

## An Information Session for CFA Candidates



**Robert R. Johnson, Ph.D., CFA**  
Managing Director  
CFA and CIPM Programs Division

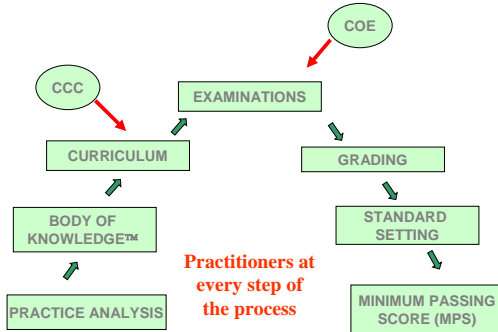
Recorded on 6 October 2005  
Presented by CFA Institute  
[www.cfawebcasts.org](http://www.cfawebcasts.org)

## 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.

## The CFA Program



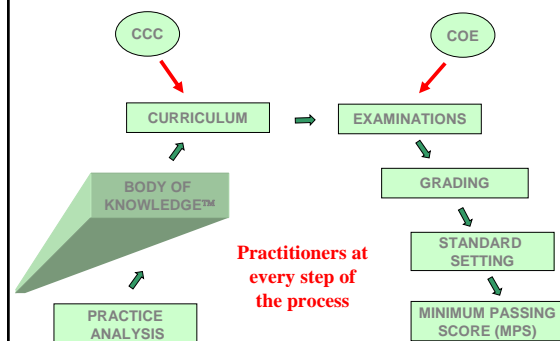
## Practice Analysis: What and Why?

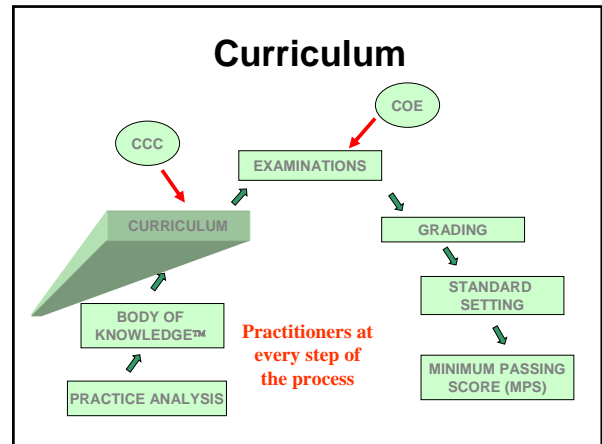
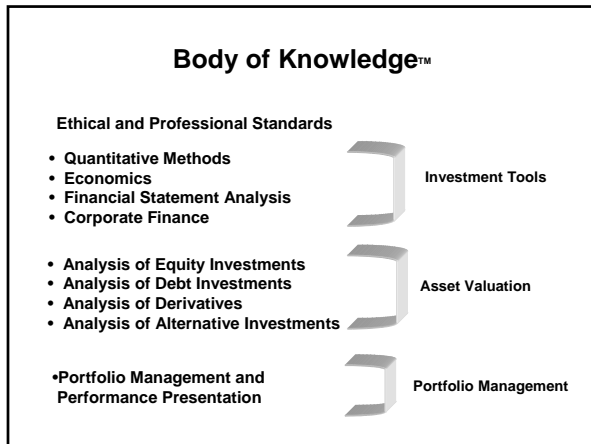
- Most respected authorities in education, testing and certification recommend or require periodic practice analysis studies
- Focuses on the critical tasks performed by competent people working in the profession
- Establishes **content validity** – curriculum and exams must be linked to the knowledge and skills needed by practitioners
- Results in new CBOOK – 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

## Body of Knowledge™





### Curriculum

Developed by Candidate Curriculum Committee (CCC); 100 people involved (all charterholders), including global members; extensive review; each level 18 study sessions in CFA Institute-produced study guides

<u>Study Guide</u>	<u>Topic Focus</u>	<u>Learning Focus</u>
Level I	Investment Tools	Knowledge and Ethical Standards
Level II	Asset Valuation	Application and Ethical Standards
Level III	Portfolio Management	Synthesis and Ethical Standards

### Curriculum

Each study session is designed for flexible, self-directed study

Each reading has learning outcome statements (LOS): "The candidate should be able to..."

