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BACK TO BASICS: Industry Designations

Part 2, Clare White

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Just like any industry, the financial services industry has a host of professional designations for different purposes. These designations are maintained by companies and individuals either for regulatory reasons or to emphasize specialized knowledge in a particular field. In Part II of this article, we'll look at licenses and designations for individuals and what it means to you.

Individual – Common Licenses

NASD Series 3

License required for those performing certain functions in the commodities business.

NASD Series 4 – “CROP”

Compliance Registered Options Principal – license required to approve and monitor customer options trading levels. Series 7 Registered Representatives do not have the authority to approve an account for a specific option trading level.

NASD Series 6

License required for those performing certain functions for investment companies including mutual funds and variable contracts.

NASD Series 7

License required for those performing certain functions in the brokerage business (general securities).

NASD Series 8 or 9 &10

License required for supervisory roles in the securities industry.

Series 63 – The Uniform Securities Agent State Law Examination

This is the state license required for both Series 6 and Series 7 registered individuals.

An individual must hold each license to perform tasks in the specific area. Series 4, 8 and 9&10 license holders must also hold a Series 7 license.

Individual – Common Areas of Specialty

In addition to standard regulatory requirements for the field, individuals who hold a specialized designation will also have to abide by a Code of Ethics established by the body that confers the designation.

CFA (Chartered Financial Analyst – Association of Investment Management & Research)

Background: AIMR oversees the CFA program, which is a three part exam series (Level I, II and III) for the analyst community. A broad range of topics are covered in each of these 6-hour exams including Ethics, Economics, Financial Statement Analysis, Security Valuation (equities, bonds, futures, and derivatives) and Portfolio Management. A CFA charterholder has successfully completed all three exams and has the requisite work experience.

What This Means to You: A CFA charterholder has passed all three exams (there are no “partial designations”) and has expertise in economics, valuations, industry assessment and portfolio management. Common positions for charterholders include portfolio managers, security analysts and brokerage strategists. Typically the relationship between a CFA charterholder and the investing public is an indirect one; however a financial planner may also hold this designation.

CFP (Certified Financial Planner – Certified Financial Planner Board of Standards)

Background: Formed in 1985, the CFP Board of Standards establishes standards for the financial planning industry. The CFP designation is attained through a series of exams on specialty financial areas such as banking, insurance, employee benefits, investments, estate planning and taxes.

What This Means to You: The CFP designation identifies those professionals with knowledge in a broad range of financial topics, as well as expertise in one or more areas. A financial planner works with individual investors on all aspects of their financial picture. The CFP may work independently, or spearhead a team of professionals (CPA, attorney) to address all financial topics. A CFP may charge its customers fees or receive commissions based on the products sold, or a combination of the two.

ChFC (Chartered Financial Consultant – The American College)

Background: The American College is an educational institution with programs primarily for those industry professionals working with the investing public. The ChFC is a four-year program for financial planners focused on topics such as economics, insurance, real estate and taxes, among others.

What This Means to You: Again, a ChFC designation identifies those professionals with knowledge in a broad range of financial topics, and may have expertise in one or more specific areas. This individual may provide financial planning services independently, or as a part of a team of financial professionals.

CLU (Chartered Life Underwriter – The American College)

Background: The CLU designation is focused towards the “protection, accumulation, preservation and distribution of the economic values of human life”, as identified in The American College's designation information. The focus for this designation is life insurance, with other financial planning considerations.

What This Means to You: An individual with the CLU designation is knowledgeable in the broad range of life insurance products available, and the most effective uses of these products. It's not uncommon to see dual designations for CLU and ChFC.

CMT (Chartered Market Technician – Market Technicians Association)

Background: The MTA is the US association for IFTA (described next). The mission of this association is to, among other goals, “Represent technical analysis as a valid investment tool; promote confidence and understanding of its use; and serve as a forum for enhancing and broadening its acceptance” and “Establish, maintain and encourage the highest standards of professional competence and ethics among technical analysts.”

What This Means to You: An individual who has earned the right to use the CMT designation has successfully completed a series of three exams (Level I, II and III, with no partial designations) and also has the requisite work experience. These individuals manage market risk using technical analysis, which is the “study of data generated by the action of the markets and by the behavior and psychology of market participants and observers.”

DITA (Diploma of International Technical Analysis - International Federation of Technical Analysts)

Background: The DITA is the international equivalent of the US CMT. The designations are not, however inter-changeable. An individual who holds the CMT designation must complete two exams (Level II and III) of the DITA program to qualify for the use of such designation.

What This Means to You: An individual holding the DITA has expertise in the technical analysis of international markets.

CPA (Certified Public Accountant – American Institute of Certified Public Accountants)

Background: The AICPA prepares the CPA exam and oversees its grading. It also provides its members with the resources, information and leadership so that they may benefit the public. (AICPA website)

What This Means to You: In addition to passing the formidable CPA exam, a CPA has completed specific public accounting work to obtain this designation. Many CPAs will then transition to provide tax advice to private firms and individuals. This person will often be a part of your team of financial professionals.

CTA (Commodities Trading Advisor – National Futures Association)

Background: A CTA is a person who manages commodity accounts for, or provides advice about commodities to the investing public. Such advice can be direct or indirect via a newsletter.

What This Means to You: If you're relatively new to the commodities world, and are receiving a newsletter while you move along your learning curve, you may want to confirm the author of that publication holds the CTA designation.

RHU (Registered Health Underwriter – The American College)

Background: An individual with the RHU designation specializes in disability and health insurance.

What This Means to You: You will probably not encounter this designation from The American College as much as the CLU or ChFC, however an individual who holds the RHU designation may be consulted by your lead planner.

So many people start the new year with a focus on personal financial planning. While not comprehensive, the financial terms identified in this two article series is meant to clarify some of the licenses and designations you encounter while you navigate your financial future.

For Part I of this series, please click here.

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