2026 CFA Program Level II Candidate Notice

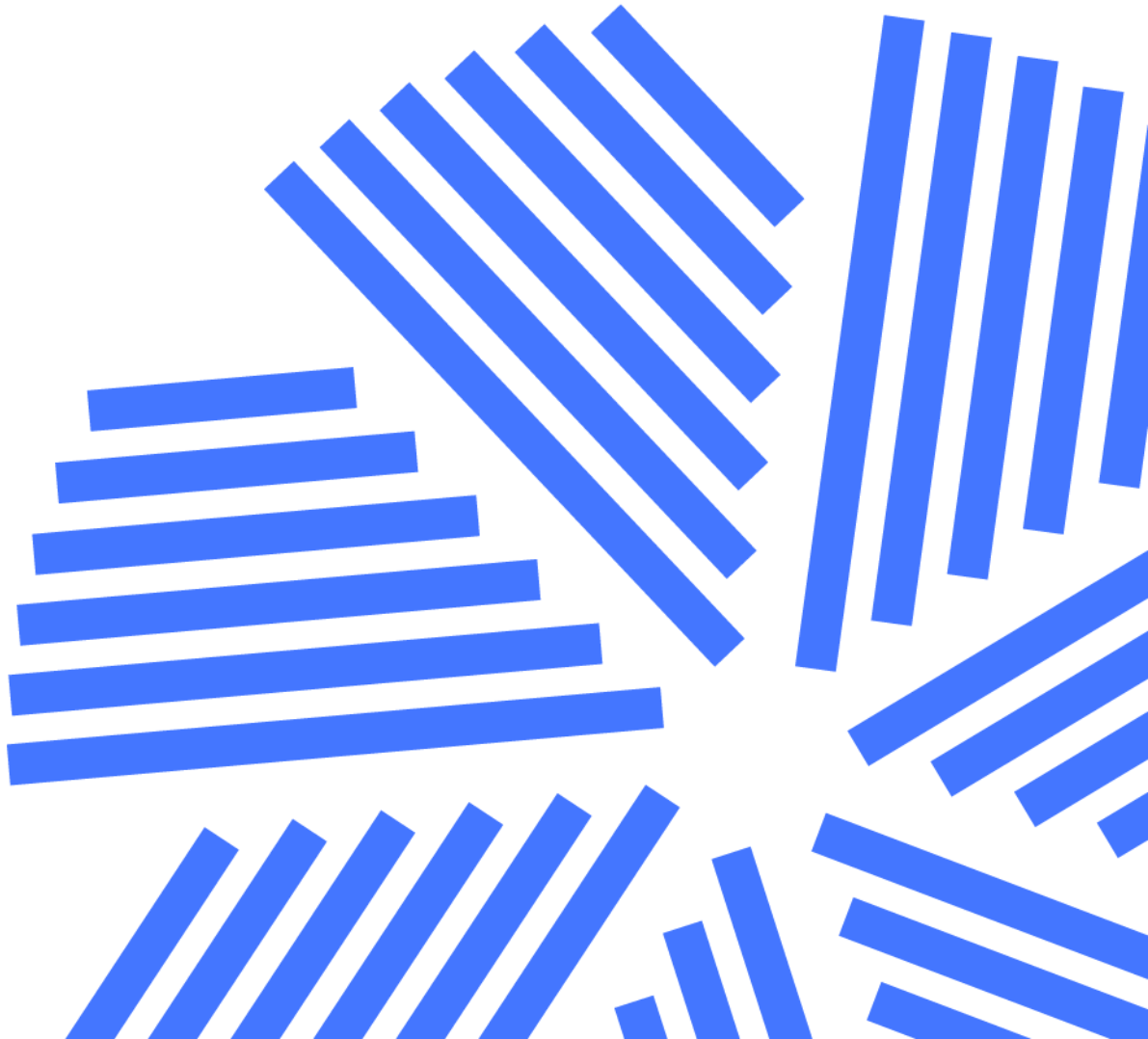
15 SEPTEMBER 2025

This document outlines the errors submitted to CFA Institute that have been corrected.

Due to the nature of our publishing process, we may not be able to correct errors submitted after 1 September 2024 in time for the publication of the following year's print materials. We do make it known in this notice when changes have been published in the curriculum and when they are still pending corrections. We release a new notice every two weeks.

