

# CFA INSTITUTE RESEARCH CHALLENGE

## Overview of 2016-2017 Rules Changes

\*Highlighted rows represent more significant changes

\* Text in blue is new verbiage for the 2017 Rules.

Old Rule	Explanation of New Rule	Why the Change?	Impact for Hosts
<b>Rule 1</b> Overview of the competition.	<b>Rule 1: Introduction and General Provisions</b> Overview of the competition remains the same.  <i>No purchase is necessary in order to participate.</i>	This is a legal clarification.	Little impact.
<b>Rule 1.1</b> Not applicable	<b>Rule 1.1 Conflicts of Interest</b> Previous Conflicts of Interest rule (7.2) was moved up to 1.1 and language was added as clarification.  <i>CFA Institute (with assistance as necessary from the local level host) will investigate any disclosures of actual or potential conflicts of interest. If a conflict of interest is found to exist and cannot be reasonably and timely cured, the individual with the conflict of interest will be disqualified from participation. If CFA Institute determines that it is necessary to protect the integrity of the competition, CFA Institute may disqualify a team from the competition if any team member, mentor, or faculty advisor is found to have a conflict of interest that is incapable of being reasonably and timely cured. In extraordinary circumstances where a local level host is found to have a conflict of interest, CFA Institute may, in its discretion, disqualify the local level host and all teams from that location from participation in the CFA Institute Research Challenge. The decision of CFA Institute regarding the existence of a conflict of interest and its determination regarding the disqualification of any individual or team are final and binding.</i>	As the competition has grown, occurrences of potential conflicts of interest have risen. As a legal precaution, the language around dealing with these conflicts has been strengthened.	For the vast majority of local hosts this will have little impact. Those Hosts that have dealt with conflicts of interest will find that the process is unchanged.  For your information, there has never been a local host that has had a conflict of interest serious enough to consider disqualification of the local competition.

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<p><b>Rule 1.2</b> Not applicable</p>	<p><b>Rule 1.2 Plagiarism</b> Previous rules regarding plagiarism were in the Research (2.4) section of the rules. These rules were moved up to 1.2 and further explanation and guidance was provided.</p> <p><i>Plagiarism is defined as copying or using in substantially the same form materials prepared by others without acknowledging the source of the material or identifying the author and publisher of such material.</i> Teams can read existing research on the subject company, but all analysis should be their own; they may not copy analysis (i.e., plagiarize) from another source.</p> <p><i>Teams also must not:</i>  (1) use excerpts from articles or reports prepared by others either verbatim or with only slight changes in wording without acknowledgment,  (2) cite specific quotations as attributable to “leading analysts” and “investment experts” without naming the specific references,  (3) present statistical estimates of forecasts prepared by others and identifying the sources but without including the qualifying statements or caveats that may have been used,  (4) use charts and graphs without stating their sources, or  (5) copy proprietary computerized spreadsheets or algorithms without seeking the cooperation or authorization of their creators.</p> <p><i>The prohibition on plagiarism applies both to a team’s written report and its presentation.</i></p> <p>Sourced information should be properly cited using a generally accepted citation system. Generally accepted citation systems include, but are not limited to, the Chicago Manual of Style, the Harvard referencing system, and MLA (Modern Language Association) style.</p> <p><i>Allegations of plagiarism will be investigated by the local host (at a local level competition) or by CFA Institute (at the regional or global competition). Teams found guilty of plagiarism will be disqualified and reported to the CFA</i></p>	<p>As the competition has grown, occurrences of plagiarism have risen. As a legal precaution, the language around dealing with these conflicts has been strengthened and consequences stipulated.</p>	<p>For the vast majority of local hosts this will have little impact. Those Hosts that have dealt with plagiarism will find that the process is unchanged.</p>

