



The CFA[®] Program

An Information Briefing for
CFA candidates

October 2005



Mission Statement



To lead the investment profession globally by setting the highest standards of ethics, education, and professional excellence.



The CFA[®] Program



A self-study, distance learning-based program that takes a generalist approach to security analysis and portfolio management and emphasizes the highest ethical and professional standards.



High Regard for the Charter:

Media

CFA Is Global Passport To Career: Advisor's Designation Is Respected Worldwide For Its Skills And Its High Ethical Standards

National Post

13 June 2005

“When you are hiring investment professionals you automatically know anyone with a CFA has a high standard of education and professional ethics,” says Chris Guthrie, hedge fund manager and president of Hildale Investment Management. “The CFA gives immediate material information about anyone who holds it. And it is very rare to see fraud at firms run by CFAs.”



The London Free Press

“For an investment professional, procuring the coveted CFA Charter is like winning the grand slam in golf. The competition is fierce, the course is grueling, and the stress is like nothing you have ever experienced.”

**London (Ontario) Free Press Business Monthly
20 September 2004**



INSIDE VIEW OF THE CHARTERED FINANCIAL ANALYST EXAMS

A tale of dedication, suffering, sleeplessness and pain

Matthew Richards describes the experience of attempting to achieve the gold standard of financial training.

20 June 2005



“Only one in five candidates passes all three levels and earns the right to use the highly prized CFA charter. So why do so many people put themselves through the rigour of the CFA Programme? Mainly because it has become the gold standard in financial training. Other professional schemes tend to be limited to one country, and degrees such as MBAs say little about the holder because the quality and content of courses varies widely across universities.” CFA Institute



The Economist

“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, managed and examined by an American association of financial professionals, the CFA Institute. It used to be just an American qualification. But explosive growth has made it, in effect, global currency.”

The Economist

Feb. 26-Mar 4, 2005

The gold standard

CFA programmes:



Source: CFA Institute



High Regard for the Charter

Job Postings

Portfolio Manager's Assistant

This wide and varied role will suit an ambitious and extremely diligent graduate who intends to commence the CFA qualification. Incorporating implementation, client servicing and compliance. This will be principally a support role for the Equity teams.

Close working relationships will be forged between the successful candidate and numerous functions, including Senior Portfolio Management and Equity Directors, client services teams both domestic and overseas, and Marketing. Duties will include the preparation of monthly client literature, monthly validation of valuations and prices, production of monthly and ad hoc investments reports and communications
Company description: City based Hedge Fund

Skills and No of yrs exp: At least 3 years in an investment management and/or Hedge Fund environment, thorough knowledge of stock market, industry operating and evaluation contexts, currency, custodian and settlement procedures. Proven

an ambitious and extremely diligent graduate who intends to commence the CFA qualification

personal and ment and

similar

Investment Compliance Manager

Fidelity Investments are looking for an Investment Compliance Manager. The London Investment Compliance team is responsible for providing compliance advice and support to the UK based investment team, including fund managers, analysts and the trading desks.

Experience and Qualifications:

Graduate, preferably with relevant professional qualification e.g. CFA or MSI Diploma

Knowledge of equity (and fixed income) markets with a genuine interest in the investment process

Good product knowledge in both securities, structured instruments and fund management derivatives

Investigative and questioning nature analytical

Excellent interpersonal skills able to communicate at all levels, especially with senior management

Numerate, flexible and able to work in a fast moving

Compliance knowledge preferably from a trading environment and fluency with MAR and COB essential

Graduate, preferably with relevant professional qualification e.g. CFA

Director, Institutional Sales - Quebec

MFC Global Investment Management is the diversified investment management group of Manulife Financial, with investment offices in the United States, Canada, the United Kingdom, Japan, Australia, Hong Kong, and throughout Southeast Asia. MFC Global has more than 100 years of experience managing portfolios for The Manufacturers Life Insurance Company, John Hancock Life Insurance Company, and other major clients. With more than C\$200 billion in assets under management, MFC Global Investment Management is a leading global investment management group.

Requirements:

- **University degree, preferably in business, finance or economics plus the CFA designation**
- **Minimum 10 years institutional sales experience, ideally with some hands-on portfolio management experience**
- **Proven track record selling investment management products to institutional clientele**
- **Knowledge of the investment industry, competitive products, pricing systems and consultant trends**
- **Superior communication and presentation skills**
- **[Quebec only] Complete fluency in English and French required (both written and verbal).**



the CFA
designation

Portfolio Manager – Index-Tracking Management

We are seeking to recruit a talented, ambitious and highly motivated portfolio manager to join our Passive Management team.

This position will require the individual to be registered with the FSA and to have obtained the Person of Significant Business Responsibility (PSBR) which should be achieved by the successful candidate. **The successful candidate will also be expected to be studying for the CFA qualification, for which support and training are provided, and ideally to have achieved at least Level II status.**

Analyst/Portfolio Manager, Asset Based Lending

Responsible for comprehensive administrative day-to-day maintenance on a portfolio of asset based lending accounts. The analyst will work closely with the customer, Portfolio Manager and Senior Manager Operations, Asset Based Lending to ensure the accounts are effectively monitored and asset quality and coverage is maintained.

Requirements:

-Experience in Asset Based Lending preferred, knowledge of Commercial Lending essential. -Willingness and ability to learn ABL product, -Knowledge of loan documentation. -Strong knowledge of commercial and personal credit and non-credit products and services. -Strong detail orientation; -Strong written and oral communication skills; -High level of (computer) technology literacy on the Bank's standard platform (Word, Excel, Power Point). -Strong interpersonal skills, including teamwork orientation; -College/Undergrad degree -Accounting designation preferred -Insolvency experience preferred Certifications: CFA Charter Holder

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Waterfront International Ltd

Fundamental Equity Analyst

Primary Responsibilities:

- ❖ Develop detailed company earnings models including revenue models, balance sheet and cash flow forecasts.
- ❖ Conduct real-time financial research and valuation analysis of companies and prepare reports.
- ❖ Gather and analyze data and perform financial analysis on major strategic corporate actions.
- ❖ Research the economic and strategic trends that drive returns in a various industries.
- ❖ Adjusting financial information presented in accordance with GAAP and/or IAS in order to devise financial equity indicators.

Requirements of the Candidate include:

- ❖ Recent strong accounting experience.
- ❖ CPA, MBA, CFA
- ❖ Strong C programming skills are preferred.
- ❖ Experience with AFG and/or HOLT an asset.
- ❖ Ability to work in a fast paced environment.
- ❖ Must be a strong self-starter and able to work well independently.

Required Education: Masters

Certifications: CFA Charter Holder

Certifications: CFA Charter Holder



Employers of Charterholders

EMPLOYERS WITH LARGEST NUMBERS OF CFA CHARTERHOLDERS

Bank of America

Barclays

BMO Nesbitt Burns Inc.

CIBC World Markets

Citigroup

Credit Suisse Group

Deutsche Bank

Fidelity Investments

Goldman Sachs

ING Groep N.V.

J.P. Morgan Chase & Co.

Lehman Brothers

**Mellon Financial
Corporation**

Merrill Lynch & Co., Inc.

