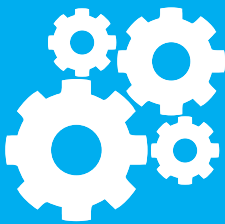




CFA Society
Los Angeles

E-Newsletter

December 2021



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Original Content

EXAM FORMAT CHANGES AND PANDEMIC CHALLENGE CFA CANDIDATES

By Thomas Derse, CFA

For most CFA charterholders, the experience of taking the exams is baked into one's memory. For those who took the exams in Southern California, the word "Fairplex" does not conjure up recollections of cotton candy and car shows, but rather hundreds of candidates nervously wandering the grounds either before or after a six-hour grind of extreme test-taking. For years, you knew there would be no barbecuing on Memorial Day because the test was always on the first Saturday in June. Then, if you were unfortunate enough to "not meet the minimum passing score" for Levels II or III, you could at least take it easy for a few months because the next exam was almost a year away.

Today, there is no more cavernous Fairplex exam room, and each level is offered more than once a year. Even the length of the exam is shorter. However, lest you think the current generation of charter seekers has it easier, today's candidate's response is, "At least your passing rates were not at all-time lows."

According to CFA Institute (CFI), "Our highest priority is to uphold the value and rigor of the CFA charter." Clearly a major reason for the esteem accorded to CFA charterholders is the difficulty of the three-level testing regimen that is notoriously grueling. But like so many things that used to require a pencil and paper, the CFA exam has changed the format to computer based testing (CBT).

Beginning in 2021, CFI transitioned to CBT for all three levels of the CFA Program. CBT affords greater flexibility, faster results, an improved candidate experience, and an exam that reflects today's digital workplace.

According to CFI, for several years, it has "thoughtfully prepared to implement computer-based testing to more effectively evaluate candidates' knowledge and competencies. We use robust statistical analysis and processes to ensure that 'the bar' remains unchanged. In other words, we employ techniques that are well established in the psychometric world to ensure that the exam is not easier because it is shorter or administered in a computer-based setting."

The current candidates would say, "Mission Accomplished." Based on the passing rates of the most recent exams of all levels, the exam is certainly not easier, and passing the exam has become even more difficult. In August, 26% of candidates passed the Level I test, up from 22% for those who sat for the exam the previous month and 25% in May. The 10-year average pass rate is 41%.

29% of candidates passed the August Level II exam, down from 40% for those who sat for the exam in May and June. The 10-year average pass rate is now 45% for Level II.

In August, just 39% of candidates passed the Level III exam, down from 42% for those who sat for the test in May and June, a record low at the time. The 10-year average pass rate is now 53%

for Level III.

There are several moving parts that may help explain the sudden decrease in passing rates. Surprise, the pandemic is top of the list. "Unfortunately, we are still seeing fewer candidates pass their CFA exams due to the impact of the global pandemic on candidate study timelines," Peg Jobst, managing director for credentialing at the CFI, said after the August results were issued. "Repeating study plans after an examination deferral is daunting for most students, and this is again borne out in the results."

While possibly counterintuitive to posit that deferral – and one would think additional studying – would cause such a dramatic drop in pass rates, CFI's analysis shows that deferred candidates performed at a lower rate than non-deferred candidates.

CBT is also a new twist to the test. The new format increases the number of exam administrations for every level, provides multi-day exam windows to eliminate the practice of all candidates sitting in a single day, and a broader footprint of test areas to improve flexibility.

While these changes appear to be all positive, the simple change from a longstanding format may have caused some additional stress and worry, both of which can be devastating to the test-taker. September's Level III exam was only the second time the exam was given using computers, and the success rate was already down from 56% in December 2020, when it was still administered on paper.

If you are a candidate or know one, there are several issues to consider in order to keep motivation at the required level in order to pass the exams. First of all, although the most recent pass rates are at all-time lows, complaints about changes in pass rates are not new. As recently as 1999, the overall passing rate was 60%. By 2004, that percentage dropped to 40%. The Level II passing rate in 1998 was 62%. Just six years later, that rate dropped to 32%. The internet forums (yes, they existed in 2004) were rife with theories and "we have it so much harder" observations. See the historical pass rates here. <https://www.cfainstitute.org/-/media/documents/support/programs/cfa/cfa-exam-results-since-1963.pdf>

Secondly, the 2022 curriculum will incorporate 2021 changes in addition to 2022 changes, which means the curriculum change for 2022 will be significant. Between having secure test dates, a greater familiarity with the CBT, and a materially revised curriculum, the opportunity for test score improvement is substantial.

Chris Wiese, CFA, Senior Head, Examination Development for CFI, stressed in a CFI video that the Institute is "holding the bar at the same level of rigor." In an apparent nod to the hit to candidate morale, he also said, "Don't let the lower pass rate discourage you. Give it one last final hard push into exam date."

