

## Licensing Is Coming: Are We Ready?

BY JOHN ROGERS, CFA

As the post-financial crisis landscape emerges, we see clear indications of a new feature in many jurisdictions. Regulators are working to establish licensing requirements for those who are paid to manage or advise clients about investments. This trend is particularly true on the “retail” end of the profession. Typically, the licensing includes three elements: demonstration of understanding of investment instruments and basic theory, knowledge of local laws and taxes, and evidence of continuing education.

For example, the U.K. Financial Services Authority (FSA) has implemented its Retail Distribution Review (RDR) by adding a new set of exam standards for retail advisers. The FSA requires mandatory continuing professional development (CPD) for retail advisers, as does the Belgian Banking, Finance and Insurance Commission (CBFA) for registered financial intermediaries.

In some countries, part of meeting new standards is a requirement that an accrediting body attest to the professional standing of any individual advising retail clients. For example, New Zealand and the U.K. require such an endorsement. In some countries, regulators are administering these programs. In others, organizations obtain permission to develop and administer exams and accredit individuals who pass and maintain standards as stipulated by the regulator.

So, as this trend grows, how should CFA Institute respond? Obviously, we must redouble our efforts to obtain waivers from exams for our charterholders. We have stepped up our efforts to research countries and their regulatory structures so we can stay ahead of developments and maintain the global recognition of the CFA Program as the gold standard.



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With continuing support from our member societies, CFA Institute has successfully obtained recognition from regulators around the world. The list of 21 countries and territories that have CFA Program requirements or provide charterholder waivers from their exam requirements continues to grow. These waivers can range from blanket exemptions, such as the exemption that all U.S. state securities commissions grant to CFA charterholders, to partial exam or licensing exemptions. The CFA designation is one of only a handful of designations awarded blanket exemption status in the United States.

A more challenging question is whether our mission and experience position us to participate in some markets as one of the organizations administering these competency examinations and accrediting investment professionals. Increasingly, regulators are turning to us for guidance on raising standards, especially in the area of ethics. Regulators in Europe, North America, and Latin America have asked for our counsel as they try to maintain frameworks that still attract professional talent, allow portability of designations between countries, and ensure investor protection and a highly ethical financial services sector. Investment professionals typically move around the world as their careers advance, and CFA Institute is uniquely qualified as a global organization with a globally respected designation.

In addition to providing guidance to regulators, we take the position that the CFA designation is extremely rigorous, and we want to maintain the global acceptance of the charter. We emphasize that our Code of Ethics and Standards of Professional Conduct require that we adhere to local laws and regulations, and whenever possible, we strive for blanket waivers from local requirements. Where no blanket waivers are available, we map the CFA Program against the local exam standards and seek at least partial waivers on the basis of what we cover in the CFA Program.

We are considering opportunities to educate and certify participants in the investment profession at the entry level. The trend toward licensing creates an additional level of natural demand for such a role; we will carefully evaluate this opportunity.

As always, I welcome your thoughts and ideas. ▀

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