

What Every Investor Should Know...

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Why Select a CFA® Charterholder?

Successful investors recognize the importance of education and knowledge when it comes to managing financial assets. But while they may spend countless hours learning about markets, securities, and associated risks, investors often overlook the qualifications of the professionals whom they hire to manage their money.

If you work with investment advisers, they will have access to the personal details of your finances, so their credentials should matter to you. There are a number of reputable and applicable credentials that financial professionals in different disciplines may hold, but none is as rigorously focused on investment knowledge as the Chartered Financial Analyst® (CFA) designation. Understanding the significance of the CFA charter — and what is required of investment professionals in order to hold it — can be useful information when choosing an investment adviser.

Global Relevance With CFA charterholders in more than 120 countries and the increasing demand worldwide for the CFA Program, the CFA charter has become *the* global professional investment credential. The CFA charter is often referred to as a professional global “passport,” providing the knowledge and expertise that allows CFA charterholders to practice across international boundaries. Others have referred to it as the gold standard of the industry.

Each June and December, tens of thousands of candidates sit for the CFA examinations at more than 180 sites around the world. In 2007, CFA Institute will see more than 140,000 candidates from more than 160 countries enroll to take one of the three CFA exams. Since 1998, some of the most significant growth in candidate numbers has occurred in Europe and Asia, particularly China and India.

Knowledge and Experience In the late 1940s, Benjamin Graham, often called the “father of security analysis,”

first proposed a “Qualified Securities Analyst” designation for members of the growing investment profession. After much work from Graham and other dedicated professionals, the first CFA exam was administered in 1963 to 284 candidates.

To become a CFA charterholder, a candidate must pass a series of three six-hour examinations, taken in sequence. Average completion time is four years. Core elements of the CFA curriculum include investment tools (economics, financial statement analysis, quantitative analysis, and corporate finance), asset valuation (analysis of debt investments, equity investments, derivatives, and alternative investments), and portfolio management (both institutional and individual, including performance measurement). Importantly, each examination includes a section that thoroughly tests knowledge and application of ethical and professional standards.

To ensure that the CFA Program stays current with the ever changing dynamics of professional investment practice throughout the world, CFA Institute member volunteers and

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professional staff annually develop and update the curriculum and construct the examinations. The resulting Candidate Body of Knowledge™ is known as one of the most rigorous and comprehensive disciplines in the investment profession.

Achieving passing scores on all three exams is no small feat. Each of the six-hour examinations takes, on average, a minimum of approximately 250 hours of intensive self-study and preparation. The combined pass rate (aggregated over all three exam levels) for the June and December exams since 1963 is 52 percent.

As rigorous as the curriculum and examinations are, the CFA Program requires more than academic preparation. Before they earn the right to use the CFA designation, candidates must have three to four years of professional experience in the investment decision-making process. Additionally, they must fulfill the CFA Institute membership requirements and commit to uphold the stringent CFA Institute Code of Ethics and Standards of Professional Conduct.

Ethics The integrity of investment advisers is of the utmost importance. Their skills and advice directly impact the financial well-being of their clients. That is why every CFA charterholder, CFA Institute member, and CFA candidate is required to sign an annual statement declaring his/her adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The Code and Standards require members and candidates to act with integrity, practice in a professional and ethical manner, exercise independent professional judgment, maintain and improve their professional competence, and put client interests before their own. The 160-page CFA Institute *Standards of Practice Handbook* — an “instruction manual” for ethical guidance within the investment community — interprets and expands upon the requirements of the Code and Standards.

CFA Institute investigates all allegations of violations of the Code and Standards, whether self-disclosed by the CFA charterholder or raised by an investor, fellow investment professional, or the media. Those who are found to have violated the Code and Standards, or who fail to divulge formal complaints as required in the annual CFA Institute Professional Conduct Statement, are subject to disciplinary sanctions from CFA Institute. Sanctions can range from private censure up to revoking membership in CFA Institute and the right to use the CFA designation.

Recognition A relevant and evolving curriculum, rigorous examinations, and a stringent application of the CFA Institute Code of Ethics and Standards of Professional Conduct have been hallmarks of the CFA Program throughout its history. Recognition of the CFA Program’s globally relevant Candidate Body of Knowledge™ and the professional standards embodied in the program makes the CFA designation the mark of distinction for investment professionals worldwide. It is a global distinction recognized and rewarded by employers, respected by regulators and investment institutions, and demanded by private investors.



CFA Institute is the global, non-profit professional association that administers the Chartered Financial Analyst® curriculum and examination program worldwide and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute was known as AIMR (Association for Investment Management and Research) from 1990 to early 2004 and before that was two separate organizations whose roots go back to 1947. More information may be found at www.cfainstitute.org.

The information contained in this piece is not intended to and does not provide legal, tax, or investment advice. If assistance is required, the services of a competent professional should be sought.

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