

APFI White Paper on International Accreditations for Fund Selectors

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With so many accreditations available in the financial services sector, it can be hard for a professional fund investor to know which is best for their needs. [The Association of Professional Fund Investors \(APFI\)](https://www.profundinvestors.org), has undertaken a detailed review of the principal international certifications relevant for the investment management industry, surveyed our members about their real-world experiences with the various accreditations, and comparatively examined the curricula of each in order to offer what we hope to be a helpful primer, especially for our early and mid-career colleagues.

It is important to emphasize that all of the below accreditations qualify for the requirements to become an [Accredited Professional Fund Investor \(APFI\)](https://www.profundinvestors.org). All ensure the acquisition of sufficient knowledge to provide a fund selector with otherwise little background or experience in the profession enough of a grounding in the fundamental aspects of manager selection to responsibly act as a fiduciary. Other essential traits of all these accreditations, which serve to separate them from their hundreds of other peers worldwide include:

- Essential training in ethics and professional standards;
- Available internationally to candidates from almost any country;
- Sponsored by an independent, non-profit with open and transparent governance, developed and maintained by bodies independent of commercial interests that could create conflicts with an objective curriculum.

Beyond that, many other factors are important in selecting an accreditation, and which serve to differentiate them from each other. These include (but are not limited to) the breadth and depth of curriculum, widespread adoption, continuing education, and how obtaining an accreditation fits the schedule of a working professional.

We note that there are many other accreditations and educational courses suitable for fund selectors, some of which may even be required by national regulators. But as a global professional association, the APFI recognizes only those select few accreditations that meet the above criteria, including being truly international in scope.

In chronological order of accreditation establishment:

Certified Financial Analyst (CFA®)

Background & History – The CFA is by far the most widely held accreditation in the investment services industry, owing to its first mover status. The roots of the CFA go back to the late 1930s in America with the founding of local societies of securities professionals and in 1947, four such local societies (Boston, Chicago, New York, and Philadelphia) banded together to start the National Federation of Financial Analysts Societies, which later rebranded to the Financial Analysts Federation (FAF). In 1962 a splinter group of the FAF created the Institute of Chartered Financial Analysts (ICFA) based in Charlottesville, Virginia and the first CFA was conferred in 1963, based on a single test and confirmation of appropriate

industry experience. Over the years the curriculum and membership expanded, with the first CFA conferred in Canada in 1977 and in Europe in 1985. In 1990 the FAF and ICFA (re)merged to form the Association for Investment Management and Research, which subsequently voted to change its name to the CFA Institute in 2004. Today, there are more than 120,000 CFA Charterholders worldwide in more than 120 economies, 70% of which are in North America and 20% in Europe.

Logistics – The CFA requires passing three levels of testing that takes at a minimum 2.5 years (average of 4-5 for most successful candidates) as Level 1 is offered only twice per year and Levels 2 and 3 once per year on fixed dates. Each level tests similar curriculum with most general topics the same from level to level. Starting in 2021, Level 1 tests are now offered at online testing centers, but historically all testing was administered by paper tests at single mass testing sites with as many as 10,000+ test-takers at a single site.

Pros – As the first and most widely held global financial accreditation, the CFA has decades of branding advantage and a vast and well-resourced global network of fellow professionals. The curriculum is materially broader than any of the other global accreditations and none are more demanding than the CFA in terms of rigor, time commitment, or level of study.

Cons – The CFA is designed with a catch-all curriculum to service anyone in any part of the financial world from corporate budgeting to private wealth. As such, the curriculum is unnecessarily expansive for many professionals (including most professional fund selectors). Furthermore, much of the exam questions are an examination of one's memory recall more than analytical prowess that goes beyond the needs to assess professional qualifications. The rigid and infrequent testing structure at mass testing sites using paper tests seems designed to reflect tradition or a rite of passage and comes at the expense of working professionals facing real-world logistical constraints. No continuing education is required to maintain a CFA Charter.

Certified Investment Management Analyst (CIMA®)

Background & History – In 1985, eight investment consultants founded the Investment Management Consultants Association (IMCA), headquartered in Denver, Colorado and in 1988 launched the CIMA certification. The IMCA renamed itself to the Investments & Wealth Institute (IWI) in 2017. Today there are more than 8,500 CIMA certificate holders worldwide in more than 20 economies, more than 90% of which are in North America.

