CFA Level 3 - LOS Changes 2013 - 2014

Topic	LOS	Level III - 2013	Topic	Level III - 2014	Compared
Ethics	1.1.a	describe the structure of the CFA Institute Professional Conduct Program and the disciplinary review process for the enforcement of the Code of Ethics and Standards of Professional Conduct	1.1.a	describe the structure of the CFA Institute Professional Conduct Program and the disciplinary review process for the enforcement of the Code of Ethics and Standards of Professional Conduct;	
Ethics	1.1.b	explain the ethical responsibilities required by the Code of Ethics and the Standards of Professional Conduct, including the multiple sub-sections of each standard	1.1.b	explain the ethical responsibilities required by the Code of Ethics and the Standards of Professional Conduct, including the multiple sub-sections of each standard.	
Ethics	1.2.a	demonstrate a thorough knowledge of the Code of Ethics and Standards of Professional Conduct by interpreting the Code and Standards in various situations involving issues of professional integrity	1.2.a	demonstrate a thorough knowledge of the Code of Ethics and Standards of Professional Conduct by interpreting the Code and Standards in various situations involving issues of professional integrity;	
Ethics	1.2.b	recommend practices and procedures designed to prevent violations of the Code of Ethics and Standards of Professional Conduct	1.2.b	recommend practices and procedures designed to prevent violations of the Code of Ethics and Standards of Professional Conduct.	
Ethics	2.3.a	explain the ethical and professional responsibilities required by each of the six provisions of the Code of Ethics and the seven Standards of Professional Conduct	2.3.a	explain the ethical and professional responsibilities of CFA Institute members and CFA candidates required by each of the six provisions of the Code of Ethics and the seven Standards of Professional Conduct;	**Wording Change**
Ethics	2.3.b	interpret the Code of Ethics and Standards of Professional Conduct in situations involving issues of professional integrity and formulate corrective actions where appropriate	2.3.b	interpret the Code of Ethics and Standards of Professional Conduct in situations involving issues of professional integrity and formulate corrective actions where appropriate.	

Ethics	2.4.a	evaluate professional conduct and formulate an appropriate response to actions that violate the Code of Ethics and Standards of Professional Conduct	2.4.a	evaluate professional conduct and formulate an appropriate response to actions that violate the Code of Ethics and Standards of Professional Conduct;	
Ethics	2.4.b	prepare appropriate policy and procedural changes needed to assure compliance with the Code of Ethics and Standards of Professional Conduct	2.4.b	formulate appropriate policy and procedural changes needed to assure compliance with the Code of Ethics and Standards of Professional Conduct.	**Wording Change**
Ethics	2.5.a	evaluate professional conduct and formulate an appropriate response to actions that violate the Code of Ethics and Standards of Professional Conduct	2.5.a	evaluate professional conduct and formulate an appropriate response to actions that violate the Code of Ethics and Standards of Professional Conduct;	
Ethics	2.5.b	prepare appropriate policy and procedural changes needed to assure compliance with the Code of Ethics and Standards of Professional Conduct	2.5.b	formulate appropriate policy and procedural changes needed to assure compliance with the Code of Ethics and Standards of Professional Conduct.	**Wording Change**
Ethics	2.6.a	explain the ethical and professional responsibilities required by the six components of the Asset Manager Code	2.6.a	explain the ethical and professional responsibilities required by the six components of the Asset Manager Code;	
Ethics	2.6.b	determine whether an asset manager's practices and procedures are consistent with the Asset Manager Code	2.6.b	determine whether an asset manager's practices and procedures are consistent with the Asset Manager Code;	
Ethics	2.6.c	recommend practices and procedures designed to prevent violations of the Asset Manager Code	2.6.c	recommend practices and procedures designed to prevent violations of the Asset Manager Code.	
Behavioral Finance	3.7.a	contrast traditional and behavioral finance perspectives on investor decision making	3.7.a	contrast traditional and behavioral finance perspectives on investor decision making;	
Behavioral Finance	3.7.b	contrast expected utility and prospect theories of investment decision making	3.7.b	contrast expected utility and prospect theories of investment decision making;	
Behavioral Finance	3.7.c	discuss the effects of cognitive and knowledge capacity limitations on investment decision making	3.7.c	discuss the effect that cognitive limitations and bounded rationality may have on investment decision making;	**Wording Change**

Behavioral Finance	3.7.d	compare traditional and behavioral finance perspectives on portfolio construction and the behavior of capital markets	3.7.d	compare traditional and behavioral finance perspectives on portfolio construction and the behavior of capital markets.	
Behavioral Finance	3.8.a	distinguish between cognitive errors and emotional biases	3.8.a	distinguish between cognitive errors and emotional biases;	
Behavioral Finance	3.8.b	discuss commonly recognized behavioral biases and their implications for financial decision making	3.8.b	discuss commonly recognized behavioral biases and their implications for financial decision making;	
Behavioral Finance	3.8.c	analyze an individual's behavior for behavioral biases	3.8.c	identify and evaluate an individual's behavioral biases;	**Wording Change**
Behavioral Finance	3.8.d	evaluate the impact of biases on investment policy and asset allocation and discuss approaches to mitigate their effect	3.8.d	evaluate how behavioral biases affect investment policy and asset allocation decisions and recommend approaches to mitigate their effects.	**Wording Change**
Behavioral Finance	3.9.a	explain the uses and limitations of classifying investors into various types	3.9.a	explain the uses and limitations of classifying investors into various types;	
Behavioral Finance	3.9.b	discuss how behavioral factors affect adviser–client interactions	3.9.b	discuss how behavioral factors affect adviser–client interactions;	
Behavioral Finance	3.9.c	discuss how behavioral factors influence portfolio construction	3.9.c	discuss how behavioral factors influence portfolio construction;	
Behavioral Finance	3.9.d	explain how behavioral finance can be applied to the process of portfolio construction	3.9.d	explain how behavioral finance can be applied to the process of portfolio construction;	
Behavioral Finance	3.9.e	discuss how behavioral factors affect analyst forecasts and recommend remedial actions for analyst biases	3.9.e	discuss how behavioral factors affect analyst forecasts and recommend remedial actions for analyst biases;	
Behavioral Finance	3.9.f	discuss how behavioral factors affect investment committee decision making and recommend techniques for mitigating their effects	3.9.f	discuss how behavioral factors affect investment committee decision making and recommend techniques for mitigating their effects;	
Behavioral Finance	3.9.g	describe how behavioral biases of investors can lead to market anomalies and observed market characteristics	3.9.g	describe how behavioral biases of investors can lead to market anomalies and observed market characteristics.	
Private Wealth	4.10.a	discuss how source of wealth, measure of wealth, and stage of life affect an individual investors' risk tolerance	4.10.a	discuss how source of wealth, measure of wealth, and stage of life affect an individual investors' risk tolerance;	

Private Wealth	4.10.b	explain the role of situational and psychological profiling in understanding an individual investor	4.10.b	explain the role of situational and psychological profiling in understanding an individual investor;	
Private Wealth	4.10.c	compare the traditional finance and behavioral finance models of investor decision making	4.10.c	compare the traditional finance and behavioral finance models of investor decision making;	
Private Wealth	4.10.d	explain the influence of investor psychology on risk tolerance and investment choices	4.10.d	explain the influence of investor psychology on risk tolerance and investment choices;	
Private Wealth	4.10.e	explain the use of a personality typing questionnaire for identifying an investor's personality type	4.10.e	explain the use of a personality typing questionnaire for identifying an investor's personality type;	
Private Wealth	4.10.f	compare risk attitudes and decision-making styles among distinct investor personality types, including cautious, methodical, spontaneous, and individualistic investors	4.10.f	compare risk attitudes and decision-making styles among distinct investor personality types, including cautious, methodical, spontaneous, and individualistic investors;	
Private Wealth	4.10.g	explain the potential benefits, for both clients and investment advisers, of having a formal investment policy statement	4.10.g	explain potential benefits, for both clients and investment advisers, of having a formal investment policy statement;	
Private Wealth	4.10.h	explain the process involved in creating an investment policy statement	4.10.h	explain the process involved in creating an investment policy statement;	
Private Wealth	4.10.i	distinguish between required return and desired return and explain the impact these have on the individual investor's investment policy	4.10.i	distinguish between required return and desired return and explain how these affect the individual investor's investment policy;	**Wording Change**
Private Wealth	4.10.j	explain how to set risk and return objectives for individual investor portfolios and discuss the impact that ability and willingness to take risk have on risk tolerance	4.10.j	explain how to set risk and return objectives for individual investor portfolios and discuss the impact that ability and willingness to take risk have on risk tolerance;	
Private Wealth	4.10.k	discuss each of the major constraint categories included in an individual investor's investment policy statement	4.10.k	discuss each of the major constraint categories included in an individual investor's investment policy statement;	
Private Wealth	4.10.l	formulate and justify an investment policy statement for an individual investor	4.10.l	prepare and justify an investment policy statement for an individual investor;	**Wording Change**

Private Wealth	4.10.m	determine the strategic asset allocation that is most appropriate for an individual investor's specific investment objectives and constraints	4.10.m	determine the strategic asset allocation that is most appropriate for an individual investor's specific investment objectives and constraints;	
Private Wealth	4.10.n	compare Monte Carlo and traditional deterministic approaches to retirement planning and explain the advantages of a Monte Carlo approach	4.10.n	compare Monte Carlo and traditional deterministic approaches to retirement planning and explain the advantages of a Monte Carlo approach.	
Private Wealth	4.11.a	compare basic global taxation regimes as they relate to the taxation of dividend income, interest income, realized capital gains, and unrealized capital gains	4.11.a	compare basic global taxation regimes as they relate to the taxation of dividend income, interest income, realized capital gains, and unrealized capital gains;	
Private Wealth	4.11.b	determine the impact of different types of taxes and tax regimes on future wealth accumulation	4.11.b	determine the effects of different types of taxes and tax regimes on future wealth accumulation;	**Wording Change**
Private Wealth	4.11.c	calculate accrual equivalent tax rates and after-tax returns	4.11.c	calculate accrual equivalent tax rates and after-tax returns;	
Private Wealth	4.11.d	explain how investment return and investment horizon affect the tax impact associated with an investment	4.11.d	explain how investment return and investment horizon affect the tax impact associated with an investment;	
Private Wealth	4.11.e	discuss the tax profiles of different types of investment accounts and explain their impact on after-tax returns and future accumulations	4.11.e	discuss the tax profiles of different types of investment accounts and explain their impact on after-tax returns and future accumulations;	
Private Wealth	4.11.f	explain how taxes affect investment risk	4.11.f	explain how taxes affect investment risk;	
Private Wealth	4.11.g	discuss the relation between after-tax returns and different types of investor trading behavior	4.11.g	discuss the relation between after-tax returns and different types of investor trading behavior;	
Private Wealth	4.11.h	explain the benefits of tax loss harvesting and highest-in/first-out (HIFO) tax lot accounting	4.11.h	explain the benefits of tax loss harvesting and highest-in/first-out (HIFO) tax lot accounting;	
Private Wealth	4.11.i	demonstrate how taxes and asset location relate to mean–variance optimization	4.11.i	demonstrate how taxes and asset location relate to mean–variance optimization.	
Private Wealth	4.12.a	discuss the purpose of estate planning and explain the basic concepts of domestic estate planning, including estates, wills, and probate	4.12.a	discuss the purpose of estate planning and explain the basic concepts of domestic estate planning, including estates, wills, and probate;	

