

New Professional Qualification Framework and the TMA Code of Conduct & Practice

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Background



Mission of the TMA

- To further promote the professionalism and competitiveness of the treasury markets in Hong Kong through
 - *Enhancing the professionalism of market practitioners*
 - *Developing appropriate codes and standards for the treasury markets*
 - Promoting market and product development
 - Promoting the profile of Hong Kong as the preferred hub for treasury market businesses in the region



Professional standard of treasury market practitioners

- One of the essential elements for Hong Kong to continue to maintain its status as an international financial centre
- Importance of enhancing professional standard of market practitioners in light of the lessons learnt in financial crisis



TMA's initiatives

- Enhancing the existing professional qualification framework
- Developing comprehensive code of conduct and practice suitable for the treasury markets of Hong Kong
- The initiatives are in line with the mission of the TMA and are well supported by the HKMA



Draft Module on Competence and Ethical Behaviour of the Supervisory Policy Manual (SPM)



The draft SPM module (1)

- Issued by the HKMA for consultation on 11 Jan 2011
- The draft SPM sets out, among others, the supervisory requirements on
 - technical competence and continuous professional training of Als' staff engaged in treasury market activities
 - Als' compliance with the TMA Code of Conduct and Practice



The draft SPM module (2)

- The supervisory requirements are applicable to AIs' staff engaged in “treasury market activities”.

“Treasury market activities”

- managing the liquidity and funding of an AI and the trading of foreign currencies, securities or other financial instruments (including such activities if they are undertaken by the front or middle / back office); or
- selling treasury products to institutional and corporate customers; or
- recommending what kind of investment / wealth management products can be distributed to retail investors or providing training to staff who are authorized to sell investment / wealth management products to retail customers.

The draft SPM module (3)

■ Technical competence

Paragraph 3.7.9

*“ In assessing the technical competence of staff engaged in treasury market activities, **Als should take into account any relevant qualifications obtained by the staff under the professional qualification framework of the TMA**, or comparable qualifications of other professional bodies, having regard to the specific duties and responsibilities assigned to them .”*



The draft SPM module (4)

■ Continuous professional training

Paragraphs 4.2.4 and 4.2.5

“ Moreover, the TMA offers a range of focussed training courses for treasury market practitioners in Hong Kong, which can usefully support, complement and form an integral part of Als’ training programmes.

Als are expected to facilitate the undertaking by relevant staff of the continuous professional training courses required by the TMA and other comparable bodies.”



The draft SPM module (5)

- Ethical Behaviour and best practice

Paragraph 5.6

“ ...in respect of Als’ treasury activities, the Code of Conduct and Practice issued by the TMA (“the TMA Code”), which is endorsed by the HKMA, sets out standards of ethical behaviour and best practice applicable to treasury markets in Hong Kong. Als should maintain adequate systems of control to ensure that their staff engaged in such activities observe the relevant standards in the TMA Code.”



New professional qualification framework (PQF) of the TMA



New PQF of the TMA (1)

- To be launched in Q3/2011
- 4 membership classes under the new PQF
 - Associate Member
 - Full Member
 - Fellow Member
 - Honorary Member
- Existing education programmes
 - Last intake of the existing education programmes to be arranged before April 2011 for membership admission and/or upgrading under the current membership regime
 - To be accepted as the qualifications for admission as “Associate Members” under the new PQF

New PQF of the TMA (2)

Level 3(Fellow Member)

Postgraduate Certificate in Treasury Market Management**
+
At least 15 years relevant experience

** to be developed

Level 2(Full Member)

Examination on the TMA Code of Conduct and Practice
(Advanced level)
+
Graduate Certificate in Treasury Market Management

Level 1 (Associate Member)

Examination on the TMA Code of Conduct and Practice
(Elementary level)
+
Foundation Course in Treasury Markets

or

Attain professional
qualifications accredited
by the TMA

New PQF of the TMA (3)

Associate Member

- pass Level 1 examinations, i.e. “Foundation course in Treasury Markets” and elementary level of examination on Code of Conduct and Practice; or
- attain professional qualifications accredited by the TMA

Foundation course in Treasury Markets

- intended for junior treasury staff
- provides basic knowledge of the financial and treasury markets and their operating environment

New PQF of the TMA (4)

