

IMCA
australia

investment
management
consultants
association

Financial Services Unit
Financial System and Services Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

By email: ProfessionalStandards@treasury.gov.au

07 May 2015

RE: Lifting the professional, ethical and education standards in the financial services industry

Dear Sir/Madam,

IMCA Australia is a chapter of the Investment Management Consultants Association, founded in the United States (IMCA US) in 1985. IMCA serves more than 10,000 members and certificants worldwide, including 6,860 Certified Investment Management Analyst® (CIMA) certificants. In Australia IMCA supports 400 members of which 180 hold the CIMA designation. Certificants are (in the vast majority of circumstances) active participants in the financial services industry in general and in investment consulting in particular. IMCA fills a unique role in the financial services industry.

To date, Investment Management Consultants Association (IMCA) Australia has not taken an advocacy role in the industry and has primarily focused on the education and ongoing professional development of its members in Australia. However, we are currently undertaking a strategic review of IMCA Australia operations, with an emphasis on further enhancing and implementing higher professional standards of conduct for members and the obligatory requirements for the benefit of its Australian practitioner members and the Australian public whom they serve.

In the fullness of time, IMCA anticipates that it will be an active participant in industry debate and standards setting, and be able to provide unique and informed input around the important standards and practice related investment portfolio construction and advice. However, IMCA is not in a position to provide a submission to you in response to your consultation paper at this time. Nonetheless we have reviewed the relevant documents, which are directly specific to our members. Therefore, we hereby apply for 'observer status' and to be considered for any future discussions relating to the proposed PJC model that may be facilitated by Treasury. Our first hand engagement with and observations of the issues, opinions and perspectives of the group would greatly inform IMCA's approach to enhancing its framework to accommodate the changes necessary to lifting the professional, ethical and education standards in the financial services industry in Australia.

In fact, many of the key elements of the PJC Model are already embedded in the IMCA membership and CIMA qualification models, with CIMA certificants having the following background and ongoing obligations:

- Membership of a professional association. Namely, IMCA Australia, a chapter of IMCA US.
- Completing a formal University delivered education program
- Completing globally consistent Qualification and Certification exams
- A minimum of 3 year's relevant work experience
- 40 hours of continuing education every two years, with a minimum of two of the required hours in the field of ethics
- A Code of Professional Responsibility to promote and maintain high standards of personal and professional conduct
- A formal review process in response to complaints or a discovery of potential violations via IMCA Disciplinary Rules and Procedures

It is also worthy of note that the IMCA US CIMA certification is the only financial services certification in the United States to meet international standards (ISO 17024) for personnel certification, accredited by the American National Standards Institute.

We attach an overview of our preeminent certification program the CIMA® Certification.

We thank you for the opportunity to respond to provide feedback and welcome further opportunities to engage with Treasury to provide information. If you have any questions please do not hesitate to contact me

Yours sincerely,


Brett Elvish
Board Chair
IMCA Australia

Appendix A: Certified Investment Management Analyst Certification Overview

The following summary descriptions are designed to address questions regarding the qualifications, knowledge skills, abilities, and requirements necessary to attain and maintain the Certified Investment Management Analyst® (“CIMA®”) certification. General information about the Investment Management Consultants Association (“IMCA”), which owns the CIMA marks and sponsors the certification, can be found at <http://www.imca.org/>.

Certificant Demographics

As of March 31 2015, there were approximately 6,894 CIMA certificants in good standing with IMCA, 181 in Australia. From membership surveys, it is estimated that the average CIMA certificant is approximately 48 years old, with 18.6 years of experience in the financial services industry, and \$297.2 million in assets under management (“AUM”).

Certification Process

CIMA certification candidates must go through a multi-step process to earn the designation. The entire program on average takes 14.1 months to complete. The application requires the submission of information detailing at least three years of work experience in the financial services industry. If the experience requirement is satisfied, applicants undergo an initial background check by IMCA’s legal staff. Any potential ethical issues are referred to the Admissions Committee, which is made up of IMCA volunteers, for a determination. Applicants who are accepted become candidates who must then pass an IMCA Qualification Examination before being allowed to enroll in and complete one of three registered education programs. The registered education program currently is a 32-40 hour executive education program offered at five prestigious universities. As part of the curriculum requirements, candidates must pass at least one test in order to sit for the Certification Exam.

After successfully completing the education component, candidates must then pass the Certification Exam, which is administered in February, May, August, and November at international testing centers. Both the Qualification and Certification exams are valid and reliable examinations, developed as a result of a comprehensive job analysis study and administered by an independent testing service, Applied Measurement Professionals, Inc.

Following passage of the Certification Exam and the other requirements previously mentioned, the CIMA candidate undergoes a second background check by IMCA legal staff, to identify ethical issues that might have arisen since the date of the initial check. If the candidate passes this second review, he/she must sign a license agreement that acknowledges a commitment to adhere to IMCA’s *Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for the Use of the Marks*.

Work Experience Requirement

Candidates initially must submit an application with a work history that details a minimum of three years of experience in the financial services industry. Any questions regarding experience are resolved by IMCA staff and the Admissions Committee.

Current Registered Education Providers

To enroll in a CIMA certification education program, candidates must first pass the CIMA Qualification Examination, as discussed above. Following notification from IMCA of passage of the Qualification Exam, candidates can enroll in a registered education provider's program. As of March 2015 there were five registered education providers, listed below.