Morgan Stanley

Northern Trust Corporation

PricewaterhouseCoopers

Prudential Financial

Putnam Investments

RBC Financial Group

Scotia Capital

State Street

UBS AG

**Wellington Management
Company, LLP**



CFA[®] Charterholders and Candidates

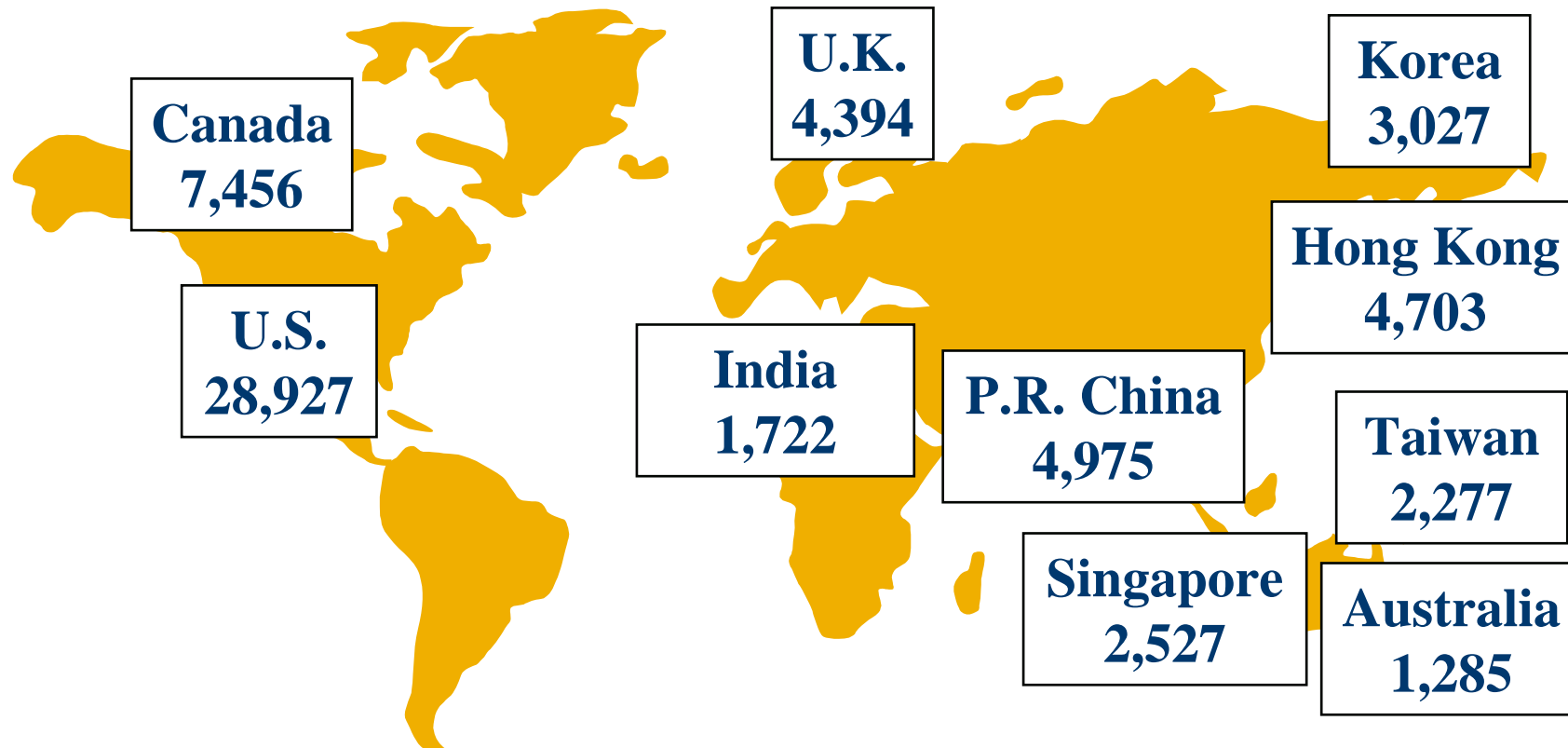
There are currently 5 active charterholders in Liechtenstein and 66,227 active charterholders worldwide.

For the June 2005 CFA examinations there were 3 CFA candidates enrolled in Liechtenstein and 77,759 candidates worldwide.



Candidate Enrollments

(for June 2005 exam)





CFA Candidate Profile

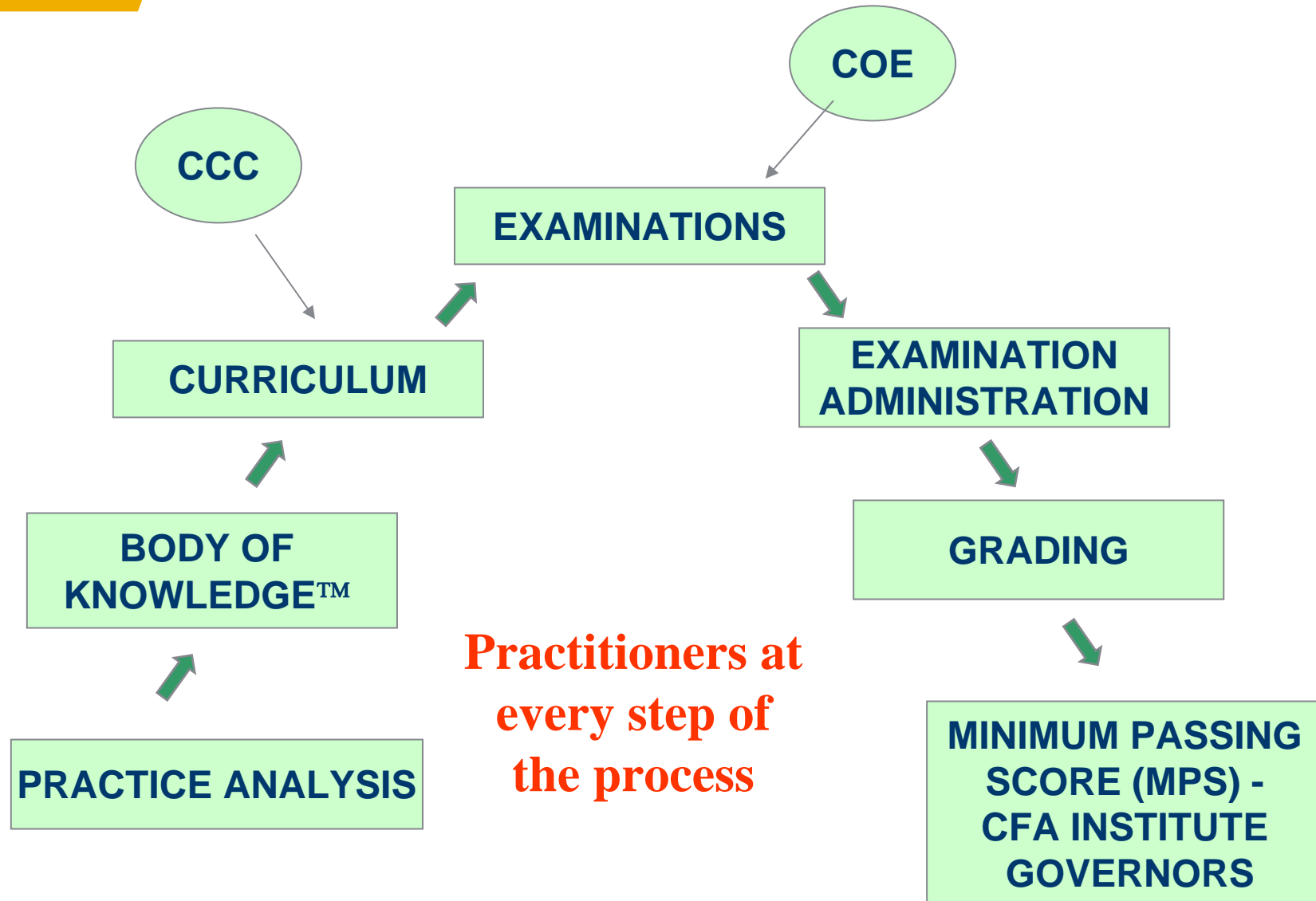
Industry Classification	
Bank (All)	21%
Broker Dealer/Investment Banking	16%
Investment Company/Mutual Fund	17%
Consulting Firm	9%
Investment Management Counseling	4%
Insurance Company	4%
Government/Regulatory Agency	3%
Corporate/Public Sponsor & Foundation/Endowment	1%
Other	25%