We recommend checking either the LES or this document regularly for the most current information. Depending on when you purchase the print materials, they may or may not have the errors corrected.

Quantitative Methods



Basics of Multiple Regression and Underlying Assumptions

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Bullet 2	8	The change in the bond index return for a given one-unit change in the monthly government bond yield, BY, is –5.0585%, holding CS constant. This means that the bond index has an empirical duration of 5.0585.	The change in the bond index return for a given one-unit change in the monthly government bond yield, BY, is –5.0585%, holding CS constant. This means that the bond index has an **effective** duration of 5.0585.
25 August 2025	Solution to Question 3	9	R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = −1.2524.	R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = **−1.254**.

Evaluating Regression Model Fit and Interpreting Model Results

Revised Date	Location	Page(s)	Replace	With
20 August 2025	Text after Exhibit 2	29	(Equation 3)	(Equation **2**)
22 August 2025	Step 5 in Question 2 Knowledge Check --- 2.03	41	F = 54.4039, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.)	**F = 54.4029**, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.)

Extensions of Multiple Regression

Revised Date	Location	Page(s)	Replace	With
21 August 2025	Practice Problem 10	104 ---------- Practice Problems	Based on the output from with Logistic Regression 1, how will the change in the probability that an ETF will be a winning fund increase if one of the other independent variable values, except for net_assets, is decreased by one unit, holding all else constant?	Based on the output from with Logistic Regression 1, how will the change in the probability that an ETF will be a winning fund increase if **all** independent variable values, except for net_assets, is decreased by one unit, holding all else constant?
22 August 2025	Solution Practice Problem 10	107 ---------- Practice Problems	Therefore, as the portfolio_bonds variable increases by one unit, it results in a larger increase in profit than the price-to-earnings variable (0.1113 versus 0.0292), since its product is larger than the price-to-earnings product increase by one unit.	Therefore, as the portfolio_bonds variable increases by one unit, it results in a larger increase in profit than the price-to-earnings variable (0.1113 versus 0.0292), since its product is larger than the price-to-earnings product **decreases** by one unit.