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<b>(continued from Page 2)</b>	<i>Institute Professional Conduct Program. The team's university may also be ineligible to participate in the following year's competition. The decision of local host or CFA Institute (as applicable) regarding plagiarism is final and binding.</i>		
<b>Rule 1.3</b> Not applicable	<p><b>Rule 1.3 Third Party Intellectual Property Rights</b>  <i>Related to the concept of plagiarism, respect of third party intellectual property rights is essential to the CFA Institute Research Challenge. While teams are free to include text, images, graphics, or other logos in their written reports and presentations as permitted by these rules, it is the obligation of each team to ensure that the use of any third party materials complies with all applicable copyright and trademark laws. Third party images included in any written report or presentation must be appropriately licensed from the images' owners. Where legally necessary, teams should secure the permission of the owners of any trademarks or service marks incorporated into their written report or presentation. CFA Institute encourages each local host to work with the subject company it selects to provide its local teams with the necessary permissions to use the local host's trademarks or other intellectual property in their CFA Institute Research Challenge written reports and presentations. By participating in any level of the CFA Institute Research Challenge, each team represents and warrants that neither its written report nor its presentation infringes or violates the copyright, trademark, trade secret or other intellectual property right of any third party anywhere in the world.</i></p> <p><i>By participating in the CFA Institute Research Challenge, CFA Institute grants each participating team a non-exclusive, non-transferable, revocable license to use the CFA Institute name and logo as specified in Appendix B to these Rules for the limited and specific purpose of that team's participation in the CFA Institute Research Challenge. Teams will use those materials only as specified in Appendix B and these Rules. No other use of CFA Institute's intellectual property is permitted. Teams may not change or alter the CFA Institute name or logo in any way.</i></p>	As the Research Challenge has grown, the exposure of the competition is higher than ever. This rule was added to mitigate any potential issues with participants of the Research Challenge using proprietary materials.	Local hosts should make sure the students have the proper permissions to use the society trademark and, potentially, the subject company trademark.

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<p><b>Rule 1.4</b> Not applicable.</p>	<p><b>Rule 1.4 Use of Reports</b> Previous rules regarding use of reports (7.1) was moved up to 1.4 and language was added as clarification.</p> <p><i>By participating in the CFA Institute Research Challenge, each participant agrees to CFA Institute's <a href="#">Privacy Policy</a> and agrees that CFA Institute its affiliates, fulfillment houses and advertising &amp; promotion agencies shall have the right to use such individual's name, voice, photograph, likeness, their appearance in film, essay and/or biographical information, for purposes of advertising, trade or publicity, in any medium or forum throughout the world in perpetuity, without further compensation, unless prohibited by law.</i></p>	<p>This is a legal clarification.</p>	<p>Little impact.</p>
<p><b>Rule 2.1.a</b> Each University Team may consist of both undergraduate and graduate students.</p>	<p><b>Rule 2.1.a Team Composition</b> <i>Each university team may consist of undergraduate, graduate, or a combination of undergraduate and graduate students.</i></p>	<p>This is a clarifying point based on questions received during the 2016 season.</p>	<p>No impact.</p>
<p><b>Rule 2.2 Team Member Requirements</b></p>	<p><b>Rule 2.2 Team Member Requirements</b> The order of many of the points has been changed to allow the rule regarding registration to be moved up.</p> <p><i>a. complete the official registration form on the CFA Institute Research Challenge website no later than two weeks following the local level kickoff meeting (timely completion of the official registration entitles students to be recognized participants by CFA Institute and ensures that winning teams members are eligible to travel to regional and/or global levels);</i></p>	<p>Team member registration should be done as early as possible to ensure team members agree to the rules before beginning work for the competition.</p>	<p>Local hosts will need to change their registration deadlines to comply with this change.</p> <p>Note – this does not impact the date by which team members can be replaced.</p>
<p><b>Rule 2.3 Team Member Ineligibility</b></p>	<p><b>Rule 2.3 Team Member Ineligibility</b> Added rule.</p> <p><i>d. is employed by CFA Institute or the local host</i></p>	<p>Legal clarification.</p>	<p>Likely, no impact.</p>