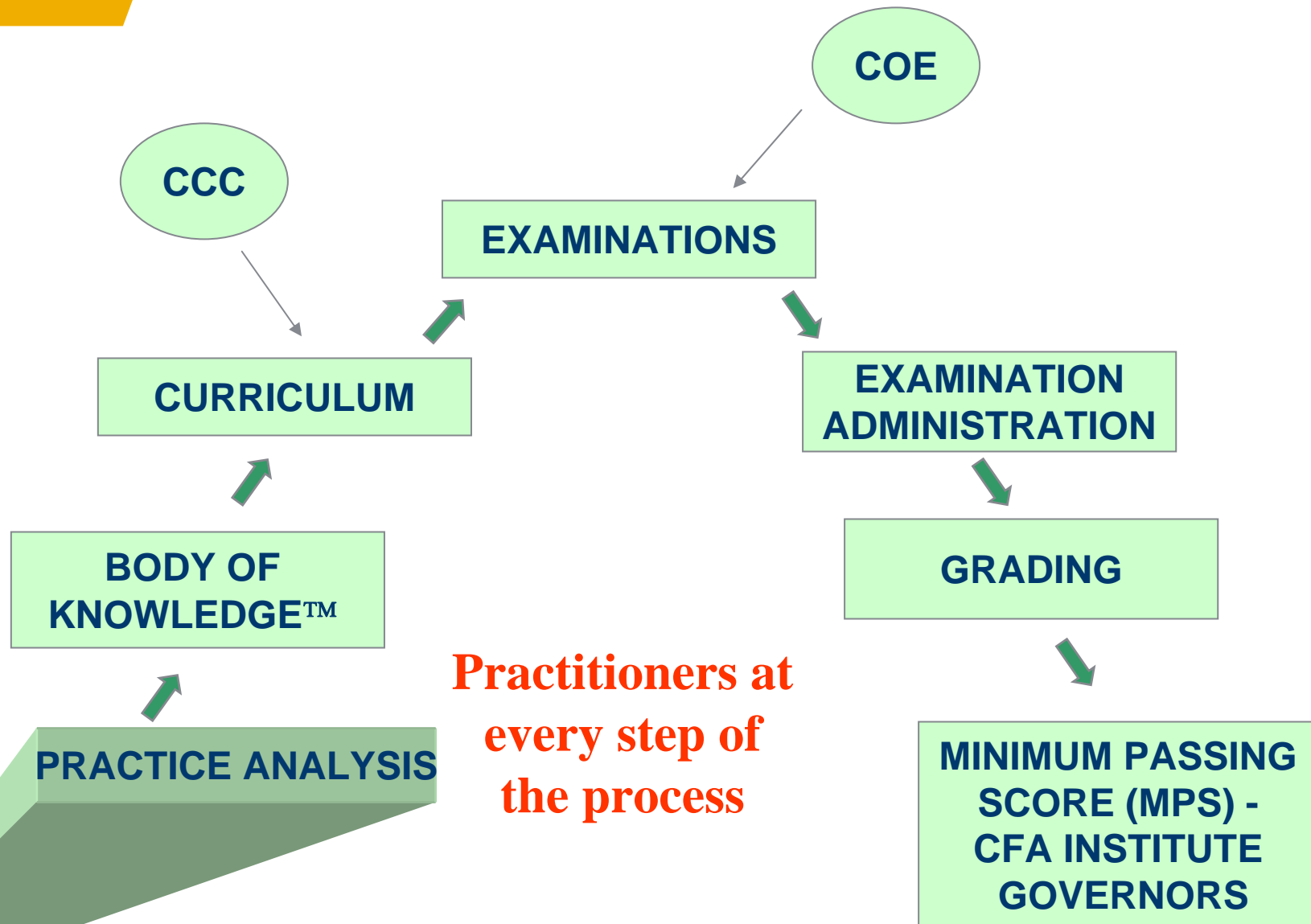


CFA Candidate Profile

Title/Occupation	
Analyst, Other	19%
Analyst, Equity & Fixed Income	17%
Accountant/Auditor	12%
Sales/Marketing Manager	8%
Portfolio Manager	7%
Trader/Securities	6%
CEO/Chairman/Partner/Principal/CIO/CFO	4%
Investment Banker	4%
Investment Counselor	2%
Investment Firm Manager	1%
Other	20%

The CFA[®] Program





Practice Analysis: What and Why?

- ❖ **Most respected authorities in education, testing and certification recommend or require periodic practice analysis studies**
- ❖ **Focuses on the critical tasks performed by competent people working in the profession**
- ❖ **Establishes content validity – curriculum and exams must be linked to the knowledge and skills needed by practitioners**
- ❖ **Results in new CBOK – the blueprint for curriculum and exam content**
- ❖ **The only way a topic gets into the CFA Program (and eventually tested) is if practitioners throughout the world deem it important.**

