

The CFA[®] Program

Where theory meets practice



CFA Institute[®]

The CFA® Program

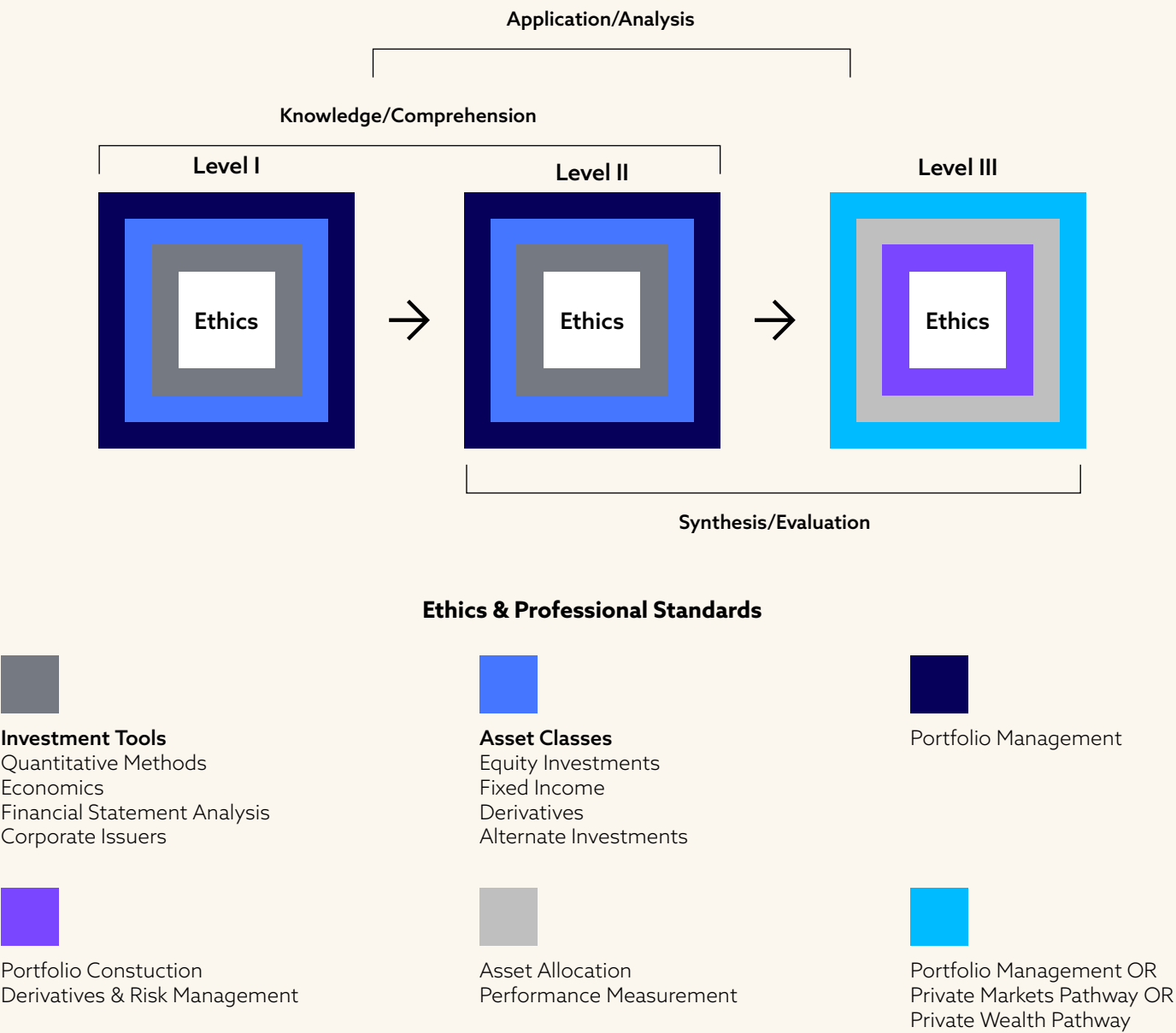
On 15 June 1963, 284 senior analysts sat for the first CFA® exam in various cities throughout the United States and Canada. During the initial year, the equivalent of the current Level III CFA exam was the only exam required to earn the CFA charter. According to C. Stewart Sheppard's *The Making of a Profession: The CFA Program (1992)*, "... 268 were successful, and those who failed attributed it mainly to their lack of adequate preparation" (p. 8).



The CFA Program has evolved greatly since its inception. It began with a focus on equity security analysis in a US setting and emphasized ethical and professional standards. Today's CFA Program covers a much broader Candidate Body of Knowledge™ (CBOK™) as shown in Figure 1, which reflects the investment profession's continuing evolution. Although equity security analysis and ethical and professional standards remain prominent aspects, the program now also includes fixed-income analysis, alternative and derivative investments, portfolio management, and several other topics—all set in a global context. The current program is best described as a self-study, distance-learning program with a generalist approach to investment analysis, valuation, and portfolio management, and continuous emphasis on the highest ethical and professional standards.

This article describes the CFA Program process in detail. You will learn how the CBOK and curriculum are established, how exam questions are written, how exams are developed and administered, how the exams are graded, and how the minimum passing score (MPS) is determined, and results are reported. After reading this article, we hope you will see how the current framework of the CFA Program enhances the value of the CFA charter. Past CFA Institute Chair Frank Reilly, CFA, has aptly described the CFA charter as the "crown jewel" of CFA Institute.