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<p><b>Rule 2.5</b> Not applicable.</p>	<p><b>Rule 2.5 Interaction with Subject Company</b> Previous rules regarding interacting with the subject company was imbedded in the Research (2.4) section of the rules. Only one change was made.</p> <p><i>b. Teams may send one follow-up email to the subject company.</i></p>	<p>There was a lot of confusion about what the follow up communication could be and teams were getting more creative in what that was. In order to be fair to all teams and in recognition that most of the follow-up communications were emails, we've stipulated the communication type.</p>	<p>Possible impact if the follow-up communication wasn't an email previously.</p>																
<p><b>Rule 2.5.b</b> The written report must not exceed 10 A4-sized pages, but may include an appendix of infinite length.</p>	<p><b>Rule 2.6.b Written Reports</b> <i>b. The written report must not exceed 10 A4-sized pages but may include an appendix no longer than 20 A4-sized pages.</i></p>	<p>This is a change based on the fact that reports have been getting longer each year and overwhelming feedback from local hosts and graders. Teams have been using the appendix as a catch-all and putting content that should have been in the report in the appendix.</p>	<p>Local hosts will need to communicate this change with teams, faculty advisers, and industry mentors. Also, local hosts will need to enforce the rule when reports are turned in.</p>																
<p><b>Rule 2.5</b> The written report will be graded according to the criteria set forth in Appendix D, the Research Report Evaluation Form.</p>	<p><b>Rule 2.6.g Written Reports</b> The Research Report Evaluation Form has been amended to include Corporate Governance and remove Other Headings.</p> <table border="1" data-bbox="606 1138 1150 1435"> <thead> <tr> <th>Section</th> <th>Max Points</th> </tr> </thead> <tbody> <tr> <td>Business Description</td> <td>5</td> </tr> <tr> <td>Industry Overview &amp; Competitive Positioning</td> <td>15</td> </tr> <tr> <td>Investment Summary</td> <td>20</td> </tr> <tr> <td>Valuation</td> <td>20</td> </tr> <tr> <td>Financial Analysis</td> <td>20</td> </tr> <tr> <td>Investment Risks</td> <td>15</td> </tr> <tr> <td>Corporate Governance</td> <td>5</td> </tr> </tbody> </table>	Section	Max Points	Business Description	5	Industry Overview & Competitive Positioning	15	Investment Summary	20	Valuation	20	Financial Analysis	20	Investment Risks	15	Corporate Governance	5	<p>Other Headings was a category that was misunderstood by team members and graders.</p> <p>Corporate Governance is a topic of increasing importance and one that is fundamental to researching any company.</p>	<p>Local hosts will need to communicate this change with teams, faculty advisers, and industry mentors.</p> <p>Local hosts will need to use the updated evaluation form.</p>
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<p><b>Rule 2.6.g</b> Presentations will be judged according to Appendix E, the Presentation Scoring Sheet.</p>	<p><b>Rule 2.7.g Presentations</b> The Presentation Scoring Sheet has been amended to allot more points to Financial Analysis &amp; Valuation and streamline the other criteria.</p> <table border="1" data-bbox="604 370 1150 605"> <thead> <tr> <th>Criteria</th> <th>Max Points</th> </tr> </thead> <tbody> <tr> <td>Financial Analysis</td> <td>25</td> </tr> <tr> <td>Valuation</td> <td>25</td> </tr> <tr> <td>Presentation</td> <td>20</td> </tr> <tr> <td>Question &amp; Answer</td> <td>20</td> </tr> <tr> <td>Team Involvement</td> <td>5</td> </tr> <tr> <td>Materials</td> <td>5</td> </tr> </tbody> </table>	Criteria	Max Points	Financial Analysis	25	Valuation	25	Presentation	20	Question & Answer	20	Team Involvement	5	Materials	5	<p>The old score sheet didn't put a strong enough emphasis on the core of the investment thesis and research.</p>	<p>Local hosts will need to communicate this change with teams, faculty advisers, and industry mentors.</p> <p>Local hosts will need to use the updated scoring sheet.</p>
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Materials	5																
<p><b>Rule 3.1.d</b> The faculty adviser may not contribute any research or content to either the written report or the presentation.</p>	<p><b>Rule 3.1.d Faculty Advisers</b> The faculty adviser may not contribute any research or content to either the written report or the presentation <i>other than by providing guidance, direction, suggestions, and feedback.</i></p>	<p>This is a clarifying point based on questions received during the 2016 season.</p>	<p>No impact.</p>														
<p><b>Rule 3.2 Time Permitted with Faculty Adviser</b></p>	<p><b>Rule 3.2 Time Permitted with Faculty Adviser</b> The rule remains the same, but this was added:  <i>Failure to abide by these time limits will result in the team's and the faculty advisor's disqualification from the CFA Institute Research Challenge.</i></p>	<p>This was added as a clarification.</p>	<p>Little impact.</p>														
<p><b>Rule 3.4 Time Permitted with Industry Mentor</b></p>	<p><b>Rule 3.4 Time Permitted with Industry Mentor</b> The rule remains the same, but this was added:  <i>Failure to abide by these time limits will result in the team's and the faculty advisor's disqualification from the CFA Institute Research Challenge.</i></p>	<p>This was added as a clarification.</p>	<p>Little impact.</p>														