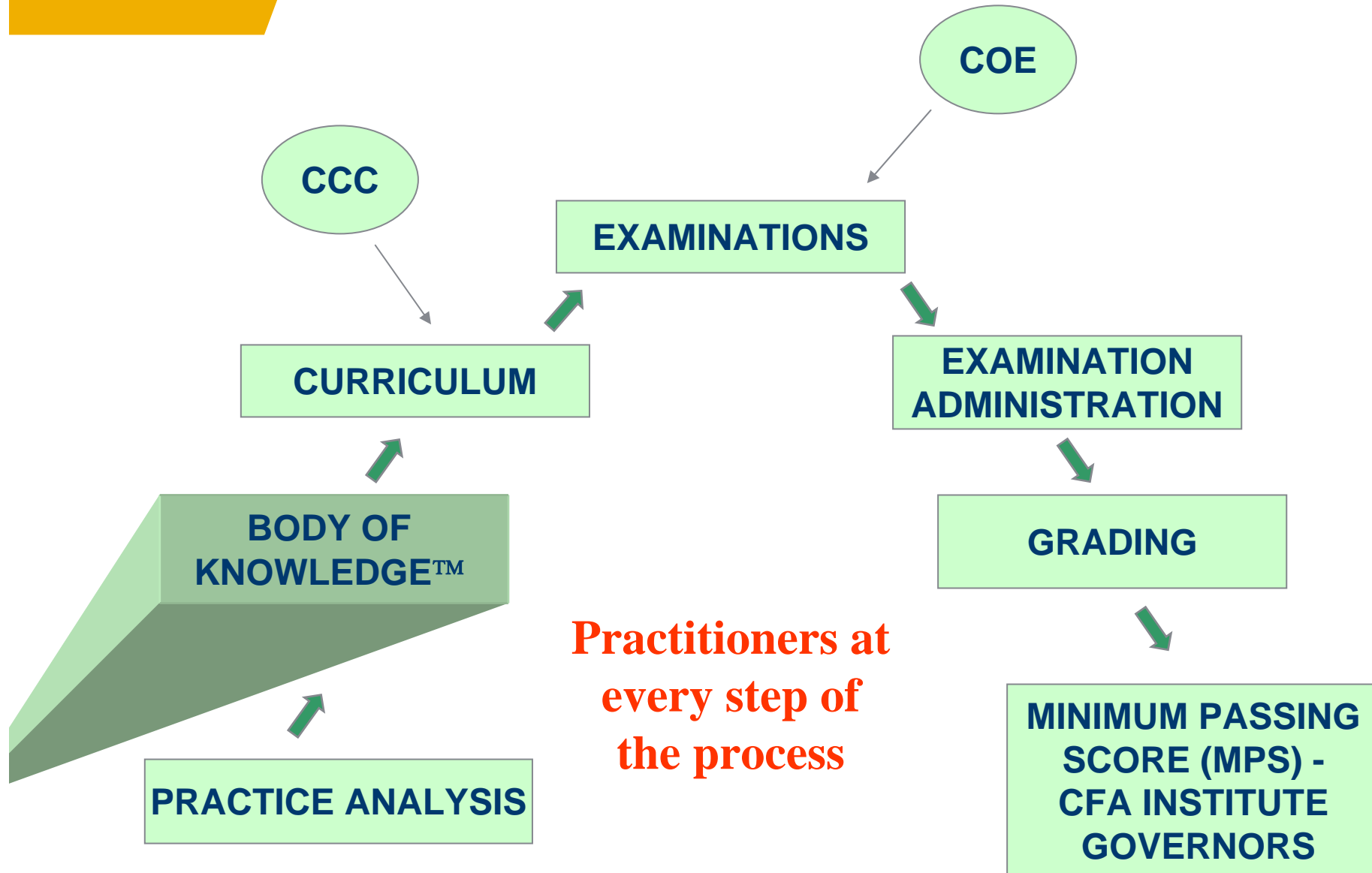


Locations of Practice Analysis Panels

- ❖ New York
- ❖ Boston
- ❖ Chicago
- ❖ San Francisco
- ❖ Los Angeles
- ❖ Washington, D.C.
- ❖ Toronto
- ❖ Montreal
- ❖ London
- ❖ Zurich
- ❖ Milan
- ❖ Frankfurt
- ❖ Tokyo
- ❖ Hong Kong
- ❖ Shanghai
- ❖ Singapore
- ❖ Sydney
- ❖ Melbourne

Note: Members of Brazil and South Africa CFA Institute Societies were also asked to review/comment on CBOK (via email)

Body of Knowledge



Ethical and Professional Standards

- ❖ Quantitative Methods
- ❖ Economics
- ❖ Financial Statement Analysis
- ❖ Corporate Finance



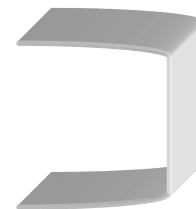
**Investment
Tools**

- ❖ Analysis of Equity Investments
- ❖ Analysis of Debt Investments
- ❖ Analysis of Derivatives
- ❖ Analysis of Alternative Investments

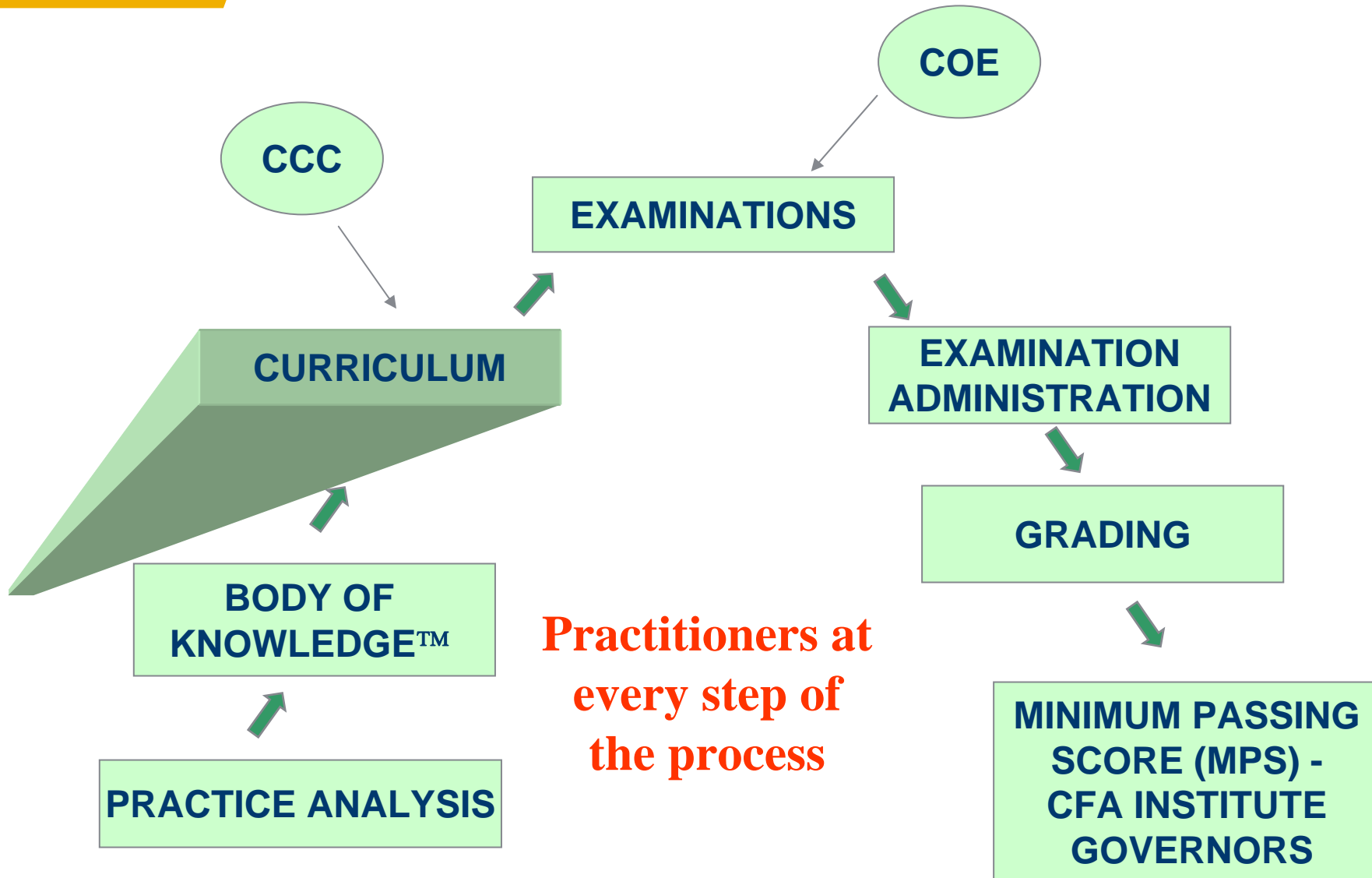


**Asset
Valuation**

- ❖ Portfolio Management and
Performance Presentation



**Portfolio
Management**



Developed by Candidate Curriculum Committee (CCC); 150 people involved from all over the world; extensive review; each level 17 to 20 study sessions in CFA Institute-produced study guides

Study Guide

Level I

Level II

Level III

Topic Focus

**Investment
Tools**

**Asset
Valuation**

**Portfolio
Management**

Learning Focus

**Knowledge
and Ethical Stds.**

**Application
and Ethical Stds.**

**Synthesis and
Ethical Stds.**

- ❖ **Each study session is designed for flexible, self-directed study**
- ❖ **Readings are drawn from a variety of materials, both CFA Institute and other**
- ❖ **Each reading has learning outcome statements (LOS): “The candidate should be able to...”**

- ❖ **Each LOS has one or more command words, which indicate type of learning expected: “discuss, calculate, contrast”**
- ❖ **LOS are NOT an exact proxy for examination questions, but mastering LOS is the best study approach**
- ❖ **CFA Institute increasingly developing and publishing own curriculum to meet unique needs**

