

Pilot Scheme for Training Courses



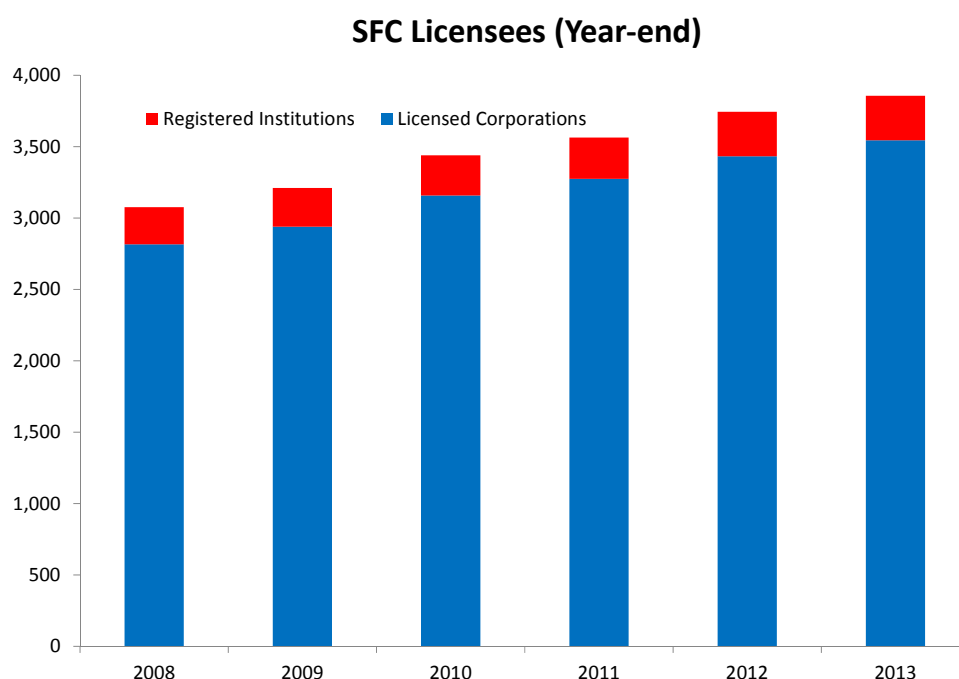
April 2014

1. The Report of the Financial Services Development Council (“FSDC”) entitled “Strengthening Hong Kong as a Leading Global International Financial Centre”, published in November 2013, indicates that there is an imbalance in the ability and expectations of many local graduates intending to join the financial services industry. There is a lack of practical training to equip new entrants to the industry, especially for middle / back office positions. At the same time, many practitioners would like to strengthen their skills and product knowledge in order to expand their service capability in response to the evolving demand from investors.

Latest Trends in Human Capital in the Financial Services Industry

2. According to Census and Statistic Department, employment in the financial services industry (including insurance) amounted to 234,400 in Q3 2013, up 1.9% from a year earlier. At the same time, the vacancy rate¹ gives a more telling sign of the tight demand-supply balance in the industry : vacancy rate for financial services industry jumped from 1.7% in Q3 2012 to 2.7% in Q3 2013, a faster rise compared with the corresponding economy-wide figure, from 2.5% to 2.8%.

3. The establishment of new financial services companies has been one of the key drivers of demand for financial talents. To put it in perspective, a total of 3,857 Licensed Corporations and Registered Institutions were licensed by the Securities and Futures Commission (“SFC”) at end 2013, a 25% increase from the figure at end 2008 (3,075).



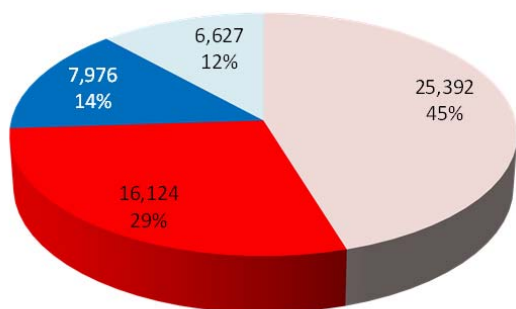
Source : SFC

¹ Vacancy rate is defined as number of job vacancies to the number of “job opportunities” (i.e. the sum of the number of persons engaged and the number of vacancies)

