

# Chartered Financial Analyst (CFA)

Understanding the Certification and Value for a Company

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## What Is the CFA Designation?

The CFA designation, or Chartered Financial Analyst, is a high-level certification for professionals in the areas of investment and financial analysis. The program consists of self-study, along with three exam levels that measure almost every level of learning. Professionals must also meet criteria for time in the profession, as well as a high level of competency and ethics. The CFA program, offered by the CFA Institute, is global in its reach and has been in existence since 1962. In the financial world, a CFA designation is considered to be among the highest of professional designations. In view of these criteria, the CFA designation is beneficial for both the individual and the organization in several ways, including the curriculum, the CFA standards and recognition, competencies, and in an overall sense at the organizational level. Before we examine each piece, let's discuss in more detail what the CFA designation means, which professionals hold this designation, and what organizations look for CFA designated charterholders.

Chartered Financial Analysts own their own businesses and work in highly regarded financial organizations around the world. The highest concentration of CFA's is in world-renowned financial organizations such as Deutsche Bank, ABN Amro, and Credit Suisse. Many charterholders have worked in finance for most of their professional careers, while some have been drawn to finance after a "first" career in another field. Because the designation is a global one, CFA's around the world have the

same level of knowledge and nearly the same level of experience. In fact, some of the top financial organizations may prefer applicants for various positions to have the CFA designation.

In order to begin study for the CFA program, a candidate must meet a minimum level of experience, education, and competency in the field. First, a candidate must have a Bachelor's degree or U.S. equivalent, or meet a variety of work-related experience requirements. In other words, the candidate without a B.A. must have at least four years qualified experience in the field or a combination of education and experience that equals four years. Internships or part-time assignments do not count toward the experience levels. In addition, each candidate must understand and adhere to very strict rules of Professional Conduct and Candidate Responsibility, and must re-certify to the rules of Professional Conduct on an annual basis. Although it is not stated as a requirement, a CFA candidate must understand enough English to study the program and take the exam in that language, as the program is not available in any other languages.

The question at this point is why is the designation important to individuals, organizations, and consumers? We will discuss each of these aspects during this series, but it's a good idea to have an overall picture of the benefits. An individual with the CFA designation has a highly competitive edge for employment in the financial industry, not only in his or her own country, but around the world. And in a period of financial uncertainty, it may very well be that an organization will hold on to its CFA's

during periods of contraction because they do not want to re-hire those levels of competency and experience. Because of the broad based, experiential curriculum, which we will also discuss in the future, a CFA charterholder has knowledge that is applicable in every day situations. In addition, because of the network of CFA charterholders, each individual has access to up-to-date information regarding financial markets all over the world.

At the organizational level, a CFA hire has already been held to an extremely high bar in terms of experience, education, ethics, and professional standard. A hiring manager who is looking at two candidates with equal education and experience may have an easier choice if one of the candidates is a CFA because of this level of professional standard. As we will see with the curriculum structure and competency levels of the program, your organization can build its leadership bench with CFA charterholders. For example, the CFA will probably have not only technical competency but also the ethical and leadership competencies that are needed to move your organization forward.

In terms of the consumer, consider where your organization is in regard to customer service. If you are a financial organization whose analysts and investment counselors touch the public, then the CFA designation is a definite plus. Because of the CFA designation's high regard in the financial world, you can use it as a marketing tool to attract and retain new customers. You can point to the trust that the consumer can have in your CFA's because of the high standard of ethics and professional conduct required of them. You can show clients that in today's uncertain financial world, your organization is acting in an ethical, above-the-

board manner because of its preference for professionals who hold the CFA designation.

As we have mentioned, some of the world's top investment banks and financial providers choose to employ professionals with the CFA designation. These CFA's work with the public and also in internal roles related to investment, analysis, and financial forecasting. So consider this from the organizational point of view. If you are attempting to topgrade your organization and benchmark it in relation to the highest performing financial institutions in the world, then the decision to begin sponsoring for the CFA designation and employing individuals with the designation will be a good one.

In our next article in this series, we will look at the CFA curriculum in order to show its benefits for both the individual and the organization.

