

Consumer Protection Codes Department,
Financial Regulator,
PO Box 9138,
6-8 College Green,
Dublin 2

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A Response to CP 45: Review of Minimum Competency Requirements

CFA Ireland is the local member society of CFA Institute, a global, not-for-profit organization comprising the world's largest association of investment professionals. With over 100,000 members, and regional societies around the world, they are dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry. CFA Institute offer a range of educational and career resources, including the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) designations, and are a leading voice on global issues of fairness, market efficiency, and investor protection. Locally within the Irish market CFA Ireland represent the interests of over 300 investment professionals and a further 500 candidates in the CFA and CIPM Programs. Many of these professionals interact with the retail investing public, and in doing so work within investment management firms. It is within this context that we make the following points:

Investment Management

Investment management is the professional management of a range of assets, primarily shares, bonds and other investment instruments to meet specified objectives of investors. It encompasses a wide range of investment styles and products. This service is typically provided through either authorised unit vehicles or a segregated asset approach. Professionals within investment management firms that interact with the high net worth private client, and who may fall under the definition of a consumer as defined within CP45, will typically confine themselves to providing advice on the selection of investment products alone. In most cases these clients will be independently advised by a financial advisor such as an IFA who will be responsible for the wider provision of financial planning services to 'plan' how to best utilise income, borrowings and financial assets to achieve personal objectives. The selection of investment products or portfolio management approaches would be just one element of this, and this is typically where an investment professional interacts with the consumer.

We believe that it is appropriate to recognise investment management as a separate activity. Investment management is a specialist activity and needs to be recognised as such within the provisions of the Minimum Competency Requirements. CP45 deems 'Shares, Bonds and other Investment Instruments' and 'Savings, Investment and Pension Products' to be retail financial products (pages 8 & 9), and it is within this category of financial product that investment management firms would operate.

One must also acknowledge that investment management firms regulated by the Financial Regulator operate under the requirements of MiFID. MiFID provides a comprehensive legal framework for the conduct of investment management activities and the protection of clients. MiFID firms have significant obligations to 'retail' clients in the areas of suitability and disclosure and each firm has an overarching obligation to act in the best interest of the client. Interaction with 'consumer' clients is limited and where occurring is with high net worth individuals or organisations such as charities who are independently financially advised. Again we want to emphasise that investment professionals employed by firms operating under MiFID and interacting with the consumer as defined by the Minimum Competency Requirements, place themselves solely in the role of aiding in the selection of investment products. In such cases the decision to select a particular investment product is taken within a wider financial investment planning exercise in which the investment management firm and their employee has only a small part.

The Minimum Competency Requirements specify that compliance can only be fulfilled by attainment of a recognised qualification from an external professional educational body (or through grandfathering arrangements for suitably experienced individuals under certain circumstances outlined within the original requirements introduced in 2007). The current requirements do not recognise the unique professional development needs of the investment management industry in that they dictate that accredited individuals must hold the Qualified Financial Advisor (QFA) qualification, among other such qualifications. The underlying syllabus of this qualification extends beyond the needs of the industry in its coverage of retail financial products outside the scope of investment management firms, and wholly lacks the depth of coverage of the science of investment management required of investment professionals.

Within the narrow confines of the investment management activity (covering the aforementioned 'Shares, Bonds and other Investment Instruments' and 'Savings, Investment and Pension Products'), the retail investor would be better served if accredited individuals were able to demonstrate competence in investment management through recognised investment management qualifications and proven knowledge of local regulation.

The Chartered Financial Analyst (CFA) Designation

With a six-decade history of maintaining a rigorous focus on globally relevant investment knowledge, the CFA Program is the most widely known and respected investment credential in the world. Today, with nearly 90,000 CFA charterholders working in over 130 countries around the world, the CFA charter is widely recognized by investors, investment practitioners, employers, regulators, and the media as the highest educational standard in the investment community. Regulatory bodies in many countries require investment professionals to pass one or more levels of the CFA Program to practice in their jurisdictions. Some even recognize the designation as a proxy for meeting certain licensing requirements.

Regulatory bodies in the following countries give specific recognition of the CFA Program. Click on any of the countries below to get specific detail on the level of recognition given by these regulators.

Americas Region

- [Brazil](#)
- [Canada](#)
- [Mexico](#)
- [Peru](#)
- [United States](#)

Asia-Pacific Region

- [Australia](#)
- [Hong Kong](#)
- [Indonesia](#)
- [New Zealand](#)
- [Philippines](#)
- [Singapore](#)
- [Thailand](#)
- [Vietnam](#)

EMEA Region

- [Cyprus](#)
- [Germany](#)
- [Greece](#)
- [South Africa](#)
- [Turkey](#)
- [United Kingdom](#)

To earn the CFA charter, exam candidates must successfully pass through the CFA Program, a graduate-level self-study program that combines a broad curriculum with professional conduct requirements, culminating in three sequential exams. Level I exams are held in June and December. Levels II and III are only offered in June. The course of study is determined by the Candidate Body of Knowledge™ (CBOK). The CBOK is grounded in practice. This means that panels and surveys of current investment professionals have determined the knowledge, skills, and abilities needed to succeed in the workplace. This practice analysis involves thousands of charterholders across the world and helps determine the CBOK, which is the framework for the curriculum and exams.