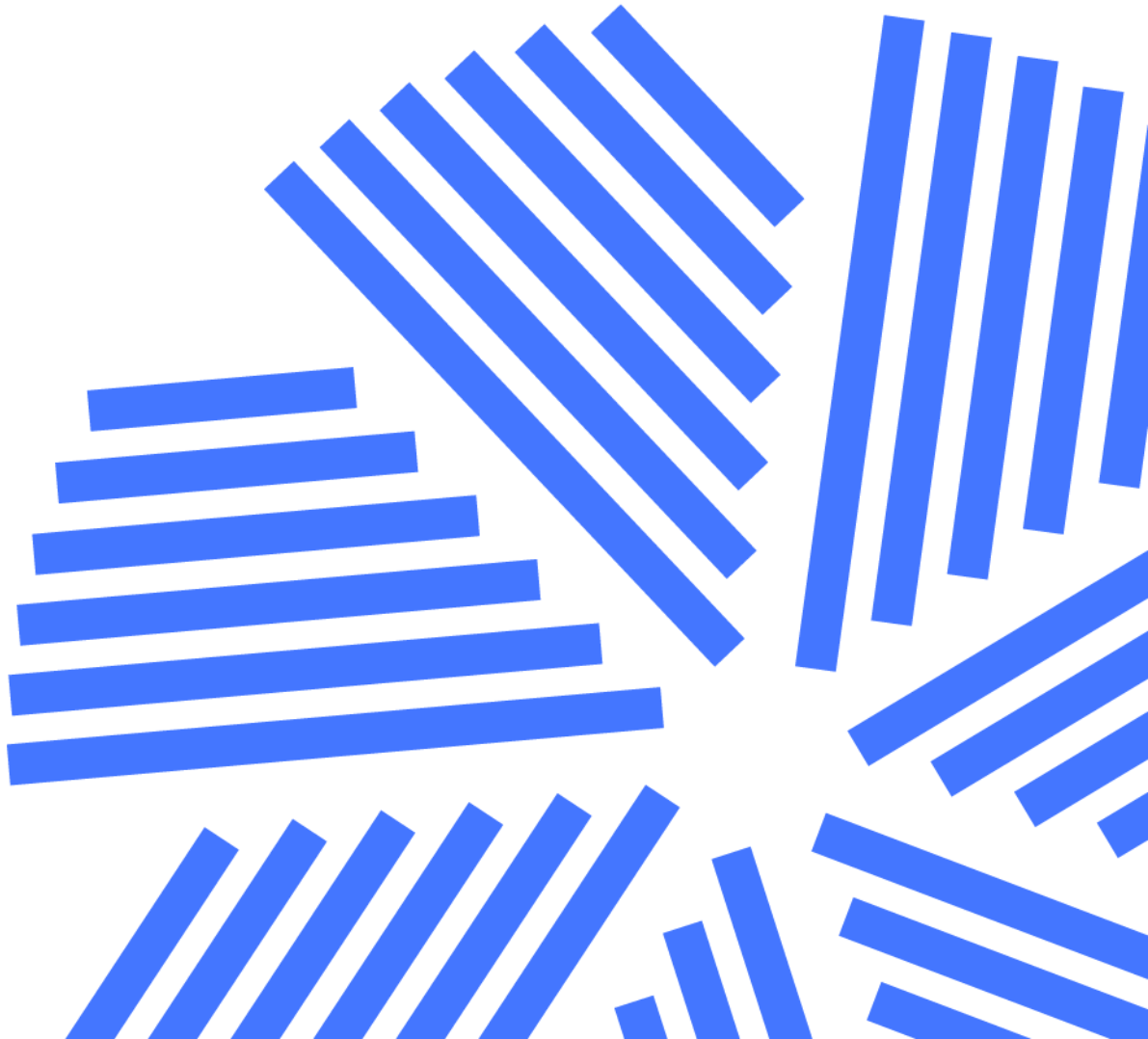
Time Series Analysis

Revised Date	Location	Page(s)	Replace	With
20 August 2025	Exhibit 10	120	R^2 0.9771	R^2 **0.95**
21 August 2025	Example 4	126	Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the second quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through 2Q 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model.	Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the **first** quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through **1Q** 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model.
15 August 2025	Exhibit 13	129	Intercept 0.13345 0.2134 0.6254	Intercept **1.3346** 0.2134 **6.254**

Time Series Analysis

Revised Date	Location	Page(s)	Replace	With
21 August 2025	Exhibit #2	180	Hence, Yang uses a mismatched swap, buying EUR8,000,000 at spot rate against the HKD, to settle the maturing forward contract and then selling an amount more than EUR8,000,000 forward to increase the hedge size. Because the EUR is the base currency in the HKD/EUR quote, this means using the bid side for both the spot rate and the forward points when calculating the all-in forward rate: 9.0200 + 173 _ 10, 000 = 9.0373 The spot leg of the swap—buying back EUR8,000,000 to settle the outstanding forward transaction—is also based on the bid rate of 9.0200. This is because Yang is selling an amount larger than EUR8,000,000 forward, and the all-in forward rate of the swap is already using the bid side of the market (as it would for a matched swap). Hence, to pick up the net increase in forward EUR sales, the dealer Yang is transacting with would price the swap so that Yang also has to use bid side of the spot quote for the spot transaction used to settle the maturing forward contract.	Hence, Yang uses a mismatched swap, buying EUR8,000,000 at **the spot ask rate** against the HKD, to settle the maturing forward contract and then selling an amount more than EUR8,000,000 forward to increase the hedge size. Because the EUR is the base currency in the HKD/EUR quote, this means using the **ask side for the spot rate and the bid side for the forward rate when calculating the all-in forward rate**: 9.0200 + 173 _ 10, 000 = 9.0373 The spot leg of the swap—buying back EUR8,000,000 to settle the outstanding forward transaction—is also based on the **ask rate of 9.0210**. **This is because Yang is buying EUR (the base currency) to unwind her short position, so she must pay the dealer's ask. The forward leg —selling more than EUR8,000,000 forward —is executed at the forward bid rate (spot bid + forward bid points), as Yang is selling EUR forward. Hence, the correct pricing uses the spot ask rate for unwinding the maturing forward contract and the forward bid rate for rolling into the new, larger hedge.**