Modular Curriculum

- ❖ **Format of the Level I curriculum has been enhanced for 2006. In order to reduce candidates' costs, the assigned readings have been assembled into four self-contained volumes.**
- ❖ **Candidates who purchase the modular curriculum will find:**
 - **sequenced readings in conformity with the Level I Study Sessions;**
 - **reprinted the pertinent Learning Outcome Statements before each reading; and**
 - **added study resources such as an improved outline, a comprehensive index, and a unified glossary.**

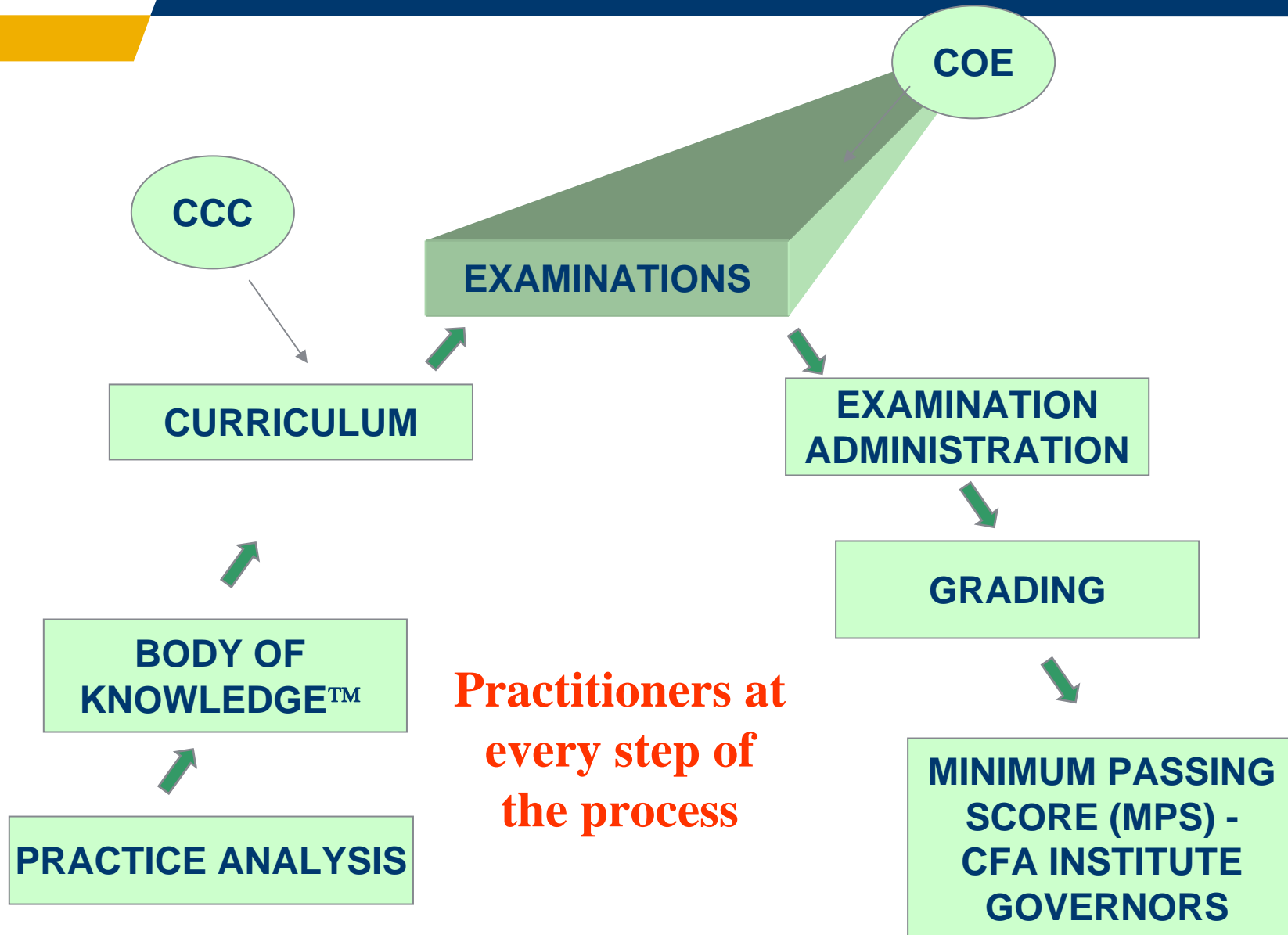
Modular Curriculum

- ❖ **These packaging improvements will be phased into the Level II and III curriculum in 2007 and 2008, respectively.**



- ❖ **Candidates should only use preparatory courses and materials as supplements to the CFA Institute prescribed curriculum**
- ❖ **CFA Institute does not review or warrant the accuracy of any preparatory materials**
- ❖ **Preparation is the key to success on the examinations – there are no shortcuts to success**

Examinations

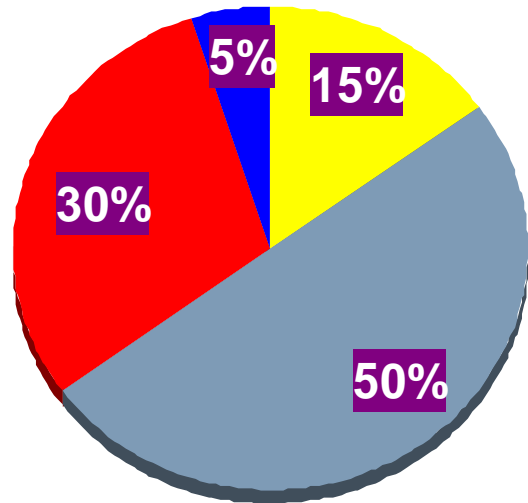


Developed by Council of Examiners (COE), consultants, staff; driven by LOS; over 80 people involved from all over the world; extensive reviews; each exam 6 hours in length

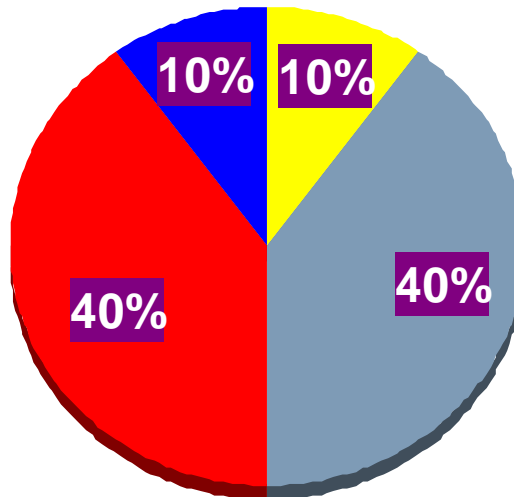
<u>Exam</u>	<u>Topics</u>	<u>Format</u>
Level I	All topics	Multiple choice
Level II	All topics	Item sets—100%
Level III	Portfolio Management → Other topics →	Essays—50% Item sets—50%

- ❖ ***Multiple choice:*** stand alone individual multiple choice questions; 1 question = 1.5 minutes, exam = 240 questions = 360 points
- ❖ ***Essay:*** discussion-type and problem solving questions; $\frac{1}{2}$ exam = typically 10-18 questions with variable minutes = 180 points
- ❖ ***Item set:*** vignette with set of accompanying related multiple choice questions (items); 1 question = 3 minutes, 1 item set = 6 questions, $\frac{1}{2}$ exam = 10 item sets = 180 points

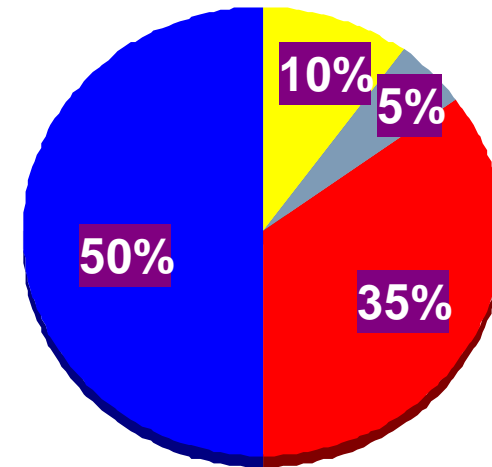
Examinations



LEVEL I



LEVEL II



LEVEL III



Percentages are approximations of the actual topic weights for exam purposes. Actual content of future exams may vary.