Logistics - From its inception, the CIMA was designed for the working professional in fund/manager selection and asset allocation. Candidates must complete an executive education course that takes from 1 week to 3 months (currently offered by the U.S. business schools of Yale, Wharton/Penn, and Chicago as well as the Investment Management Research Program in Australia), pass the exam provided by the respective program at the end of that course, and then pass a comprehensive exam set by the IW within 90 days of their course completion (or pay a rescheduling fee). Even before the pandemic, online courses were available and now all of the above institutions offer online options. Exams are all proctored online and available year-round at over 5,000 testing centers in over 170 economies worldwide.

Pros – The CIMA meets all the needs for depth and breadth of content for professional fund investors and manager selectors without any unnecessary excess. The incorporation of executive education offerings from top world-class institutions is completely unique among of its peers and serves to keep the curriculum fresh with the latest thinking from academia while the CIMA curriculum itself is overseen largely by industry leaders. Moreover, the testing logistics of the CIMA respect the real world demands of working professionals in a manner that is far superior to any of the other international accreditations. Despite the rigorous curriculum, there are no forced delays in the CIMA process, which can be completed in just a few months if a candidate is already well-versed in the materials. The CIMA requires 40 hours of continuing education every two years to maintain the accreditation.

Cons – Although the CIMA is accessible globally, the relatively young CIMA remains largely unknown in most markets with over 90% of its current certificants based in North America with most of the remainder in Australia and the UK. The cash cost of the executive education course (and thus the full CIMA program) is the highest among all international investment professionals accreditations.

Certified European Financial Analyst (CEFA)

Background & History – The CEFA Diploma was set up in 1991 by the European Federation of Financial Analysts Societies (EFFAS) essentially as a European version of the CFA (remembering that the CFA itself did not begin outreach to Europe until the late 1980s). EFFAS for its part has similar origins to the CFA, having been formed in 1962 by the societies of securities professionals from the UK, France, Germany, Netherlands, Belgium, and Switzerland. But already by the late 1990s, the CEFA recognized the international growth of the CFA and indeed several of the founding societies of EFFAS are now local CFA country chapters. While the CEFA is still offered, it has largely given way to its rebranded successor, the CIIA (see below), founded in 2000. CEFA Diploma holders are almost exclusively from Europe, Argentina, and Brazil, but technically a candidate can apply from anywhere in the world. There are more than 14,000 CEFA Diploma holders.

Logistics – Uniquely, the CEFA is organized around its national member societies who design and administer the tests directly and with content that is customized to each local market. The CEFA curriculum overall has, according to EFFAS “significant coverage of regulatory and market structure material that is closely related to the European marketplace.” Depending on the country, there are up to five levels of tests, with some levels only available annually.

Pros – Solid breadth of curriculum. Specialized incorporation of European and national regulatory content is helpful for European professionals in the more highly regulated mass affluent market.

Cons – The CEFA is barely an international designation, and more of an association of national designations across Europe. Some of its founding associations have long detached themselves from it and it now remains largely supported only by its sponsoring association that also appears to be emphasizing its rebranded successor (the CIIA, below). No continuing education is required to maintain a CEFA Diploma, unless required by national bodies.

Certified International Investment Analyst (CIIA®)

Background & History – The CIIA was setup in 2001 by the Association of Certified International Investment Analysts (ACIIA) which itself was the product of the regional securities bodies in Europe (EFFAS) and Asia (the Asian Securities and Investment Federation). In this way, the CIIA is essentially the Euro-Asian successor to the CEFA (above). Other national bodies have since joined the ACIIA including Argentina, Brazil, Kenya, Nigeria, Russia, and Tunisia. There are more than 10,000 CIIA accreditation holders, about 30% of which are from China, 30% from Japan, 20% from Switzerland, and the remaining 20% mostly from the rest of Europe, Korea, and Taiwan.

Logistics – Like the CEFA, the CIIA is organized around its national member societies. There are six exams at three levels, with the final exam set by the relevant national body. Candidates from countries without a national body represented at the CIIA can apply directly and take just the first five common knowledge exams. Exams are available twice a year on fixed dates and exam-taking logistics vary from country to country.

Pros - Solid breadth of curriculum. Specialized incorporation of national regulatory content is helpful for professionals in the more highly regulated mass affluent markets.

Cons – As discussed above, the CIIA essentially has its origins as the European answer to the CFA and the curriculum was originally modelled on the CFA's curriculum from the mid-1990s. It has since evolved somewhat independently, but to a lesser degree than the CFA. This means that the CIIA offers similar depth as the CFA, but now has less breadth and appears to be modernizing more slowly. Testing is offered only twice per year and there are six different exams that may each require separate scheduling, depending on the national body's procedures. As such, for the needs of a fund selector, the CIIA combines most of the drawbacks of the CFA, including potentially even more cumbersome test-taking logistics, with little of the scale or global branding of the CFA. No continuing education is required to maintain a CIIA Diploma, unless required by national bodies.

