

**THE UNIVERSITY OF HONG KONG  
HKU BUSINESS SCHOOL**

**FINA3383 Financial Regulations and Compliance**

| <b>GENERAL INFORMATION</b>  |
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| <p>Instructor: Professor Anna Wong</p> <p>Email: awong81@hku.hk<br/>Office: KKL 829<br/>Phone:<br/>Consultation times: by appointment<br/>Tutor:</p> <p>Pre-requisites: NA<br/>Co-requisites: NA<br/>Mutually exclusive: NA</p> <p>Course Website: via HKU Moodle</p>   |
| <b>COURSE DESCRIPTION</b>   |
| <p>This course covers financial regulations and compliance relevant to intermediaries (company and individuals) licensed or registered with the Securities and Futures Commission to engage in regulated activities. Embedded in regulations and compliance are ethics, professional standards and applicable laws. Topics include, but not limited to, ethics, professional standards, code of conducts and best practices, know your clients, sales and suitability, investor protection, anti-money laundering, timely and accurate communications, independence and objectivity, fair dealing, compliance issues and compliance handling, relevant local rules and regulations and international best practices for investment professionals. Selected cases will be used for discussion in class.</p>  |
| <b>COURSE OBJECTIVES</b>  |
| <p>The aim of the course is to develop students' understanding of the regulatory framework relevant to regulated activities. Students are not only expected to know the relevant regulations but the ability to appreciate and/or challenge the current rules and regulations applicable to the industry. Students should be able to comprehend the importance of ethics, risk and compliance culture in dealing with clients, investors and other stakeholders.</p> <p>The course will start with a discussion of Hong Kong's regulatory framework. The function, powers and responsibility of the Hong Kong Monetary Authority and the Securities and Futures Commission, and their interaction with one another and with the industry players will be discussed. The Lehman reports issued by the HKMA/SFC and the principles under the "Code of Conduct for Persons licensed by and registered with the SFC" ("SFC Code") will form the basis of the course. Similarities between the SFC Code and the "Code of Ethics and Conduct of the Private Wealth Management Association ("PWMA Code") and the "Code of Ethics and Standards of Professional Conduct by the CFA Institute" ("CFA Code") will be assessed. The course will look at various circulars, guidelines and consultation paper issued by the regulators since the 2009 global financial crisis. Focus of the review of the circulars and guidelines will be in areas of industry practices related to client asset handling, know your client policy, client profiling, investment suitability, product risk assessment, investor characterization, selling process, documentation and risk disclosure.</p> <p>The course will cover selected sections of the Securities and Futures Ordinance which is related to the regulations identified in the code, including definition of different types of licensing activities. Cases laws and reprimand cases will be used to support the understanding of the regulations.</p> <p>"What is compliance and why compliance" will be discussed including functions of Compliance and how it interacts with other business areas and management.</p> |
| <b>Faculty Goals</b>  |
| <p>Goal 1: Acquisition and internalization of knowledge of the programme discipline</p> <p>Goal 2: Application and integration of knowledge</p> <p>Goal 3: Inculcating professionalism and leadership</p> <p>Goal 4: Developing global outlook</p> <p>Goal 5: Mastering communication skills</p>  |

| <b>COURSE LEARNING OUTCOMES</b>  |  |                              |   |
|--|--|------------------------------|---|
| <b>Course Learning Outcomes</b>  |  | <b>Aligned Faculty Goals</b> |   |
| CLO1. Understand the ethics and compliance culture relating to financial activities  |  | Goals #1,2,3,4               |   |
| CLO2. Demonstrate an awareness of the General Principles under the SFC Code , Private Wealth Management Association (PWMA) Code and Chartered Financial Analyst (CFA)Code and the applicability of such principles in regulated activities |  | Goals #1,2,3,4               |   |
| CLO3. Understand the licensing regime and regulatory framework. Ability to describe and explain the function, powers, role and responsibilities of the regulators  |  | Goals #1,2,3,4               |   |
| CLO4. Apply knowledge of regulations into business situations  |  | Goals #1,2,3,4               |   |
| CLO5. Understand the functions of compliance in the business and how it interacts and works with different stakeholders  |  | Goals #1,2,3,4               |   |
| CLO6. Develop research skills, writing skills and communication skills   |  | Goals #1,2,3,4,5             |   |
| <b>COURSE TEACHING AND LEARNING ACTIVITIES</b>   |  |                              |   |
| <b>Course Teaching and Learning Activities</b>   |  | <b>Expected Study Hours</b>  | <b>Study Load (% of study)</b>          |
| T&L1. Lectures   |  | 33                           | 25                                      |
| T&L2. Reading/preparation for class  |  | 25                           | 19                                      |
| T&L3. Term Project   |  | 25                           | 19                                      |
| T&L4. Research for assignment  |  | 50                           | 37                                      |
| Total  |  | 133                          | 100                                     |
| <b>Assessment Methods</b>  | <b>Brief Description (Optional)</b>  | <b>Weight</b>                | <b>Aligned Course Learning Outcomes</b> |
| A1. Class Participation  | Student will be grouped in 4-6 and work on a case relating to the breach of SFC Code. Assessment will be based on a 20 minutes presentation.   | 5%                           | CLO 1,2,3,4,5,6                         |
| A2. Term Project   |  | 15%                          | CLO 1,2,3,4,5,6                         |
| A3. Mid Term assignment  |  | 20%                          | CLO 1,2,3,4,5,6                         |
| A4. Final Take home examination  | On an individual basis, each student will submit a short paper not more than 1500 words recapping the key issues/elements of the term project presentation.<br><br>In essay form, addressing issues raised in a question/quotation format, of not more than 4000 words in total. | 60%                          | CLO 1,2,3,4,5,6                         |
| Total  |  | 100%                         |   |
| <b>STANDARDS FOR ASSESSMENT</b>  |  |                              |   |
| <b>Course Grade Descriptors</b>  |  |                              |   |
| A+, A, A-  | Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate and synthesis   |                              |   |
| B+, B, B-  | Strong evidence of ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate and synthesis  |                              |   |
| C+, C, C-  | Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning: such as describe and apply, but not at high levels of learning such as evaluate and synthesis  |                              |   |
| D+, D  | Evidence of basic familiarity with the subject   |                              |   |
| F  | Little evidence of basic familiarity with the subject  |                              |   |
| <b>Assessment Rubrics for Each Assessment</b> (Please provide us the details in a separate file if the space here is not enough)   |  |                              |   |

