

Attn: Dr. Vahdettin ERTAŞ
Chairman
Capital Markets Board of Turkey
Eskişehir Yolu 8.Km No: 156
06530 Ankara
Turkey

Inigo Bengoechea, CFA
Director
CFA Institute
477 Madison Avenue
21st Floor
New York, NY 10022

Dan Larocco, CFA
Manager
CFA Institute
915 East High Street
Charlottesville, VA 22902

April 1, 2014

Re: New proposed guidelines for licensing examinations of Capital Markets Professionals.
(Sermaye Piyasasında Faaliyette Bulunanlar İçin Lisanslama ve Sicil Tutmaya İlişkin Esaslar Hakkında Tebliğ Taslağı Duyurusu).

Dear Dr. Vahdettin ERTAŞ,

On March 12, 2014 the Capital Markets Board of Turkey (CMBT) released new proposed guidelines for licensing examinations of Capital Markets Professionals in its “Communique on Principles Regarding Licensing and Registration for the Professionals Engaged in Capital Markets Activities”. The new guidelines would supersede those established in 2009 and introduce changes to the knowledge and competency requirements that investment professionals must meet in order to practice in the industry.

Among the changes proposed, are: (1) the creation of three new licensing levels for the Capital Markets Activities Examinations, thereby eliminating the prior basic and advanced levels categories; and (2) revisions to the exemptions granted to foreign certificates such as the CFA Program.

On behalf of CFA Institute, we appreciate the opportunity to be able to provide comments on the Board’s newly proposed guidelines for licensing and examinations. CFA Institute continues to support the Capital Markets Board efforts to promote regulatory efficiency, and accordingly, is generally supportive of the new framework.

However, we have significant concerns that based on the new proposed requirements, passing the CFA Level 2 exam would no longer allow investment professionals to practice as advisors or portfolio managers. The new requirements establish that a Capital Markets Level 3 License is needed to be eligible to practice in these types of roles. We believe this is not in the best interests of the industry in Turkey and would like to engage in a constructive dialogue with the Board.

Additionally, CFA Institute would also like to take this opportunity to request the Board to consider having the Claritas Investment Certificate considered equivalent to the Capital Markets Level 1 License. We believe there is significant overlap in the topic outlines of the Capital Markets Level 1 license and the Claritas Investment Certificate and will present the results of our analysis in Section 2 of this letter.

Section 1

Section 1.1 - Background on CFA Institute and the CFA Program

CFA Institute is a global leading association of investment professionals with more than 110,000 members in more than 135 countries. Our mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. We aspire to serve all finance professionals seeking education, knowledge, professional development and lead the investment profession's thinking in the areas of ethics, capital market integrity, and excellence of practice.

As part of its portfolio of educational programs, CFA Institute offers the Chartered Financial Analyst® (CFA®) charter which is the global investment industry's most challenging and most widely respected graduate-level investment credential. Earning it and passing its three challenging levels demonstrates a commitment to professional ethics and mastery of a comprehensive range of the advanced practices and principles needed to practice in the investment industry.

Section 1.2 - Exemptions for foreign qualifications

Pursuant to paragraph (2) of article 28, under the new proposed guidelines for licensing examinations of Capital Markets Professionals:

- *Passing the Chartered Financial Analyst Level 1 is considered equivalent to the Capital Markets Activity Level 1 License.* The Board requires individuals to obtain this license in order to work as Customer Representatives (including derivative instruments), Clearing and Operations Managers, Accounting for Derivative Instruments, Liaison Officers and Stock Exchange Member Representatives.

- *Passing the Chartered Financial Analyst Level 2 is considered equivalent to the Capital Markets Activity Level 2 License.* The Board requires individuals to obtain this license in order to work as Branch Managers, Internal Controllers, Portfolio Brokerage Customer Representatives, and Research Specialists.
- *Passing the Chartered Financial Analyst Level 3 is considered equivalent to the Capital Markets Activity Level 3 License.* The Board requires individuals to obtain this license in order to work as Investment Advisors, Corporate Finance Specialist, Portfolio Managers, Head of Internal Audit Inspectors and Risk Management.