HOW MEMBERS FEEL ABOUT IN-PERSON EVENTS

By Falko Hörnicke, CFA, CFP

CFA Society Los Angeles (CFALA) recently finalized its 2021 Member Survey. The participation rate among our members was slightly less than previous surveys, but we received responses from approximately 200 members (9%), which we believe is a representative result.

This year the Society wanted to know more about members' desire to return to in-person meetings, as well as members' willingness to attend meetings based on their duration. By far the largest number of participants chose a hybrid model. The Society is currently considering how to honor this request, taking into consideration cost, income, and past experience. Regarding in-person meetings, the Society's prime locations (Downtown, Santa Monica, Century City) are still widely accepted, though a significant number of members suggested South Bay and Pasadena as well.

When it comes to the duration of the Society's events there is a clear correlation between length of events and event topics. The members prefer longer events only when the topic is one they consider important. Full and half-day events have a strong bias towards unlikely/very unlikely to attend unless the topic is of particular interest, whereas 60-minute events are generally likely/very likely to attract attendees.

The Society also asked its members about the overall satisfaction with their digital experience regarding event marketing emails, user-friendliness of the website, and the registration process. In all three categories the members expressed that the Society is doing a great job, as the overall answers were clearly leaning toward "very satisfied." In terms of how the Society should prioritize its technological needs, members believe that the ability to watch recordings on demand should be high on the list, followed by the capacity to livestream events, and the mobile optimization of the website.

Regarding educational offerings, Alternative Investments and Data Science received the most attention, followed by Fixed Income and Python. Suggestions for additional educational offerings were ESG/Impact Investing and Cryptocurrency/Bitcoin. While the latter can be added under the broad perspective of Alternative Investments, we believe the prior is already well covered by the Society's Environmental, Social and Governance (ESG) Group. More information on this Member Community is on the CFALA website.

Considering sought-after soft skills, members emphasized their strong desire for networking. As the economy and California continue to reopen, the Society will expand social events within safe environments.

The CFALA website has a list of upcoming offerings.

Overall, members remain very satisfied with the Society considering the large number of members believing that the Society is on track to meet their needs for the next 2-3 years (78%), and their willingness to recommend the Society to a friend or colleague (81%).

I want to thank our members, and our staff, for their support, their belief in CFA Society Los Angeles, and their creative ideas and engagement on the future of our Society. We wouldn't be able to realize our vision if it were not for our members and staff and their unconditional commitment to the Society. Thank you!



Original Content

EMERGING FINTECH COMPANIES IN SOUTHERN CALIFORNIA

By Cynthia Harrington, CFA

One of the challenges we face in the CFA Society Los Angeles (CFALA) Fintech Advisory Committee is narrowing the topic. Fintech spans almost every industry today, with even big retailers and big tech adding tech-enabled personal financial services. Consequently, we fell into a pattern of making choices based on two priorities. We try to guess what the membership would be interested in, and then we define themes for events based on our contacts' involvement with certain topics.

Over the last year this has resulted in events covering blockchain and cryptocurrency, investing in fintech startups, artificial intelligence and asset management, wealthtech, and a comprehensive look at the industry in our State of the State event. Through these events, we present a common theme of how technology affects our working lives, not what opportunities might be available in the fintech field. You'll notice we have not hosted events in traditional fintech such as payments, lending, or personal banking.

Still, Southern California is home to some of the world's leading fintech companies and we include some of them in our discussions. Here are some examples we use when thinking about the Southern California fintech ecosystem and the emerging companies in our own backyard.

Tala

Tala is a microfinance company. More than 6 million people have used the app to pursue their financial goals with confidence, all from their phone. The customer base is huge and continues to drive the success and evolution of the product.

Together, Tala users have borrowed more than \$2.7 billion across Kenya, the Philippines, Mexico, and India to start and expand small businesses and manage day-to-day needs.

The company just raised \$145 million in a Series E round, and in 2021 Tala was named one of Forbes' top 50 fintech companies in the world and one of CNBC's top 50 disruptors.

<https://tala.co/blog/2021/10/14/tala-raises-145-million-series-e-to-become-largest-financial-platform-for-the-global-underbanked/>

SoFi

SoFi Technologies, Inc. is an American online personal finance company. Although it is based in San Francisco, SoFi has large centers here in SoCal, with its name prominently emblazoned on the new football stadium in Inglewood, site of the 2022 Super Bowl. The company provides financial services that include student loan refinancing, mortgages, personal loans, credit cards, investing, and banking through both mobile and desktop applications.

These applications for borrowing, saving, spending, investing and protecting give their nearly three million members fast access to smart personal finance tools. SoFi membership comes with key essentials for getting ahead, including career advisors and connection to a thriving community of like-minded, ambitious people.

SoFi was in the news in 2021 with a public offering through a special purpose acquisition company, or SPAC (NYSE: IPOE) valuing the company at \$8.7 billion.

Aspiration

Neobank Aspiration, whose trademark funds invest in 100% fossil fuel-free companies, also scored its biggest year ever, more than doubling its users to nearly five million.

