

6th December 2013

(By Email)

Ms Nancy Cheung
Managing Director and Secretariat Head
Private Wealth Management Association

Dear Ms Cheung,

Re: Consultation Paper – Detailed Proposal of an Enhanced Competency Framework for Private Wealth Management Practitioners in Hong Kong

The Hong Kong Society of Financial Analysts (“HK SFA”) appreciates the opportunity to participate in the subject consultation paper. Based on our positions, we state our comments to the specific questions as follows:

Question 1 (paragraph 2.6)

Do you agree with the proposed definition of Relevant Practitioners (including the key roles) for the purpose of the ECF? If not, please provide specific suggestion.

Agreed.

Question 2 (paragraph 2.8, Annexes 2a & 2b)

Do you agree with the proposed syllabus as detailed in Annex 2a and Annex 2b? If not, please provide specific suggestion.

While the proposed syllabus has covered a broad range of technical, industry, and product knowledge that is relevant to the practitioners, we suggest adding the following topics:

T2: Fixed Income Investments

- The concept of bond duration should be covered here instead of grouping under E8.2.3.3 (Risk Management) as it is an important and useful tool to explain the sensitivity of the bond prices against the movement in market interest rates

T3: Equity Securities

- Cash flow is a very important financial parameter for equity analysis. Suggest to add Enterprise Value (EV) per share, Free cashflow per share to T3.4.4.3
- EV/EBITDA is a commonly used valuation yardsticks that should be added to 3.4.5.1

T8: Unit Trusts and Investment Funds

- Suggest covering the risks of investing in ETFs with the use of derivatives at T8.1

T10: Suggest to add “the role of family office” and “importance of family governance”

On the other hand, the content of E8.2.3 inside the Risk Management may not be relevant to client facing practitioners like client relationship manager and investment advisors. Suggest to remove.

Question 3 (paragraphs 2.11-2.12)

Do you agree with the proposed estimated lecture hours, QF level, examination format and minimum examination and assessment hours, and minimum passing mark? If not, please provide specific suggestion.

No. The estimated lecture hours of some topical area are insufficient to cover the proposed syllabus with sufficient depth to support the daily work of the Relevant Practitioners.

We suggest the following:

T1 2 hours

T2 3 hours

T3 3 hours

T4 3 hours

QF levels and minimum examination and assessment hours are good.

Question 4 (paragraphs 2.16-2.21)

Do you agree with the proposed accreditation criteria and mechanism? If not, please provide specific suggestion.

We support the proposed accreditation criteria and mechanism.

Question 5 (paragraphs 2.22-2.25)

Do you agree with the proposed exemption criteria and mechanism? If not, please provide specific suggestion.

Given the importance of professional ethics and the understanding of the updated

regulatory knowledge, we do not agree to grant the blanket one-off exemption from taking examinations in Module 2 to professionals with at least 10 years' experience practicing as Relevant Practitioners. They should all take the Module 2 examination. Those who fail to the examination will need to attend a mandatory professional training program on ethics and compliance within 18 months from their failure with the examination.

Agreed to grant exemption on Module 1 to professionals with at least 10 years' relevant working experience.

Question 6 (paragraphs 2.26-2.29)

Do you agree with the proposed roles of the Accreditation and Exemption Committee? If not, please provide specific suggestion.

Agreed.

Question 7 (paragraphs 2.32-2.33)

Do you agree with the proposed requirements of the ongoing professional development? If not, please provide specific suggestion.

Agreed.

Thank you for inviting us to comment on this consultation paper, we trust you find our comments useful and constructive.

Yours sincerely,
For and on Behalf of
The Hong Kong Society of Financial Analysts

Jimmy Jim, CFA
Chair, Advocacy Committee

Ashley Khoo, CFA
Chair, Advocacy Committee