### **The CFA Curriculum**

The CFA study program encompasses many areas of the financial industry, as well as a strong emphasis on ethics and professional responsibility. As we've discussed briefly, the CFA candidate must pass three exam levels. The CFA Institute recommends that each candidate spend at least 250 hours in preparation for each level. The curriculum is self-study, which means that the candidate can pace him or herself according to his or her own comfort level. However, as exams are only given on certain dates, the candidate must create the pace to fit within those timelines. From the organizational perspective, the fact that the program is self-paced is very important. The candidate that completes all three levels successfully will prove that he or she is dedicated, determined, and goal-oriented. From an education perspective, we know that any self-paced program requires

this dedication and determination, not to mention the discipline to make study a part of every day life.

The next important aspect of the CFA curriculum is who determines topic areas, how those areas are chosen, and who writes the content for those topics. First, the curriculum itself changes from year to year due to the changes that constantly occur on a global scale in the investment world. Major changes are undertaken every five years - and only after a detailed analysis of the practice on a global scale. In terms of curriculum development, a committee of active CFA charterholders determines content and the content is then written under their tutelage by the CFI Institute staff. From a training and development perspective, many corporations would love to have a committee of practicing professionals who actively look at curriculum to keep it fresh. And because of the changing nature of the financial markets, the CFA curriculum must be in constant change, as well. This combination of practicing Subject Matter Experts as well as field analysis make the CFA curriculum strong, current, and in constant change with the financial world.

The topics that are currently covered in the CFA curriculum are varied, including ethical and professional standards, statistics, analysis, economics, financial reporting, corporate finance, equity investment, fixed income securities and markets, derivatives, alternative investments, portfolio management, and wealth planning. Because practicing CFA's develop the curriculum, the content tends to be on the practical side, versus more theoretical knowledge that a person might obtain in a university degree program. Plus, the broad-based, generalist approach allows the CFA

candidate to absorb topics in a way that keeps them from being too product or market specific. This approach also allows the organization to create a talent pool with broad knowledge that can be applied in various settings, positions, and projects.

The CFA curriculum is broken down into multiple study sessions within the topic areas. Each of these sessions contains readings from Institute content, textbooks, professional journals, analyst reports, and case studies, along with problem sets that correlate with the reading and require practical application of the information. In addition, each session and reading contains specific learning objectives so that the candidate can understand what he or she is going to be expected to do even before the lesson begins. The CFA Institute includes multiple additional resources, such as comprehensive outlines and indices, as well as a glossary.

The exams are almost textbook-perfect examples of Bloom's taxonomy in action. Exams, as we've discussed, are given in June and December in multiple locations. Each exam is broken down into three levels that vary in both testing method and taxonomy levels. For example, Level One exam questions are generally multiple-choice and cover knowledge, comprehension, and some analysis. Level Two are case-study questions that cover analysis and application, and Level Three are both essay and case-based in nature, covering synthesis and integration. From an adult education standpoint, the fact that each exam has three levels that cover multiple testing methods and taxonomy levels is impressive. This shows us that the CFA Institute is dedicated to ensuring that each CFA leaves the program with not only knowledge but the skill necessary to apply that

knowledge in multiple situations.

One of the other benefits from a learning standpoint is that the exams are given only in English. This may seem tough to some, but the Institute maintains that this is a method for ensuring fairness and accuracy in both delivery of exam material as well as grading. From a consistency standpoint, the English-only exams also ensure a high level of learning and application for candidates.

Before we move on, let's look at the CFA curriculum and exam structure as it relates to organizational benefits. We've already determined that a self-study curriculum requires a dedication and discipline that some people simply do not possess. But in regard to the content itself, a CFA candidate will be receiving the most up-to-date content available since practitioners compile it. This seems to take the onus off of the organization for ensuring that the CFA is consistently up to date. With the network of CFA professionals in addition to the curriculum, your organization can concentrate on training in other functional or behavioral areas. This is a definite benefit if you are planning to build a department comprised of CFA's. Finally, the exam structure ensures that each professional has a detailed knowledge - but is able to apply that knowledge. As organizational development professionals, we too often see that there is a gap between knowledge and execution. In the case of the CFA, this gap is probably very narrow.