Figure 1: CFA Program Candidate Body of Knowledge (CBOK™)



The CFA Program Process and Charterholder Involvement

The success of the CFA Program relies on a sound process framework and active practitioner involvement. Practicing CFA charterholders are involved at every stage of the program development process illustrated in Figure 2. The program is not primarily an academic one—rather, it focuses on the global investment management profession from a practitioner’s standpoint.

Figure 2: The CFA Program process and charterholder involvement



The CFA Program process begins with a global practice analysis—discussions with subject matter experts, industry stakeholders and practitioners, followed by a survey of current practicing investment management professionals—to develop the CBOK, which is the program’s foundation. The Education Advisory Committee (EAC), a group of volunteer CFA Institute members, leads this process with critical input from supporting committees. With the CBOK determined, CFA Institute staff, members, and consultants design the curriculum with EAC oversight of the process, supported by Curriculum Level Advisors. The Council of Examiners (COE), another group of volunteer CFA Institute members, then advises on issues in the development of the CFA exams. Exam questions (commonly referred to as items) are developed by CFA Program item writing teams, a group of CFA charterholders who write items based on the curriculum with oversight and guidance from CFA Institute Exam Development staff. CFA exam forms are constructed by CFA Institute Assessment Management and Exam Development staff using exam blueprints, test specifications, and psychometric criteria to ensure every constructed exam is faithful to the curriculum in addition to being valid and reliable.

After exams are administered to candidates, CFA charterholders from around the world virtually grade the constructed response (essay) portion of the Level III exams. Multiple choice and item set portions of the Levels I, II, and III exams are machine graded. With grading concluded, additional groups of charterholders convene to “set the standard” for the exams and recommend the minimum passing score (MPS). Members of the CFA Institute Board of Governors then determine the MPS for each exam level.

Candidates receive their exam results approximately two months after the exam administration window concludes. Only after passing the Level III CFA exam and fulfilling the work-experience requirement can a candidate use the coveted CFA designation.

Global Practice Analysis

Many credentialing agencies use standardized exams to ensure candidates demonstrate sufficient competence in their fields of practice. The claim that a candidate’s performance on an exam provides a meaningful indicator of professional competence depends on the chain of evidence that supports the exam’s job-relatedness or content validity.



The Standards for Educational and Psychological Testing state that a practice analysis study — a compilation and confirmation of the knowledge and skills required for competent professional practice — establishes the basis for content validity of credentialing exams. CFA Institute has worked closely with psychometricians (experts in testing and measurement) to develop and refine a high-quality practice analysis.

The CFA Institute Board of Governors first commissioned a practice analysis in 1995, with the initial plan to conduct practice analysis every 5 years. However, in 2007 the Board decided to instead conduct practice analysis on a continuous basis rather than every five years to ensure the CFA Program continues to reflect the investment management industry's evolving requirements. A continuous process allows for more real-time inputs and incorporates significantly more member input.

At CFA Institute, the Practice Analysis process is managed by the Education Advisory Committee (EAC), working closely with members of the Practice Analysis Working Body and various panels of subject matter experts. The Practice Analysis Working Body is a broad group that supports the EAC by serving as a forum for surveys of current practice by reviewing proposed revisions to the CBOK related to our credentialing and certificate programs, and by reviewing curricula materials such as Learning Outcome Statements (LOS) and study tools.

The EAC includes several panels (or sub-committees) under it. Each panel or sub-committee has EAC representation. Panels can be 'one-off, project based, or can be longer-term. Some examples of panels providing practice analysis insights include the following:

- Private Wealth Panel
- Private Markets Panel
- Data Science and AI Panel
- Sustainability Panel, and
- Performance Measurement Panel

The panels and sub-committees consist of investment practitioners representing key responsibility and knowledge areas. These panels of CFA charterholders around the world are selected to represent the profession's diversity with respect to geography, work setting, and professional role. The discussions at these panel sessions help identify updates necessary to maintain the relevance of the CBOK (covered in the next section).

The Practice Analysis process involves engaging with investment practitioners to identify the critical knowledge, skills, and abilities required for an investment management role today. This is accomplished through a series of panel sessions, one-on-one meetings, webinars, and surveys with investment professionals across the globe. Practice Analysis focuses on the various topics of the CBOK and does a 'deeper dive' on some topics each year, considering CFA Institute strategy and recommendations from the EAC, the Practice Analysis Working Body, and subject matter experts.

Candidate Body of Knowledge (CBOK™)

A major outcome of the practice analysis is an updated CBOK. The CBOK reflects the scope of knowledge needed for basic competence in investment management, with “basic competence” defined as the baseline level of knowledge and skills required to perform professional responsibilities in an effective and ethical manner.

The CBOK has been gradually broadened from the body of knowledge contained in the initial CFA Program curriculum, which focused primarily on (1) investment goals, investment timing, and portfolio balance; (2) institutional investing; (3) ethical issues; and (4) review of securities regulations. Since then, entire topic areas — such as fixed income, derivatives, and alternative investments — have been added to keep pace with the changing profession. Because the CFA Program is global in scope, and because laws and regulations differ among countries, the CBOK does not include country-specific securities regulations—but instead includes, for example, a reading on the economics of financial market regulation.

To prepare CFA charterholders for the global marketplace, the CBOK does reflect globally accepted reporting standards, such as the International Financial Reporting Standards, as well as common tax and legal regimes that affect investment decision making, all of which are illustrated through examples in local jurisdictions.