Private Wealth	4.12.b	explain the two principal forms of wealth transfer taxes and discuss the impact of important non-tax issues, such as legal system, forced heirship, and marital property regime	4.12.b	explain the two principal forms of wealth transfer taxes and discuss the effects of important non-tax issues, such as legal system, forced heirship, and marital property regime;	**Wording Change**
Private Wealth	4.12.c	determine a family's core capital and excess capital, based on mortality probabilities and Monte Carlo analysis	4.12.c	determine a family's core capital and excess capital, based on mortality probabilities and Monte Carlo analysis;	
Private Wealth	4.12.d	evaluate the relative after-tax value of lifetime gifts and testamentary bequests	4.12.d	evaluate the relative after-tax value of lifetime gifts and testamentary bequests;	
Private Wealth	4.12.e	explain the estate planning benefit of making lifetime gifts when gift taxes are paid by the donor, rather than the recipient	4.12.e	explain the estate planning benefit of making lifetime gifts when gift taxes are paid by the donor, rather than the recipient;	
Private Wealth	4.12.f	evaluate the after-tax benefits of basic estate planning strategies, including generation skipping, spousal exemptions, valuation discounts, and charitable gifts	4.12.f	evaluate the after-tax benefits of basic estate planning strategies, including generation skipping, spousal exemptions, valuation discounts, and charitable gifts;	
Private Wealth	4.12.g	explain the basic structure of a trust and discuss the differences between revocable and irrevocable trusts	4.12.g	explain the basic structure of a trust and discuss the differences between revocable and irrevocable trusts;	
Private Wealth	4.12.h	explain how life insurance can be a tax-efficient means of wealth transfer	4.12.h	explain how life insurance can be a tax-efficient means of wealth transfer;	
Private Wealth	4.12.i	discuss the two principal systems (source jurisdiction and residence jurisdiction) for establishing a country's tax jurisdiction	4.12.i	discuss the two principal systems (source jurisdiction and residence jurisdiction) for establishing a country's tax jurisdiction;	
Private Wealth	4.12.j	discuss the possible income and estate tax consequences of foreign situated assets and foreign-sourced income	4.12.j	discuss the possible income and estate tax consequences of foreign situated assets and foreign-sourced income;	
Private Wealth	4.12.k	evaluate a client's tax liability under each of three basic methods (credit, exemption, and deduction) that a country may use to provide relief from double taxation	4.12.k	evaluate a client's tax liability under each of three basic methods (credit, exemption, and deduction) that a country may use to provide relief from double taxation;	

Private Wealth	4.12.l	discuss the impact of increasing international transparency and information exchange among tax authorities on international estate planning	4.12.l	discuss how increasing international transparency and information exchange among tax authorities affect international estate planning.	**Wording Change**
Private Wealth			4.13.a	explain investment risks associated with a concentrated position in a single asset and discuss the appropriateness of reducing such risks;	**NEW**
Private Wealth			4.13.b	describe typical objectives in managing concentrated positions;	**NEW**
Private Wealth			4.13.c	discuss tax consequences and illiquidity as considerations affecting the management of concentrated positions in publicly traded common shares, privately held businesses, and real estate;	**NEW**
Private Wealth			4.13.d	discuss capital market and institutional constraints on an investor's ability to reduce a concentrated position;	**NEW**
Private Wealth	4.13.a	explain the psychological considerations, investment risk, and tax issues related to concentrated holdings of low-basis stock	4.13.e	discuss psychological considerations that may make an investor reluctant to reduce his or her exposure to a concentrated position;	**Wording Change**
Private Wealth	4.13.b	discuss how exposure to stock-specific risk is expected to change over the entrepreneurial, executive, and investor stages of an individual's "equity holding life"			**REMOVED**
Private Wealth	4.13.c	explain individual investors' attitudes toward holding their own company stock during the entrepreneurial, executive, and investor stages			**REMOVED**
Private Wealth	4.13.d	critique the effectiveness of outright sales, exchange funds, completion portfolios, and hedging strategies as techniques for reducing concentrated equity risk			**REMOVED**

Private Wealth			4.13.f	describe advisers' use of goal-based planning in managing concentrated positions;	**NEW**
Private Wealth			4.13.g	explain uses of asset location and wealth transfers in managing concentrated positions;	**NEW**
Private Wealth			4.13.h	describe strategies for managing concentrated positions in publicly traded common shares;	**NEW**
Private Wealth			4.13.i	discuss tax considerations in the choice of hedging strategy;	**NEW**
Private Wealth			4.13.j	describe strategies for managing concentrated positions in privately held businesses;	**NEW**
Private Wealth			4.13.k	describe strategies for managing concentrated positions in real estate;	**NEW**
Private Wealth			4.13.l	evaluate and recommend techniques for tax efficiently managing the risks of concentrated positions in publicly traded common stock, privately held businesses, and real estate.	**NEW**
Private Wealth	4.14.a	explain the concept and discuss the characteristics of "human capital" as a component of an investor's total wealth	4.14.a	explain the concept and discuss the characteristics of "human capital" as a component of an investor's total wealth;	
Private Wealth	4.14.b	discuss the earnings risk, mortality risk, and longevity risk associated with human capital and explain how these risks can be reduced by appropriate portfolio diversification, life insurance, and annuity products	4.14.b	discuss the earnings risk, mortality risk, and longevity risk associated with human capital and explain how these risks can be reduced by appropriate portfolio diversification, life insurance, and annuity products;	
Private Wealth	4.14.c	explain how asset allocation policy is influenced by the risk characteristics of human capital and the relative relationships of human capital, financial capital, and total wealth	4.14.c	explain how asset allocation policy is influenced by the risk characteristics of human capital and the relative relationships of human capital, financial capital, and total wealth;	

Private Wealth	4.14.d	discuss how asset allocation and the appropriate level of life insurance are influenced by the joint consideration of human capital, financial capital, bequest preferences, risk tolerance, and financial wealth	4.14.d	discuss how asset allocation and the appropriate level of life insurance are influenced by the joint consideration of human capital, financial capital, bequest preferences, risk tolerance, and financial wealth;	
Private Wealth	4.14.e	discuss the financial market risk, longevity risk, and savings risk faced by investors in retirement and explain how these risks can be reduced by appropriate portfolio diversification, insurance products, and savings discipline	4.14.e	discuss the financial market risk, longevity risk, and savings risk faced by investors in retirement and explain how these risks can be reduced by appropriate portfolio diversification, insurance products, and savings discipline;	
Private Wealth	4.14.f	discuss the relative advantages of fixed and variable annuities as hedges against longevity risk	4.14.f	discuss the relative advantages of fixed and variable annuities as hedges against longevity risk;	
Private Wealth	4.14.g	recommend basic strategies for asset allocation and risk reduction when given an investor profile of key inputs, including human capital, financial capital, stage of life cycle, bequest preferences, risk tolerance, and financial wealth	4.14.g	recommend basic strategies for asset allocation and risk reduction when given an investor profile of key inputs, including human capital, financial capital, stage of life cycle, bequest preferences, risk tolerance, and financial wealth.	
Institutional Management	5.15.a	contrast a defined-benefit plan to a defined-contribution plan, from the perspective of the employee and employer and discuss the advantages and disadvantages of each	5.15.a	contrast a defined-benefit plan to a defined-contribution plan and discuss the advantages and disadvantages of each from the perspectives of the employee and the employer;	**Wording Change**
Institutional Management	5.15.b	discuss investment objectives and constraints for defined-benefit plans	5.15.b	discuss investment objectives and constraints for defined-benefit plans;	
Institutional Management	5.15.c	evaluate pension fund risk tolerance when risk is considered from the perspective of the 1) plan surplus, 2) sponsor financial status and profitability, 3) sponsor and pension fund common risk exposures, 4) plan features, and 5) workforce characteristics	5.15.c	evaluate pension fund risk tolerance when risk is considered from the perspective of the 1) plan surplus, 2) sponsor financial status and profitability, 3) sponsor and pension fund common risk exposures, 4) plan features, and 5) workforce characteristics;	
Institutional Management	5.15.d	prepare an investment policy statement for a defined-benefit plan	5.15.d	prepare an investment policy statement for a defined-benefit plan;	

Institutional Management	5.15.e	evaluate the risk management considerations in investing pension plan assets	5.15.e	evaluate the risk management considerations in investing pension plan assets;
Institutional Management	5.15.f	prepare an investment policy statement for a defined-contribution plan	5.15.f	prepare an investment policy statement for a defined-contribution plan;
Institutional Management	5.15.g	discuss hybrid pension plans (eg, cash balance plans) and employee stock ownership plans	5.15.g	discuss hybrid pension plans (e.g., cash balance plans) and employee stock ownership plans;
Institutional Management	5.15.h	distinguish among various types of foundations, with respect to their description, purpose, source of funds, and annual spending requirements	5.15.h	distinguish among various types of foundations, with respect to their description, purpose, source of funds, and annual spending requirements;
Institutional Management	5.15.i	compare the investment objectives and constraints of foundations, endowments, insurance companies, and banks	5.15.i	compare the investment objectives and constraints of foundations, endowments, insurance companies, and banks;
Institutional Management	5.15.j	prepare an investment policy statement for a foundation, an endowment, an insurance company, and a bank	5.15.j	prepare an investment policy statement for a foundation, an endowment, an insurance company, and a bank;
Institutional Management	5.15.k	contrast investment companies, commodity pools, and hedge funds to other types of institutional investors	5.15.k	contrast investment companies, commodity pools, and hedge funds to other types of institutional investors;
Institutional Management	5.15.l	discuss the factors that determine investment policy for pension funds, foundations, endowments, life and nonlife insurance companies, and banks	5.15.l	discuss the factors that determine investment policy for pension funds, foundations, endowments, life and nonlife insurance companies, and banks;
Institutional Management	5.15.m	compare the asset/liability management needs of pension funds, foundations, endowments, insurance companies, and banks	5.15.m	compare the asset/liability management needs of pension funds, foundations, endowments, insurance companies, and banks;
Institutional Management	5.15.n	compare the investment objectives and constraints of institutional investors given relevant data, such as descriptions of their financial circumstances and attitudes toward risk	5.15.n	compare the investment objectives and constraints of institutional investors given relevant data, such as descriptions of their financial circumstances and attitudes toward risk.