Associate Member

Professional qualifications accredited by the TMA

A pass in any one of the following programmes-

- ▣ Treasury Markets Certificate Programme
- ▣ Treasury Markets (Debt Securities) Certificate Programme
- ▣ Professional Certificate Programme in Treasury Markets (Derivatives and Structured Products)
- ▣ Professional Certificate Programme in Treasury Markets (Treasury Products Marketing & Financial Management)
- ▣ Risk Management Certificate Programme in Treasury Markets
- ▣ Professional Certificate in Back Office Operations of Treasury Markets Programme
- ▣ Other relevant Certificate Programmes or Diploma Programmes provided by ACI, ICMA, ACT and INCEIF

(please check details with the TMA)



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New PQF of the TMA (5)

Full Member

- pass Level 2 examinations (i.e. Graduate Certificate in Treasury Market Management) and the advanced level of examination on Code of Conduct and Practice

Graduate Certificate in Treasury Market Management

- intended for middle/senior management staff in treasury functions
- provides a greater breadth and depth of knowledge of the treasury markets and products

New PQF of the TMA (6)

Full Member

- General exemption policy for admission as a Full Member under the new PQF
 - Content and learning outcomes
 - “Qualification Framework” Level
 - Admission standard
 - Quality of provider of the programme (where applicable)
 - Any other factors considered relevant by the Professional Membership Committee

- The Professional Membership Committee will also take into account relevant professional qualifications, the years of experience and position of an applicant in considering granting an exemption.

New PQF of the TMA (7)

Fellow Member

- pass Level 3 examinations, i.e. Postgraduate Certificate in Treasury Market Management and possess at least 15 years of relevant industry experience; or
- Executive Board of the TMA can also invite an experienced Full Member who holds a senior position and has significant contribution to the treasury markets to upgrade to a Fellow Member.



New PQF of the TMA (8)

Fellow Member

Postgraduate Certificate in Treasury Market Management*

- ▣ intended for senior management staff in treasury functions
- ▣ provides in-depth and advanced training in areas deemed vital for those who take senior management roles in treasury market activities

* *to be developed*



New PQF of the TMA (9)