- ❖ **CFA Institute offers on-line sample examinations for Level I, Level II and Level III (item set only)**
 - **Length reflective of live examination (3 hours)**
 - **Timed, with immediate feedback**
 - **Developed utilizing same process as live examination**
 - **Modest fee of \$50**

Test-Taking Strategies – Level I

- ❖ Read all errata prior to coming to exam.
- ❖ Morning and afternoon exam books/answer sheets
- ❖ Read all instructions, enter candidate ID number, sign pledge
- ❖ Read entire question
- ❖ Eliminate obviously incorrect answers

- ❖ **Leave enough time**
- ❖ **Mark your answers on the answer sheet**
- ❖ **Start in your area of expertise. The questions are grouped by broad topic area. This will help you build confidence.**
- ❖ **If it appears that a question is going to take you a long time to answer, move on and come back to it when you have finished other questions.**
- ❖ **Answer all questions – there is no penalty for guessing**

Test-Taking Strategies – Level III

Essay Questions

- ❖ **Do not overlook any questions or question parts**
- ❖ **Pay attention to minute allocations for time management; minute allocations also reflect points allocated**
- ❖ **Don't worry about language or grammar, you are graded on content**
- ❖ **Answer questions in any order unless specifically instructed otherwise**

Test-Taking Strategies – Level III

Essay Questions (cont.)

- ❖ **Pay attention to command words and number instructions**
- ❖ **Do not provide more than the required number of responses**
- ❖ **Partially inconsistent or illogical answers will NOT receive full credit**
- ❖ **Answer the questions asked, not the question you WISH had been asked – no credit is given for general knowledge that is not responsive to the question**
- ❖ **Show all calculations and state any assumptions you think are necessary**

Test-Taking Strategies – Level II and III Item Set Questions

- ❖ **Read entire vignette carefully**
- ❖ **Read each item carefully; eliminate obviously incorrect answers**
- ❖ **Manage time wisely; each item set equals 18 minutes**
- ❖ **Answer all questions – there is no penalty for guessing**

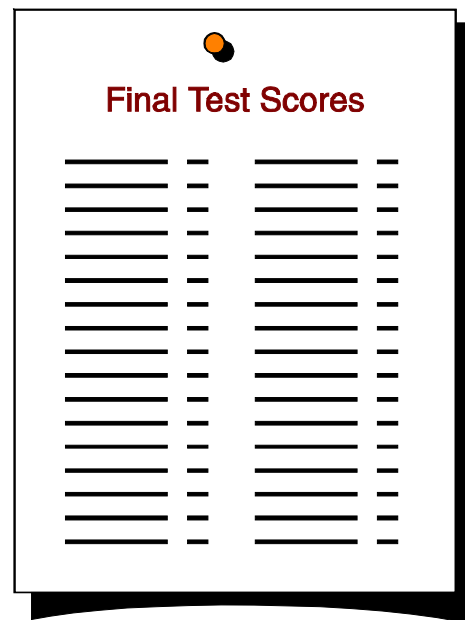
Test-Taking Strategies – General

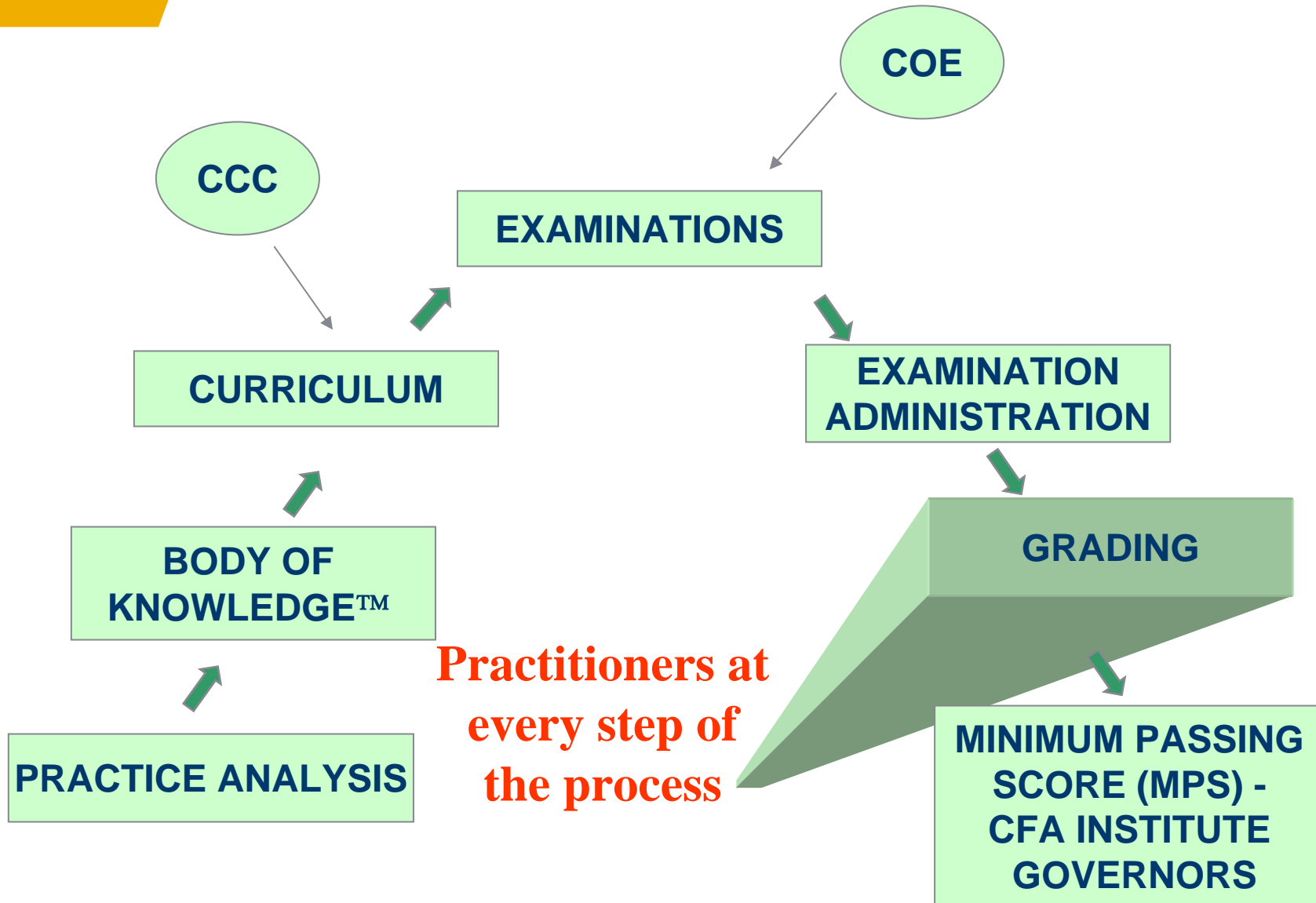
- ❖ **Allocate time wisely**
- ❖ **Answer all questions**
- ❖ **Answer the questions asked**
- ❖ **Make a dry run of the examination day experience to incorporate the actual examination schedule, and to determine commuting time, parking availability, public transportation schedules, etc.**

