To lead the investment profession globally by setting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.
Administrator of the CFA Program – the global standard for investment professionals – and the CIPM Program and the new Claritas Investment Certificate

Committed to lifelong learning; working to provide value after the designation has been earned
The CIPM program is a specialty credentialing program that helps the candidate develop a set of advanced, globally relevant and practice-based investment performance and risk evaluation skills.

**Two Levels** (Computer-based testing):
*Principles Level* – emphasizes the conceptual foundations of performance measurement, attribution, and appraisal.

*Expert Level* – emphasizes performance evaluation and presentation, including application of the appropriate tools and inputs in complex situations.

**Major Topic Areas:**
A new initiative designed to embrace the wider investment industry and those professionals who work within it but who may not be directly involved with investment analysis or investment decision making.

- Foundation level with a focus on the investment industry and essentials of investments
- Raise industry standards in ethics and professional competence
- A candidate earns a certificate of knowledge
- Computer-based testing delivered on demand
- One exam requiring 100 to 120 hours of study
"Advantages of a Rating System"

"The analyst who qualifies for the rating will have the obvious advantages of prestige, improved ability to get a job, and the chance for higher pay. In addition, he is likely to develop a more professional attitude towards his work and a keener interest in maintaining and advancing the standards of his calling."

Benjamin Graham

In first edition of the Analysts Journal
CFA INSTITUTE
A GLOBAL ORGANIZATION

Members ➤ 136,000+ investment professionals in 147 countries; 95.3% hold the CFA charter. 1,450+ CIPM certificants in 53 countries. (February 2016)

Societies ➤ 146 in 71 countries

Candidates ➤ More than 225,000 registrations expected for the three levels of exam in this fiscal year

  • June 2015: 159,958 candidates – 174 countries (269 exam sites in 91 countries and almost 200 cities)

Offices ➤ Beijing, Brussels, Hong Kong, London, Mumbai, New York & Charlottesville, VA
PROFILE OF MEMBERS

- 26% Portfolio Managers
- 17% Research Analysts
- 8% Chief Executives
- 6% Consultants
- 5% Relationship Managers
- 5% Corporate Financial Analysts
- 5% Risk Managers
- 5% Financial Advisers
- 4% Investment Banking Analysts/Bankers

(Represents 81% of members)
A sharp lesson in ethics and risk control

INVESTMENT MANAGEMENT

But attitudes to qualifications had changed completely even before the crisis, says Ross Tieman. 

“...a qualification considered worldwide as the gold standard in investment management…”

22 June 2009
“Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA… explosive growth has made it, in effect, global currency.”

-The Economist, 2005
Pensions and Investments Online
Job Ads Shown in One Day

Hedge Fund Analyst
Requirements:
- Four-year undergraduate degree; CFA/MBA/CPA credentials a plus.

Executive Director
Requires a minimum of 10 years of experience in investment management, including
leadership roles in asset management, institutional sales, or related fields.

Assistant Director/Pension Investment Officer
Requires three years of financial analysis or investment management experience and CFA or MBA or equiv.

Consultant Relationship Professional & Marketing/Client Service Associate
Consultant Relationship Professional
Min. 5 years’ experience covering institutional consultants in the pension fund industry. Deep contact base and focus; understanding of Equity Mkt Neutral, 130/30, HC and PA strategies desired. Undergraduate degree required; MBA/CPA preferred. Relocation not required.
What is the CFA Program?

- A self-study curriculum with three levels of examinations
- Practical, relevant education based on a practitioner-driven global body of investment knowledge
- Ethical and professional standards emphasized at every level
- Exam locations worldwide
CFA® CHARTER REQUIREMENTS

Pass All Levels of Exam

Professional References

Code of Conduct

4 Years Work Experience
## A PRACTICE DRIVEN PROCESS

<table>
<thead>
<tr>
<th>Education Advisory Committee</th>
<th>Council of Examiners</th>
<th>CFA Institute &amp; Member Volunteers</th>
<th>CFA Institute, Member Volunteers &amp; Consultants</th>
<th>Board of Governors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Practice Analysis</td>
<td>Candidate Body of Knowledge™</td>
<td>Curriculum</td>
<td>Examinations</td>
<td>Grading</td>
</tr>
</tbody>
</table>