Institutional Management	5.16.a	contrast the assumptions concerning pension liability risk in asset-only and liability-relative approaches to asset allocation	5.16.a	contrast the assumptions concerning pension liability risk in asset-only and liability-relative approaches to asset allocation;	
Institutional Management	5.16.b	discuss the fundamental and economic exposures of pension liabilities and identify asset types that mimic these liability exposures	5.16.b	discuss the fundamental and economic exposures of pension liabilities and identify asset types that mimic these liability exposures;	
Institutional Management	5.16.c	compare pension portfolios built from a traditional asset-only perspective to portfolios designed relative to liabilities and discuss why corporations may choose not to implement fully the liability mimicking portfolio	5.16.c	compare pension portfolios built from a traditional asset-only perspective to portfolios designed relative to liabilities and discuss why corporations may choose not to implement fully the liability mimicking portfolio.	
Institutional Management	5.17.a	compare funding shortfall and asset/liability mismatch as sources of risk faced by pension plan sponsors			**REMOVED**
Institutional Management	5.17.b	explain how the weighted average cost of capital for a corporation can be adjusted to incorporate pension risk and discuss the potential consequences of not making this adjustment			**REMOVED**
Institutional Management	5.17.c	explain, in an expanded balance sheet framework, the effects of different pension asset allocations on total asset betas, the equity capital needed to maintain equity beta at a desired level, and the debt-to-equity ratio			**REMOVED**
Capital Markets	6.18.a	discuss the role of, and a framework for, capital market expectations in the portfolio management process	6.17.a	discuss the role of, and a framework for, capital market expectations in the portfolio management process;	

Capital Markets	6.18.b	discuss, in relation to capital market expectations, the limitations of economic data, data measurement errors and biases, the limitations of historical estimates, ex post risk as a biased measure of ex ante risk, biases in analysts' methods, the failure to account for conditioning information, the misinterpretation of correlations, psychological traps, and model uncertainty	6.17.b	discuss challenges in developing capital market forecasts;	**Wording Change**
Capital Markets	6.18.c	demonstrate the application of formal tools for setting capital market expectations, including statistical tools, discounted cash flow models, the risk premium approach, and financial equilibrium models	6.17.c	demonstrate the application of formal tools for setting capital market expectations, including statistical tools, discounted cash flow models, the risk premium approach, and financial equilibrium models;	
Capital Markets	6.18.d	explain the use of survey and panel methods and judgment in setting capital market expectations	6.17.d	explain the use of survey and panel methods and judgment in setting capital market expectations;	
Capital Markets	6.18.e	discuss the inventory and business cycles, the impact of consumer and business spending, and monetary and fiscal policy on the business cycle	6.17.e	discuss the inventory and business cycles, the impact of consumer and business spending, and monetary and fiscal policy on the business cycle;	
Capital Markets	6.18.f	discuss the impact that the phases of the business cycle have on short-term/long-term capital market returns	6.17.f	discuss the impact that the phases of the business cycle have on short-term/long-term capital market returns;	
Capital Markets	6.18.g	explain the relationship of inflation to the business cycle and the implications of inflation for cash, bonds, equity, and real estate returns	6.17.g	explain the relationship of inflation to the business cycle and the implications of inflation for cash, bonds, equity, and real estate returns;	
Capital Markets	6.18.h	demonstrate the use of the Taylor rule to predict central bank behavior	6.17.h	demonstrate the use of the Taylor rule to predict central bank behavior;	
Capital Markets	6.18.i	evaluate 1) the shape of the yield curve as an economic predictor and 2) the relationship between the yield curve and fiscal and monetary policy	6.17.i	evaluate 1) the shape of the yield curve as an economic predictor and 2) the relationship between the yield curve and fiscal and monetary policy;	

Capital Markets	6.18.j	identify and interpret the components of economic growth trends and demonstrate the application of economic growth trend analysis to the formulation of capital market expectations	6.17.j	identify and interpret the components of economic growth trends and demonstrate the application of economic growth trend analysis to the formulation of capital market expectations;
Capital Markets	6.18.k	explain how exogenous shocks may affect economic growth trends	6.17.k	explain how exogenous shocks may affect economic growth trends;
Capital Markets	6.18.l	identify and interpret macroeconomic, interest rate, and exchange rate linkages between economies	6.17.l	identify and interpret macroeconomic, interest rate, and exchange rate linkages between economies;
Capital Markets	6.18.m	discuss the risks faced by investors in emerging-market securities and the country risk analysis techniques used to evaluate emerging market economies	6.17.m	discuss the risks faced by investors in emerging-market securities and the country risk analysis techniques used to evaluate emerging market economies;
Capital Markets	6.18.n	compare the major approaches to economic forecasting	6.17.n	compare the major approaches to economic forecasting;
Capital Markets	6.18.o	demonstrate the use of economic information in forecasting asset class returns	6.17.o	demonstrate the use of economic information in forecasting asset class returns;
Capital Markets	6.18.p	evaluate how economic and competitive factors affect investment markets, sectors, and specific securities	6.17.p	evaluate how economic and competitive factors affect investment markets, sectors, and specific securities;
Capital Markets	6.18.q	discuss the relative advantages and limitations of the major approaches to forecasting exchange rates	6.17.q	discuss the relative advantages and limitations of the major approaches to forecasting exchange rates;
Capital Markets	6.18.r	recommend and justify changes in the component weights of a global investment portfolio based on trends and expected changes in macroeconomic factors	6.17.r	recommend and justify changes in the component weights of a global investment portfolio based on trends and expected changes in macroeconomic factors.
Economics	7.19.a	explain the terms of the Cobb-Douglas production function and demonstrate how the function can be used to model growth in real output under the assumption of constant returns to scale	7.18.a	explain the terms of the Cobb-Douglas production function and demonstrate how the function can be used to model growth in real output under the assumption of constant returns to scale;

Economics	7.19.b	evaluate the relative importance of growth in total factor productivity, in capital stock, and in labor input given relevant historical data	7.18.b	evaluate the relative importance of growth in total factor productivity, in capital stock, and in labor input given relevant historical data;	
Economics	7.19.c	demonstrate the use of the Cobb-Douglas production function in obtaining a discounted dividend model estimate of the intrinsic value of an equity market	7.18.c	demonstrate the use of the Cobb-Douglas production function in obtaining a discounted dividend model estimate of the intrinsic value of an equity market;	
Economics	7.19.d	critique the use of discounted dividend models and macroeconomic forecasts to estimate the intrinsic value of an equity market	7.18.d	critique the use of discounted dividend models and macroeconomic forecasts to estimate the intrinsic value of an equity market;	
Economics	7.19.e	contrast top-down and bottom-up approaches to forecasting the earnings per share of an equity market index	7.18.e	contrast top-down and bottom-up approaches to forecasting the earnings per share of an equity market index;	
Economics	7.19.f	discuss the strengths and limitations of relative valuation models	7.18.f	discuss the strengths and limitations of relative valuation models;	
Economics	7.19.g	judge whether an equity market is under-, fairly, or over-valued using a relative equity valuation model	7.18.g	judge whether an equity market is under-, fairly, or over-valued using a relative equity valuation model.	
Economics	7.20.a	compare the economic potential of emerging markets such as Brazil, Russia, India, and China (BRICs) to that of developed markets, in terms of economic size and growth, demographics and per capita income, growth in global spending, and trends in real exchange rates			**REMOVED**
Economics	7.20.b	explain why certain developing economies may have high returns on capital, rising productivity, and appreciating currencies			**REMOVED**
Economics	7.20.c	explain the importance of technological progress, employment growth, and growth in capital stock in estimating the economic potential of an emerging market			**REMOVED**

Economics	7.20.d	discuss the conditions necessary for sustained economic growth, including the core factors of macroeconomic stability, institutional efficiency, open trade, and worker education			**REMOVED**
Economics	7.20.e	evaluate the investment rationale for allocating part of a well-diversified portfolio to emerging markets in countries with above average economic potential			**REMOVED**
Asset Allocation	8.21.a	explain the function of strategic asset allocation in portfolio management and discuss its role in relation to specifying and controlling the investor's exposures to systematic risk	8.19.a	explain the function of strategic asset allocation in portfolio management and discuss its role in relation to specifying and controlling the investor's exposures to systematic risk;	
Asset Allocation	8.21.b	compare strategic and tactical asset allocation	8.19.b	compare strategic and tactical asset allocation;	
Asset Allocation	8.21.c	discuss the importance of asset allocation for portfolio performance	8.19.c	discuss the importance of asset allocation for portfolio performance;	
Asset Allocation	8.21.d	contrast the asset-only and asset/liability management (ALM) approaches to asset allocation and discuss the investor circumstances in which they are commonly used	8.19.d	contrast the asset-only and asset/liability management (ALM) approaches to asset allocation and discuss the investor circumstances in which they are commonly used;	
Asset Allocation	8.21.e	explain the advantage of dynamic over static asset allocation and discuss the trade-offs of complexity and cost	8.19.e	explain the advantage of dynamic over static asset allocation and discuss the trade-offs of complexity and cost;	
Asset Allocation	8.21.f	explain how loss aversion, mental accounting, and fear of regret may influence asset allocation policy	8.19.f	explain how loss aversion, mental accounting, and fear of regret may influence asset allocation policy;	
Asset Allocation	8.21.g	evaluate return and risk objectives in relation to strategic asset allocation	8.19.g	evaluate return and risk objectives in relation to strategic asset allocation;	
Asset Allocation	8.21.h	evaluate whether an asset class or set of asset classes has been appropriately specified	8.19.h	evaluate whether an asset class or set of asset classes has been appropriately specified;	
Asset Allocation	8.21.i	select and justify an appropriate set of asset classes for an investor	8.19.i	select and justify an appropriate set of asset classes for an investor;	
Asset Allocation	8.21.j	evaluate the theoretical and practical effects of including additional asset classes in an asset allocation	8.19.j	evaluate the theoretical and practical effects of including additional asset classes in an asset allocation;	