Class participation – students will be assessed on their participation in lectures and able to demonstrate a preparation for the lecture by reading pre-lecture materials.

Mid Term Assignment, Project and Final Take Home Examination are the same as in course grade descriptors.

### COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

#### Course Outline

1. Hong Kong's regulatory framework. Function, powers and responsibilities of HKMA and SFC.
2. SFC Code of Conduct and other professional bodies code and its application to licensed activities relating to licensed/regulated activities.
3. Lehman crisis and its aftermath – reports and recommendations by HKMA / SFC / Legislative Council
4. Know Your Client policy, Anti-money laundering policy and procedure, , risk disclosure, client profiling and investor characterization
5. Product due diligence and product risk profiling
6. What is compliance and why compliance? Collaboration with stakeholders.
7. Securities & Futures Ordinance – Licensed Activities, Fit and Proper Rule for licensing
8. Selling Process, Product Risk Assessment, Risk Mis-match.
9. SFC Reprimand cases on breach of Code of Conduct relating to investment activities and mis-selling in particular
10. Case law on alleged mis-selling in Private Banking

### REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)

#### Main teaching materials to be used (if known):

SFC and HKMA Code of Conduct, Circulars, Guidance Notes  
Code of Conduct of professional bodies, including PWMA and CFA  
Securities and Futures Ordinance  
Banking Ordinance  
SFC Reprimand Cases  
Case Law  
SFC / HKMA Website

All the teaching materials will be distributed via Moodle

### MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- conducting mid-term survey in addition to SETL around the end of the semester
- Online response via Moodle site
- Others: \_\_\_\_\_ (please specify)

### COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)

#### Academic Honesty

*Plagiarism* (<http://aao.hku.hk/sy3/plan-of-study/exa-and-ass/plagiarism/>)

"Plagiarism is defined as the unacknowledged use, as one's own, of work of another person, whether or not such work has been published. It is a very serious academic offence and the University does not allow or tolerate plagiarism. Any student who commits plagiarism is liable to disciplinary action which can result in serious consequences – including expulsion from the University.

You are strongly advised to read the booklets "What is Plagiarism" and "Plagiarism and How to Avoid It" and to consult your teachers if you have any questions about how to avoid plagiarism."

#### *Cheating*

Cheating is another very serious academic offence. Any student who commits cheating on homework assignments or midterm or final examination will receive a grade "F" for the whole course. In addition, the case will be reported to the relevant Board of Examiners and/or the Senate of the University for further actions.

#### Class Attendance and Work Load

To maximize learning experience, students are strongly recommended to attend all the lectures, submit the homework assignments on time and participate actively in class and tutorials. The work load of this course is quite heavy and students are expected to spend at least 133 contact/study hours as described above.

#### Class Conduct

The guiding principle governing class conduct is mutual respect. All mobile phones must be switched off or on silent mode. No eating or drinking is allowed. Students should not disturb others in class.

**ADDITIONAL COURSE INFORMATION** (e.g. e-learning platforms & materials, penalty for late assignments, etc.)

**Penalty for Late Submission of Assignments and Term Project**

Any late submission of homework assignments / project will be subject to a 50% penalty deduction of the respective total marks per calendar day after 11:59 pm of the due date, unless prior written permission is obtained from the Instructor under special circumstances, e.g. medical leave.