**Descriptions:**
- **Global Practice Analysis**: Analysis of current practices and knowledge gaps.
- **Candidate Body of Knowledge™**: Development of a comprehensive curriculum.
- **Curriculum**: Development of detailed course materials.
- **Examinations**: Creation of examination questions and formats.
- **Grading**: Establishing grading criteria and standards.
- **Standard Setting**: Determination of minimum passing scores.
- **Minimum Passing Score**: Setting the minimum score required for certification.
PRINCIPLES OF CURRICULUM DEVELOPMENT

• A curriculum that is:
  • Faithful to the practice analysis and CBOK
  • Fair to candidates
  • Valuable to members, employers, and investors
  • Incorporates “best practices” in content and pedagogy

• The curriculum content should be:
  • Globally relevant
  • Generalist (as opposed to specialist) in nature
  • Appropriate for a distance-learning global candidate base
  • Testable

• Avoid curriculum materials that are:
  • Predominately empirical/historical in nature
  • Topical (current events oriented or survey articles)
  • Country specific and/or specialist in nature
CFA® CUSTOM CURRICULUM

- Each level consists of 18 study sessions delivered in CFA Institute produced custom curriculum.
- Six volumes at each level
- Study session outline by level on-line.
- Readings are sequenced in accordance with Study Guide.
- Learning Outcome Statements before each reading
- Comprehensive index and glossary
LEARNING OUTCOME STATEMENTS (LOS)

• Statements, using command words, as to what a candidate should be able to do

• Level I – Knowledge Example
  - “Identify the relationship among a bond’s coupon rate, the yield required by the market, and the bond’s price relative to par value (i.e., discount, premium, or equal to par).”

• Level II – Application Example
  - “Evaluate the credit quality of an issuer of a corporate bond, given such data as key financial ratios for the issuer and the industry.”

• Level III – Synthesis Example
  - “Formulate a bond immunization strategy to ensure funding of a predetermined liability and evaluate the strategy under various interest rate scenarios.”
2011 - 2015 CURRICULUM MAJOR CHANGES

• Increasing proportion of curriculum developed by CFA Institute
• Expansion of end-of-reading questions

• Level I Portfolio Management and Equity
• Level I Derivatives
• Level I and II Update of Examples in Quantitative Methods
• Level I and II Economics
• Level I and II Fixed Income, including credit analysis
• Level I and II Financial Reporting and Analysis
• Level I and II Alternative Investments
• Level II Update of Examples in Equity
• Level III Behavioral Finance
CURRENT CHARTERHOLDERS WRITE THE EXAM

• The COE and question writing teams of about 70 Charterholders from around the world develop the exams supported by CFA Institute Staff

• Members meet up to four times during the year to discuss, evaluate, and edit exam questions

• Extensive global exam reviews

• The questions follow LOS

• Each exam is 6 hours in length. Level I is offered June and December, Levels II and III are offered only in June.
## EXAMINATIONS

<table>
<thead>
<tr>
<th>Level</th>
<th>Format</th>
<th>Typical Number of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Multiple Choice - individual multiple choice questions; since 1968</td>
<td>240 Questions (120 in AM and 120 in PM) for 360 points (1 point = 1 minute). 1 question = 1 ½ minutes</td>
</tr>
<tr>
<td>II</td>
<td>Item Sets - 1-2 page cases (vignettes) with 6 related multiple choice questions (items); since 2000</td>
<td>20 Item Sets (10 in AM and 10 in PM); each item set has 6 questions for a total of 120 questions at 3 points/minute each for 360 points or 3 minutes/question</td>
</tr>
<tr>
<td>III</td>
<td>Constructed Response - discussion-type (essay) and problem solving questions; since 1963</td>
<td>Variable number of constructed response questions in AM usually 10-18 questions for 180 points;</td>
</tr>
</tbody>
</table>

**Item Sets**

- 10 Item sets in PM for 180 points
EXAMPLE MULTIPLE CHOICE

For an investment portfolio, the Sharpe ratio is used to measure:
A. risk per unit of mean return.
B. mean return per unit of risk.
C. mean excess return per unit of risk.
ITEM SETS - TESTING HIGHER ORDER KNOWLEDGE

• Item Sets
  ■ Case or vignette followed by 6 multiple choice items which require understanding, evaluating and synthesizing information in case study (as contrasted to “stand-alone” multiple choice items).
Level III

7070 09

QUESTION 7 HAS THREE PARTS (A, B, C) FOR A TOTAL OF 17 MINUTES.