Asset Allocation	8.21.k	explain the major steps involved in establishing an appropriate asset allocation			**REMOVED**
Asset Allocation			8.19.k	demonstrate the application of mean–variance analysis to decide whether to include an additional asset class in an existing portfolio;	**NEW**
Asset Allocation			8.19.l	describe risk, cost, and opportunities associated with nondomestic equities and bonds;	**NEW**
Asset Allocation			8.19.m	explain the importance of conditional return correlations in evaluating the diversification benefits of nondomestic investments;	**NEW**
Asset Allocation			8.19.n	explain expected effects on share prices, expected returns, and return volatility as a segmented market becomes integrated with global markets;	**NEW**
Asset Allocation			8.19.o	explain the major steps involved in establishing an appropriate asset allocation;	**NEW**
Asset Allocation	8.21.l	discuss the strengths and limitations of the following approaches to asset allocation: mean–variance, resampled efficient frontier, Black–Litterman, Monte Carlo simulation, ALM, and experience based	8.19.p	discuss the strengths and limitations of the following approaches to asset allocation: mean–variance, resampled efficient frontier, Black–Litterman, Monte Carlo simulation, ALM, and experience based;	
Asset Allocation	8.21.m	discuss the structure of the minimum-variance frontier with a constraint against short sales	8.19.q	discuss the structure of the minimum-variance frontier with a constraint against short sales;	
Asset Allocation	8.21.n	formulate and justify a strategic asset allocation, given an investment policy statement and capital market expectations	8.19.r	formulate and justify a strategic asset allocation, given an investment policy statement and capital market expectations;	
Asset Allocation	8.21.o	compare the considerations that affect asset allocation for individual investors versus institutional investors and critique a proposed asset allocation in light of those considerations	8.19.s	compare the considerations that affect asset allocation for individual investors versus institutional investors and critique a proposed asset allocation in light of those considerations;	

Asset Allocation	8.21.p	formulate and justify tactical asset allocation (TAA) adjustments to strategic asset class weights, given a TAA strategy and expectational data	8.19.t	formulate and justify tactical asset allocation (TAA) adjustments to strategic asset class weights, given a TAA strategy and expectational data.	
Asset Allocation	8.22.a	discuss the implications of international diversification for domestic equity and fixed-income portfolios, based on the traditional assumptions of low correlations across international markets			**REMOVED**
Asset Allocation	8.22.b	distinguish between the asset return and currency return for an international security			**REMOVED**
Asset Allocation	8.22.c	evaluate the contribution of currency risk to the volatility of an international security position			**REMOVED**
Asset Allocation	8.22.d	discuss the impact of international diversification on the efficient frontier			**REMOVED**
Asset Allocation	8.22.e	evaluate the potential performance and risk-reduction benefits of adding bonds to a globally diversified stock portfolio			**REMOVED**
Asset Allocation	8.22.f	explain why currency risk should not be a significant barrier to international investment			**REMOVED**
Asset Allocation	8.22.g	critique the traditional case against international diversification			**REMOVED**
Asset Allocation	8.22.h	discuss the barriers to international investments and their impact on international investors			**REMOVED**
Asset Allocation	8.22.i	distinguish between global investing and international diversification and discuss the growing importance of global industry factors as a determinant of risk and performance			**REMOVED**
Asset Allocation	8.22.j	discuss the basic case for investing in emerging markets, as well as the risks and restrictions often associated with such investments			**REMOVED**

Fixed Income	9.23.a	compare, with respect to investment objectives, the use of liabilities as a benchmark and the use of a bond index as a benchmark	9.20.a	compare, with respect to investment objectives, the use of liabilities as a benchmark and the use of a bond index as a benchmark;
Fixed Income	9.23.b	compare pure bond indexing, enhanced indexing, and active investing with respect to the objectives, advantages, disadvantages, and management of each	9.20.b	compare pure bond indexing, enhanced indexing, and active investing with respect to the objectives, advantages, disadvantages, and management of each;
Fixed Income	9.23.c	discuss the criteria for selecting a benchmark bond index and justify the selection of a specific index when given a description of an investor’s risk aversion, income needs, and liabilities	9.20.c	discuss the criteria for selecting a benchmark bond index and justify the selection of a specific index when given a description of an investor’s risk aversion, income needs, and liabilities;
Fixed Income	9.23.d	describe and evaluate techniques, such as duration matching and the use of key rate durations, by which an enhanced indexer may seek to align the risk exposures of the portfolio with those of the benchmark bond index	9.20.d	describe and evaluate techniques, such as duration matching and the use of key rate durations, by which an enhanced indexer may seek to align the risk exposures of the portfolio with those of the benchmark bond index;
Fixed Income	9.23.e	contrast and demonstrate the use of total return analysis and scenario analysis to assess the risk and return characteristics of a proposed trade	9.20.e	contrast and demonstrate the use of total return analysis and scenario analysis to assess the risk and return characteristics of a proposed trade;
Fixed Income	9.23.f	formulate a bond immunization strategy to ensure funding of a predetermined liability and evaluate the strategy under various interest rate scenarios	9.20.f	formulate a bond immunization strategy to ensure funding of a predetermined liability and evaluate the strategy under various interest rate scenarios;
Fixed Income	9.23.g	demonstrate the process of rebalancing a portfolio to reestablish a desired dollar duration	9.20.g	demonstrate the process of rebalancing a portfolio to reestablish a desired dollar duration;
Fixed Income	9.23.h	explain the importance of spread duration	9.20.h	explain the importance of spread duration;
Fixed Income	9.23.i	discuss the extensions that have been made to classical immunization theory, including the introduction of contingent immunization	9.20.i	discuss the extensions that have been made to classical immunization theory, including the introduction of contingent immunization;

Fixed Income	9.23.j	explain the risks associated with managing a portfolio against a liability structure, including interest rate risk, contingent claim risk, and cap risk	9.20.j	explain the risks associated with managing a portfolio against a liability structure, including interest rate risk, contingent claim risk, and cap risk;
Fixed Income	9.23.k	compare immunization strategies for a single liability, multiple liabilities, and general cash flows	9.20.k	compare immunization strategies for a single liability, multiple liabilities, and general cash flows;
Fixed Income	9.23.l	compare risk minimization with return maximization in immunized portfolios	9.20.l	compare risk minimization with return maximization in immunized portfolios;
Fixed Income	9.23.m	demonstrate the use of cash flow matching to fund a fixed set of future liabilities and compare the advantages and disadvantages of cash flow matching to those of immunization strategies	9.20.m	demonstrate the use of cash flow matching to fund a fixed set of future liabilities and compare the advantages and disadvantages of cash flow matching to those of immunization strategies.
Fixed Income	9.24.a	explain classic relative-value analysis, based on top-down and bottom-up approaches to credit bond portfolio management	9.21.a	explain classic relative-value analysis, based on top-down and bottom-up approaches to credit bond portfolio management;
Fixed Income	9.24.b	discuss the implications of cyclical supply and demand changes in the primary corporate bond market and the impact of secular changes in the market’s dominant product structures	9.21.b	discuss the implications of cyclical supply and demand changes in the primary corporate bond market and the impact of secular changes in the market’s dominant product structures;
Fixed Income	9.24.c	explain the influence of investors’ short- and long-term liquidity needs on portfolio management decisions	9.21.c	explain the influence of investors’ short- and long-term liquidity needs on portfolio management decisions;
Fixed Income	9.24.d	discuss common rationales for secondary market trading	9.21.d	discuss common rationales for secondary market trading;
Fixed Income	9.24.e	discuss corporate bond portfolio strategies that are based on relative value	9.21.e	discuss corporate bond portfolio strategies that are based on relative value.
Fixed Income	10.25.a	evaluate the effect of leverage on portfolio duration and investment returns	10.22.a	evaluate the effect of leverage on portfolio duration and investment returns;
Fixed Income	10.25.b	discuss the use of repurchase agreements (repos) to finance bond purchases and the factors that affect the repo rate	10.22.b	discuss the use of repurchase agreements (repos) to finance bond purchases and the factors that affect the repo rate;

Fixed Income	10.25.c	critique the use of standard deviation, target semivariance, shortfall risk, and value at risk as measures of fixed-income portfolio risk	10.22.c	critique the use of standard deviation, target semivariance, shortfall risk, and value at risk as measures of fixed-income portfolio risk;
Fixed Income	10.25.d	demonstrate the advantages of using futures instead of cash market instruments to alter portfolio risk	10.22.d	demonstrate the advantages of using futures instead of cash market instruments to alter portfolio risk;
Fixed Income	10.25.e	formulate and evaluate an immunization strategy based on interest rate futures	10.22.e	formulate and evaluate an immunization strategy based on interest rate futures;
Fixed Income	10.25.f	explain the use of interest rate swaps and options to alter portfolio cash flows and exposure to interest rate risk	10.22.f	explain the use of interest rate swaps and options to alter portfolio cash flows and exposure to interest rate risk;
Fixed Income	10.25.g	compare default risk, credit spread risk, and downgrade risk and demonstrate the use of credit derivative instruments to address each risk in the context of a fixed-income portfolio	10.22.g	compare default risk, credit spread risk, and downgrade risk and demonstrate the use of credit derivative instruments to address each risk in the context of a fixed-income portfolio;
Fixed Income	10.25.h	explain the potential sources of excess return for an international bond portfolio	10.22.h	explain the potential sources of excess return for an international bond portfolio;
Fixed Income	10.25.i	evaluate 1) the change in value for a foreign bond when domestic interest rates change and 2) the bond's contribution to duration in a domestic portfolio, given the duration of the foreign bond and the country beta	10.22.i	evaluate 1) the change in value for a foreign bond when domestic interest rates change and 2) the bond's contribution to duration in a domestic portfolio, given the duration of the foreign bond and the country beta;
Fixed Income	10.25.j	recommend and justify whether to hedge or not hedge currency risk in an international bond investment	10.22.j	recommend and justify whether to hedge or not hedge currency risk in an international bond investment;
Fixed Income	10.25.k	describe how breakeven spread analysis can be used to evaluate the risk in seeking yield advantages across international bond markets	10.22.k	describe how breakeven spread analysis can be used to evaluate the risk in seeking yield advantages across international bond markets;
Fixed Income	10.25.l	discuss the advantages and risks of investing in emerging market debt	10.22.l	discuss the advantages and risks of investing in emerging market debt;
Fixed Income	10.25.m	discuss the criteria for selecting a fixed-income manager	10.22.m	discuss the criteria for selecting a fixed-income manager.

