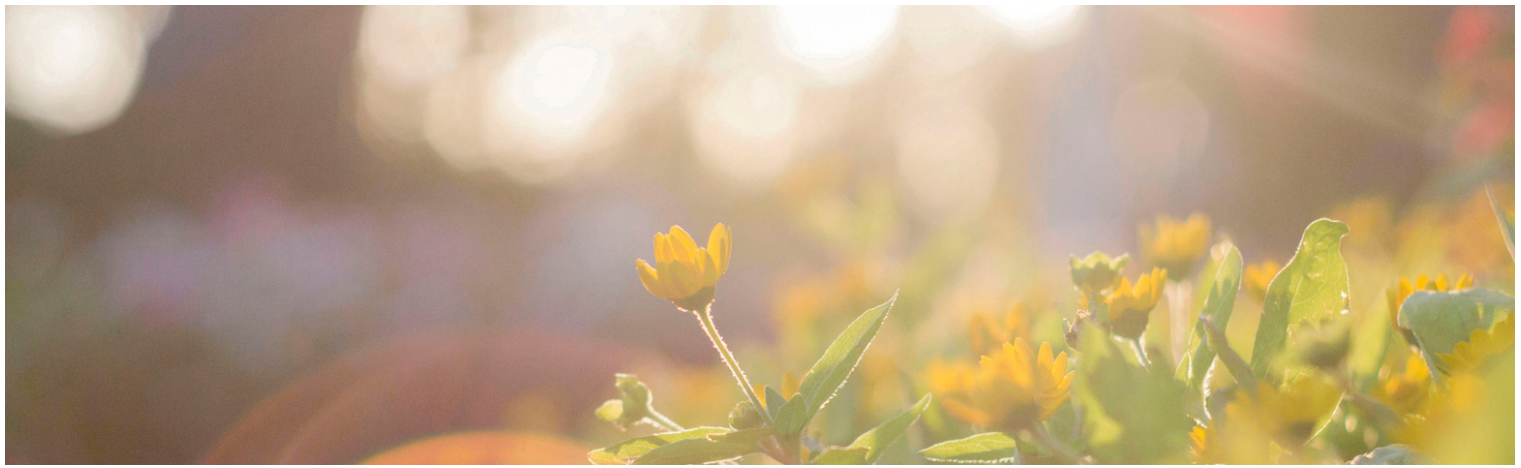
Kindly note that when considering whether an applicant acquired sufficient relevant experience, SFC will holistically take into account how his or her dated experience is relevant to his or her proposed duties. If SFC accepts the relevancy of the dated experience, the RO applicant may be granted a licence subject to licensing conditions, such as the non-sole condition.

Example 2:

Vincent was licensed as a Type 9 RO between May 2010 and June 2017. He resigned in June 2017 and became an individual hedge fund consultant (not SFC licensed) until now. He wishes to apply for the Type 9 RO license now.

SFC may consider Vincent's overall career history within the industry to assess whether he has sufficient relevant industry experience.

Given that Vincent was licensed as a Type 9 RO before and he has been working in the financial industry in the past few years, SFC may consider granting him the RO license (with a condition imposed) even if he did not possess at least 3 years of relevant experience in the last 6 years as a SFC licensed individual.



3) Management Experience Requirements for Responsible Officer Applicants

SFC clarifies the acceptable types of management experience in the new Guidelines on Competence.

Acceptable Management Experience	Unacceptable Management experience
<p>Hands-on experience in supervising and managing essential regulated functions or projects in a business setting, including the management of staff engaging in these functions or projects.</p> <p>For example, managing individuals conducting RAs, or an activity which would have been an RA in the absence of an applicable carve-out, may be considered as relevant management experience.</p>	<p>Management experience which is purely administrative (such as human resources or office administration).</p>

Example 3:

Tom supervised two human resources officers for 5 years during his previous employment.

SFC will not likely accept Tom's experience as management experience given it is purely administrative in nature.

B. CHANGES TO CPT REQUIREMENTS FOR RESPONSIBLE OFFICERS AND LICENSED REPRESENTATIVES

4) Enhancements On SFC CPT Guidelines

Under the revised SFC CPT Guidelines, each licensed person is required to complete a fixed number of CPT hours in a calendar year.

For individual practitioners who first join the industry in Hong Kong, they need to complete a one-off CPT requirement that they should complete at least 2 CPT hours on topics related to ethics or compliance within **12 months** upon obtained the license.

These 2 CPT hours can be counted for the annual CPT requirement for Licensed Representatives (10 CPT hours) and Responsible Officers (12 CPT hours).

This requirement will also apply to the licensed person who does not adopt the conditional exemption of recognized industry qualifications and local regulatory framework paper requirements. This requirement does not apply to temporary licensee.

The CPT topics will also be expanded to include topics such as fintech, cybersecurity, information technology after the enhancement.

	New requirements in Minimum CPT Hours in total	Old requirements in Minimum CPT Hours in total
SFC Licensed Representative	At least 10 CPT hours per calendar year [^]	At least 5 CPT hours for each licensed activity per calendar year
SFC Responsible Officer and Executive Director	At least 10 + 2* CPT hours per calendar year [^]	

* RO must take no less than 2 CPT hours on topics relating to ethics or compliance per calendar year.