In the CBOK, as shown in Table 1 below, there are a total of 10 topics at Levels I and II. At Level III, there are 4 core topics, plus the candidate’s choice of pathway (Portfolio Management, Private Markets, or Private Wealth). This structure follows the logical progression of the investment process. A practitioner needs to master investment tools to apply those tools to asset valuation, and assets need to be valued and then analyzed in a risk-return portfolio context. The sequence also corresponds to the path that typical candidates might follow as they progress through their careers.

Because integrity must be exercised throughout the investment process, CFA Institute emphasizes ethical and professional standards at each level. Although all CBOK topic areas relate directly to competence in investment management, they have differing degrees of significance for professional practice. Some areas may be more important or used more frequently than others in a practitioner’s day-to-day responsibilities. Consequently, based on the results of the practice analysis study, weights are assigned to each topic area to indicate relative emphasis within the CBOK. In turn, these weights, shown in Table 1, guide the development of the curriculum and exams.

Table 1: Topic area weights

Level I Topics	Weights	Level II Topics	Weights	Level III Topics	Weights
Ethical and Professional Standards	15-20%	Ethical and Professional Standards	10-15%	Ethical and Professional Standards	10-15%
Quantitative Methods	6-9%	Quantitative Methods	5-10%	Portfolio Construction	15-20%
Economics	6-9%	Economics	5-10%	Derivatives and Risk Management	10-15%
Financial Statement Analysis	11-14%	Financial Statement Analysis	10-15%	Asset Allocation	15-20%
Corporate Issuers	6-9%	Corporate Issuers	5-10%	Performance Measurement	5-10%
Equity Investments	11-14%	Equity Investments	10-15%	Pathway (Candidate choice of one)	30-35%
Fixed Income	11-14%	Fixed Income	10-15%	Portfolio Management Pathway	
Derivatives	5-8%	Derivatives	5-10%	Private Market Pathway	
Alternative Investments	7-10%	Alternative Investments	5-10%	Private Wealth Pathway	
Portfolio Management	8-12%	Portfolio Management	10-15%		

Curriculum Development

Curriculum Process

The CFA Program curriculum constitutes the study material that forms the basis for the exam items. The curriculum topics are those CBOK elements identified in the practice analysis.

The curriculum's purpose is to prepare CFA Program candidates for the investment management profession and to facilitate their preparation for the exams. Each year, more than 250 investment professionals around the world participate in the annual curriculum review and development process.

The CFA Program is fundamentally different from typical university programs. In the program's early days, the curriculum consisted of textbooks, professional journal articles, commissioned readings, case studies, and research analysts' reports. In 1996, CFA Institute significantly improved the curriculum's effectiveness by adding LOS.

The purpose of the LOS is to enhance candidate learning while guiding exam item writers as to what exam items the curriculum material will support. The LOS serves as the link between the CBOK, the curriculum, and the exam, helping candidates prepare for the exacting standards of the investment management profession. Reading-specific LOS help candidates frame the knowledge they must gain from each reading. Each LOS contains command words such as "calculate," "describe," and "analyze" that indicate the knowledge and skills candidates will be expected to demonstrate on the exams and in their professional positions.

The item writing team writes exam items within the bounds of the LOS, often integrating more than one LOS into an item. The item writing team views the LOS as a contract with the candidates. If candidates can do what the LOS indicate, they should be well prepared for the exam. The following is an example of the Level II reading-specific LOS from "Private Company Valuation" (CFA Institute, 2024).

The candidate should be able to:

- Contrast public and private company features of importance for valuation purposes
- Describe uses of private business valuation and explain key areas of focus for financial analysts
- Explain cash flow estimation issues related to private companies and adjustments required to estimate normalized earnings
- Explain factors that require adjustment when estimating the discount rate for private companies
- Compare models used to estimate the required rate of return to private company equity (for example, the CAPM, the expanded CAPM, and the build-up approach)
- Explain and evaluate the effects on private company valuations of discounts and premiums based on control and marketability
- Explain the income, market, and asset-based approaches to private company valuation and factors relevant to the selection of each approach
- Calculate the value of a private company using income-based methods
- Calculate the value of a private company based on market-based methods and describe advantages and disadvantages of each method.

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Curriculum Innovations

Historically, the curriculum was drawn from existing professional and academic publications. CFA Institute advisory committees, however, recognized the disadvantages of these off-the-shelf sources.

For instance, college texts are often overly academic and country-specific, and practitioner texts are rare and often inappropriate for a generalist. Journal articles often presume more knowledge than is required of a generalist. Perhaps the greatest weakness in off-the-shelf products is that they often contain a significant amount of material outside the CBOK and sometimes omit important concepts included in the CBOK. As a result of these disadvantages, the decision was made by CFA Institute to begin developing curriculum readings specifically for the CFA Program. Written by investment practitioners and leading academics, these readings balance conceptual rigor with the application perspective of financial analysts and portfolio managers.

Developing curriculum materials is not a recent phenomenon at CFA Institute. In *The Making of the Profession: The CFA Program*, Sheppard notes the “marked paucity in 1965 of relevant study guide materials” and states, “Gone were the days when reliance could be placed on general textbooks and selected articles” (p. 10). Since that time, CFA Institute (then known as the Institute of Chartered Financial Analysts, and later as the Association for

Investment Management and Research) has worked closely with many subject matter experts, authors, and publishers to customize materials for the CFA Program.

Beginning in 2000, CFA Institute commissioned a series of books to provide curriculum content in corporate finance, fixed income, derivatives, quantitative methods, financial reporting and analysis, and equity valuation. Since their introduction to the curriculum, many of these readings have been revised or replaced in response to advances in the investment management industry.