1. Carnegie Mellon University – Tepper School of Business
Contact: exec-director@andrew.cmu.edu
412-268-2304
2. The University of Chicago Booth School of Business
Mark Lewis, Associate Director
312-423-8040
3. The Wharton School – University of Pennsylvania
Wharton Customer Care
215-898-1776
4. Massachusetts Institute of Technology — Sloan School of Business
Jim Dobbs, Program Director: cimainfo@mit.edu
720.224.1530
5. University of Technology Sydney—Paul Woolley Centre
Ron Bird, Faculty Director: ron.bird@uts.edu.au
+612 9514 7716

Pass-Fail Rates

The Qualification Exam is a two-hour computer based test with 50 multiple-choice questions and 10 non-scored, pretest questions. The first-time passing rate for CIMA applicants is 57 percent.

The Certification Exam is a four-hour computer based test with 100 multiple-choice questions and 10 non-scored, pretest questions. First-time passing rate is 55 percent.

Continuing Education (“CE”) Requirements

To maintain and sharpen their professional skills, CIMA certificants are required to complete 40 hours of continuing education every two years, or an average of 20 hours per year. Two of the required hours must be in the field of ethics.

Ethics, Disciplinary Standards and Enforcement Procedures

Years ago, IMCA adopted, and periodically reviews and updates, a *Code of Professional Responsibility* to promote and maintain high standards of personal and professional conduct in the investment management consultant profession.

To maintain good standing with IMCA and continue to use the marks, CIMA certificants and candidates must submit to a formal review process in response to complaints or a discovery of potential violations by IMCA staff of the *Disciplinary Rules and Procedures*. Failure to do so may result in disciplinary action including termination or suspension of the right to use the CIMA certification or, if a candidate, to continue coursework and take the exams.

Like other private sector organizations offering certifications, IMCA's primary enforcement authority rests on ownership and protection of its registered certification marks and the ability to terminate use of the marks as the ultimate remedial action. Other lesser sanctions include private censure, public censure, and suspension of the right to use the marks for a prescribed period of time.

Grounds for a disciplinary review include violation of federal or state laws and regulations, commission of a serious crime, and loss or suspension of a professional license or designation. Since IMCA began tracking disciplinary history statistics in 2011, as of December 12, 2014, a total of 386 files were opened and investigated. Of this total, 296 were closed with no action taken, and 36 are still pending a final decision. Included in this total are 41 private censures, three public censures, five suspensions, and four terminations, with one currently within the time permitted for appeal.

Investor Complaint Process and Public Access to Disciplinary Actions

Complaint Process. Complaints can be filed against a CIMA certificant by investors at no cost. IMCA's website provides a form for downloading and submitting complaints by mail. The website also provides a summary view of the types of disagreements that should be submitted for consideration by IMCA's Professional Review Board. Generally speaking, proof of misconduct must be established by a "preponderance of the evidence."

Public Access. The public may access summaries of actions taken against CIMA candidates and designees found in violation of IMCA's *Code of Professional Responsibility or Standards of Practice* on its website. Public disciplinary actions taken against designees or candidates no longer in good standing with the organization may be found online. Consumers undertaking a search for a current member with a public disciplinary record will find it in the search results by name or designation.

ANSI/ISO/IEC 17024 Accreditation

ANSI is the official U.S. representative to the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) via the U.S. National Committee, the International Accreditation Forum (IAF), and other international and regional forums. Since the inception of ANSI's Personnel Certification Accreditation Program in 2003, the Institute has accredited 52 personnel certification bodies in the U.S. for a range of industry sectors under the international standard ANSI/ISO/IEC 17024.

To achieve accreditation, IMCA's CIMA certification was evaluated on a broad range of activities, policies and procedures needed to demonstrate that:

- The program is open and transparent

- The program is fair, objective, and impartial
- There are appeals procedures for complaints
- The program is supported by an organization with sound management systems
- The decision-making body for the certification program is autonomous and without undue influence by special interests
- Certification is based on a process that consistently distinguishes those who meet a level of competency and skills as an investment management professional from those who do not.

In April 2011, CIMA certification earned third-party accreditation from ANSI for its operation of the CIMA certification in the U.S. Today, it is the only financial services certification in the United States to meet international standards (ISO 17024) for personnel certification.¹

Summary Analysis

A useful exercise for assessing professional certifications is to ask the following questions. Based on the background materials that we have submitted, IMCA would respond accordingly:

1. Is the certifying organization engaged in the business of instruction in sales and/or marketing? No.
2. Does the certifying organization have reasonable standards or procedures for assuring the competency of its designees? Yes.
3. Does the certifying organization have reasonable standards or procedures for monitoring and disciplining its designees for improper or unethical conduct? Yes.
4. Does the certifying organization have reasonable continuing education requirements for its designees in order to maintain certification? Yes.

Finally, CIMA-certified investment advisers certified are subject to a Code of Professional Responsibility that generally requires duties of loyalty and care. For those IMCA members who are investment adviser representatives, we believe that CIMA certification enhances both of these important duties in two meaningful ways. For example, CIMA certificants are subject to a *Code of Professional Responsibility* that requires them to, among other things, make recommendations that are “solely in the client’s best interests.”² This standard enhances an investment adviser’s duty of loyalty to their clients.

We hope this background information provides a sufficient overview of the CIMA certification program. For additional information on the scope of knowledge content covered in the CIMA exam, we include separate attachments of the most recent job analysis, a content outline of the exam, and a chart comparing various requirements of the CIMA certification program to other financial designations.

For more information or questions, please contact Robert E. Frankel, Esq., Standards and Legal Counsel at IMCA’s Global Headquarters in Denver, Colorado, U.S. or

¹ See News Release “ANSI Accredits Investment Management Consultants Association under Personnel Certification Accreditation Program,” Apr. 26, 2011, at <https://www.ansica.org/wwwversion2/outside/News.asp>.

² See *Code of Professional Responsibility*, July 1, 2009, at 1.