CFA Exam Topic Area Weights (%)

Topic Area	Level I	Level II	Level III
Ethical and Professional Standards (total)	15	10	10
Investment Tools (total)	50	30-60	0
<i>Corporate Finance</i>	8	5-15	0
<i>Economics</i>	10	5-10	0
<i>Financial Reporting and Analysis</i>	20	15-25	0
<i>Quantitative Methods</i>	12	5-10	0
Asset Classes (total)	30	35-75	35-45
<i>Alternative Investments</i>	3	5-15	5-15
<i>Derivatives</i>	5	5-15	5-15
<i>Equity Investments</i>	10	20-30	5-15
<i>Fixed Income</i>	12	5-15	10-20
Portfolio Management and Wealth Planning (total)	5	5-15	45-55
Total	100	100	100

A detailed syllabus of each level may be accessed via the links below:

Level I:

https://www.cfainstitute.org/CFA%20Program%20Study%20Session/2011_I1_combined.pdf

Level II:

https://www.cfainstitute.org/CFA%20Program%20Study%20Session/2011_I2_combined.pdf

Level III:

https://www.cfainstitute.org/CFA%20Program%20Study%20Session/2011_I3_combined.pdf

We would contend that the CFA Charter is increasingly being viewed in the Irish investment management industry as the premier professional qualification for the industry, and this is evidenced by the volume and growth of candidate numbers over the past 10 years from Irish employers (<30 candidates in 2000 to >500 candidates today), the recognition given to the designation within the 'Building on Success' report issued by the Department of An Taoiseach in 2006, the focus given to it by the Asset Management Task Force, a committee of the Customs House Group of committees under the auspices of the Department of An Taoiseach and of course the supportive recognition given to the qualification by the Irish Association of Investment Managers. It should also be recognised that the QFA Board have granted recognition themselves to the designation by exempting charterholders from the QFA Investments and QFA Loans modules of their exam programme.

Proposal: We request recognition of the qualification as meeting the needs of the Investment Management activity (covering the aforementioned 'Shares, Bonds and other Investment Instruments' and 'Savings, Investment and Pension Products').

- We recognise that a global qualification such as this will lack the local content on investment regulation. We therefore propose that CFA charterholders should supplement their knowledge of local regulation by completing the QFA Regulation module to gain full accreditation under the Minimum Competency Requirements.
- We note on page 12 of CP45 that we will have to apply for inclusion in the National Framework of Qualifications at level 7 or higher. That application is currently underway. We do not envisage any difficulties with gaining this recognition, and can point to the attitude of the NARIC in the United Kingdom in this regard. They have benchmarked the CFA Charter as being comparable to a master's degree in finance within the English Qualification and Credit Framework (QCF). The NARIC is the UK National Agency responsible for providing information, advice, and expert opinion on vocational, academic, and professional skills and qualifications.
- Both CFA Institute and CFA Ireland operate a cpd programme for our membership. Full records are kept on a web-based diary, and both CFA Institute and CFA Ireland will automatically credit members' diaries with cpd hours undertaken at formal events hosted by both organisations. Members can supplement that diary record with relevant events attended hosted by other organisations and any informal hours earned. Those records are available via a secure website, and can therefore be made available by members to employing firms if proof of cpd hours is required. CFA Ireland host up to 15 formal hours of qualifying events annually, and members have access to conferencing hosted by CFA Institute internationally.

Grandfathering

CFA Ireland has a concern regarding the Financial Regulators proposal to phase out 'grandfathering'. For the most part those individuals benefitting from 'grandfathering' are highly experienced professionals who did not hold a recognised professional qualification as

at January 1st 2007. If 'grandfathering' is phased out, then these individuals may be able to validly point out that they already hold industry-relevant investment professional qualifications which are not currently recognised under the Minimum Competency Requirements. This lack of recognition will therefore compel them to register, study and pass an exam by 2015 such as the QFA to gain accreditation. As stated previously, the QFA syllabus extends beyond the needs of the industry in its coverage of retail financial products outside the scope of investment management firms, and wholly lacks the depth of coverage of the science of investment management required of investment professionals.

Many of our members hold a local investment qualification (The Society of Investment Analysts (SIAI) Associate Exam Program) which adequately covers both investment topics and local regulation. Holders of the qualification are entitled to exemption from the QFA Investments and QFA Regulations modules of the QFA Exam Program.

Proposal: On the assumption that Investment Management will be recognised as a separate activity, we would propose that successful passage of QFA Investments and QFA Regulations should enable accreditation of investment professionals within the Investment Management activity. Since holders of the SIAI Associate designation are already exempt from both these modules of the QFA Exam Program, this will have the effect of exempting many of our 'grandfathered' members from the requirement to pass the full QFA Exam Program.

Contact Details on this submission:

Siobhan Funge,
Development Officer, CFA Ireland
Tel: 087 249 7036

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