However, in comparison with the guidelines introduced in 2009, under Section 18 titled “Exemptions and Durations” it was specified that: *“The first level of the Chartered Financial Analyst Certificate (CFA Level 1) given by the Association for Investment Management and Research (AIMR) in the United States of America is considered to be equal to the Capital Market Activities Basic Level License, the second and the third levels (CFA Level 2 and 3) are considered to be equal to the Capital Market Activities Advanced Level License and the Derivatives License.”*

Therefore, in the previous framework, individuals who had passed CFA Level 2 or Level 3 were exempt from obtaining the Capital Market Activities Advanced Level Examination necessary to practice as portfolio managers, research analysts, investment advisers, corporate finance specialists, managers of portfolio management companies and derivatives managers.

Section 1.3 - Request to the Board to have the CFA Level 2 Exam considered equivalent to the proposed Capital Markets Level 2 and 3 Licensing Exams.

CFA Institute would like to request the Board to have the CFA Level 2 exam considered equivalent to the Capital Markets Level 2 and Level 3 Licensing Exams. The CFA Level 2 exam is already considered equivalent to the Capital Markets Level 2 License under the new proposed guidelines. Consequently, we request the Board to consider amending the proposed guidelines in their latest Communique to reflect that:

- *Passing the Chartered Financial Analyst Level 2 is considered equivalent to the Capital Markets Activity Level 2 License.* The Board requires individuals to obtain this license in order to work as Branch Managers, Internal Controllers, Portfolio Brokerage Customer Representatives, and Research Specialists.
- *Passing the Chartered Financial Analyst Level 2 or Chartered Financial Analyst Level 3 is considered equivalent to the Capital Markets Activity Level 3 License.* The Board requires

individuals to obtain this license in order to work as Investment Advisors, Corporate Finance Specialist, Portfolio Managers, Head of Internal Audit Inspectors and Risk Management.

We believe the Board should give careful consideration to our request because the CFA Level 2 Exam Candidate Body of Knowledge will have significant overlap with the topic outlines of both the proposed Capital Markets Level 2 and 3 Licensing Exams.

CFA Level 2 curriculum materials emphasize the application of investment tools and concepts with a focus on valuation of all types of assets. There is also additional focus on portfolio management, advisory and best practices which should provide evidence to the Board that those who have passed the CFA Level 2 Exam have demonstrated competency to practice in the industry as portfolio managers and advisers.

To illustrate this point, below, we provide a comparison between the topic outlines of the Level 3 License Topic Area and the CFA Level 2 Candidate Body of Knowledge (please see exhibit 1).

Exhibit 1 – Table Comparison

Capital Markets Activity Level 3 License Topic Areas	CFA Level 2 Candidate Body of Knowledge (CBOK)
Capital Markets Regulations and Ethical Standards	Ethical and Professional Standards
Capital Markets Instruments	Derivatives
Financial Markets	Equity Investments
	Fixed income
	Alternative Investments
Financial Management and Financial Analysis	Corporate Finance
Commercial Law	
Custody, depository and Capital Market Operations	
Accounting and Financial Reporting	Financial Reporting and Analysis
Economics	Economics
Quantitative Concepts and Valuation Methods	Quantitative Methods
Derivative Financial Instruments and Markets	Derivatives
Corporate Taxation and Capital Markets	Financial Reporting and Analysis
	Portfolio Management and Wealth Planning

If a more detailed comparison would be helpful, the Regulator and Program Recognition (RPR) division can conduct a mapping exercise once the Board publishes the detailed learning objectives for the Level 2 and 3 Licenses. In a mapping exercise of this nature, RPR would match the learning outcome statements of the CFA Level 2 Exam to those of both the Capital Markets Level 2 and 3 Licenses. We expect that such a mapping exercise would confirm our assessment and demonstrate significant overlap between the topic areas.

We would also like to note that the CFA program is considered the global gold standard qualification and perhaps the most challenging program in the investment profession. In addition, the CFA curriculum incorporates significant training in ethics. Our candidates and members pledge annually to abide by our strict Code of Ethical and Professional Standards and are committed to best industry practices.