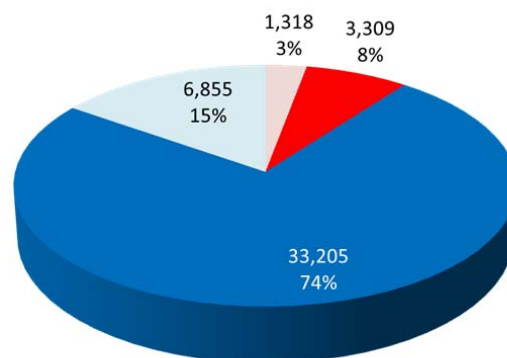
4. While the financial services industry requires a large number of top-notch and highly-educated professionals, it also provides a significant supply of jobs at supporting functions for workers with a wide spectrum of education level. According to the Vocational Training Council (“VTC”)’s Manpower Survey Report for the Banking and Finance Industry (January 2013), 29% (over 16,000) of supervisory / officer level workers in the banking and finance sectors possessed non-degree tertiary education, while another 14% (close to 8,000) were secondary school graduates. For clerical workers, 74% (over 33,200) were secondary school graduates. Workers at all levels have to be prepared to learn a widening range of technical know-how, as the financial institutions in Hong Kong are expanding their scope of business as well as their regional and global reach.

Workers in Banking and Finance by Education Level

Supervisory / Officer



Clerical



■ Degree or above

■ Higher Diploma/Associate Degree/Diploma/Certificate

■ Matriculation/HKDSE/Secondary 5

■ Others*

* Others include respondents with educational attainment below secondary 5, unspecified responses and refusal.

Source: VTC

"We are willing to train fresh graduates, but they need to be prepared to learn not just the local CCASS systems but also global markets and mutual fund settlement"

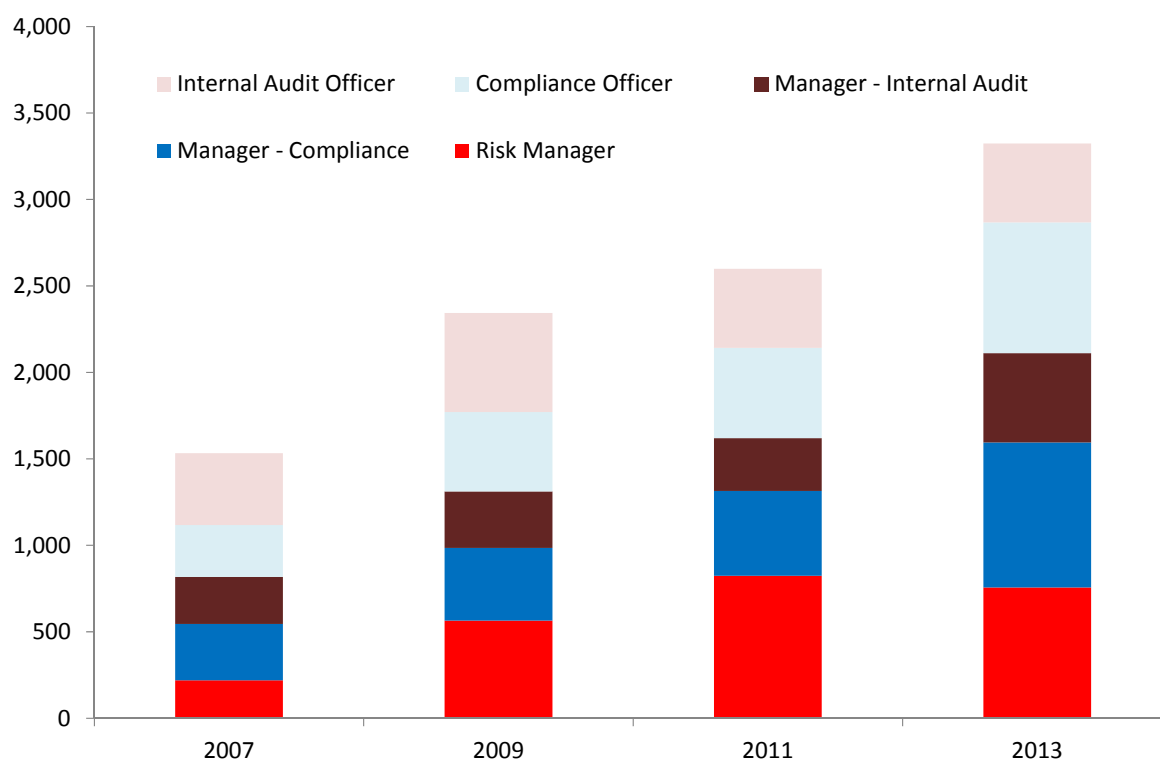
- senior manager at a local stock broker and wealth management firm.

"We can find staff to train up for settlement and fund accounting functions, but they need to be willing to learn about settling trades related to overseas markets"

- CEO of a Mainland fund management company.

5. There is also increasing concern on the insufficient supply of middle / back office talents. For instance, the numbers of risk managers, compliance officers, and internal audit officers employed by banking and finance companies in January 2013 (at 3,324) were more than double of those in 2007 (1,533), according to the same VTC Manpower Survey Report mentioned in paragraph 4 above. With the burgeoning demand, there is a need for training programmes to accelerate the learning curve of graduates in order to expedite the new supply of talents to the market.