Readings are drawn from a variety of materials, both CFA Institute and other

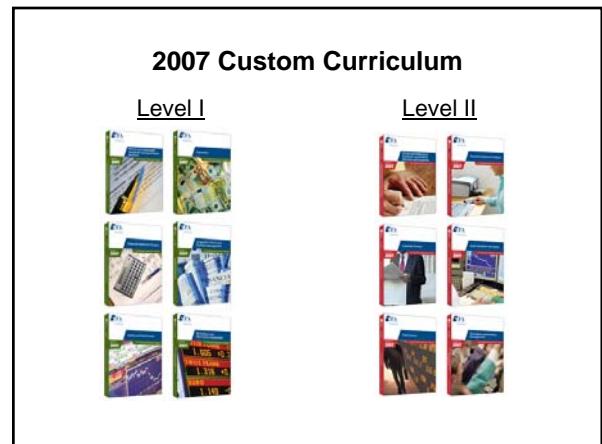
Each LOS has one or more command words, which indicate type of learning expected: "discuss, calculate, contrast"

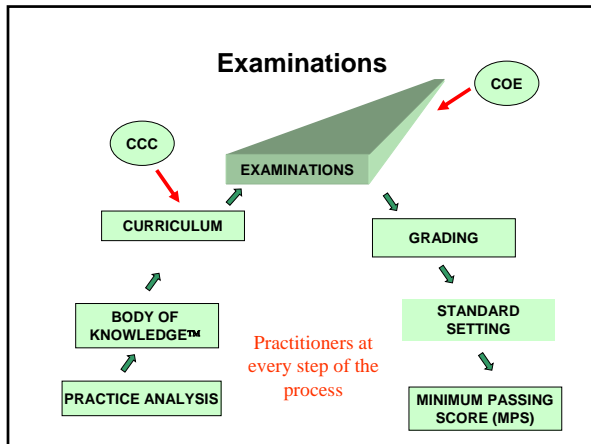
CFA Institute increasingly developing and publishing own curriculum to meet unique needs

LOS are NOT an exact proxy for examination questions, but mastering LOS is the best study approach

### Custom Curriculum

- Six volumes – represents the entire Level I curriculum
- Six volumes – represents the entire Level II curriculum
- More cost effective – candidate only purchases what is needed for that level each year (spreads the cost more evenly over the three levels)
- These packaging improvements will be phased into the Level III curriculum in 2008
- In response to candidate demand



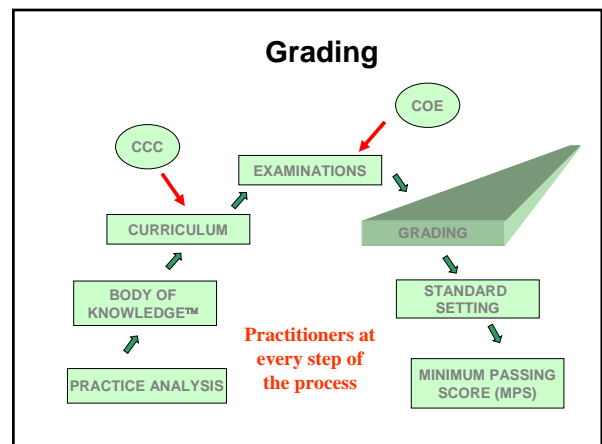


- ### What are the guiding principles?
- Product that is faithful to practice analysis, curriculum, and LOS; fair to candidates; and valuable to members, employers, and investors.
  - Development process that incorporates “best practices.”
  - Review process that is extensive, intensive, and diverse.
  - Participants that reflect candidates and members.
    - COE members from throughout the world
    - Two members from London

