What is the CFA?

The CFA (Chartered Financial Analyst) designation is a professional certification granted by the CFA Institute, which tests and focuses on portfolio management, financial analysis, and generalist aspects of some other areas of finance. To become accredited, the candidate needs to:

1. Pass three six hours exams (which are called "levels": level I, level II and finally level III). The pass rates are typically about 40%-50%.

2. Have a bachelor degree minimum (or equivalent education or work experience)

3. Have 48 months of qualified work experience in a relevant field.

Note that you can still study and pass the exams even if you have no experience, but you will only receive your accreditation after you meet the work experience criteria. There are about 100,000 CFA certified people in the world. Most people taking the CFA are finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets.

Wrong reasons for studying the CFA for investment bankers

There are common misconceptions that students and junior finance professionals have when they decide to study for the CFA. The most common misconceptions and wrong reasons for studying the CFA for investment banking are:

> To "fix" the qualifications/education part of your CV or improve "prestige"

Do not think of the CFA as a magic qualification that will turn your CV around. The CFA will not cover for poor academic performance or for having graduated from a less-known university. If lack of "academic prestige" is your issue, we recommend you go study an MBA / Master Degree at a top business school. On the opposite scenario, if you already graduated from a top school, adding the CFA qualification will probably not make a significant difference to potential employers. Unfortunately, there are so many people with CFAs nowadays that even though people will recognise that getting the CFA is a lot of hard work, the qualification has definitely lost some of its prestige. In fact, only very few bankers have the CFA.

> To be a better investment banker or get promoted faste

A lot of the content of the CFA study is not directly relevant to what you will do as an analyst or associate in investment banking, except maybe for the parts about financial analysis, equity valuation and corporate finance. Nevertheless, those are just a subset of the content of the CFA programme, and you should have already mastered those concepts by the end of your training programme anyway. Most importantly, the CFA doesn't teach you about how to model, how to put pitch books together and how to work hard with a great attitude, which are the most important skills for a junior investment banker Finally, studying for the CFA is a lot of hard work, and you'll work hard enough as a banker already - you might want to invest this time in something more productive such as networking (with colleagues, bosses, potential employers), working even harder, preparing an MBA or even getting some rest!

Good reasons for studying the CFA for investment bankers

> To improve your CV if you want to move into asset management, hedge funds or equity research

The CFA is more relevant to and most valued by the investment management industry, as getting the qualification indicates a good understanding of investment management theoretical concepts, as well as a strong degree of interest and commitment to this industry. In some firms, and in many equity research jobs, it may even be a requirement. It is not a requirement for private equity firms however.

> You have time to invest and the company is sponsoring you

If you have the extra time (during a quiet pre-Christmas period or quiet summer, or during an M&A downturn), and find the subject interesting, and on top of that the company is paying for it, getting the CFA qualification will never hurt. A downturn (if you still have a job) is the best time to take advantage of company sponsorship programmes for accounting and CFA qualifications!