Next, we will move from the curriculum to the recognition and standard of the CFA program as a benefit to both the organization and the individual.

## Recognition and Standard

Certifications and professional designations have a value to the organization and the individual only if they are recognized or explainable in terms of the standards they uphold. In other words, both individual and organization look for designations that can be used to market, lend credibility, and explain standards, education and experience. Many organizations have internal certification or designation programs and these are a great way to get associates involved and retain them. But what does an internal certification actually prove? Everyone inside the organization knows what the certification means, what the person had to do to get it, and what standards he or she was held to. But outside of that organization, what value is the certification to shareholders, customers, or other organizations? The CFA designation is well known throughout the world, and because of its structure, gives your organization and each individual the recognition and standard they deserve. Let's find out how.

First, The Economist ranked the CFA designation as the "gold standard" in investment analysis designations and certifications. This is a weighty accolade and certainly puts the individual and the organization at a higher level. But what other recognition and standard exists to place the CFA at the "gold standard" level? There are several areas, including worldwide regulatory recognition, community recognition, standards related to the curriculum, and types of companies that look for CFA charterholders.

Regulatory recognition is important in worldwide financial circles, especially if holders of a designation plan to work in global markets or in countries other than their own. CFA

charterholders reside in just about every country around the world, according to the CFA Institute. This is just one piece of the recognition puzzle. Several countries' regulatory bodies have waived some licensing and examination requirements for candidates who have passed Levels I or II or have already obtained their CFA designation. This means that these charterholders are licensed to practice in multiple areas, such as Australia, the U.S., four provinces in Canada, Greece, Hong Kong, Singapore, and Turkey. If your organization is involved in investment operations in these areas, your CFA charterholders can practice without further licensing or examination. The fact that the regulatory authorities of these countries have extended recognition of the CFA designation provides a high standard of authority.

The community within which an organization operates is also an important source of recognition and standards. For example, the National Council for Interior Design Qualification is a recognized standard within that industry, but is most likely meaningless outside of it. But keep in mind that the financial industry in general is loaded with certifications and degrees such as MBA's, Certified Public Accountants, and Certified Investment Management Analysts, to name only a few. So when it comes to choosing a designation, it all depends on what kind of work the person does, what kinds of organizations will hire him or her, and what kind of network exists. CFA charterholders are involved in investment, financial analysis, and corporate financial planning in large and small companies everywhere. These CFA's are located in commercial banks, investment banks, consulting firms, insurance companies, financial research foundations, and mutual fund

companies, so the range of the network is wide. Since various types of organizations hire CFA's, this recognition and standard is also important at both the group and individual levels. The CFA network is over 100,000 strong in countries around the world. This is a large network, but when you consider that the focus areas of CFA's are fairly narrow, the network becomes and even better organizational and individual tool.

We've discussed the nuts and bolts of the CFA curriculum and content previously. But how does this have an effect on the recognition and standards that come with the CFA designation? The fact that the curriculum is updated annually and is completely overhauled every five years after heavy industry analysis creates a standard for both inside and outside the organization. This curriculum development process keeps the organization from having to "push" the recognition on an educational level, because marketing a changing, dynamic curriculum is easy. But the changes to the curriculum also indicate that any CFA charterholder will have current knowledge about the global financial markets. On top of this, the tri-level examination structure ensures that each person has knowledge, comprehends that knowledge, can apply it, and can go on to synthesize it as part of his or her every day activities.

Looking closer at the curriculum structure, the CFA Institute provides a learning experience that is broad-based, and, as we've discussed, covers a wide variety of topics. The experience uses professional journals and practitioner information as part of the curriculum. This type of learning should also serve to add to the recognition and standards defined by the CFA program.

If your organization's jobs fit the CFA standards,

you may want to consider looking for candidates with the CFA designation - or putting your existing associates through the program. As you can see, the recognition and standards set forth by the CFA program can benefit both the organization and the individual.

Next, we will look at competencies covered, both implied and expressed, in the CFA program.