Exam Results

Available online and by mail

- ❖ Level I: Late July and Early January
- ❖ Level II and III: Mid-August





Guiding philosophy – fairness and consistency

Exam	Grading Process
I	❖ Machine graded; extensive sampling
II and III	<ul style="list-style-type: none">• Item Sets – Machine graded; extensive sampling• Essays – Graded by teams of charterholders; structured and detailed process; 350 graders in 2005; grading for <i>content</i> and <i>knowledge</i>, NOT language or style

Essay Grading

- ❖ **Each question (or part of a question) is graded by a grading team**
- ❖ **An individual grader only grades one question (or part of a question)**
- ❖ **Grader receives the question, guideline answer and grading key the day after the exam and studies prior to grading**
- ❖ **Marginal exams (approximately 50% are completely regraded by senior graders during second week of grading)**
- ❖ **Guideline answers and grading keys are developed by Council of Examiners and refined by grading team**

Essay Grading

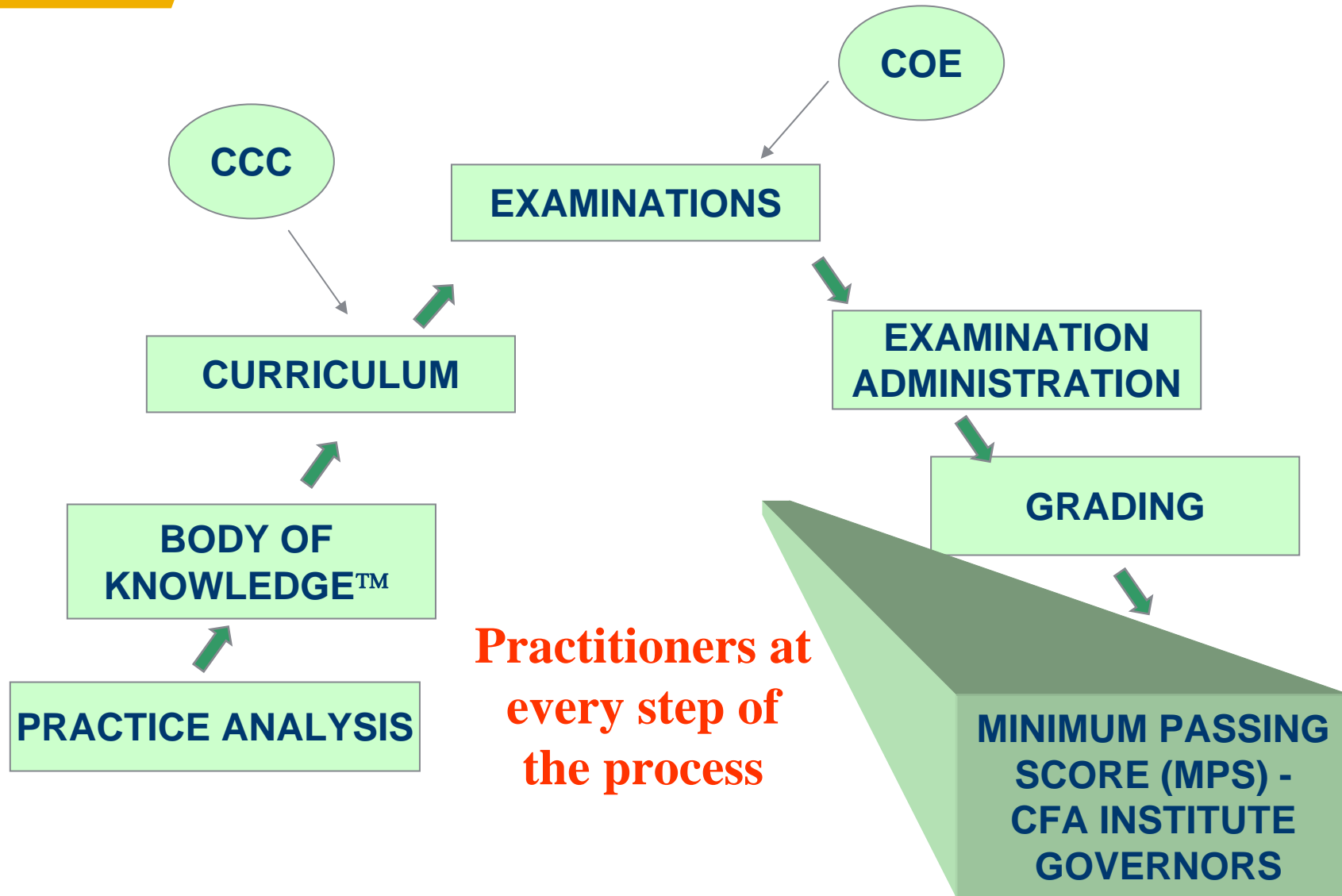
- ❖ **Published guideline answer is the consensus best answer, but not the only answer to receive full points**
- ❖ **Questions are graded only on content. Not graded for language and style.**
- ❖ **Candidates are encouraged to use short phrases and bullet points.**
- ❖ **Graders are looking for ways to award points in response to question.**
- ❖ **No points are given for general knowledge that is not responsive to the question.**

2005 Grading Population

- ❖ **321 graders**
- ❖ **27 countries**
- ❖ **2,389 total years graded**
- ❖ **145 senior graders**