Fixed Income	10.26.a	demonstrate how a mortgage security's negative convexity will affect the performance of a hedge			**REMOVED**
Fixed Income	10.26.b	explain the risks associated with investing in mortgage securities and discuss whether these risks can be effectively hedged			**REMOVED**
Fixed Income	10.26.c	contrast an individual mortgage security to a Treasury security with respect to the importance of yield-curve risk			**REMOVED**
Fixed Income	10.26.d	compare duration-based and interest rate sensitivity approaches to hedging mortgage securities			**REMOVED**
Equity Management	11.27.a	discuss the role of equities in the overall portfolio	11.23.a	discuss the role of equities in the overall portfolio;	
Equity Management	11.27.b	discuss the rationales for passive, active, and semiactive (enhanced index) equity investment approaches and distinguish among those approaches with respect to expected active return and tracking risk	11.23.b	discuss the rationales for passive, active, and semiactive (enhanced index) equity investment approaches and distinguish among those approaches with respect to expected active return and tracking risk;	
Equity Management	11.27.c	recommend an equity investment approach when given an investor's investment policy statement and beliefs concerning market efficiency	11.23.c	recommend an equity investment approach when given an investor's investment policy statement and beliefs concerning market efficiency;	
Equity Management	11.27.d	distinguish among the predominant weighting schemes used in the construction of major equity share indices and evaluate the biases of each	11.23.d	distinguish among the predominant weighting schemes used in the construction of major equity share indices and evaluate the biases of each;	
Equity Management	11.27.e	compare alternative methods for establishing passive exposure to an equity market, including indexed separate or pooled accounts, index mutual funds, exchange-traded funds, equity index futures, and equity total return swaps	11.23.e	compare alternative methods for establishing passive exposure to an equity market, including indexed separate or pooled accounts, index mutual funds, exchange-traded funds, equity index futures, and equity total return swaps;	

Equity Management	11.27.f	compare full replication, stratified sampling, and optimization as approaches to constructing an indexed portfolio and recommend an approach when given a description of the investment vehicle and the index to be tracked	11.23.f	compare full replication, stratified sampling, and optimization as approaches to constructing an indexed portfolio and recommend an approach when given a description of the investment vehicle and the index to be tracked;
Equity Management	11.27.g	explain and justify the use of equity investment–style classifications and discuss the difficulties in applying style definitions consistently	11.23.g	explain and justify the use of equity investment–style classifications and discuss the difficulties in applying style definitions consistently;
Equity Management	11.27.h	explain the rationales and primary concerns of value investors and growth investors and discuss the key risks of each investment style	11.23.h	explain the rationales and primary concerns of value investors and growth investors and discuss the key risks of each investment style;
Equity Management	11.27.i	compare techniques for identifying investment styles and characterize the style of an investor when given a description of the investor's security selection method, details on the investor's security holdings, or the results of a returns-based style analysis	11.23.i	compare techniques for identifying investment styles and characterize the style of an investor when given a description of the investor's security selection method, details on the investor's security holdings, or the results of a returns-based style analysis;
Equity Management	11.27.j	compare the methodologies used to construct equity style indices	11.23.j	compare the methodologies used to construct equity style indices;
Equity Management	11.27.k	interpret the results of an equity style box analysis and discuss the consequences of style drift	11.23.k	interpret the results of an equity style box analysis and discuss the consequences of style drift;
Equity Management	11.27.l	distinguish between positive and negative screens involving socially responsible investing criteria and discuss their potential effects on a portfolio's style characteristics	11.23.l	distinguish between positive and negative screens involving socially responsible investing criteria and discuss their potential effects on a portfolio's style characteristics;
Equity Management	11.27.m	compare long–short and long-only investment strategies, including their risks and potential alphas, and explain why greater pricing inefficiency may exist on the short side of the market	11.23.m	compare long–short and long-only investment strategies, including their risks and potential alphas, and explain why greater pricing inefficiency may exist on the short side of the market;

Equity Management	11.27.n	explain how a market-neutral portfolio can be "equitized" to gain equity market exposure and compare equitized market-neutral and short-extension portfolios	11.23.n	explain how a market-neutral portfolio can be "equitized" to gain equity market exposure and compare equitized market-neutral and short-extension portfolios;
Equity Management	11.27.o	compare the sell disciplines of active investors	11.23.o	compare the sell disciplines of active investors;
Equity Management	11.27.p	contrast derivatives-based and stock-based enhanced indexing strategies and justify enhanced indexing on the basis of risk control and the information ratio	11.23.p	contrast derivatives-based and stock-based enhanced indexing strategies and justify enhanced indexing on the basis of risk control and the information ratio;
Equity Management	11.27.q	recommend and justify, in a risk-return framework, the optimal portfolio allocations to a group of investment managers	11.23.q	recommend and justify, in a risk-return framework, the optimal portfolio allocations to a group of investment managers;
Equity Management	11.27.r	explain the core-satellite approach to portfolio construction and discuss the advantages and disadvantages of adding a completeness fund to control overall risk exposures	11.23.r	explain the core-satellite approach to portfolio construction and discuss the advantages and disadvantages of adding a completeness fund to control overall risk exposures;
Equity Management	11.27.s	distinguish among the components of total active return ("true" active return and "misfit" active return) and their associated risk measures and explain their relevance for evaluating a portfolio of managers	11.23.s	distinguish among the components of total active return ("true" active return and "misfit" active return) and their associated risk measures and explain their relevance for evaluating a portfolio of managers;
Equity Management	11.27.t	explain alpha and beta separation as an approach to active management and demonstrate the use of portable alpha	11.23.t	explain alpha and beta separation as an approach to active management and demonstrate the use of portable alpha;
Equity Management	11.27.u	describe the process of identifying, selecting, and contracting with equity managers	11.23.u	describe the process of identifying, selecting, and contracting with equity managers;
Equity Management	11.27.v	contrast the top-down and bottom-up approaches to equity research	11.23.v	contrast the top-down and bottom-up approaches to equity research.
Equity Management	12.29.a	discuss the need for float adjustment in the construction of international equity benchmarks	12.24.a	discuss the need for float adjustment in the construction of international equity benchmarks;

Equity Management	12.29.b	discuss trade-offs involved in constructing international indices, including 1) breadth versus investability, 2) liquidity and crossing opportunities versus index reconstitution effects, 3) precise float adjustment versus transactions costs from rebalancing, and 4) objectivity and transparency versus judgment	12.24.b	discuss trade-offs involved in constructing international indices, including 1) breadth versus investability, 2) precise float adjustment versus transaction costs from rebalancing, and 3) objectivity and transparency versus judgment;	**Wording Change**
Equity Management	12.29.c	discuss the effect that a country's classification as either a developed or an emerging market can have on market indices and on investment in the country's capital markets	12.24.c	discuss the effect that a country's classification as either a developed or an emerging market can have on market indices and on investment in the country's capital markets.	
Equity Management	12.28.a	compare interests of key stakeholder groups and explain the purpose of a stakeholder impact analysis	12.25.a	compare interests of key stakeholder groups and explain the purpose of a stakeholder impact analysis;	
Equity Management	12.28.b	discuss problems that can arise in principal-agent relationships and mechanisms that may mitigate such problems	12.25.b	discuss problems that can arise in principal-agent relationships and mechanisms that may mitigate such problems;	
Equity Management	12.28.c	discuss roots of unethical behavior and how managers might ensure that ethical issues are considered in business decision making	12.25.c	discuss roots of unethical behavior and how managers might ensure that ethical issues are considered in business decision making;	
Equity Management	12.28.d	compare the Friedman doctrine, Utilitarianism, Kantian Ethics, and Rights and Justice Theories as approaches to ethical decision making	12.25.d	compare the Friedman doctrine, Utilitarianism, Kantian Ethics, and Rights and Justice Theories as approaches to ethical decision making.	
Equity Management	12.30.a	discuss the process of financial liberalization and explain the expected impact on pricing and expected returns as a segmented market evolves into an integrated market			**REMOVED**
Equity Management	12.30.b	explain benefits that may accrue to an emerging market economy as a result of financial liberalization			**REMOVED**

Equity Management	12.30.c	discuss issues confronting emerging market investors, including excess correlations during times of crisis (contagion), corporate governance, price discovery, and liquidity			**REMOVED**
Alternative Investments	13.31.a	describe common features of alternative investments and their markets and how alternative investments may be grouped by the role they typically play in a portfolio	13.26.a	describe common features of alternative investments and their markets and how alternative investments may be grouped by the role they typically play in a portfolio;	
Alternative Investments	13.31.b	explain and justify the major due diligence checkpoints involved in selecting active managers of alternative investments	13.26.b	explain and justify the major due diligence checkpoints involved in selecting active managers of alternative investments;	
Alternative Investments	13.31.c	explain the special issues that alternative investments raise for investment advisers of private wealth clients	13.26.c	explain distinctive issues that alternative investments raise for investment advisers of private wealth clients;	**Wording Change**
Alternative Investments	13.31.d	distinguish among the principal classes of alternative investments, including real estate, private equity, commodity investments, hedge funds, managed futures, buyout funds, infrastructure funds, and distressed securities	13.26.d	distinguish among the principal classes of alternative investments, including real estate, private equity, commodity investments, hedge funds, managed futures, buyout funds, infrastructure funds, and distressed securities;	
Alternative Investments	13.31.e	discuss the construction and interpretation of benchmarks and the problem of benchmark bias in alternative investment groups	13.26.e	discuss the construction and interpretation of benchmarks and the problem of benchmark bias in alternative investment groups;	
Alternative Investments	13.31.f	evaluate the return enhancement and/or risk diversification effects of adding an alternative investment to a reference portfolio (for example, a portfolio invested solely in common equity and bonds)	13.26.f	evaluate the return enhancement and/or risk diversification effects of adding an alternative investment to a reference portfolio (for example, a portfolio invested solely in common equity and bonds);	
Alternative Investments	13.31.g	describe the advantages and disadvantages of direct equity investments in real estate	13.26.g	describe advantages and disadvantages of direct equity investments in real estate;	