**Risk, Compliance and Internal Audit Positions
in Banking and Finance**



Source : VTC

"New products and the prospective mutual recognition of funds between the Mainland and Hong Kong will only further drive up demand for compliance personnel"

- senior executive of an insurance company.

"Shortage of talents at risk management functions is holding us back from expanding proactively"

- human resources head of private banking operations of a universal bank.

"Mobility programmes cannot solve the shortage of compliance manpower given the different legislative environment across jurisdictions"

- head of training of a private bank.

6. For front line positions in wealth management, many institutions, including banks, insurers and other financial institutions, have found that the attrition rate among graduates entering such positions has been high. Many institutions have to resort to poaching from their peers in order to satisfy their human capital needs. Hence, many institutions expressed interest in attracting mature professionals (both finance and non-finance background) to their sales force. In particular, they welcome professionals with strong experience in client services and general knowledge in the investment markets.

"Relationship managers are often poached by peers"

- human resources head of a major retail bank.

"Segregation of banking and investment services makes it impossible to train customer services staff into relationship managers"

- senior executive of a retail bank.

"Many new graduates cannot generate sustainable income to stay in the industry"

- an independent financial advisor.

"Sometimes the turnover of new graduates can be over 50%; we prefer mid level, mature executives"

- district manager of an insurance agency.

Pilot Scheme for Training Courses

7. In light of the various human capital demand in the industry, FSDC explored with local training institutions potential pilot schemes in developing training courses and programmes to serve these needs.

8. For new entrants to the industry, the courses and programmes should ideally combine practical industry knowledge with internship. In particular, the continued growth of the financial services industry and the prospects of further extending the services value chain into areas such as fund domicile would require a steady supply of middle / back office staff in areas like compliance and settlement. We fully support the Chief Executive's view, as set out in his 2014 Policy Address, that there is a need for measures to help young people with career goals and life planning.

9. For practitioners, the courses and programmes should expand and enhance their competence and professional knowledge in order to better serve their clients in an ever evolving market. Our approach would echo the Financial Secretary's view, as stated in his 2014 Budget speech, that professionals and skilled personnel in various areas of the financial services industry are of vital importance to the sustained development and expansion of the sector.

New entrants to the industry

10. FSDC has explored the subject with the Hang Seng Management College ("HSMC") and Hong Kong College of Technology ("HKCT") targeting both degree programme and non-degree programme students –

(a) HSMC will develop a module under its degree programme with both course work and internship. The scope of the module would focus on compliance, and the module would be accredited by the Hong Kong Council for Accreditation of Academic

and Vocational Qualifications. According to HSMC, the accreditation process for the module should take place in the second half of 2014, and its first intake by the first half of 2016.

(b) HKCT will develop a short training course in settlement operations for entry-level personnel, also with both course work and internship. This is a short term project with target delivery within 2014.

11. Leveraging our nexus with industry players and stakeholders, FSDC would endeavour to facilitate the HSMC's and HKCT's efforts in securing, to the extent possible, teaching staff and internship positions for the module / course. Our initial contact with selected industry associations regarding the idea has yielded positive feedback.

Practitioners

12. FSDC has also explored with Hong Kong Securities and Investment Institute ("HKSI") to develop relevant courses for finance professionals in 2014 to diversify their skills mix and broaden their service portfolios especially in the wealth management services. FSDC will again play a facilitator role to HKSI in such efforts.

Conclusion

13. The Pilot Schemes being developed at the three academic and training institutions described above would illustrate the collaboration between the industry and training institutions to better satisfy the evolving human capital demand of the financial services industry. FSDC would also welcome the participation of other training institutions on developing training courses and programmes that would nurture a deeper and diversified financial talent pool in Hong Kong.

14. We welcome the Financial Secretary's announcement in his latest Budget that the Financial Services and the Treasury Bureau will consult the industry and conduct an in-depth study on human capital related issues. FSDC will continue to support the Government's work in identifying any gaps in human capital supply and demand, and fostering capacity building for professionals in the industry.

About the Financial Services Development Council, Hong Kong

Established in January 2013, the Financial Services Development Council (FSDC), Hong Kong is a high-level and cross-sector platform to engage the industry and formulate proposals to promote the further development of Hong Kong's financial services industry and map out the strategic direction for development. The FSDC will advise the Hong Kong SAR Government on areas related to diversifying the financial services industry, enhancing Hong Kong's position and functions as an international financial centre of our country and in the region, and further consolidate our competitiveness through leveraging the Mainland to become more global.

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