Chandra Pabst, CFA, is an equity portfolio manager at an advisory firm that provides asset management services to nonprofit organizations. The firm was recently hired by the U.S.-based Aberdeen Family Foundation. Aberdeen’s board of directors was dissatisfied with its previous equity manager. Pabst is assigned to develop a strategy for the equity portion of the portfolio.

In her initial meeting with the Aberdeen investment committee, Pabst compiled the following notes:

- The committee agrees that security prices reflect publicly available information.
- The committee expects a decline in interest rates.
- The board fired the previous equity manager because the portfolio had tracking risk exceeding 1%.
- Aberdeen pays taxes on interest, dividends, and realized capital gains.
- The board is willing to accept a low information ratio as long as returns are sufficient to maintain targeted spending.

At the end of the meeting, Pabst recommends that the Aberdeen portfolio be managed using a passive approach. The committee agrees with Pabst’s recommendation.

A. Justify, with three reasons based only on Pabst’s notes, why the use of a passive investment approach is the most appropriate for Aberdeen’s equity portfolio.

Answer Question 7-A in the Template provided on page 45.

(6 minutes)

Pabst next begins to transition Aberdeen’s portfolio holdings. She is constructing the portfolio using individual equities and is considering the following methods: full replication, stratified sampling, and optimization. The benchmark for the portfolio is the Russell 3000 Index, which is based on market capitalization and consists of 3,000 large U.S. publicly-traded companies. The value of Aberdeen’s equity portfolio is $3,000,000 U.S. dollars (USD). The board prefers not to use complicated mathematical models that would be challenging to explain to donors.

B. Determine, from the three methods Pabst is considering, the most appropriate method for constructing the equity portfolio. Justify your response with two reasons related to Aberdeen’s specific circumstances.

Answer Question 7-B in the Template provided on page 46.

(5 minutes)
FIRST CFA EXAM, 1963
TODAY’S CFA EXAM
CANDIDATES SHOULD:

- Study  [Based on survey of June 2013 CFA Program Candidates, on average candidates studied 307 hours (283, 313, and 324 hours at Levels I, II and III respectively). At Level I, successful candidates reported studying 299 hours and unsuccessful candidates reported studying 272 hours at Level I.]
- Know structure, format, and level of difficulty of the questions (Learning outcome statements provide guidance)
- Show up for the exam
- Follow exam rules

For additional guidance see information on website
## GRADING

**Guiding philosophy – fairness and consistency**

<table>
<thead>
<tr>
<th>Exam</th>
<th>Grading Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>I and II</td>
<td>• Machine graded; extensive sampling</td>
</tr>
<tr>
<td>III</td>
<td>• Item Sets – Machine graded; extensive sampling</td>
</tr>
<tr>
<td></td>
<td>• Constructed Response – Graded by teams of charterholders (about 400);</td>
</tr>
<tr>
<td></td>
<td>structured and detailed process;</td>
</tr>
</tbody>
</table>
MINIMUM PASSING SCORE DETERMINED THROUGH STANDARD SETTING

• Set by the Board of Governors of CFA Institute based on a rigorous standard setting process.

• Angoff Standard Setting Method
  - 85% of credentialing programs use standard setting

• Overseen by independent psychometricians

• Large and diverse groups of practitioners independently evaluate each questions to assess the expected performance of qualified candidates, based on:
  - The difficulty of the exam questions
  - What a qualified investment professional needs to know to practice in the current environment
JUNE 2015 EXAM RESULTS

• 159,958 registered candidates; 125,443 sat for the exam

• No-show rate – 21.5% in June 2015 (10-year average of 23%)

• Overall pass rates: Weighted average 46% (10 yr. avg. = 42%)
  ■ 42%: Level I (10 yr. avg. = 39%) (44% in December 2015)
  ■ 46%: Level II (10 yr. avg. = 43%)
  ■ 53%: Level III (10 yr. avg. = 53%)
PROFESSIONAL CONDUCT

“THE CODE OF ETHICS IS ONE OF THE MOST IMPORTANT PARTS OF THE CHARTER.”