### **CFA Competencies**

An individual with a professional certification brings credibility and expertise to the organization. But when you look closer, you'll see that a certified individual brings a package of multiple competencies to the table. These competencies are important both in terms of ability to the job as well as long term benefit to the organization. Many times, a professional certification brings both expressed and implied competencies to your organization. If you are looking to bring in more people with a special designation or if you are considering sending your brightest through the program, be sure to examine the expressed competencies and determine what competencies you can imply. The CFA designation will provide your organization with a long list of expressed and implied competencies. Let's discuss those in detail so that you can determine if the CFA designation competencies match those of your organization.

First, let's look at expressed competencies in terms of the CFA designation. Expressed competencies are those that we know are covered in the certification curriculum and process. These are easy to determine but it's still a good idea to pick them out, both technical and soft skill competencies. Obviously the CFA

program has a list of technical competencies, including knowledge and application of various markets and financial instruments. But what other competencies are expressed in the program and how can those fit in with your organization?

One of the more obvious "soft" competency groups in the CFA program is related to ethics and ethical behavior. Given the current financial situation, high ethics are certainly going to be beneficial to your organization and its future. In the CFA program, candidates are evaluated based on their ability to place integrity over their own interests. This competency obviously has a huge impact in today's environment, in which many financial professionals have fallen because of self-interest over integrity. Among the other ethical competencies in the CFA program are the improvement and maintenance of the candidate or charterholder's professional standing, through education, networking, and appropriate decision making.

In relation to professional competency, the CFA program expresses that duty is also a key attribute, next in importance to ethics. The program stresses that each charterholder has a duty to his or her client as well as a duty to his or her employers. This duty extends into making the correct choices, maintaining professionalism, and keeping every action above the board in terms of ethics. Between ethics and duty, the expressed soft competencies of the CFA program are quite strong.

Once an individual has passed the three levels and becomes a CFA charterholder, he or she can apply for membership in the CFA Institute. The requirements for membership are almost

as strong as the requirements for entrance to the program, and bring another level of professional competency into play. To begin with, each local society may have different requirements. But on top of this, a person entering membership after obtaining the CFA designation must have two sponsors, one who is already a member and another who is a supervisor. Obviously the requirement for sponsors will provide another view of the CFA charterholders professional and ethical competency. In addition, the prospective member must be involved on a daily basis in the evaluation and application of financial data, specifically related to securities and investments. The potential member must also supervise this type of activity effectively and may also have taught this activity. Plus, at least 50% of the prospective member's time must be devoted to investment decision-making and the creation of added value through those decisions. These are not only technical competencies but are also leadership and management competencies.

Let's take a look at the competencies we can imply from the CFA program. First and foremost, the program is self-paced, with only the exam schedule as a final deadline for the candidate. As training and development professionals know, a self-paced program of any kind takes a specific type of adult learner, someone who has the drive and ambition to see the project through to the end. Plus, the person will probably have weighed the pros and cons of entering the program pretty heavily by the time he or she makes the decision to enter the program. This in itself shows a high level of analysis and decision making skill. A self-paced learner must also possess a high level of self-reliance and focus in order to complete a course of study. In the case of the CFA program, there

are study groups and assistance available; it's just a matter of determining when the time has come to go those resources. In other words, the self-paced learner must utilize self reliance but also be self-aware enough to realize when it's time to reach out. Isn't that a great combination in the field?

Revisiting the CFA curriculum, we see that technical and financial acumen are tested routinely, and in multiple levels of learning taxonomy. This will require that a candidate have the ability to move knowledge through those levels. For example, a less-disciplined adult learner may learn enough to "get by", but not enough to synthesize the knowledge he or she has obtained in the course of study. This probably wouldn't work in terms of the CFA program. The currency of the CFA curriculum combined with the analysis and synthesis of knowledge will also require a candidate to possess leadership and technical decision making skill. On top of all of this, these competencies will prepare a potential CFA charterholder to make the decisions that drive your organization forward.

Clearly the CFA designation tests the competencies of potential charterholders. And because the CFA will come to you with those competencies, the benefits to the organization will be impressive.

In our final discussion, we will look at the CFA designation and the overall benefits at the organizational level.