Alternative Investments	13.31.h	discuss the major issuers and suppliers of venture capital, the stages through which private companies pass (seed stage through exit), the characteristic sources of financing at each stage, and the purpose of such financing	13.26.h	discuss the major issuers and suppliers of venture capital, the stages through which private companies pass (seed stage through exit), the characteristic sources of financing at each stage, and the purpose of such financing;
Alternative Investments	13.31.i	compare venture capital funds and buyout funds	13.26.i	compare venture capital funds and buyout funds;
Alternative Investments	13.31.j	discuss the use of convertible preferred stock in direct venture capital investment	13.26.j	discuss the use of convertible preferred stock in direct venture capital investment;
Alternative Investments	13.31.k	explain the typical structure of a private equity fund, including the compensation to the fund's sponsor (general partner) and typical timelines	13.26.k	explain the typical structure of a private equity fund, including the compensation to the fund's sponsor (general partner) and typical timelines;
Alternative Investments	13.31.l	discuss the issues that must be addressed in formulating a private equity investment strategy	13.26.l	discuss issues that must be addressed in formulating a private equity investment strategy;
Alternative Investments	13.31.m	compare indirect and direct commodity investment	13.26.m	compare indirect and direct commodity investment;
Alternative Investments	13.31.n	explain the three components of return for a commodity futures contract and the effect that an upward- or downward-sloping term structure of futures prices will have on roll yield	13.26.n	explain the three components of return for a commodity futures contract and the effect that an upward- or downward-sloping term structure of futures prices will have on roll yield;
Alternative Investments	13.31.o	describe the principle roles suggested for commodities in a portfolio and explain why some commodity classes may provide a better hedge against inflation than others	13.26.o	describe the principle roles suggested for commodities in a portfolio and explain why some commodity classes may provide a better hedge against inflation than others;
Alternative Investments	13.31.p	identify and explain the style classification of a hedge fund, given a description of its investment strategy	13.26.p	identify and explain the style classification of a hedge fund, given a description of its investment strategy;
Alternative Investments	13.31.q	discuss the typical structure of a hedge fund, including the fee structure, and explain the rationale for high-water mark provisions	13.26.q	discuss the typical structure of a hedge fund, including the fee structure, and explain the rationale for high-water mark provisions;

Alternative Investments	13.31.r	describe the purpose and characteristics of fund-of-funds hedge funds	13.26.r	describe the purpose and characteristics of fund-of-funds hedge funds;	
Alternative Investments	13.31.s	critique the conventions and discuss the issues involved in hedge fund performance evaluation, including the use of hedge fund indices and the Sharpe ratio	13.26.s	discuss concerns involved in hedge fund performance evaluation;	**Wording Change**
Alternative Investments	13.31.t	describe trading strategies of managed futures programs and the role of managed futures in a portfolio	13.26.t	describe trading strategies of managed futures programs and the role of managed futures in a portfolio;	
Alternative Investments	13.31.u	describe strategies and risks associated with investing in distressed securities	13.26.u	describe strategies and risks associated with investing in distressed securities;	
Alternative Investments	13.31.v	explain event risk, market liquidity risk, market risk, and "J-factor risk" in relation to investing in distressed securities	13.26.v	explain event risk, market liquidity risk, market risk, and "J-factor risk" in relation to investing in distressed securities.	
Alternative Investments	13.32.a	evaluate commodity hedging strategies that rely on swaps and describe their inherent risk exposures			**REMOVED**
Alternative Investments	13.33.a	discuss pricing factors for commodity forwards and futures, including storability, storage costs, production and demand, and explain their influence on lease rates and the forward curve			**REMOVED**
Alternative Investments	13.33.b	identify and explain how to exploit arbitrage situations that result from the convenience yield of a commodity and from commodity spreads across related commodities			**REMOVED**
Alternative Investments	13.33.c	compare the basis risk of commodity futures with that of financial futures			**REMOVED**
Risk Management	14.34.a	discuss the main features of the risk management process, risk governance, risk reduction, and an enterprise risk management system	14.27.a	discuss features of the risk management process, risk governance, risk reduction, and an enterprise risk management system;	**Wording Change**

Risk Management	14.34.b	evaluate the strengths and weaknesses of a company's risk management process	14.27.b	evaluate strengths and weaknesses of a company's risk management process;	
Risk Management	14.34.c	describe the characteristics of an effective risk management system	14.27.c	describe steps in an effective enterprise risk management system;	**Wording Change**
Risk Management	14.34.d	evaluate a company's or a portfolio's exposures to financial and nonfinancial risk factors	14.27.d	evaluate a company's or a portfolio's exposures to financial and nonfinancial risk factors;	
Risk Management	14.34.e	calculate and interpret value at risk (VAR) and explain its role in measuring overall and individual position market risk	14.27.e	calculate and interpret value at risk (VAR) and explain its role in measuring overall and individual position market risk;	
Risk Management	14.34.f	compare the analytical (variance–covariance), historical, and Monte Carlo methods for estimating VAR and discuss the advantages and disadvantages of each	14.27.f	compare the analytical (variance–covariance), historical, and Monte Carlo methods for estimating VAR and discuss the advantages and disadvantages of each;	
Risk Management	14.34.g	discuss the advantages and limitations of VAR and its extensions, including cash flow at risk, earnings at risk, and tail value at risk	14.27.g	discuss advantages and limitations of VAR and its extensions, including cash flow at risk, earnings at risk, and tail value at risk;	
Risk Management	14.34.h	compare alternative types of stress testing and discuss the advantages and disadvantages of each	14.27.h	compare alternative types of stress testing and discuss advantages and disadvantages of each;	
Risk Management	14.34.i	evaluate the credit risk of an investment position, including forward contract, swap, and option positions	14.27.i	evaluate the credit risk of an investment position, including forward contract, swap, and option positions;	
Risk Management	14.34.j	demonstrate the use of risk budgeting, position limits, and other methods for managing market risk	14.27.j	demonstrate the use of risk budgeting, position limits, and other methods for managing market risk;	
Risk Management	14.34.k	demonstrate the use of exposure limits, marking to market, collateral, netting arrangements, credit standards, and credit derivatives to manage credit risk	14.27.k	demonstrate the use of exposure limits, marking to market, collateral, netting arrangements, credit standards, and credit derivatives to manage credit risk;	
Risk Management	14.34.l	discuss the Sharpe ratio, risk-adjusted return on capital, return over maximum drawdown, and the Sortino ratio as measures of risk-adjusted performance	14.27.l	discuss the Sharpe ratio, risk-adjusted return on capital, return over maximum drawdown, and the Sortino ratio as measures of risk-adjusted performance;	

Risk Management	14.34.m	demonstrate the use of VAR and stress testing in setting capital requirements	14.27.m	demonstrate the use of VAR and stress testing in setting capital requirements.	
Risk Management	14.35.a	explain and demonstrate the use of foreign exchange futures to hedge the currency exposure associated with the principal value of a foreign investment			**REMOVED**
Risk Management	14.35.b	justify the use of a minimum-variance hedge when local currency returns and exchange rate movements are correlated and interpret the components of the minimum-variance hedge ratio in terms of translation risk and economic risk			**REMOVED**
Risk Management	14.35.c	evaluate the effect of basis risk on the quality of a currency hedge			**REMOVED**
Risk Management	14.35.d	discuss the choice of contract maturity in constructing a currency hedge, including the advantages and disadvantages of different maturities			**REMOVED**
Risk Management	14.35.e	explain the issues that arise when hedging multiple currencies			**REMOVED**
Risk Management	14.35.f	discuss the use of options rather than futures/forwards to manage currency risk			**REMOVED**
Risk Management	14.35.g	evaluate the effectiveness of a standard dynamic delta hedge strategy when hedging a foreign currency position			**REMOVED**
Risk Management	14.35.h	discuss and justify methods for managing currency exposure, including the indirect currency hedge created when futures or options are used as a substitute for the underlying investment			**REMOVED**
Risk Management	14.35.i	discuss the major types of currency management strategies specified in investment policy statements			**REMOVED**
Risk Management			14.28.a	analyze the effects of currency movements on portfolio risk and return;	**NEW**

Risk Management			14.28.b	discuss strategic choices in currency management;	**NEW**
Risk Management			14.28.c	formulate an appropriate currency management program given market facts and client objectives and constraints;	**NEW**
Risk Management			14.28.d	compare active currency trading strategies (fundamental, technical, carry, and volatility-based);	**NEW**
Risk Management			14.28.e	describe how changes in the factors underlying active trading strategies affect tactical trading decisions;	**NEW**
Risk Management			14.28.f	describe how forward contracts and FX swaps are used to adjust hedge ratios;	**NEW**
Risk Management			14.28.g	describe trading strategies used to reduce hedging costs and modify the risk–return characteristics of a foreign-currency portfolio;	**NEW**
Risk Management			14.28.h	describe the use of cross-hedges, macro-hedges, and minimum-variance-hedge ratios in portfolios exposed to multiple foreign currencies;	**NEW**
Risk Management			14.28.i	discuss special considerations for managing emerging market currency exposures.	**NEW**
Derivative Applications	15.36.a	demonstrate the use of equity futures contracts to achieve a target beta for a stock portfolio and calculate and interpret the number of futures contracts required	15.29.a	demonstrate the use of equity futures contracts to achieve a target beta for a stock portfolio and calculate and interpret the number of futures contracts required;	
Derivative Applications	15.36.b	construct a synthetic stock index fund using cash and stock index futures (equitizing cash)	15.29.b	construct a synthetic stock index fund using cash and stock index futures (equitizing cash);	
Derivative Applications	15.36.c	explain the use of stock index futures to convert a long stock position into synthetic cash	15.29.c	explain the use of stock index futures to convert a long stock position into synthetic cash;	
Derivative Applications	15.36.d	demonstrate the use of equity and bond futures to adjust the allocation of a portfolio between equity and debt	15.29.d	demonstrate the use of equity and bond futures to adjust the allocation of a portfolio between equity and debt;	