- ### Who writes the Exam?
- The COE, working with CFA Program staff, develops the exams.
  - CFA charterholder subject matter experts who are trained in question writing.
  - Members meet face-to-face four times during the year to discuss, evaluate, and edit exam questions.
  - COE Editorial Board, composed of leaders and most senior members of COE, meets five times a year to evaluate progress of the exam questions, suggest changes.
  - 3 COE members from UK out of 35 total

- ### Types of questions
- Multiple Choice – Level I
  - Item Set – Levels II and III
  - Constructed Response – Level III

- ### Where do questions originate?
- The Practice Analysis (produced by 16,000 CFA charterholders) specifies:
    - Topics and subtopics to be tested.
    - Weights (relative importance) of the topics.
  - The candidate curriculum (produced by over 100 charterholders) specifies the readings that cover the topics.
  - Learning outcome statements (LOS) highlight the most important knowledge and skills taught by the reading and how the reading is to be tested.

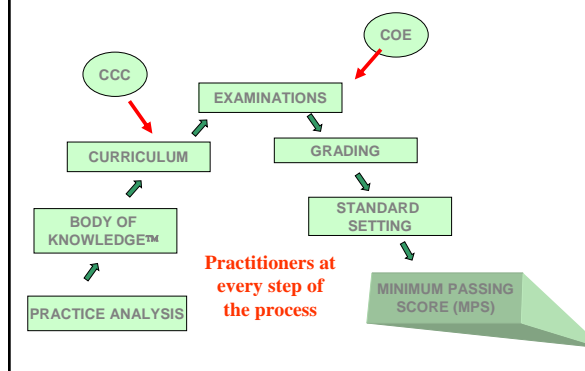




## Standard Setting

- Utilized by many credentialing programs
- Design, training, management and analysis by independent expert psychometricians
- Use the widely-accepted Modified Angoff method
- Recruit diverse group representing member & candidate demographics
- 20-30 charterholders per Level, separated into 2 groups
- Each participant works independently to evaluate each exam question/answer
- Will the just qualified candidate answer correctly?
- Each participant re-scores after facilitator shares impact data
- Average score = recommended MPS

## Minimum Passing Score



## The mechanics of the MPS process

- CFA Institute Board of Governors (who are CFA charterholders) determines CFA Exam Minimum Passing Scores
- Multiple inputs (standard setting, candidate performance statistics, quality of candidate responses, etc.) used to set the MPS
- Primary input is standard setting.
- Pass rate for each level is a residual determined by each level's MPS
- London is well represented on the Board of Governors with 3 members of the 19 member board

## Ethics is the “tie-breaker” on tests that are on the cusp of passing

- For those examinations that are in a narrow band around the MPS, a candidate's performance on ethics is the determining factor.
- The BOG instituted this policy many years ago as an incentive for candidates to place particular emphasis on ethics.
- This policy typically helps more candidates than it hurts.

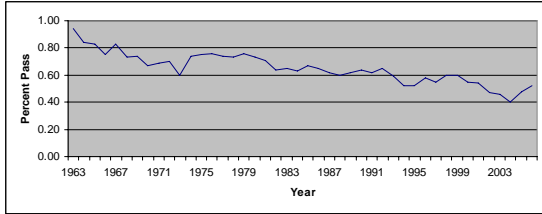
## MYTH – The questions that nearly everyone got right and wrong are thrown out

- Since 1996, there have been no questions “thrown out.”
- Only one selected response question has had two “right” answers.
- We are happy when the vast majority of candidates get a question correct – it demonstrates they have mastered the concept.
- Questions undergo an extensive review process prior to them appearing on an examination:
  - Council of Examiners (approximately 30 people)
  - Domestic review (approximately 10 people)
  - Global review (approximately 20 people)
  - Staff review (6-10 charterholders)
  - Specialty review (i.e., GIPS)

## June 2006 Exam Results

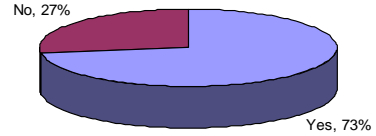
- 63,249 candidates from 145 countries sat
- 189 exam sites worldwide in 89 countries
- 25% no-show rate (compared to a 10-year average of 27%)
- Overall pass rates (weighted average 52%) –
  - 40% at Level I (47% average from 1963-2006)
  - 48% at Level II (52% average from 1963-2006)
  - 76% at Level III (68% average from 1963-2006)
- London candidates performed very well. Pass rates were:
  - 47% at Level I
  - 56% at Level II
  - 85% at Level III