Chartered Alternative Investment Analyst (CAIA®)

Background & History – The CAIA charter was established in 2003 by the Chartered Alternative Investment Analyst Association, based in Amherst, Massachusetts, which itself was founded in 2002 by the Alternative Investment Management Association (AIMA) and the Center for International Securities and Derivatives Markets (CISDM). Today there are over 11,000 CAIA charterholders, about 50% from North America and 25% from the UK.

Logistics – The CAIA program is divided into two levels, and the curriculum is almost entirely dedicated to alternative investments. Tests are administered only twice a year but can be taken at any of thousands of testing centers worldwide (the CAIA and CIMA both partner with the Pearson network of global testing centers).

Pros – The CAIA has several content topics not found anywhere in the other international accreditations, such as volatility strategies, insurance-linked products, and operational due diligence to name a few. The CAIA takes a reasonable time to earn its certification (12-18 months on average) and the ability to take

tests at thousands of local test sites meets the practical logistical needs of the working professional with dates for both levels available twice a year.

Cons - The focus on alternatives comes at the expense of traditional asset classes, portfolio management, and other important topics for most allocators. Many alternative investments also remain subject to wide variability in regulation and availability across markets, thus limiting the relevance of much of the curriculum for allocators from more highly regulated markets, especially in Asia. No continuing education is required to maintain a CAIA Charter.

Certificate in Investment Performance Measurement (CIPM®)

Background & History – The CIPM was created in 2005 by the CFA Institute (see above), initially as the “Certificate in Global Investment Performance Standards” but was soon renamed to the CIPM in late 2006. To date, there are about 2,500 CIPM certificate holders (the CFA Institute does not publish demographic information on CIPM holders).

Logistics – CIPM Level 1 focuses on performance measurement and attribution, including a detailed study of the CFA’s proprietary GIPS standards while Level 2 emphasizes performance appraisal and manager selection. Exams for each level are offered twice a year in the U.S., with flexible scheduling offered to candidates based outside the U.S. at approximately 400 testing centers in 80 markets.

Pros – A focused certificate for professionals to gain the essentials of interpreting and presenting performance results. A suitable entry-level accreditation for allocators seeking to gain a foothold of knowledge in the profession. The CIPM requires about 15 hours of annual continuing education.

Cons – By far the most limited in scope of its international peers. The CIPM remains a relatively young and little used designation, though its backing by the CFA likely ensures its long-term viability. It has remained in the shadows of the CFA Charterholder accreditation.

Summary of Leading International Accreditations for Allocators & Fund Selectors

<u>Certification</u>	<u>Curriculum Breadth</u>	<u>Curriculum Depth</u>	<u># Industry Peers</u>	<u>Min/Avg* Time to Certification</u>	<u>Testing Logistics</u>	<u>Continuing Education Requirement</u>
CFA®	Broader Than Necessary	Deeper Than Is Constructive	120,000+	2.5-4 years	Cumbersome & Inflexible	No, but recommended
CIMA®	Very Good	Very Good	8,500+	6-9 months	Flexible & Globally Available	Yes, 40 hours/2 years
CEFA & CIIA®	Very Good	Good	14,000+ for CEFA 10,000+	2.5-4 years	Inflexible & Varies by Country	No

			for CIIA			
CAIA®	Good	Very Good	11,000+	1-2 years	Inflexible, but Globally Available	No
CIPM®	Good	Good	2,500+	1-2 years	U.S.: Inflexible non-US: Flexible	Yes, 15 hours/year

*Average for successful candidates, from initial program enrollment to last test.

Recommendation

Upon objective analysis of the above findings, the APFI recommends the CIMA® accreditation path as the single most sensible choice for most professional fund selectors. The CIMA® sets itself apart from its peers with its modern approach to testing and scheduling that shows a respect for the working professional that is emblematic of its founding by working fund selectors, like APFI members. The requirement for continuing education (the first among this peer group to establish such a requirement) also sets itself apart and befits the realities of a constantly evolving profession. The breadth and depth of the curriculum are excellent, but not excessive, striking the right balance of knowledge acquisition and professional practicality. The main drawbacks of the CIMA® are cost and global familiarity. The former should be understood within the context of the substantial (excessive) time costs to most of the other designations, including potentially expensive travel for multiple tests at fixed sites, and also within the context of a career of further earnings (moreover scholarships are available for low-income candidates especially from underrepresented groups). As for global familiarity, the CIMA® already is coming from a significant base of professionals on par with all its peers (other than the CFA®) and is now taking meaningful steps towards reaching a more global audience, like the CFA® did in the 1990s.