In response to candidate demand, CFA Institute began phasing in a customized format for delivering the curriculum in 2006. CFA Institute sequenced the LOS, assigned readings in conformity with the study sessions, and assembled those components into self-contained volumes. The improved packaging offers candidates a user-friendly and integrated curriculum that reduces candidate costs and facilitates exam preparation at no additional cost to candidates.

Another curriculum delivery innovation was the release of the curriculum eBook in 2010. The eBook provides access to the curriculum in digital format. In 2019, CFA Institute launched a digital platform to modernize and personalize the learning experience, a change which will be further enhanced by the release of CFA Program curriculum on the leading Canvas Learning Management System for the 2026 curriculum year.

More recently, CFA Program curriculum content has evolved and adapted to the changing pool of candidates, which now includes more university students as it has expanded globally. One of these innovations includes the replacement of readings with Learning Modules at Level I, a less encyclopaedic, more engaging and effective learning experience with more images, examples and knowledge checks aligned to a digital learning experience.

The following principles have been established for CFA Program curriculum development. The material must be:

- Faithful to the practice analysis and CBOK
- Valuable to members, employers, and investors
- Globally relevant
- Generalist (as opposed to specialist) in nature
- Appropriate for a new CFA charterholder
- Replete with examples and practice problems both within and at the end of readings
- Pedagogically sound in a self-study framework
- Testable

A distinguishing feature of the curriculum development at CFA Institute is the extensive review process that all products must undergo. Practicing investment management professionals review each reading or article to ensure that it is conceptually correct and relevant. Practitioners from all over the world participate in this process.

Frank Fabozzi, CFA, a long-time contributor to the CFA Program curriculum, commented, "Of all the books I have authored (more than 100), these books have been the hardest to write. The reviewers made me an almost paranoid writer, as every word and statement was scrutinized to make sure it would be clearly understood by the CFA candidate."

Candidate Products

Creating a custom curriculum has allowed CFA Institute to move away from a series of textbooks, and into producing only those readings that candidates need to study. The readings are custom-developed and tailored to the program, they are written from the perspective of the global investment industry, and they are focused on teaching candidates the body of knowledge without the inclusion of excessive, extraneous content not directly related to the CFA Program.

Candidates have consistently asked for more practice problems so they may practice by "doing," reinforce curriculum concepts, test retention of those concepts, and see how the curriculum concepts might be tested on the live exam. To address this request, CFA Institute makes sure the curriculum readings are rich with samples of practical application of the content.

Moreover, CFA Institute provides candidates with a large repository of practice problems through an item bank organized by topic—typically, 30 to 40 multiple choice items or one or two item sets, depending on topic weight. Topic-based assessments allow candidates to make effective use of the practice problems before having worked through all curriculum topics. Candidates also have mock exams available to them, which cover all curriculum topics and attempt to replicate the exam-day experience in terms of difficulty, length, and topic weights.

Candidates in a self-study program must manage their study time. To help candidates internalize the time commitment and devise a plan for consistently studying, CFA Institute developed a web-based "study planner" that uses topic-area weights (adjusted for differences in curriculum weights) compared with the time available for study before exam day to suggest completion dates for each topic. The planner dynamically adjusts when candidates are running ahead of or behind schedule.

Exam Development



When the first CFA charters were awarded in 1963, candidates had to successfully complete a single four-and-a-half-hour exam to earn the charter. The exams were given in two separate sessions of two hours and 15 minutes each. In 1964, all three levels of the exam were administered to 1,732 candidates in the United States and Canada. In 1968, each exam consisted of two sessions for a total of five hours and 15 minutes. The year 1981 marked the first time that the exam totalled six hours in length. In 2021, the CFA Program was administered for the first time as a computer-based test (CBT). While CFA Institute has retained the format of two separate sessions for each of the three exam levels, with the introduction of CBT the length of the exams was decreased

back to two hours and 15 minutes per session in 2021. Additionally, there was a reduction in the number of items on each of the exam levels and the inclusion of unscored items used to investigate item quality before placement into the item bank.

These changes were evaluated through an independent psychometric investigation of the CFA exams, during which two key points emerged:

- First, reducing the length of the Level I exam to 180 items did not impact the exam's reliability. Reliability indicates how consistently an exam measures candidates' knowledge. Throughout the assessment industry, a reliability score at or over 0.90 is considered superior. The exam length reduction did not adversely impact this high standard for the CFA Program. This meant candidates could have the same confidence in exam results from the 180-item exam as they did in the results from a 240-item exam.
- Second, and more importantly for a credentialing exam, reducing the length of the Level I exam to 180 items did not impact the consistency of the pass/do not pass decisions being made based on exam scores. Therefore, candidates could have the same confidence in the pass/do not pass decisions being made from the 180-item exam as with the 240-item exam. This also meant that getting to the pass/do not pass decision could be accomplished more efficiently.

Studies of Levels II and III CFA exams produced similar key takeaways.

It is important to note that the reduction in exam length does not impact the inclusion of any curriculum topics or LOS on the exam. Rather, each topic is sampled proportionally with approximately 25% fewer items. Therefore, candidates are still responsible for studying the entire curriculum and for preparing to be tested on any of the included knowledge, skills, and abilities. CFA Institute's approach to selecting items for a shorter exam has not changed: as before, the approach is to apply the sampling strategy from the exam blueprint and cover the same rigorous sampling of learning outcome statements from each topic, while meeting the same psychometric criteria. As a result, the

exams continue to rigorously measure achievement on the breadth and depth of the intended knowledge, producing scores that support valid pass/do not pass decisions.

