

## **Answers to Additional ASIC Consultation Paper Questions**

### **1. A general comment on the importance of ethics as part of a best practice training and assessment framework.**

Professional ethics must be a core value of the investment management business because without it, there is no trust. The investment management business is utterly dependent on trust for its very existence. Recognizing this, CFA Institute vigorously enforces the Code of Ethics and Standards of Professional Conduct and the rules and regulations of the CFA Program.

CFA Institute members and CFA Program candidates are subject to professional conduct enrollment/admission criteria and must comply with the Code and Standards. Additionally:

Members must annually complete and sign a Professional Conduct Statement, disclosing any allegations of professional misconduct.

Candidates must submit a Candidate Professional Conduct Statement as part of each exam registration.

### **2. What costs could be involved in the setup and administration of a national certification exam? (C1Q6)**

To create and administer a national certification exam, an entity would incur staff expenses for appropriate professionals and support staff, expenses associated with developing a suitable curriculum (informed by a practice analysis study, if needed) along with the expenses associated with training question writers, and developing, administering, and grading the examinations. Resources may also be needed to standard set exams to establish appropriate pass scores, and for psychometric evaluation of exam performance data. Other necessary functions are registration and scheduling, customer service, and records management. Another factor is establishing the appropriate level of security around the development and administration processes. It might be best to contract with an existing testing organization for some of these services. Finally, an entity would incur the expenses associated with maintaining external boards and review committees.

### **3. What costs could be involved in the development and upkeep of an appropriately sized question bank? (C1Q6)**

The costs associated with a suitably sized question bank would be substantially a function of the length of the exam, the number of test-takers, and the frequency with which it is offered. Expenses would include staff time (and/or consultant or vendor time) to develop and review and edit test questions, as well as the expenses associated with the external review of test questions.

### **4. What are the CFA Institute's thoughts on the merits of a pass/fail mark versus a graduated result? (C3Q1)**

The CFA Program is a professional certification program. Each level of the CFA exam is designed to provide candidates the opportunity to demonstrate the degree to which they have mastered the concepts necessary to perform competently at a certain level in the investment profession. Passing Level I indicates the candidate has attained the knowledge, skills and abilities to perform competently in positions such as Assistant Analyst; passing Level II indicates the candidate has attained the knowledge, skills and abilities to perform competently in positions such as Asset Valuation Assistant; passing Level III indicates the candidate has attained the knowledge, skills and abilities to perform competently in positions such as Assistant Portfolio Manager. Every candidate who passes is competent at that level. There cannot be graduated results among those identified as competent to practice. This would seem to be the case with the ASIC requirement as well.

**5. Is it a good idea (and how can it work in practice) to have exam committees develop the question bank? Who should be part of such a committee? (C5Q1)**

It is appropriate to rely on a committee structure to develop test questions, or to review, edit and approve test questions. Such an approach permits multiple checks and balances for exam questions. An exam committee could be led by an internal professional, with other committee members consisting of consultants and volunteers representing different areas of subject matter expertise within the body of knowledge covered by the program. A mix of academic and practitioner members is also desirable.

**6. What type of organisation should administer the exam? (C6Q1)**

Assuming that the exam is multiple choice in nature, and that the number of candidates is modest in comparison to the number of CFA candidates, exam administration should be outsourced. Reputable organizations exist globally to perform this function.

**7. ASIC have also asked whether 1st July 2012 is a reasonable start date.**

If the intention is to offer a new national certification examination on 1 July 2012 where no staff and infrastructure are currently in place, one year would seem to be an insufficient amount of time to do so.

However, ASIC might be interested to know that CFA Institute is currently developing a new global certificate program on the fundamentals of investments, consisting of a curriculum and examination. While the CFA Program targets experienced front-office investment professionals seeking a credential program to demonstrate their ability in investment decision-making and portfolio management, the target audience for this new certificate program would be entry-level participants in the investment industry who are seeking to learn the fundamentals of how the global investment industry works. As a result, in contrast to the CFA Program which requires at least 300 hours of studying and a 6 hour examination for each of three levels, the new certificate program is planned to require 50-75 hours of studying and a 1-2 hour examination. Depending on the desired content or difficulty of the planned licensing examination for Australian financial advisors, there may be an opportunity to combine either Level I of the CFA Program or the

investment fundamentals program under development with a separate examination that tests Australia-specific knowledge.

**Further, any thoughts you have on how to propose that CFA charterholders should have an exemption from such an exam would be great as well.**

As has been done in similar instances, once the Learning Outcome Statements (LOS) for the new national examination have been developed, CFA Institute would conduct a study to determine the extent to which the LOS of the CFA program (on a level by level basis) “map” to the new program’s LOS. Typically, as regulators become aware of the extent to which the CFA program reflects the content of their own examination, and applies rigorous methods to establish passing standards, they will waive CFA charterholders or successful candidates (as they deem appropriate) from the requirement of taking their examination.