Successful CFA Level 2 candidates have already demonstrated significant mastery of the knowledge needed to practice in the industry as portfolio managers and investment advisers. Accordingly, allowing those who have passed the CFA Level 2 exam to waive both the Capital Markets Level 2 and 3 Licenses would be in the best interests of the investment profession in Turkey since it would create the largest possible pool of qualified investment professionals who have already demonstrated professional competence and a commitment to ethical principles.

Based on the above, it is our recommendation that the Board recognize the CFA Level 2 exam as equivalent to both the Capital Markets Level 2 and 3 Licenses.

Section 2

Section 2.1 - Background on the Claritas Investment Certificate

The Claritas Investment Certificate is designed to give everyone working with investment decision makers a clear understanding of the essential aspects of our industry—from investment strategies, instruments, and industry structure to asset classes, regulations, and ethics.

It is a comprehensive global program designed to give all professional disciplines in financial services outside of investment roles a clear understanding of the investment industry and their professional responsibilities within it.

The Claritas Program material provides a fundamental understanding of the investment industry through the topics covered in the Course of Study. The Course of Study consists of seven modules (topic areas).

Section 2.2 – Request to the Board to have the Claritas Investment Certificate considered equivalent to the Capital Markets Level 1 Licensing Exam.

CFA Institute would like to request the Board to consider having the Claritas Investment Certificate considered equivalent to the Capital Markets Level 1 Licensing Exam. Consequently, we request the Board to consider amending the proposed guidelines in their latest Communique to reflect that:

- *Passing the Chartered Financial Analyst Level 1 or the Claritas Investment Certificate is considered equivalent to the Capital Markets Activity Level 1 License.* The Board requires individuals to obtain this license in order to work as Customer Representatives (including derivative instruments), Clearing and Operations Managers, Accounting for Derivative Instruments, Liaison Officers and Stock Exchange Member Representatives.

To illustrate this point, below, we provide a comparison between the topic outlines of the Level 1 License Topic Area and the Claritas Investment Certificate Syllabus (please see exhibit 2).

Exhibit 2 – Table Comparison

<i>Claritas Investment Certificate Syllabus</i>	<i>Capital Markets Level 1 License Exam</i>
Industry Overview	
• Investment Industry: A top down view	
Ethics and Regulation	
• Ethics and Investment Professionalism	
• Regulation and Supervision	Capital Markets Regulations
Inputs and Tools	Financial Markets
• Microeconomics	
• Macroeconomics	
• International Trade and Foreign Exchange	
• Financial Statements	
• Quantitative Concepts	
Investment Instruments	Capital Markets Instruments
• Equity Securities	
• Debt Securities	
• Derivatives	
• Alternative Investments	
Industry Structure	
• Structure of the Investment Industry	
• Investment Vehicles and Structures	
• Investment Market Characteristics	
Industry Controls	Clearing, Custody and Operational Procedures
• Risk Management	
• Performance Evaluation	
• Investment Industry Documentation	
Serving Client Needs	
• Investor Needs and Investment Policy	
• Asset Allocation	
• Active and Passive Investment Management	

If a more detailed comparison would be helpful, the Regulator and Program Recognition (RPR) division can conduct a mapping exercise once the Board publishes the detailed learning objectives for the Level 1 License. In a mapping exercise of this nature, RPR would match the learning outcome statements of the Claritas Investment Certificate to those of the Capital Markets Level 1 License. We expect that such a mapping exercise would confirm our assessment and demonstrate significant overlap between the topic areas.

Based on the above, it is our recommendation that the Board recognize the Claritas Investment Certificate exam as equivalent to both the Capital Markets Level 1 License.

We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact us.

Sincerely yours,



Inigo Bengoechea
Director Regulation
CFA Institute



Dan Larocco
Manager Regulation
CFA Institute

Cc: Ertunc Tumen, President of the CFA Society of Turkey
Members of the Board of Governors of the CFA Society of Turkey
Kate Lander, Head of Regulator and Program Recognition, CFA Institute

Appendices

Appendix 1 - CFA Level 2 Exam Candidate Body of Knowledge (CBOK)