“CHARTERHOLDERS HAVE THE SAME ATTITUDE BECAUSE WE SHARE THE ETHICAL STANDARDS.”
Candidate Responsibilities

Commit to the Code and Standards

When you enroll in the CFA Program, you are committing to the *CFA Institute Code of Ethics and Standards of Professional Conduct.*

As part of the enrollment and registration process, you must sign a *Candidate Responsibility Statement* and agree to adhere to CFA Program policies and procedures, including our testing policies.

**This commitment is not to be taken lightly:** The code requires that you act with integrity, competence, and diligence. Our standards require that you not engage in professional conduct involving dishonesty, fraud, deceit or misrepresentation.
PROFESSIONAL EXPERIENCE

• 4 years
• Full-time position
  ≥ 50 percent of your time:
    - involved in investment decision-making process, or
    - producing a work product that informs or adds value to that process
PROFESSIONAL EXPERIENCE AND REFERENCES

- recommend applying for membership prior to completing Level III

- submit work experience for evaluation early

- engage with local society if possible, you will need either three professional references or two professional references including one from a local society member
Commits years and many hours to study

Masters more than 7,000 pages of material

Answers 18 hours of exam questions

Devotes several hundred hours away from family and personal life

A New CFA Charterholder...
CFA® CHARTER BENEFITS

Global Recognition

International Network of Local Societies

Knowledge Skills Abilities

Lifelong Learning Opportunities
### DECEMBER 2016 EXAM FEE SCHEDULE

<table>
<thead>
<tr>
<th>CFA Program: Levels I only (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment deadlines</td>
</tr>
<tr>
<td>16 Mar 2016</td>
</tr>
<tr>
<td>17 Aug 2016</td>
</tr>
<tr>
<td>14 Sep 2016</td>
</tr>
</tbody>
</table>

Returning candidates pay only the exam registration fee.

Register early – save money and have more time to study.

Registration fees include:

- Access to the Level I curriculum eBook
- Supplemental study tools: Topic-based practice tests, mock exams, and an interactive study planner

A print version is available at an extra charge. ($150 plus shipping)
PROFESSOR SCHOLARSHIPS

Available to qualified, full-time faculty and administrators who teach at academic institutions around the world.

Waive the CFA® Program enrollment fee and reduce the exam registration fee (includes access to the curriculum e-book) to US$350.

To learn more about the Awareness Scholarship Program for Professors and specific program guidelines, please contact us at scholarships@cfainstitute.org.
SCHOLARSHIPS

AWARENESS SCHOLARSHIPS

Awareness Scholarships are designated for key influencers in the academic and financial communities such as college/university faculty, college students affiliated with our Recognized Universities and CFA Program Partner Schools, and select regulatory agencies around the world.

<table>
<thead>
<tr>
<th>Award</th>
<th>Reduce the CFA Program enrollment and exam registration fee (includes access to the curriculum eBook) to US$350.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Cycle</td>
<td>Awareness scholarships are awarded as they are received and processed in the current year.</td>
</tr>
<tr>
<td>Award Cycle</td>
<td>Awards can be applied to any CFA program level (I, II or III) and either exam cycle (June or December).</td>
</tr>
</tbody>
</table>

ACCESS SCHOLARSHIPS

Access Scholarships provide needs-based scholarship opportunities for those unable to afford the full price of the CFA Program enrollment and registration fees.

<table>
<thead>
<tr>
<th>Award</th>
<th>Waive the CFA Program enrollment fee and reduce the exam registration fee (includes access to the curriculum eBook) to US$250.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Cycle</td>
<td>Access scholarships are awarded in December to be applied to exams in the following year.</td>
</tr>
<tr>
<td>Award Cycle</td>
<td>Awards can be applied to any CFA program level (I, II or III) and either exam cycle (June or December).</td>
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Visit our website for more information on CFA Institute programs and offerings.

www.cfainstitute.org