Derivative Applications	15.36.e	demonstrate the use of futures to adjust the allocation of a portfolio across equity sectors and to gain exposure to an asset class in advance of actually committing funds to the asset class	15.29.e	demonstrate the use of futures to adjust the allocation of a portfolio across equity sectors and to gain exposure to an asset class in advance of actually committing funds to the asset class;	
Derivative Applications	15.36.f	explain exchange rate risk and demonstrate the use of forward contracts to reduce the risk associated with a future receipt or payment in a foreign currency	15.29.f	explain exchange rate risk and demonstrate the use of forward contracts to reduce the risk associated with a future receipt or payment in a foreign currency;	
Derivative Applications	15.36.g	explain the limitations to hedging the exchange rate risk of a foreign market portfolio and discuss two feasible strategies for managing such risk	15.29.g	explain the limitations to hedging the exchange rate risk of a foreign market portfolio and discuss feasible strategies for managing such risk.	**Wording Change**
Derivative Applications	15.37.a	compare the use of covered calls and protective puts to manage risk exposure to individual securities	15.30.a	compare the use of covered calls and protective puts to manage risk exposure to individual securities;	
Derivative Applications	15.37.b	calculate and interpret the value at expiration, profit, maximum profit, maximum loss, breakeven underlying price at expiration, and general shape of the graph for the following option strategies: bull spread, bear spread, butterfly spread, collar, straddle, box spread	15.30.b	calculate and interpret the value at expiration, profit, maximum profit, maximum loss, breakeven underlying price at expiration, and general shape of the graph for the following option strategies: bull spread, bear spread, butterfly spread, collar, straddle, box spread;	
Derivative Applications	15.37.c	calculate the effective annual rate for a given interest rate outcome when a borrower (lender) manages the risk of an anticipated loan using an interest rate call (put) option	15.30.c	calculate the effective annual rate for a given interest rate outcome when a borrower (lender) manages the risk of an anticipated loan using an interest rate call (put) option;	
Derivative Applications	15.37.d	calculate the payoffs for a series of interest rate outcomes when a floating rate loan is combined with 1) an interest rate cap, 2) an interest rate floor, or 3) an interest rate collar	15.30.d	calculate the payoffs for a series of interest rate outcomes when a floating rate loan is combined with 1) an interest rate cap, 2) an interest rate floor, or 3) an interest rate collar;	
Derivative Applications	15.37.e	explain why and how a dealer delta hedges an option position, why delta changes, and how the dealer adjusts to maintain the delta hedge	15.30.e	explain why and how a dealer delta hedges an option position, why delta changes, and how the dealer adjusts to maintain the delta hedge;	

Derivative Applications	15.37.f	interpret the gamma of a delta-hedged portfolio and explain how gamma changes as in-the-money and out-of-the-money options move toward expiration	15.30.f	interpret the gamma of a delta-hedged portfolio and explain how gamma changes as in-the-money and out-of-the-money options move toward expiration.
Derivative Applications	15.38.a	demonstrate how an interest rate swap can be used to convert a floating-rate (fixed-rate) loan to a fixed-rate (floating-rate) loan	15.31.a	demonstrate how an interest rate swap can be used to convert a floating-rate (fixed-rate) loan to a fixed-rate (floating-rate) loan;
Derivative Applications	15.38.b	calculate and interpret the duration of an interest rate swap	15.31.b	calculate and interpret the duration of an interest rate swap;
Derivative Applications	15.38.c	explain the effect of an interest rate swap on an entity's cash flow risk	15.31.c	explain the effect of an interest rate swap on an entity's cash flow risk;
Derivative Applications	15.38.d	determine the notional principal value needed on an interest rate swap to achieve a desired level of duration in a fixed-income portfolio	15.31.d	determine the notional principal value needed on an interest rate swap to achieve a desired level of duration in a fixed-income portfolio;
Derivative Applications	15.38.e	explain how a company can generate savings by issuing a loan or bond in its own currency and using a currency swap to convert the obligation into another currency	15.31.e	explain how a company can generate savings by issuing a loan or bond in its own currency and using a currency swap to convert the obligation into another currency;
Derivative Applications	15.38.f	demonstrate how a firm can use a currency swap to convert a series of foreign cash receipts into domestic cash receipts	15.31.f	demonstrate how a firm can use a currency swap to convert a series of foreign cash receipts into domestic cash receipts;
Derivative Applications	15.38.g	explain how equity swaps can be used to diversify a concentrated equity portfolio, provide international diversification to a domestic portfolio, and alter portfolio allocations to stocks and bonds	15.31.g	explain how equity swaps can be used to diversify a concentrated equity portfolio, provide international diversification to a domestic portfolio, and alter portfolio allocations to stocks and bonds;
Derivative Applications	15.38.h	demonstrate the use of an interest rate swaption 1) to change the payment pattern of an anticipated future loan and 2) to terminate a swap	15.31.h	demonstrate the use of an interest rate swaption 1) to change the payment pattern of an anticipated future loan and 2) to terminate a swap.
Portfolio Execution	16.39.a	compare market orders with limit orders, including the price and execution uncertainty of each	16.32.a	compare market orders with limit orders, including the price and execution uncertainty of each;

Portfolio Execution	16.39.b	calculate and interpret the effective spread of a market order and contrast it to the quoted bid–ask spread as a measure of trading cost	16.32.b	calculate and interpret the effective spread of a market order and contrast it to the quoted bid–ask spread as a measure of trading cost;
Portfolio Execution	16.39.c	compare alternative market structures and their relative advantages	16.32.c	compare alternative market structures and their relative advantages;
Portfolio Execution	16.39.d	compare the roles of brokers and dealers	16.32.d	compare the roles of brokers and dealers;
Portfolio Execution	16.39.e	explain the criteria of market quality and evaluate the quality of a market when given a description of its characteristics	16.32.e	explain the criteria of market quality and evaluate the quality of a market when given a description of its characteristics;
Portfolio Execution	16.39.f	explain the components of execution costs, including explicit and implicit costs, and evaluate a trade in terms of these costs	16.32.f	explain the components of execution costs, including explicit and implicit costs, and evaluate a trade in terms of these costs;
Portfolio Execution	16.39.g	calculate and discuss implementation shortfall as a measure of transaction costs	16.32.g	calculate and discuss implementation shortfall as a measure of transaction costs;
Portfolio Execution	16.39.h	contrast volume weighted average price (VWAP) and implementation shortfall as measures of transaction costs	16.32.h	contrast volume weighted average price (VWAP) and implementation shortfall as measures of transaction costs;
Portfolio Execution	16.39.i	explain the use of econometric methods in pretrade analysis to estimate implicit transaction costs	16.32.i	explain the use of econometric methods in pretrade analysis to estimate implicit transaction costs;
Portfolio Execution	16.39.j	discuss the major types of traders, based on their motivation to trade, time versus price preferences, and preferred order types	16.32.j	discuss the major types of traders, based on their motivation to trade, time versus price preferences, and preferred order types;
Portfolio Execution	16.39.k	describe the suitable uses of major trading tactics, evaluate their relative costs, advantages, and weaknesses, and recommend a trading tactic when given a description of the investor's motivation to trade, the size of the trade, and key market characteristics	16.32.k	describe the suitable uses of major trading tactics, evaluate their relative costs, advantages, and weaknesses, and recommend a trading tactic when given a description of the investor's motivation to trade, the size of the trade, and key market characteristics;
Portfolio Execution	16.39.l	explain the motivation for algorithmic trading and discuss the basic classes of algorithmic trading strategies	16.32.l	explain the motivation for algorithmic trading and discuss the basic classes of algorithmic trading strategies;

Portfolio Execution	16.39.m	discuss the factors that typically determine the selection of a specific algorithmic trading strategy, including order size, average daily trading volume, bid–ask spread, and the urgency of the order	16.32.m	discuss the factors that typically determine the selection of a specific algorithmic trading strategy, including order size, average daily trading volume, bid–ask spread, and the urgency of the order;
Portfolio Execution	16.39.n	explain the meaning and criteria of best execution	16.32.n	explain the meaning and criteria of best execution;
Portfolio Execution	16.39.o	evaluate a firm's investment and trading procedures, including processes, disclosures, and record keeping, with respect to best execution	16.32.o	evaluate a firm's investment and trading procedures, including processes, disclosures, and record keeping, with respect to best execution;
Portfolio Execution	16.39.p	discuss the role of ethics in trading	16.32.p	discuss the role of ethics in trading.
Portfolio Execution	16.40.a	discuss a fiduciary's responsibilities in monitoring an investment portfolio	16.33.a	discuss a fiduciary's responsibilities in monitoring an investment portfolio;
Portfolio Execution	16.40.b	discuss the monitoring of investor circumstances, market/economic conditions, and portfolio holdings and explain the effects that changes in each of these areas can have on the investor's portfolio	16.33.b	discuss the monitoring of investor circumstances, market/economic conditions, and portfolio holdings and explain the effects that changes in each of these areas can have on the investor's portfolio;
Portfolio Execution	16.40.c	recommend and justify revisions to an investor's investment policy statement and strategic asset allocation, given a change in investor circumstances	16.33.c	recommend and justify revisions to an investor's investment policy statement and strategic asset allocation, given a change in investor circumstances;
Portfolio Execution	16.40.d	discuss the benefits and costs of rebalancing a portfolio to the investor's strategic asset allocation	16.33.d	discuss the benefits and costs of rebalancing a portfolio to the investor's strategic asset allocation;
Portfolio Execution	16.40.e	contrast calendar rebalancing to percentage-of-portfolio rebalancing	16.33.e	contrast calendar rebalancing to percentage-of-portfolio rebalancing;
Portfolio Execution	16.40.f	discuss the key determinants of the optimal corridor width of an asset class in a percentage-of-portfolio rebalancing program	16.33.f	discuss the key determinants of the optimal corridor width of an asset class in a percentage-of-portfolio rebalancing program;

Portfolio Execution	16.40.g	compare and contrast the benefits of rebalancing an asset class to its target portfolio weight versus rebalancing the asset class to stay within its allowed range	16.33.g	compare the benefits of rebalancing an asset class to its target portfolio weight versus rebalancing the asset class to stay within its allowed range;	**Wording Change**
Portfolio Execution	16.40.h	explain the performance consequences in up, down, and nontrending markets of 1) rebalancing to a constant mix of equities and bills, 2) buying and holding equities, and 3) constant proportion portfolio insurance (CPPI)	16.33.h	explain the performance consequences in up, down, and nontrending markets of 1) rebalancing to a constant mix of equities and bills, 2) buying and holding equities, and 3) constant proportion portfolio insurance (CPPI);	
Portfolio Execution	16.40.i	distinguish among linear, concave, and convex rebalancing strategies	16.33.i	distinguish among linear, concave, and convex rebalancing strategies;	
Portfolio Execution	16.40.j	judge the appropriateness of constant mix, buy-and-hold, and CPPI rebalancing strategies when given an investor's risk tolerance and asset return expectations	16.33.j	judge the appropriateness of constant mix, buy-and-hold, and CPPI rebalancing strategies when given an investor's risk tolerance and asset return expectations.	
Performance	17.41.a	demonstrate the importance of performance evaluation from the perspective of fund sponsors and the perspective of investment managers	17.34.a	demonstrate the importance of performance evaluation from the perspective of fund sponsors and the perspective of investment managers;	
Performance	17.41.b	explain the following components of portfolio evaluation (performance measurement, performance attribution, and performance appraisal)	17.34.b	explain the following components of portfolio evaluation (performance measurement, performance attribution, and performance appraisal);	
Performance	17.41.c	calculate, interpret, and contrast time-weighted and money-weighted rates of return and discuss how each is affected by cash contributions and withdrawals	17.34.c	calculate, interpret, and contrast time-weighted and money-weighted rates of return and discuss how each is affected by cash contributions and withdrawals;	
Performance	17.41.d	identify and explain potential data quality issues as they relate to calculating rates of return	17.34.d	identify and explain potential data quality issues as they relate to calculating rates of return;	
Performance	17.41.e	demonstrate the decomposition of portfolio returns into components attributable to the market, to style, and to active management	17.34.e	demonstrate the decomposition of portfolio returns into components attributable to the market, to style, and to active management;	