Exam Content

A commitment to excellence in the development of the CFA exams has been the program's hallmark. The CFA Program item writing team writes exam items with the assistance of CFA Institute staff. In 1963, the original CFA Program item writing team consisted of four US academic experts and the president of the Montréal Stock Exchange. Today, more than 100 CFA charterholders from around the world serve on the CFA Program item writing team. The team consists of approximately 75% practitioners and 25% academics. CFA Program item writing team members are recruited based on their expertise in different areas of investment practice and CFA Program curriculum topics.

Prospective members are often identified based on other services supporting the CFA Program (e.g., global item review, standard setting, curriculum development, and grading).

CFA Institute follows the professional advice of expert psychometricians on all aspects of testing, including exam design, item structure, and exam performance evaluation. CFA Institute uses three item formats on its exams: stand-alone multiple choice at Level I; multiple choice items and item sets composed of a vignette with four multiple choice items at Levels II and III; and finally, item sets and constructed response (essay) items on the Level III exam.

These formats support the primary focus on knowledge and comprehension at Level I, application and analysis at Level II, and synthesis and evaluation at Level III. Given the nature of the profession and the targeted learning outcomes, candidates are asked to analyze financial data and apply

investment concepts at all three levels. Each writing cycle begins with CFA Institute staff members setting the guidelines for the next item writing effort. These guidelines are disseminated to CFA Program item writer teams, who then begin drafting items before the first of a series of item review meetings. To be included in the CFA Program item bank, an item must relate directly to one or more LOS in the curriculum. Item writers must ensure candidates will be able to answer any item solely from curriculum content and practice problems. CFA Program item writers are also encouraged to use assigned curriculum problems for ideas on item structure and content. The CFA Program item writer teams develop more items than needed to enhance the depth of the item banks and provide for multiple uses.

The CFA Program item writers revise exam items continuously during an agile development cycle. Each new version benefits from review by the CFA Program item writing team members, expert and generalist volunteers, and staff reviewers. During the cycle, hundreds of hours of review time contribute to improving the quality of exam items.

CFA Program item writers are also responsible for writing guideline answers, scoring rubrics, and answer justifications, as well as documenting LOS coverage, reading references, and other supporting information.

Once the items are nearly in final form, CFA Institute staff conduct review sessions with CFA charterholders from around the world. Participants review the items to ensure that the language is clear, simple, unambiguous, and free of bias. Global reviewers also identify any investment practices that may be inconsistent with practices in their regions. This information is used to revise the items before they are approved for use.

Today, more than 100 CFA charterholders from around the world serve on the CFA Program item writing team. The team consists of approximately 75% practitioners and 25% academics.



Level I Multiple Choice Questions

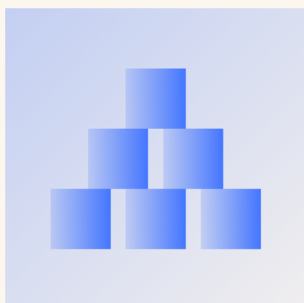
The Level I exam format is entirely stand-alone multiple choice items. Multiple choice items on the CFA exam have a long history, dating back to 1968 when 25 multiple choice items first appeared on the Level I exam. Starting in 2021, CFA Institute reduced the number of items from 240 items to 180; 160 items are scored for each candidate, and 20 items are unscored. Including unscored items allows CFA Institute to investigate a newly developed item's quality before it is approved for use as a scored item on future exams. The unscored items are not identified on the exam, nor do they affect the candidate's score.

Level I multiple choice items are crafted to have three answer choices, with each of the incorrect responses (distracters) carefully constructed to represent common mistakes or misconceptions in either calculation or logic. Sample multiple choice items are available on the CFA Institute website.



Levels II and III Item Set Questions

Item set questions were introduced in 2000, and since 2005 the Level II exam has been comprised entirely of item sets. Item sets consist of four items that are related to a case, or vignette, in narrative and/or tabular form that describes investment challenges facing an individual or institution. Each of these multiple-choice items have three answer choices. Level II consists of 20 scored item sets and two unscored item sets. Level III consists of item set questions and constructed response (essay) items. The item set portion of Level III is comprised of 10 scored item sets and one unscored item set. Sample item set questions are available on the CFA Institute website.



Level III Constructed Response Questions

The constructed response (essay) portion of the Level III exam typically has several parts related to a case study that describes one or a series of investment challenges. Candidates are given an indication as to how much detail is required to successfully answer an item. For example, items may state, "Discuss three reasons..." so the candidate will have a clear indication of how much discussion is necessary. Each item begins with a command word that corresponds to the command words contained in the curriculum LOS. The command words used on the exams are also available at www.cfainstitute.org.

The constructed response (essay) portion includes 11 essays, 10 scored essays each worth a maximum of 12 points with one maximum 12 point unscored essay. Level III essay items are focused open-ended items and have smaller point values in order to sample more of the assigned curriculum. Constructed response items (and associated guideline answers) that have appeared on recent exams are available on the Candidate Resources section of the CFA Institute website: [CFA® Program | Chartered Financial Analyst Certification](#).

Candidates must answer the entire set of items, each of which are based on specific readings. This policy is consistent with the premises that the CFA Program takes a generalist approach to investment analysis and portfolio management, and that all successful candidates have mastered the same curriculum. One of the strengths of the CFA Program often cited by employers is that CFA charterholders are knowledgeable even in investment topics in which they are not practicing.