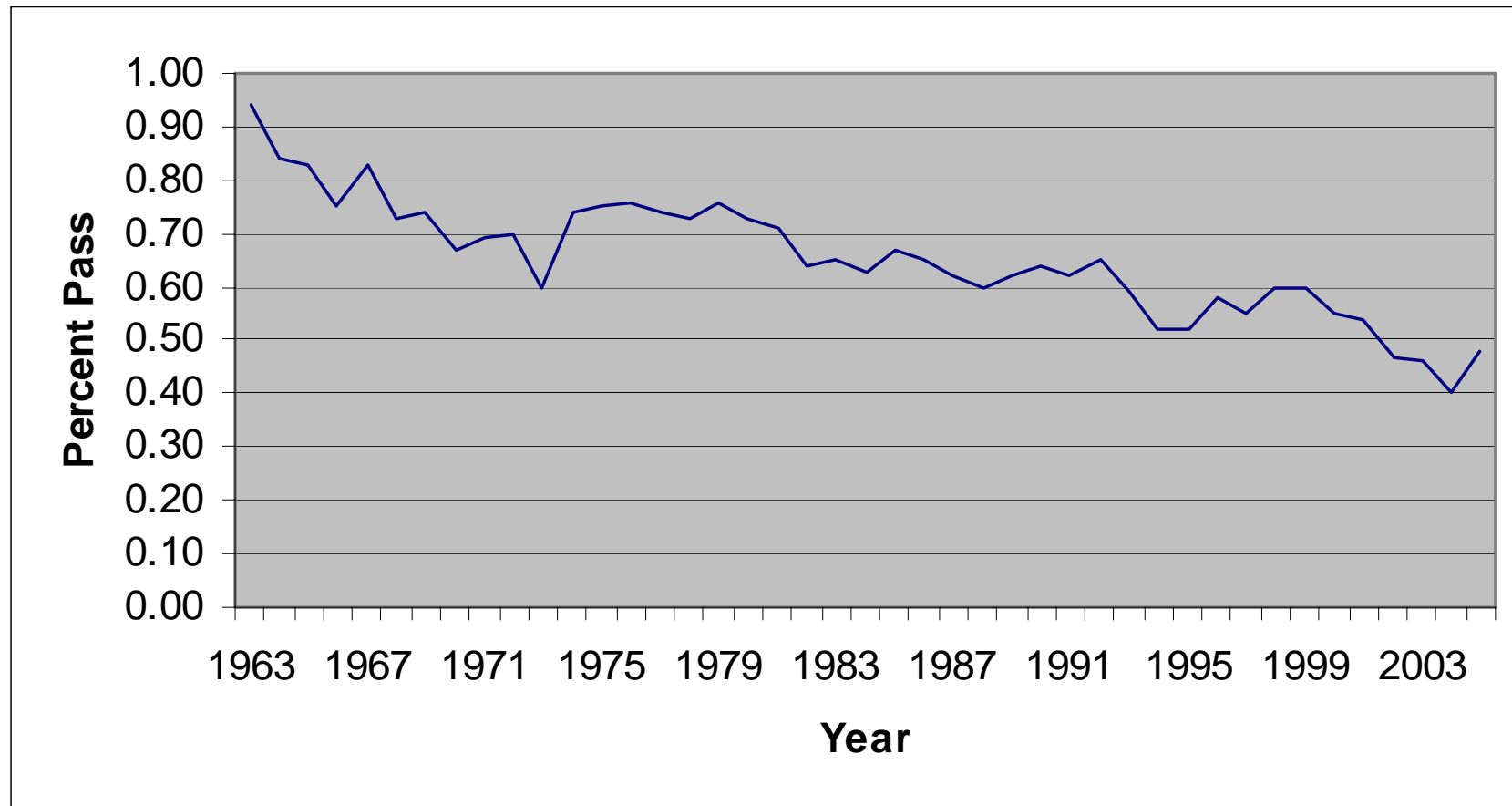
Minimum Passing Score



Minimum Passing Score

- ❖ **MPS for each level established by CFA Institute Board of Governors**
- ❖ **Multiple inputs (standard setting, candidate performance statistics, quality of candidate responses, etc.) used to set the MPS**
- ❖ **Passing rate for each level is a residual determined by each level's MPS**

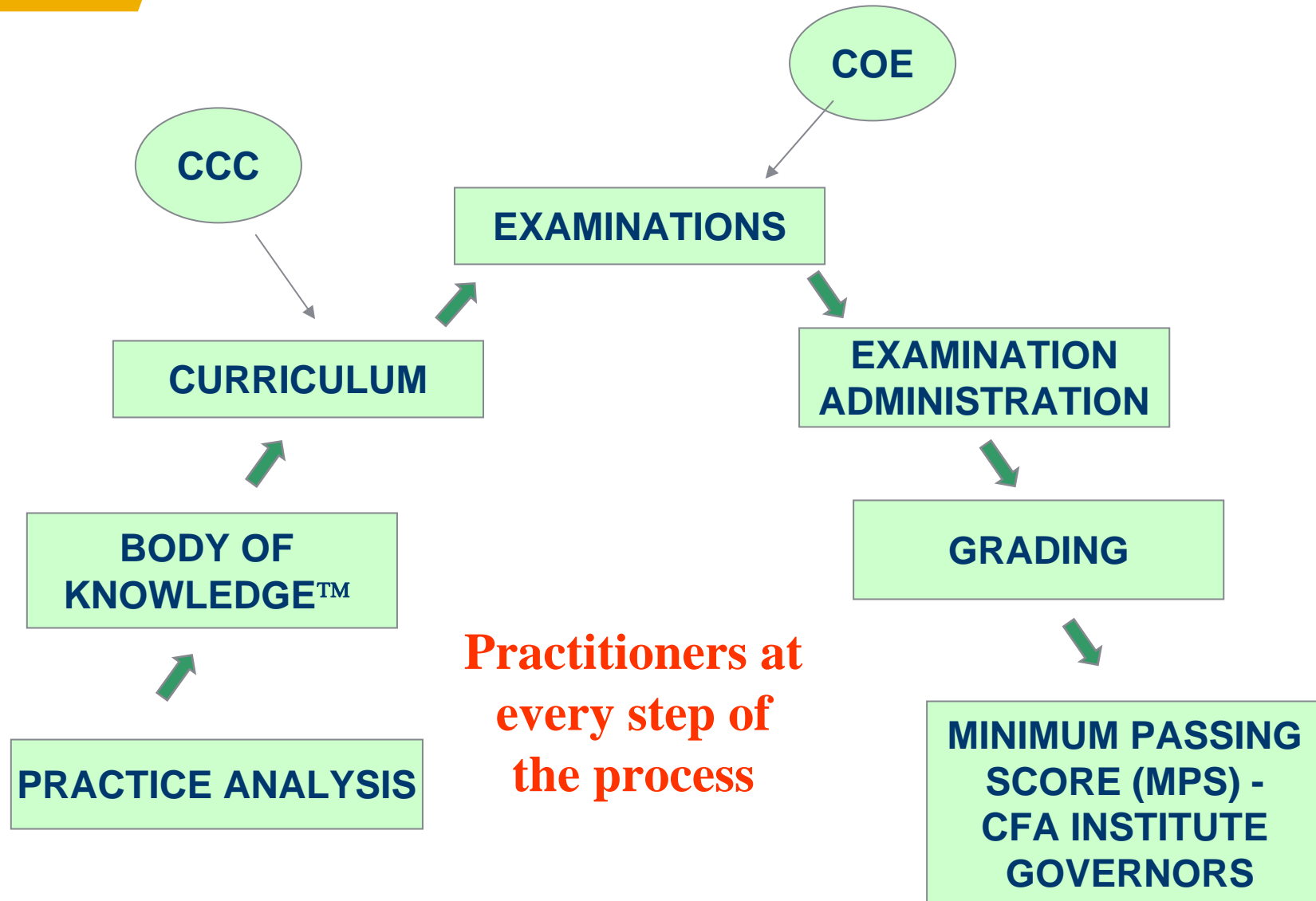
Combined Pass Rates 1963-2005





June 2005 Exam Results

- ❖ **58,908 candidates from 144 countries sat**
- ❖ **184 exam sites worldwide**
- ❖ **25% no-show rate (compared to a 10-year average of 27%)**
- ❖ **Pass rates –**
 - **36% at Level I**
 - **56% at Level II**
 - **55% at Level III**
- ❖ **Combined (weighted average) pass rate was 48%**



**Candidates may now register online at
www.cfainstitute.org/cfaprogram**





CFA® Charter Requirements

- ❖ **Sequentially pass Level I, II, and III exams**
- ❖ **Have 4 years of professional experience**
- ❖ **Provide professional references (Level III)**
- ❖ **Submit professional conduct statement**
- ❖ **Apply for membership in CFA Institute and a local analysts' society**



CFA® Program Costs

Estimated Basic Costs for Level I (all amounts USD)

•Registration Fee to Enter CFA® Program	\$375
•Enrollment Fee for Level I Examination	<u>\$440</u>
Required Fees	\$815*
•Study Materials for Level I: Modular Curriculum Package	\$395
Approximate Total Costs for Level I	\$1210

*Assumes Registration and Enrollment received by 15 February 2006



2006 Registration Deadlines

June administration

Received by

15 February 2006

15 March 2006

Required Fees*

\$815

\$1,120

Final Deadline: All forms must be received by CFA Institute on or before **15 March 2006**

*Includes registration fee that candidates pay only when first entering the CFA Program



Candidate Section of CFA Institute Website