

INSIGHTS FROM CFA SOCIETY SINGAPORE

By CFA Society Singapore Advocacy Team

Maintaining competence

Many organisations require investment professionals to invest in continuous education and training

WE PAY for professionals because they have the ability, know-how, knowledge, skills and experience in an area that the lay-person does not possess.

An interior designer can help us design a living space that maximises the space available for a family in, say, a four-room HDB flat in Singapore. This is important if the family has children, and yet need to accommodate elderly parents with specific requirements.

Similarly, the designer would, in turn, engage professionals to fit the kitchen cabinets, and renovators who have the skills and tools for installing grab bars for the elderly, and wardrobes in the bedrooms.

When it comes to investments, retail investors have the option to do DIY investing, or engage an investment professional to do the job. Investors pay fees should we choose to invest in an actively managed fund. We therefore expect fund managers to possess the know-how, knowledge, skills and experience in managing a portfolio. To give some assurance to investors that hired professionals do indeed have the necessary expertise in the area they specialise in, many organisations require investment professionals to invest in continuous education and training.

The Competence Standard

CFA Institute is a not-for-profit organisation and the world's largest association of investment professionals. The organisation's goal is to create an environment where investors' interests come first, markets function at their best, and economies grow. As such, the institute has laid down the Competence Standard to guide investment professionals for the benefit of society.

The standard requires investment professionals to act with and maintain the competence necessary to fulfil their professional responsibilities.

Guidance

The Competence Standard requires investment professionals to act with and maintain appropriate knowledge, skills, and diligence when they carry out their professional responsibilities so that they provide a high standard of professional service for their clients and employers.

Given the diverse range of professional services members and candidates engage in, the knowledge, skills, and abilities necessary to successfully fulfil their roles will vary according to the nature of their professional duties.

Determining what conduct specifically constitutes competence will differ for each role and will depend on the facts and circumstances ap-



To be competent in one's role and meet one's duties under the Competence Standard means having sufficient knowledge, skills, and abilities suitable for a professional to work in that specific role with success. ILLUSTRATION: PIXABAY

plicable to each investment professional. While the specific conduct that leads to competence may be different for investment professional, the underlying principle of competence is straightforward.

To be competent in one's role and meet one's duties under this standard means having sufficient knowledge, skills, and abilities suitable for a professional to work in that specific role with success.

Knowledge is the body of information applied directly to the performance of a function and how effectively it is applied; skills are capabilities to perform a role-specific act or function to complete specific tasks and achieve professional goals; and abilities are capabilities and attitudes that support behaviours that result in observable outcomes.

These attributes govern the expertise, experience, and accomplishments that professionals need to perform at the highest level.

While competence allows investment professionals the opportunity to undertake an activity successfully, lack of competence cannot necessarily be determined by an unsuccessful or a negative outcome. Many competent investment professionals have experienced failure or loss in their professional lives.

For example, a competent investment manager may not always make profitable investment decisions. A competent securities analyst may not accurately predict the future prospects of an investment, despite diligent and thorough analysis.

Competence is not limited to an examination of the education level of an investment professional. A highly educated investment consultant may not have the experience to undertake consulting activities in an unfamiliar area of practice.

An accounting professional supremely competent in providing financial statement audits may not be competent in assessing compliance with performance presentation standards.

Or an investment consultant hired to conduct a search for an investment manager focused on sustainable investing may not have the skills needed to competently evaluate managers with that focus.

Over time, the professional responsibilities of investment professionals may change or expand, requiring new or different knowledge, skills, and abilities. Investment professionals should develop and refine their skills and abilities as their careers progress.

The CFA Competence Standard imposes the duty to not simply achieve but also maintain competence, emphasising the need for investment professionals to continuously maintain or improve the competence required of their professional position.

Ethics in action: Practise, practise, practise

Today's case is adapted from materials from CFA Institute. As a guide, the desired ethical behaviour required is based on the CFA Institute Code of Ethics and Standards of Professional Conduct.

Case study: Maintaining competence

Lee Do-mi runs a geopolitical consulting firm where she analyses international political, social, and economic issues and developments to produce research reports for her clients, many of which are investment management firms.

Lee has been closely monitoring the news regarding a new multinational trade deal that has the potential to significantly boost commercial activity among countries in a certain region of the world.

As soon as the trade deal was officially ratified and announced, Lee quickly downloaded a copy of the agreement and read it to understand its terms and impact. She also consulted with experts in the field to obtain their opinions on the impacts of the trade deal and confirm her understanding of its terms and implications.

Analysis: Lee satisfied the requirement of the Competence Standard. Lee was able to write a knowledgeable and informative research report for her clients by keeping abreast of developments in her field through news reports, consulting with experts, and studying the trade deal itself to ensure that her knowledge was up-to-date.

The writers are CFA charterholders who volunteer with CFA Society Singapore on advocacy issues with a view towards promoting financial literacy among retail investors and improving overall standards and integrity in the industry. Should you have comments and feedback, write to the CFA Society Singapore Advocacy Committee at advocacy@cfasocietysingapore.org