Presently, candidates' responses on the CFA exam require a high degree of specificity. The current exams differ dramatically from those given in the program's early history, properly reflecting the evolution of both investment management practice and the testing techniques used to evaluate that practice.

Exam Construction

Once the item writing teams finish writing exam items, the developed items reside in their respective item banks. Exams are constructed from robust item banks using exam blueprints, test specifications, and psychometric criteria to ensure every constructed exam is faithful to the exam blueprint and psychometric standards. Exams are designed to cover all the topics in the CFA Program curriculum.

The exams are then published following a secure process developed by CFA Institute and its computer-based testing vendors. Before final publishing, CFA Institute staff perform quality control checks to ensure the quality of the publishing process. The exams are then distributed electronically to the vendors' global testing network on exam day.

Exam Administration

CFA Institute enlists testing vendors' professional personnel around the world to administer the CFA exam with the utmost attention to the candidate experience and test security. In addition, trained CFA Institute employees travel to select test sites to observe testing operations and provide feedback. CFA Institute strives to produce a fair and equitable testing environment and to ensure the safety of CFA Program candidates and testing personnel. To ensure the integrity of the process, strict testing policies are enforced.

To sit for the exam, candidates must register with a valid international travel passport. This policy sets forth one global standard, in the form of a single document that is both internationally obtainable and recognizable, that allows CFA Institute to confirm a candidate's identity and to ensure that all candidates receive identical treatment during the exam day admission process.

Candidates are required to use only approved calculator models to ensure no

candidate can gain an unfair advantage by using calculators that can store text in memory. Unauthorized personal belongings are not permitted in the testing room. Security and testing policies will continue to evolve to reflect industry best practices.

You can review testing policies on the CFA Institute website [CFA Institute Exam Personal Belongings Policy | CFA Institute](#).

Matters involving alleged violations of the CFA Program rules and regulations are investigated by the CFA Institute Professional Conduct team. Disciplinary sanctions are imposed on candidates who are found to have violated these rules and regulations, such as using an unauthorized calculator, or giving or receiving assistance during the exam. If a candidate is found to have violated the rules and regulations, the imposed sanction may range from a private reprimand and voiding of exam results to prohibition from further participation in the CFA Program.

CFA Institute strives to produce a fair and equitable testing environment and to ensure the safety of CFA Program candidates and testing personnel. To ensure the integrity of the process, strict testing policies are enforced.

Grading

Immediately upon receipt at CFA Institute, exam records are reconciled with attendance rosters and prepared for the grading and quality control processes. The first step in the grading process is the computer grading of multiple choice and item set questions. This process includes a number of quality controls to ensure clean data results.

Another quality control during this period is the investigation of all comments and complaints related to the exams. CFA Institute staff review the exam items and answers, curriculum readings, and exam results related to each comment or complaint. Special focus is given to the following circumstances: multiple similar complaints, exam results suggesting more than one correct answer, or exam results that otherwise suggest that an item was confusing or unfair. If, after investigation, an item is determined to be confusing or unfair, results are adjusted. If multiple answers are determined to be correct, they are credited.

Several hundred CFA charterholders from around the world spent one or two weeks in Charlottesville in past years, grading the constructed response portions of the Level III CFA exam in person. Starting with the December 2020 administration, CFA Institute moved to virtually grading the constructed response portions over a one-week period with no disruptions to the grading process or reduction in accuracy.

CFA charterholders' involvement in grading the exams is one of many checks and balances in the CFA Program designed to ensure each candidate receives fair and consistent evaluation. To ensure each constructed response grader has adequate time to prepare, graders receive their question assignments, appropriate curriculum materials, and draft rubrics and rationales well in advance of the grading session. This process allows graders to suggest changes to the rubrics and rationales before grading begins.

Graders are assigned to teams, each of which include graders with varying degrees of grading experience. All graders are trained in evaluation policies, procedures,

and techniques. Each team grades a specific question or question part(s), which brings a high level of specialization to the grading process. Each team is led by a captain and up to two assistant captains. These team leaders review suggestions made by the graders before grading. They also review a large sample of actual candidate answers to ensure the rubrics credit all valid responses and award partial credit consistent with the relative importance of the information provided by the candidate. After extensive review and trial application, grading coordinators approve the final rubrics that will be applied to the assigned question.

Grading coordinators are CFA charterholder members with extensive experience in both exam development and grading. They oversee the grading process, ensuring all grading teams treat candidates consistently across questions. Once grading begins, captains and assistant captains spend much of their time reviewing graders' work to ensure points are awarded accurately and consistently across the team.

Quality control is built into all aspects of the grading process. Access to the grading software is secure and closely monitored. Only graders are permitted to view exam responses, and they may view and grade only their assigned question(s). Coordinators and team captains receive detailed timely statistical reports to ensure consistent and accurate grading. Grading coordinators, team captains, and CFA Institute staff meet daily to ensure consistent application of grading policies.

After all exams have been fully graded during the early part of the week, approximately the middle 30% of candidates in the preliminary score distribution are graded again in their entirety in a second round by a different grader than was used in the first round. The purpose of re-grading is to ensure marginal candidates - those whose scores fall within a large range that encompasses possible minimum passing scores - are afforded every opportunity to pass the exam. Following the re-grading of these exams, a third round of grading occurs to determine the final score for question parts where the scores do not match between the first two rounds of grading.