I. Ethical and Professional Standards

A. Professional Standards of Practice

B. Ethical Practices

II. Quantitative Methods

A. Time Value of Money

B. Probability

C. Probability Distributions and Descriptive Statistics

D. Sampling and Estimation

E. Hypothesis Testing

F. Correlation Analysis and Regression

G. Time Series Analysis

H. Simulation Analysis

I. Technical Analysis

III. Economics

A. Market Forces of Supply and Demand

B. The Firm and Industry Organization

C. Measuring National Income and Growth

D. Business Cycles

E. The Monetary System

F. Inflation

G. International Trade and Capital Flows

H. Currency Exchange Rates

I. Monetary and Fiscal Policy

J. Economic Growth and Development

K. Effects of Government Regulation

L. Impact of Economic Factors on Investment Markets

IV. Financial Reporting and Analysis

A. Financial Reporting System (with an emphasis on IFRS)

B. Analysis of Principal Financial Statements

C. Financial Reporting Quality

D. Analysis of Inventories and Long-Lived Assets

E. Analysis of Taxes

F. Analysis of Debt

G. Analysis of Off-Balance-Sheet Assets and Liabilities

H. Analysis of Pensions, Stock Compensation, and Other Employee Benefits

I. Analysis of Inter-Corporate Investments

J. Analysis of Business Combinations

K. Analysis of Global Operations

L. Ratio and Financial Analysis

V. Corporate Finance

- A. Corporate Governance
- B. Capital Investment Decisions
- C. Business and Financial Risk
- D. Capital Structure Decisions
- E. Working Capital Management
- F. Dividend Policy
- G. Mergers and Acquisitions and Corporate Restructuring

VI. Equity Investments

- A. Types of Equity Securities and Their Characteristics
- B. Equity Markets: Characteristics, Institutions, and Benchmarks
- C. Fundamental Analysis (Sector, Industry, Company)
- D. Valuation of Individual Equity Securities
- E. Equity Market Valuation and Return Analysis
- F. Closely Held Companies
- G. Equity Portfolio Management Strategies

VII. Fixed Income

- A. Types of Fixed-Income Securities and Their Characteristics
- B. Fixed-Income Markets: Characteristics, Institutions, and Benchmarks
- C. Fixed-Income Valuation (Sector, Industry, Company) and Return Analysis
- D. Term Structure Determination and Yield Spreads

E. Analysis of Interest Rate Risk

F. Analysis of Credit Risk

G. Valuing Bonds with Embedded Options

H. Structured Products

VIII. Derivatives

A. Types of Derivative Instruments and Their Characteristics

B. Forward Markets and Valuation of Forward Contracts

C. Futures Markets and Valuation of Futures Contracts

D. Options Markets and Valuation of Option Contracts

E. Swaps Markets and Valuation of Swap Contracts

F. Credit Derivatives Markets and Instruments

IX. Alternative Investments

A. Types of Alternative Investments and Their Characteristics

B. Real Estate Valuation

C. Private Equity/Venture Capital Valuation

D. Hedge Funds

E. Distressed Securities/Bankruptcies

F. Commodities and Managed Futures

G. Collectibles

H. Alternative Investment Management Strategies

X. Portfolio Management and Wealth Planning

- A. The Investment Policy Statement
- B. Modern Portfolio Management Concepts
- C. Behavioral Finance
- D. Management of Individual/Family Investor Portfolios
- E. Management of Institutional Investor Portfolios
- F. Investment Manager Selection
- G. Economic Analysis and Setting Capital Market Expectations
- H. Tax Efficiency Strategies
- I. Asset Allocation
- J. Portfolio Construction and Revision
- K. Risk Management
- L. Execution of Portfolio Decisions (Trading)
- M. Performance Evaluation
- N. Presentation of Performance Results

Appendix 2 - Claritas Investment Certificate Syllabus**Industry Overview**

Investment Industry: A top down view

Ethics and Regulation

Ethics and Investment Professionalism

Regulation and Supervision

Inputs and Tools

Microeconomics

Macroeconomics

International Trade and Foreign Exchange

Financial Statements

Quantitative Concepts

Investment Instruments

Equity Securities

Debt Securities

Derivatives

Alternative Investments

Industry Structure

Structure of the Investment Industry

Investment Vehicles and Structures

Investment Market Characteristics

Industry Controls

Risk Management

Performance Evaluation

Investment Industry Documentation

Serving Client Needs

Investor Needs and Investment Policy

Asset Allocation

Active and Passive Investment Management