### **Organizational Benefits**

There are numerous benefits to both the organization and the individual in relation to the CFA designation. We have discussed many of these benefits, but let's take a look at the

benefits that the organization can gain and utilize if you are looking to bring in CFA charterholders. Keep in mind that you may also be considering moving some of your existing associates through the CFA designation, so all of the organizational benefits we are discussing would apply in either situation.

First, let's examine the overall organizational benefit, the level playing field. Every organization looks for this leveling in terms of departments or individuals. Where it's applicable, the CFA designation serves as a "leveler". For example, you may place the designation as a preference in hiring. As other associates begin to leave the applicable areas, the new hires with CFA designations will take their places. On the other hand, you may want to place existing employees into the CFA program in order to topgrade them. In the process of topgrading, you may even weed out "B" or "C" level players within the organization. When you achieve the ultimate goal of having all applicable positions filled with CFA's, you'll have the people with the highest level of knowledge and competency.

As a natural segue from the level playing field, you can also consider building your leadership bench in relation to CFA charterholders. Financial organizations are probably running at a very lean level at this point in time. In view of that situation, organizational development leaders are looking for candidates who combine leadership with functional and technical competency. In other words, why hire for "or" if you can hire for both? With this need for leadership, we can look back at the expressed and implied competencies of the CFA program. Associates who are hired with the CFA designation or successfully complete the program have the competencies that are in

need for your leadership pool. Not only this, you can look at your CFA charterholder pool and choose the high potentials for grooming into leadership positions in other areas of the organization, as well as your high professional leaders who can lead the areas they are already in.

The leadership bench is important, but let's discuss retention of those associates. First, when you hire and top grade to the CFA level, you're getting employees who are ready to do the work and most likely are ready to be promoted. This in itself is a retention tool. But in addition to this, the people who are hired in as CFA's and the people who obtain their CFA designation from within the organization will be the ones who are in the right positions. These associates know what types of positions they are interested in and you know that you can utilize them in those positions. With a high-grade certification like the CFA, there won't be much doubt from the organization or the individual when it comes to taking positions, staying in them, and getting promoted.

We have already discussed competencies in great detail in this series. But remember on an organizational level that the CFA designation will ensure leadership competencies. It does not seem possible that a CFA charterholder could make the decision to enter the program, stick to it, and move into an organizational position without applying his or her leadership competency. On top of that, the curriculum and the network that comes with the CFA designation will ensure that technical and functional competencies are introduced to the organization - and remain there in the form of retention, knowledge, and up-to-date information from around the world.

One of the issues we haven't discussed is marketing in relation to the CFA designation. From an organizational standpoint, think about all of the areas we have to market: customers, employees, new employees. Think about who we have to satisfy: employees, regulators, shareholders, customers. In terms of marketing, showing one or two professional designations is probably not enough in any organization. But what if you can say that a certain percentage of your organization's associates hold a "gold standard" financial designation? From a customer perspective, this will create credibility at a time when credibility is much in doubt in the financial world. But what about employees and potential employees? The fact that the CFA designation is sought after will show them that the organization is concerned about knowledge, ability, and ethics on every level. Plus, consider the increased performance that may come with the knowledge level of CFA designees. This can only serve to satisfy the organization's stakeholders and shareholders.

We usually don't think in terms of marketing when it comes to regulators, but it's also something to consider in regard to the CFA

designation. Because there is a certain level of regulatory approval involved with the CFA program, oversight agencies may be inclined to believe that your organization is interested and concerned about its level of ethics, professionalism, and technical ability. Marketing with the CFA designation can be very powerful for the organization on many fronts if it is used properly.

In this series we've looked at the benefits of the CFA designation from both the organizational and individual levels. We began by defining the CFA designation and determining what qualifications are key for entering the program. We have analyzed the advanced curriculum and learning methods put forth by the CFA Institute, as well as the recognition and standards of the CFA program in relation to the financial industry. We have also defined competencies required by the CFA program, both at the expressed and implied levels. Because of all of these benefits, we can see clearly that bringing in CFA charterholders or putting existing associates through the CFA program where applicable is a good move in many different ways.

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