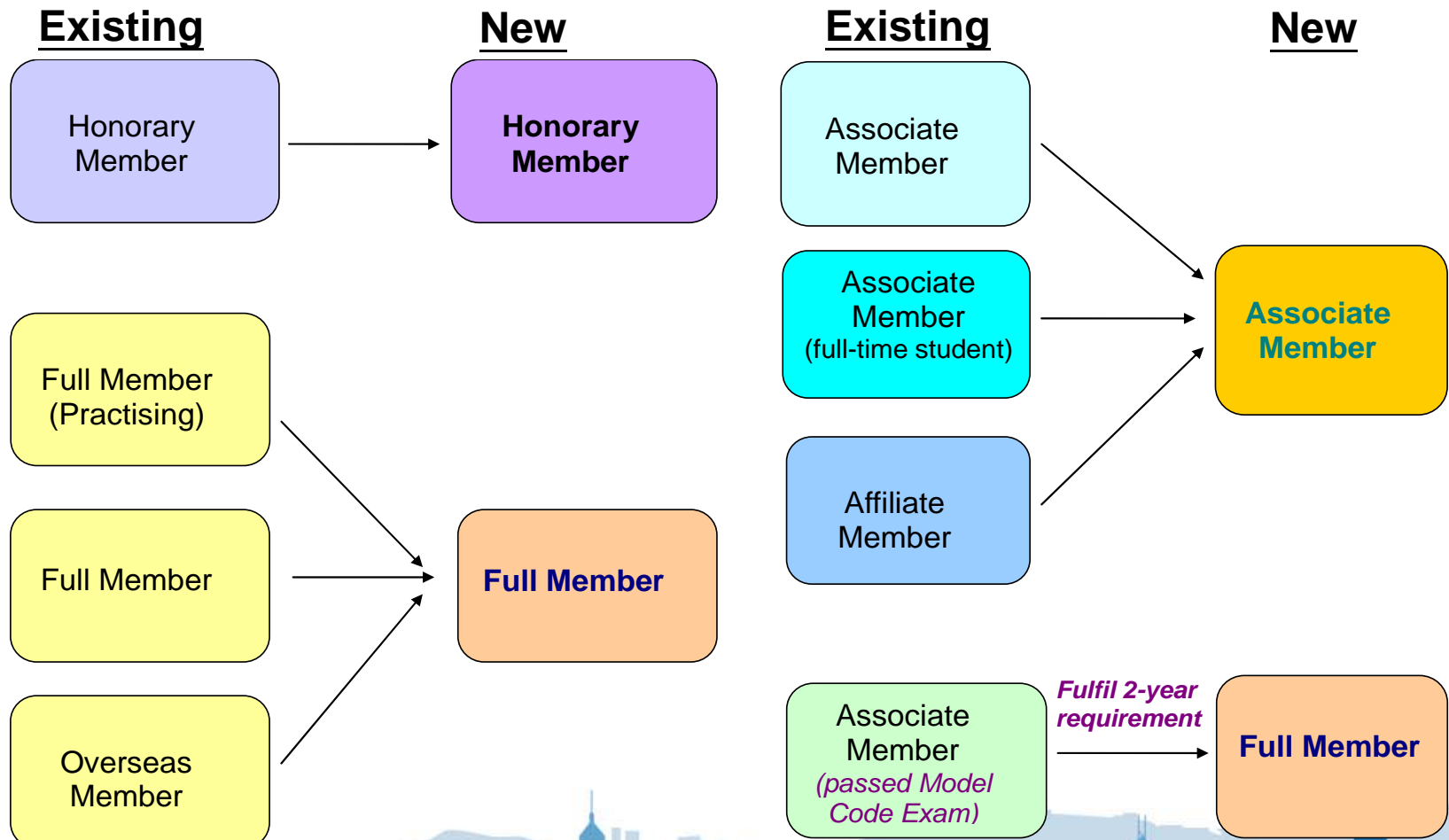
Honorary Member

- Nominated by any 2 Executive Board members and his / her past and present services to the financial markets are recognized by the Executive Board



New PQF of the TMA (9)

- Mapping with the existing membership classes



The Code of Conduct and Practice



TMA code of conduct and practice

- A Working Group on the Code of Conduct and Practice (the Working Group) formed under the Market Practices Committee of the TMA in late March 2010
- TMA Code
 - comprises international standards and practices in Hong Kong
 - promotes high ethical standard and good market practices by setting out the minimum standards which institutions should follow in their treasury market activities
 - seeks to facilitate market efficiency and minimize disputes

TMA code of conduct and practice

- The draft Code is issued for consultation of the TMA institutional members and all Als on 11 Jan 2011
- Target to be completed in the 2nd Quarter 2011
- The Code will be endorsed by the HKMA as the best practice for Als' treasury market activities



Applicability

- Authorized institutions (AIs)
- Institutional and Individual Members of the TMA
- Money brokers
- Any other corporations engaged in treasury market activities are encouraged to comply with the Code

Products covered

- Foreign exchange
- Money market instruments
- Debt securities
- OTC derivatives (e.g. cross currency swaps, NDF, currency options, interest rate options, FRA/IRS, etc.)
- *Repurchase agreement (repo)***
- *Commodities ***
- *Credit derivatives and other structured products ***

*** Dealing practices for repo, commodities, credit derivatives and other structured products to be included in the TMA Code in its 2nd phase of development*

Compliance

- An investigation group formed under the Disciplinary Sub-committee (DSC) of the TMA to conduct investigation
- The investigation group will report findings and recommend fair and proper actions to the Professional Membership Committee
- Professional Membership Committee has discretion to take disciplinary actions against the Member concerned, which may include reprimand, and suspension or termination of membership

Comparison with the Model Code of ACI

The Model Code	The TMA Code
Published by ACI Financial Markets Association (ACI)	Published by Treasury Markets Association (TMA)
Copyright belongs to ACI	Copyright belongs to the TMA
High standards and international recognition by the industry	Aims at achieving an equally high standard
Mainly covers FX-related products	Covers a more comprehensive range of treasury-market activities in Hong Kong, such as debt securities, commodities, credit derivatives etc

Content

Divided into 8 Chapters

- I. Disclaimer**
- II. Introduction**
- III. General Standards**
- IV. General Controls**
- V. Dealing Principles**
- VI. Risk Management Principles**
- VII. Back-Office Practice**
- VIII. Market Specific Dealing Practices and Conventions**

Some highlights of the TMA Code (1)

VI. Risk Management Principles

- Risk management framework
- Types of risks
- Techniques for risk measurement
- Risk management limits
- Risk mitigation
- Risk monitoring and reporting
- New products, services, and procedures

Some highlights of the TMA Code (2)

VIII. Market Specific Dealing Practices and Conventions

Products

- Foreign exchange
- Money market instruments
- Debt securities
- OTC derivatives
- *Repo, commodities, credit derivatives and other structured products to be included in the 2nd phase of development*

Some highlights of the TMA Code (3)

VIII. Market Specific Dealing Practices and Conventions

- Trading hours
- Dealing procedures
- Value dates
- Fixing
- Recommended settlement method
- Interest accrual basis



Q & A



Thank you

CONTACT US

Email: tma@tma.org.hk
Website: www.tma.org.hk