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<b>Rule 4.2 Competition Requirements</b>	<p><b>Rule 4.2 Competition Requirements</b>  <i>The local level host is responsible for establishing the timetable and deadlines for their local competition and for designating the means by which written reports are submitted for consideration and the manner in which presentations are conducted. It is the responsibility of each local level host to ensure that its local competition schedule is consistent with the regional and global competition scheduled established by CFA Institute. The local level host shall provide information about the local level competition schedule and local level requirements to teams no later than the local level kickoff meeting. No decision by the local level host regarding the administration of the local level competition shall conflict with these rules and in the event of any conflict, these rules shall govern. The decisions of CFA Institute interpreting these rules shall be final and binding upon all local level hosts.</i></p>	This is a legal clarification. This just states what local hosts have already been responsible for.	No impact.
<b>Rule 4.2 Competition Requirements</b>	<p><b>Rule 4.2 Competition Requirements</b>  <i>Teams that advance to the regional round may not revise or edit their written report in any way between rounds of the competition. However, teams are free to adjust the substance of their live presentations between rounds in any manner that complies with these rules.</i></p>	This is a clarification point. This has been the practice for the last several seasons.	No impact.
<b>Rule 4.2 Competition Requirements</b>	<p><b>Rule 4.2 Competition Requirements</b>  Local level competitions must adhere to one of the following competition formats which is selected by the local host and disclosed to teams in advance of the local kickoff meeting:</p> <ul style="list-style-type: none"> <li>• <b>Classic format.</b> The classic format is used when all participating teams present at the local final competition. Typically, these competitions feature three to six teams. Each team submits a written report and gives a presentation to a panel of judges. The winning team will have the highest combined score based on the written report results (50%) and the presentation results (50%).</li> </ul>	Based on feedback during the 2016 season, we provided more clarification about the different formats.	Little impact unless you change formats.

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<p>(continued from Page 7)</p>	<p><b>Rule 2.2 Team Member Requirements</b></p> <ul style="list-style-type: none"> <li>• <b>Staggered format.</b> The staggered format is used when it is not feasible for all teams to present at the local final, so the scores from the written report and/or the presentation allow only the top teams to advance. Typically, these competitions feature more than six teams and follow two options: <ul style="list-style-type: none"> <li>• Staggered Format A: Each team submits and is evaluated on a written report. The teams (at least three) with the highest written report scores advance to give a presentation to a panel of judges. If all teams are evaluated by the same graders, the winning team will have the highest combined score based on the written report results (50%) and the presentation results (50%). If the teams are evaluated by different sets of graders, the winning team will be the team with the highest presentation results.</li> <li>• Staggered Format B: Teams are divided into at least two semifinal groups. Each team submits a written report and gives a presentation. Teams are evaluated among their groups, and the top teams based on the combined score of the written report (50%) and the presentations (50%) advance to the local final. The winning team will then be determined in the local final based solely on the presentation scores.</li> </ul> </li> <li>• <b>District format.</b> The district format is used in a large geographic area when travel to and from a central location is not possible. These competitions are allowed only under special circumstances and need to be approved by CFA Institute. Teams are assigned to one of at least four districts. There must be at least four teams in each district. Each team submits a written report and gives a presentation to the district's panel of judges. Each district will send the team with the highest score in that district to the local final. The winning district teams will compete against one another at the local final to determine the winning team.</li> </ul>		



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<b>Rule 5: Regional Level Competition and Rule 6: Global Level Competition</b>	<b>Rule 5: Regional and Global Level Competitions</b> These two sections were combined.	The sections were repetitive.	No impact.
<b>Rule 5.2.j</b> Not applicable	<b>Rule 5.2.j Travel and Accommodations</b> <i>j. Winners are responsible for having valid passports, any visas that may be required to travel, and any vaccinations or inoculations that may be required. CFA Institute does not guarantee entry to the countries where the regional and global rounds will be held and entry into such countries is entirely at the discretion of the applicable customs and immigrations authorities.</i>	Legal clarification	Little impact.
<b>Rule 5.2.k</b> Not applicable	<b>Rule 5.2.j Travel and Accommodations</b> <i>k. Travel is not assignable or transferable and may not be redeemed for cash. No substitutions are allowed by the winning team.</i>	Legal clarification	No impact.
<b>Rule 5.3 Competition and Scoring</b> The winning team from each regional competition will advance to the global final. If the regional level competition has at least 40 universities competing, then the top two universities will advance to a global level competition.	<b>Rule 5.3 Competition and Scoring</b> The winning team from each regional competition will advance to the global final. If the regional level competition has <i>over 36 universities</i> competing, then the top two universities will advance to a global level competition.	The number of universities was lowered based on the fact that a quarterfinal round needs to be added to a regional level once 37 universities are competing. This decision was aligned with host coordinator feedback.	No impact at the local level.