Setting and Maintaining the Standard

Standard Setting

Since 1996, CFA Institute has used the modified Angoff standard-setting method to assist the Board of Governors in establishing the minimum passing score (MPS) on each CFA exam. The Angoff Method is the best-known and most widely used standard-setting method among professional credentialing programs.

CFA Institute retains independent psychometricians to conduct standard-setting workshops for each exam. Standard setting involves a large and diverse group of CFA charterholders. This method focuses the attention of the participants on a special subgroup of the total candidate pool, the “just-qualified candidate:” typically, those candidates just qualified to practice in the profession or field. Each participant reviews the entire exam, item by item, and makes an independent judgment on the expected performance of a just-qualified candidate on each item.

Participants evaluate the entire exam a second time after reviewing and discussing item level data and their initial determinations. In the second round, each participant again records his or her judgment regarding the expected performance of a just-qualified candidate on each item. In the third round, participants are informed by the overall actual candidate performance on the exam prior to recording his or her judgment regarding the expected performance of a just-qualified candidate on each item. This way, the participants consider both difficulty of the exam content and actual candidate performance.

The workshops result in a report that presents a score range judged as the appropriate competence level in the subject matter from the perspective of demographically representative groups of CFA charterholders. This report is submitted to the Board of Governors for its consideration in setting the MPS. The size of the group, its diversity, and its reliance on independent judgments contribute to the power of the standard-setting results.



Minimum Passing Score

The CFA Institute Board of Governors, as the policy-making body for CFA Institute, uses information from the standard setting process and other relevant information to decide the MPS for the CFA exams. The results and recommendation of the standard setting workshops are the most important input. Standard setting is a systematic process that adheres to sound psychometric principles, providing the Board with a valid range within which to establish the MPS.

The Board of Governors adopted the following guiding principles¹ for the Board and management to consider when setting the CFA exam minimum passing score. The MPS process should:

- Ensure fair treatment of all candidates while reflecting the high standards of CFA charterholders worldwide
- Employ relevant expertise and best practices of the testing industry as well as the sound judgment of informed decision makers
- Be appropriately transparent to all stakeholders while maintaining the integrity of exam information
- Seek consistency over time in methodology and continuity in results while allowing for flexibility based on evolving circumstances

After reviewing and discussing all the relevant information, the board members will then vote independently for the final decision on the MPS. The board convenes approximately six weeks following the CFA exam administration window to determine the Level I and II MPS, and again approximately seven weeks after the Level III exam window to determine its MPS. Although pass rates may fluctuate, the

Board's objective is to require a consistent standard competency level across years.

CFA Institute staff and the Board continue to monitor advances in the psychometric field to augment the information currently used to set and maintain the MPS.

Equating Analyses

Equating allows for the transfer of an approved MPS from standard setting to apply that MPS to future administrations. The results allow direct comparison between administrations, treating them as though they came from the same version.

Equating is a stable statistical process to maintain comparable MPS on different exams within or across administrations. It is analogous to converting degrees Celsius with degrees Fahrenheit by translating the temperature from one scale to the other.

If equating is possible, one may question why holding standard setting workshops is necessary. There are several reasons for this: there may be a call to change the MPS when the structure, format, or distribution of content in an exam changes, or when a candidate population significantly changes. These types of changes may impact the candidates' results; therefore, a standard setting workshop is needed to determine a new MPS.

In other words, if the exam is redesigned, equating is not an option; the MPS must be set anew by a standard setting study. The 2021 administration provides a good example: as CFA Institute transitioned to administering the CFA exam on a computer-based platform, the MPS needed to be reset to account for this significant change in exam format.

The results and recommendation of the standard setting workshops are the most important input. Standard setting is a systematic process that adheres to sound psychometric principles, providing the Board with a valid range within which to establish the MPS.

¹"Guiding Principles for Setting the CFA Exam Minimum Passing Score" [setting-the-cfa-exam-minimum-passing-score.pdf](#)

Score Report and Pass Rates

Following the Board’s MPS decision, CFA Institute generates results and conducts a variety of quality control measures before results are released to candidates. This process ensures that the MPS is set or maintained in accordance with best practices in testing, and that every candidate’s exam is processed with appropriate due diligence. Pass rates, as shown in Figure 3 below, are calculated from candidates who actually sat for the exam. (Approximately 25% of enrolled candidates who register do not sit for the exam, i.e., are no-shows; they are not included in the pass rate calculation). Candidates receive exam results approximately two months after the exam. Candidates receive their result via direct email, and their result is also available in a secure section of the CFA Institute website. CFA Institute posts scores as “Passed” or “Did Not Pass” and provides candidates with an indication of performance across topic areas or items to help identify strengths and weaknesses.

Variation in pass rates reflect the changes of the candidate pool and candidate preparation practices. Related shifts in academic and professional experience, and the steady evolution of the CBOK supporting the investment management profession also influence the pass rate to a degree.

Starting in February 2025, CFA Institute will provide additional transparency by providing scale scores on the score reports. Scale score is a numerical representation of how a candidate performed relative to the MPS. A scale score will be provided for every exam level as shown in Table 2.