Performance	17.41.f	discuss the properties of a valid benchmark and explain the advantages and disadvantages of alternative types of performance benchmarks	17.34.f	discuss the properties of a valid benchmark and explain advantages and disadvantages of alternative types of performance benchmarks;	
Performance	17.41.g	explain the steps involved in constructing a custom security-based benchmark	17.34.g	explain the steps involved in constructing a custom security-based benchmark;	
Performance	17.41.h	discuss the validity of using manager universes as benchmarks	17.34.h	discuss the validity of using manager universes as benchmarks;	
Performance	17.41.i	evaluate benchmark quality by applying tests of quality to a variety of possible benchmarks	17.34.i	evaluate benchmark quality by applying tests of quality to a variety of possible benchmarks;	
Performance	17.41.j	discuss the issues that arise when assigning benchmarks to hedge funds	17.34.j	discuss issues that arise when assigning benchmarks to hedge funds;	
Performance	17.41.k	distinguish between macro and micro performance attribution and discuss the inputs typically required for each	17.34.k	distinguish between macro and micro performance attribution and discuss the inputs typically required for each;	
Performance	17.41.l	demonstrate, justify, and contrast the use of macro and micro performance attribution methodologies to evaluate the drivers of investment performance	17.34.l	demonstrate and contrast the use of macro and micro performance attribution methodologies to identify the sources of investment performance;	**Wording Change**
Performance	17.41.m	discuss the use of fundamental factor models in micro performance attribution	17.34.m	discuss the use of fundamental factor models in micro performance attribution;	
Performance	17.41.n	evaluate the effect of the external interest rate environment and the effect of active management on fixed-income portfolio returns	17.34.n	evaluate the effects of the external interest rate environment and active management on fixed-income portfolio returns;	**Wording Change**
Performance	17.41.o	explain the management factors that contribute to a fixed-income portfolio’s total return and interpret the results of a fixed-income performance attribution analysis	17.34.o	explain the management factors that contribute to a fixed-income portfolio’s total return and interpret the results of a fixed-income performance attribution analysis;	
Performance	17.41.p	calculate, interpret, and contrast alternative risk-adjusted performance measures, including (in their ex post forms) alpha, information ratio, Treynor measure, Sharpe ratio, and M2	17.34.p	calculate, interpret, and contrast alternative risk-adjusted performance measures, including (in their ex post forms) alpha, information ratio, Treynor measure, Sharpe ratio, and M2;	

Performance	17.41.q	explain how a portfolio's alpha and beta are incorporated into the information ratio, Treynor measure, and Sharpe ratio	17.34.q	explain how a portfolio's alpha and beta are incorporated into the information ratio, Treynor measure, and Sharpe ratio;	
Performance	17.41.r	demonstrate the use of performance quality control charts in performance appraisal	17.34.r	demonstrate the use of performance quality control charts in performance appraisal;	
Performance	17.41.s	discuss the issues involved in manager continuation policy decisions, including the costs of hiring and firing investment managers	17.34.s	discuss the issues involved in manager continuation policy decisions, including the costs of hiring and firing investment managers;	
Performance	17.41.t	contrast Type I and Type II errors in manager continuation decisions	17.34.t	contrast Type I and Type II errors in manager continuation decisions.	
Performance	17.42.a	evaluate the effect of currency movements on the portfolio rate of return, calculated in the investor's base currency			**REMOVED**
Performance	17.42.b	explain how portfolio return can be decomposed into yield, capital gains in local currency, and currency contribution			**REMOVED**
Performance	17.42.c	explain the purpose of global performance attribution and calculate the contributions to portfolio performance from market allocation, currency allocation, and security selection			**REMOVED**
Performance	17.42.d	explain active and passive currency management, relative to a global benchmark, and formulate appropriate strategies for hedging currency exposure			**REMOVED**
Performance	17.42.e	explain the difficulties in calculating a multi-period performance attribution and discuss various solutions			**REMOVED**
Performance	17.42.f	compare and interpret alternative measures of portfolio risk and risk-adjusted portfolio performance			**REMOVED**
Performance	17.42.g	explain the use of risk budgeting in global performance evaluation			**REMOVED**

Performance	17.42.h	discuss the characteristics of alternative global and international benchmarks used in performance evaluation			**REMOVED**
GIPS	18.43.a	discuss the reasons for the creation of the GIPS standards, their evolution, and their benefits to prospective clients and investment managers			**REMOVED**
GIPS	18.43.b	discuss the objectives, key characteristics, and scope of the GIPS standards	18.35.a	discuss the objectives, key characteristics, and scope of the GIPS standards and their benefits to prospective clients and investment managers;	**Wording Change**
GIPS	18.43.c	explain the fundamentals of compliance with the GIPS standards, including the definition of the firm and the firm's definition of discretion	18.35.b	explain the fundamentals of compliance with the GIPS standards, including the definition of the firm and the firm's definition of discretion;	
GIPS	18.43.d	explain the requirements and recommendations of the GIPS standards with respect to input data, including accounting policies related to valuation and performance measurement	18.35.c	explain the requirements and recommendations of the GIPS standards with respect to input data, including accounting policies related to valuation and performance measurement;	
GIPS	18.43.e	discuss the requirements of the GIPS standards with respect to return calculation methodologies, including the treatment of external cash flows, cash and cash equivalents, and expenses and fees	18.35.d	discuss the requirements of the GIPS standards with respect to return calculation methodologies, including the treatment of external cash flows, cash and cash equivalents, and expenses and fees;	
GIPS	18.43.f	explain the requirements and recommendations of the GIPS standards with respect to composite return calculations, including methods for asset-weighting portfolio returns	18.35.e	explain the requirements and recommendations of the GIPS standards with respect to composite return calculations, including methods for asset-weighting portfolio returns;	
GIPS	18.43.g	explain the meaning of "discretionary" in the context of composite construction and, given a description of the relevant facts, determine whether a portfolio is likely to be considered discretionary	18.35.f	explain the meaning of "discretionary" in the context of composite construction and, given a description of the relevant facts, determine whether a portfolio is likely to be considered discretionary;	

GIPS	18.43.h	explain the role of investment mandates, objectives, or strategies in the construction of composites	18.35.g	explain the role of investment mandates, objectives, or strategies in the construction of composites;
GIPS	18.43.i	explain the requirements and recommendations of the GIPS standards with respect to composite construction, including switching portfolios among composites, the timing of the inclusion of new portfolios in composites, and the timing of the exclusion of terminated portfolios from composites	18.35.h	explain the requirements and recommendations of the GIPS standards with respect to composite construction, including switching portfolios among composites, the timing of the inclusion of new portfolios in composites, and the timing of the exclusion of terminated portfolios from composites;
GIPS	18.43.j	explain the requirements of the GIPS standards for asset class segments carved out of multi-class portfolios	18.35.i	explain the requirements of the GIPS standards for asset class segments carved out of multi-class portfolios;
GIPS	18.43.k	explain the requirements and recommendations of the GIPS standards with respect to disclosure, including fees, the use of leverage and derivatives, conformity with laws and regulations that conflict with the GIPS standards, and noncompliant performance periods	18.35.j	explain the requirements and recommendations of the GIPS standards with respect to disclosure, including fees, the use of leverage and derivatives, conformity with laws and regulations that conflict with the GIPS standards, and noncompliant performance periods;
GIPS	18.43.l	explain the requirements and recommendations of the GIPS standards with respect to presentation and reporting, including the required timeframe of compliant performance periods, annual returns, composite assets, and benchmarks	18.35.k	explain the requirements and recommendations of the GIPS standards with respect to presentation and reporting, including the required timeframe of compliant performance periods, annual returns, composite assets, and benchmarks;
GIPS	18.43.m	explain the conditions under which the performance of a past firm or affiliation must be linked to or used to represent the historical performance of a new or acquiring firm	18.35.l	explain the conditions under which the performance of a past firm or affiliation must be linked to or used to represent the historical performance of a new or acquiring firm;

GIPS	18.43.n	evaluate the relative merits of high/low, range, interquartile range, and equal-weighted or asset-weighted standard deviation as measures of the internal dispersion of portfolio returns within a composite for annual periods	18.35.m	evaluate the relative merits of high/low, range, interquartile range, and equal-weighted or asset-weighted standard deviation as measures of the internal dispersion of portfolio returns within a composite for annual periods;	
GIPS	18.43.o	identify the types of investments that are subject to the GIPS standards for real estate and private equity	18.35.n	identify the types of investments that are subject to the GIPS standards for real estate and private equity;	
GIPS	18.43.p	explain the provisions of the GIPS standards for real estate and private equity	18.35.o	explain the provisions of the GIPS standards for real estate and private equity;	
GIPS	18.43.q	explain the provisions of the GIPS standards for Wrap fee/Separately Managed Accounts	18.35.p	explain the provisions of the GIPS standards for Wrap fee/Separately Managed Accounts;	
GIPS	18.43.r	explain the requirements and recommended valuation hierarchy of the GIPS Valuation Principles	18.35.q	explain the requirements and recommended valuation hierarchy of the GIPS Valuation Principles;	
GIPS	18.43.s	explain the requirements for compliance with the GIPS Advertising Guidelines	18.35.r	determine whether advertisements comply with the GIPS Advertising Guidelines;	**Wording Change**
GIPS	18.43.t	discuss the purpose, scope, and process of verification	18.35.s	discuss the purpose, scope, and process of verification;	
GIPS	18.43.u	discuss challenges related to the calculation of after-tax returns	18.35.t	discuss challenges related to the calculation of after-tax returns;	
GIPS	18.43.v	identify and explain errors and omissions in given performance presentations, including real estate, private equity and wrap fee/Separately Managed Account (SMA) performance presentations	18.35.u	identify and explain errors and omissions in given performance presentations and recommend changes that would bring them into compliance with GIPS standards.	**Wording Change**