[^] At least 5 CPT hours on topics directly relevant to the regulated activity or activities.



Example 4:

Keith is a SFC Type 1, 4 & 9 RO.

Under the old regime, he is required to complete 5 CPT hours for each licensed regulated activity.

Under the new regime effective from 1 January 2022 onwards, he will be required to complete 12 CPT hours in total, which no less than 5 CPT hours have to be directly related to the licensed activities and no less than 2 CPT hours on topics relating to ethics or compliance per calendar year.

Example 5:

Sally is a SFC Type 9 LR.

Under the old regime, she is required to complete at least 5 CPT hours per year.

Under the new regime effective from 1 January 2022 onwards, she is required to complete 10 CPT hours per calendar year, which no less than 5 CPT hours have to be directly related to the licensed activities.

Example 6:

Cyrus is new to the industry and he has never licensed with SFC before. He wishes to become a Type 1, 4 & 9 LR.

Under the old regime, he is not required to complete extra CPT hours preceding or after the submission of the application.

Under the new regime effective from 1 January 2022 onwards, new individual practitioner, like Cyrus, is required to complete at least 2 CPT hours on topics relating to ethics or compliance within **12 months** after they obtained the license.



For Type 6 licensed Individuals, please refer to the revised CPT requirements below:

	Specific CPT Requirement
Licensed Individuals Who engage in the sponsor work of a corporation	At least 2.5 CPT hours per calendar year, which are relevant to the sponsor work, e.g., relevant skills and knowledge of the regulatory rules and their changes
Licensed Individuals Who engage in transactions related to the Hong Kong Takeovers Code for a corporation	At least 2.5 CPT hours per calendar year, which are relevant to the Takeovers Code, e.g., relevant skills and knowledge of the regulatory rules and their changes

Example 7:

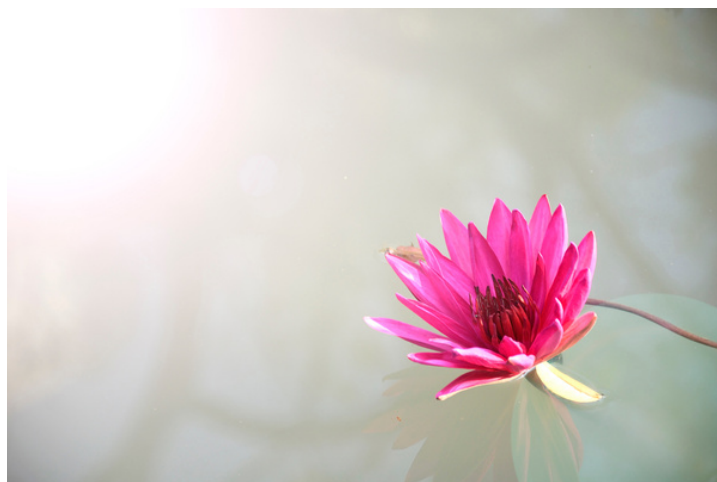
Tiffany is a SFC Type 6 RO who has been engaged in the sponsor work of a corporation.

Under the new regime effective from 1 January 2022 onwards, she is required to complete 12 CPT hours, with no less than 5 CPT hours have to be directly related to the licensed activities. For the 5 CPT hours which directly related to the licensed activities, at least 2.5 CPT hours have to be relevant to the sponsor work.

She will also be required to complete no less than 2 CPT hours on topics relating to ethics or compliance per calendar year.

For further enquiries, please reach out to your usual contact at CompliancePlus or email us at info@complianceplus.hk

COMPLIANCEPLUS CONSULTING LIMITED



Josephine Chung

Director

Tel: +852-3487 6333

Email: jchung@complianceplus.hk

Wechat: CompliancePlus2020



Wechat ID: CompliancePlus_HK

CompliancePlus is an independent consulting firm focused on providing a complete range of proven and reliable compliance solutions to fund management companies and hedge fund managers in Asia. Our dedicated team of compliance officers has years of professional experience equipped with in-depth knowledge of both functional and compliance experience in managing and minimizing regulatory, operational and reputational risks.

We have been providing real time compliance support and proactive recommendations to start-up hedge funds, fund of hedge funds and multi-strategies hedge funds with our solid compliance knowledge.

By partnering with CompliancePlus, our clients gain access to compliance solutions that they can trust and the latest knowledge of regulatory policies and procedures. Through building up strong relationships with our clients and by ensuring our availability to them, we are trusted advisors helping clients to navigate a challenging and changing regulatory environment.

Contact:

Josephine Chung is Director of CompliancePlus Consulting Limited specializing in compliance matters for hedge fund managers and mutual fund management companies with over 15 years of industry experience. Before joining CompliancePlus Consulting, she was the Head of Legal and Compliance for a major asset management company in Hong Kong.

Josephine can be contacted at +852-3487 6903 (email: jchung@complianceplus.hk) and WeChat: CompliancePlus2020

-End-

© Copyrights February 2022, CompliancePlus Consulting Limited