In August, Aspiration combined with InterPrivate III Financial Partners, the latest SPAC from Ahmed Fattouh, the founder and CEO of asset manager Landmark Value Investments, at a valuation of \$2.3 billion for the eight-year-old company. Aspiration received more than \$400 million cash proceeds from the deal. (NYSE:ASP)

Not to be outdone on the sports front, Aspiration announced a \$300 million deal to have prominent ads throughout the new Clippers arena.

The company is one of only a few fintechs fully embracing the booming movement around environmental, social and governance (ESG) investing. Bank of America reports ESG assets swelled to a record \$329 billion in July, more than doubling year over year. In addition to its banking products, Aspiration offers its own managed IRAs and taxable accounts investing in 100% fossil fuel-free companies.

With public offerings, companies add dollars into the ecosystem as founders and employees cash out. The two big offerings in 2021 could be joined in 2022 by several more like Tala. That's a big deal to new fintechs in Southern California just starting on their fundraising journeys.



Curated Content

Curators: Stuart Fujiyama, CFA
Sona Shahinian



[The Great Resignation: Why People Are Leaving Their Jobs In Growing Numbers](#)

Continuing a trend from previous months, a record 4.3 million workers in America quit their jobs in August alone, part of the phenomenon dubbed, “The Great Resignation” by Anthony Klotz, organizational psychologist at Texas A&M University. Check out this NPR podcast episode by host, Audie Cornish, who spoke with Klotz and Laszlo Bock, Co-Founder and CEO of the HR company, Humu, about the reasons behind tens of millions of Americans quitting their jobs. [Read More...](#) [And More....](#)

[Why Are So Many Americans Quitting Their Jobs?](#)

Is “The Great Resignation” real? With 2.9% of the entire workforce quitting their jobs in August, economists and pollsters are investigating the motivations behind this historic rise. Check out this NPR piece by Greg Rosalsky, writer and reporter at NPR’s Planet Money. Rosalsky cites research by UC Berkeley economist Ulrike Malmendier underscoring the notion that past experiences influence people’s economic behavior and attitudes. [Read More...](#) [And More \[metered paywall\]..](#)



[Federal Reserve Gender And The Economy Conference: Opening Remarks by Chair Powell](#)

Federal Reserve Chair Jerome Powell gives his opening remarks to the Fed’s November 8 Gender and the Economy Conference. The conference’s four panels provide an overview of research in the area in the context of the pandemic. We highlight two of the panels below. [Read More...](#) [And More...](#)

[Federal Reserve Gender And The Economy Conference: Family, Caregiving, And Career Progression](#)

This panel “explore(s) through a gender lens factors affecting career decisions and available opportunities for advancement and the impact caregiving has on job stability and financial health.” (Run Time: 1 hr 15 min) [Read More...](#)





Curated Content

Curators: Stuart Fujiyama, CFA
Sona Shahinian

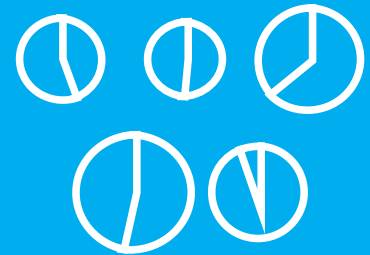


Federal Reserve Gender and the Economy Conference: Wealth and Retirement

This panel “explore(s) how the wealth gap can create exponential burdens for women as they reach retirement age.” Sallie Krawcheck, former CEO of Smith Barney, Merrill Lynch, and Sanford C. Bernstein, and current CEO and co-founder of Ellevest contributes her insights. Amy Matsui of the National Women’s Law Center promotes wiserwomen.org as a resource. (Run Time: 1 hr 30 min) [Read More...](#) [And More...](#)

Here’s What California Could Do To Help Fix The Supply Chain

From businesses facing shortages, to traffic jams caused by full shipping containers left at ports, to loitering ships causing pollution, supply chain issues are complex, requiring both near-, and long-term solutions. In this CalMatters article, Economy Reporter Grace Gedye summarizes solutions presented to California lawmakers by experts and stakeholders. [Read More...](#)



The Elf Was A Lot Harder To Get On Your Shelf This Year

Supply chain disruptions are challenging all kinds of businesses, especially companies that make highly seasonal products with tight sales windows. In this CNN Business article, Senior Writer Parija Kavilanz reports on how Lumistella Company, the business behind ‘The Elf on the Shelf’ storybook and doll brand, is managing the doll’s challenging journey to stores, and ultimately to American households.

[Read More...](#)



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The CFA Society Los Angeles (CFALA) e-newsletter is a periodic publication with stories about noteworthy events and programs sponsored or hosted by the society, guest articles by members, book reviews, and other items of interest to CFALA members. If you'd like to contribute a story suggestion or write an article, we'd love to hear from you. Please email Executive Director Laura Carney at laura@cfala.org.

Please note that the content of this e-newsletter should not be construed as investment advice, nor do the opinions expressed necessarily reflect the views of CFA Society Los Angeles.