## Weighted Average Pass Rates 1963-2006

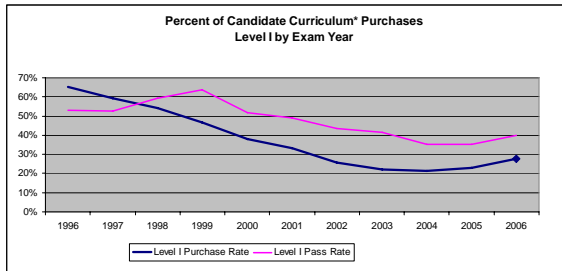


## Candidate Preparation Habits: Survey Results

Percent of Respondents Using the Services of Preparatory Course or Review Notes Provider, 2004 (All Levels)



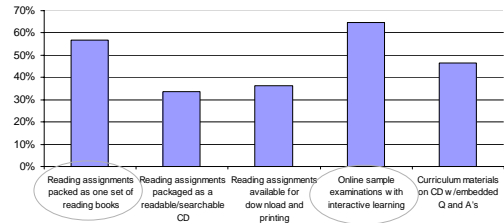
## Candidate Preparation Habits: Declining Curriculum Sales



\* Candidate Readings used as proxy for curriculum prior to 2006

## Candidate Preparation Habits: Survey Results

What study materials could CFA Institute offer that would most help candidates learn the curriculum? (2004)  
(Respondents could select as many as they liked)



## 2007 Custom Curriculum

### Level I



### Level II



## Satisfaction with CFA Institute Custom Curriculum

Satisfaction with CFA Program Curriculum from CFA Institute (Level I, 2006\*)



\*Based on those who indicated they used the CFA Program curriculum

### Online Sample Exams

- Developed in Response to Candidate Demand
- Length Reflective of Live Examination (2 hours)
- Timed with Immediate Feedback
- Developed Utilizing Same Process as Live Examination
- \$50 Fee

### Candidate Preparation Habits: The Toolkit

- Singular, comprehensive location for candidate preparation
- Companion Website
  - Planning a Course of Study
  - How to Use the Curriculum
  - Online Sample Exams
- Website: [www.cfainstitute.org/toolkit](http://www.cfainstitute.org/toolkit)



### Designing a Study Program

#### Design a Personal Study Program that Works for You:

CFA Institute recommends a **minimum** of 250 hours of study per level.

The CFA Institute prescribed curriculum should be the foundation of your study

- **Create a schedule:**
  - Dedicate a block of time each week for reading and studying
  - Devote 10-15 hours per week for 18 weeks
  - Spend at least one week on each study session
  - Use the final four to six weeks before the exam to review study materials and take online sample exams

### “The Gold Standard”

The Economist

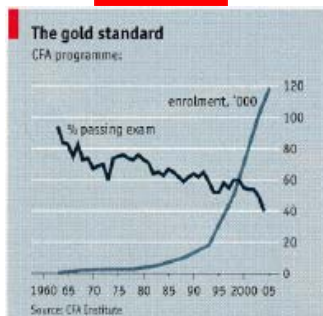
“Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA...It used to be just an American qualification. But explosive growth has made it, in effect, global currency.”

The Economist

Feb. 26-Mar 4, 2005

### “The Gold Standard”

The Economist



### UKSIP

- The United Kingdom Society of Investment Professionals (UKSIP) is one of the 134 CFA Institute-affiliated societies around the world.
- With over 6,000 members, UKSIP provides the London investment community with local leadership in investment education, advocacy programs, and the opportunity to network with other investment professionals.
- UKSIP supports ASIP, CFA, and IMC investment professionals with an active professional development programme, *Professional Investor* – UKSIP’s monthly journal that is CFA Institute’s European journal – and a CFA support programme for candidate members.