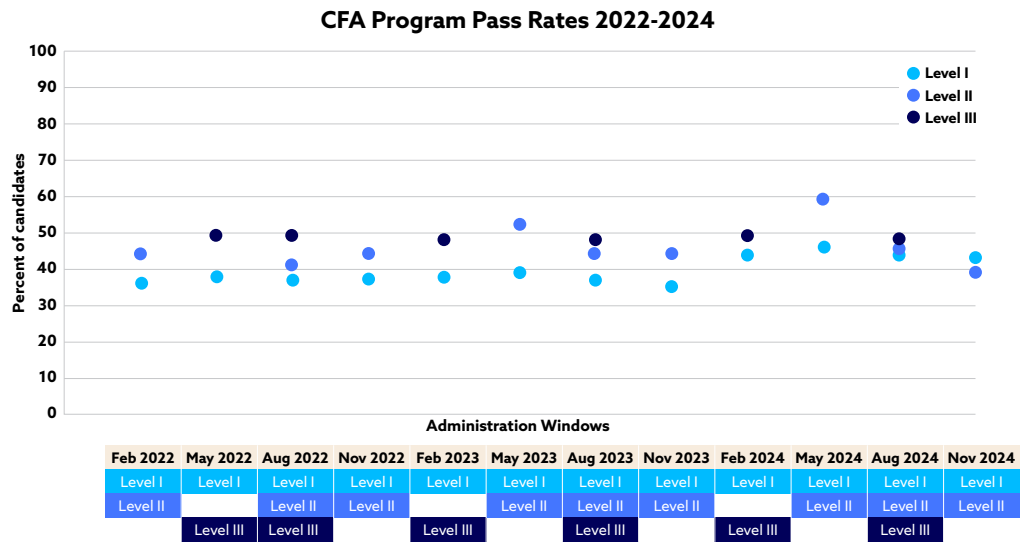
Table 2: Scale Score Ranges and MPS

Program Level	Minimum Score	MPS	Maximum Score
Level I	1000	1600	1900
Level II	2000	2600	2900
Level III	3000	3600	3900

Each candidate’s score report will have “Your Score” and the MPS for that exam level. A candidate can then compare their score against that level’s MPS to determine their performance against the MPS - and if the candidate did not pass, their distance from the MPS.

The addition of a scale score to the candidate score report was implemented to assist failed candidates in determining whether they are improving with each exam attempt. The exam’s primary objective, as with most professional credentialing and licensing programs, is to provide candidates the opportunity to demonstrate that they meet the standard established for competency in the profession.

Figure 3: Pass rates 2022-2024



University Affiliation Program

University Affiliation Program partners are a group of high-profile, globally diverse academic institutions that incorporate the CBOK, the CFA Institute Code of Ethics and Standards of Professional Conduct, and the strategic objectives of CFA Institute into their degree programs.

Status as a University Affiliation Program partner provides a signal to potential candidates, current candidates, and the marketplace that the university's curriculum is closely tied with professional practice and is well-suited for preparing

students to sit for one or more levels of the CFA exams. In 2012, CFA Institute began more broadly recognizing schools that incorporate the CBOK into their degree programs and updated the original name from CFA Program Partners to the University Recognition Program, which more recently evolved into the University Affiliation Program.

To find out more about CFA Institute university outreach initiatives, visit the [CFA Institute website University Affiliation Program | CFA Institute](#).

Regulatory, Professional, and Educational Recognition

We hope you agree that the standards and rigor of the CFA Program have been maintained and even enhanced through the years since its inception. The stakes for the CFA Program are higher than ever because the CFA charter has become a de facto condition of employment in many investment management organizations.

Regulatory authorities also recognize the value of the CFA charter. Examples include authorities in Australia, Brazil, Canada, Germany, Hong Kong, the Netherlands, South Africa, the United Kingdom, and the United States. The Securities and Futures Commission of Hong Kong has recognized the passing of Level I of the CFA Program as providing an exemption from several modules of its licensed representative exams. The Financial Conduct Authority in the United Kingdom has recognized Level I of the CFA Program in combination with the Investment Management Certificate (IMC), or Level III with the IMC Unit 1, as satisfying the retail distribution review requirements. All of the state securities commissions in the United States that require an investment adviser licensing exam grant CFA charterholders a blanket exemption, and the CFA designation is one of only a few designations awarded such status.

In addition to regulatory recognition, educational and professional recognition also enhance the value of the charter. The UK National Academic Recognition Information Centre (UK NARIC) benchmarked the CFA Program and CFA charter as comparable with a QCF Master's Level 7 qualification within the UK Qualification and Credit Framework (QCF). UK NARIC is the UK national agency responsible for providing information, advice, and expert opinion on vocational, academic, and professional skills and qualifications. Universities and other qualification programs also recognize the CFA Program. For example, successful Level II CFA Program candidates applying for the Master's in Advanced Finance program at the IE Business School in Spain can waive the requirement to submit GMAT or GRE scores.

The Professional Risk Manager program recognizes the CFA Program, and, for CFA charterholders, it waives the first two exams in its four-exam program. As with regulatory recognition, these educational and professional waivers are a direct member benefit.

Future of the CFA Program



The CFA Institute Board of Governors established a clear guiding principle for governance of the CFA Program on which all decisions will be made: "Never lower standards, either educational or ethical. Growth for growth's sake is not the goal." This commitment to upholding ethics, educational rigor, and professional excellence has been recognized in such publications as *The Economist* and the *Financial Times*. CFA Institute staff and CFA charterholder volunteers involved in the activities described in this article are committed to upholding fair and consistent standards for obtaining the CFA charter.

The CFA Program will continue to evolve to meet the changing needs of the capital markets. We are proud of the CFA Program and its history.

Much of the success of the CFA Program reflects the participation of many CFA charterholders who, along with CFA Institute staff, specify the CBOK, develop the curriculum and exams, grade the exams, and recommend the passing standards for the exams to the Board of Governors. CFA Institute welcomes all inquiries and suggestions regarding the CFA Program.



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