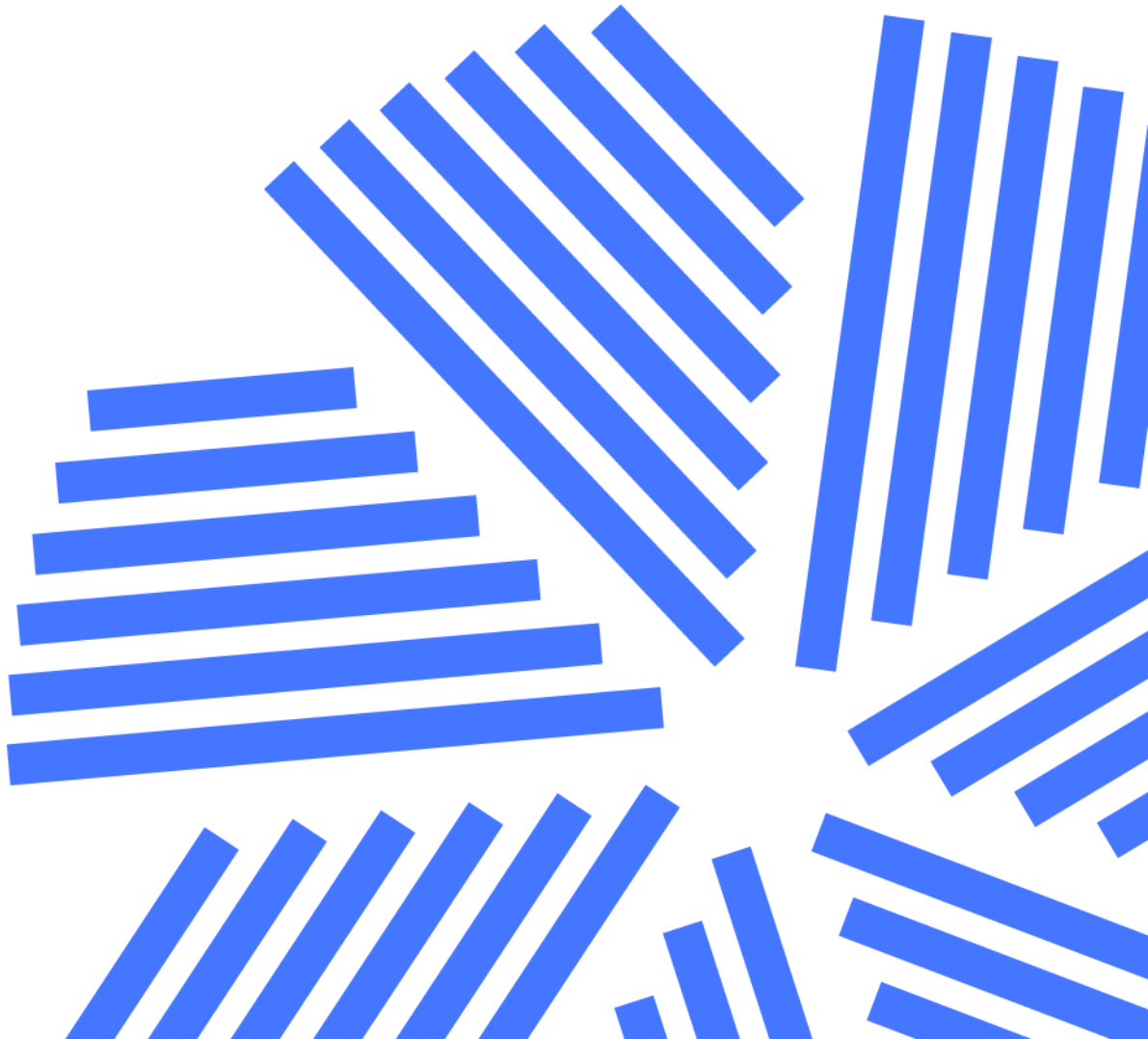
Economics



Currency Exchange Rates: Understanding Equilibrium Value

Revised Date	Location	Page(s)	Replace	With
15 August 2025	Question 4	40	A. +0.03% B. +1.53% C. +1.63%	A. +0.03% B. **+1.42%** C. +1.63%

Financial Statement Analysis



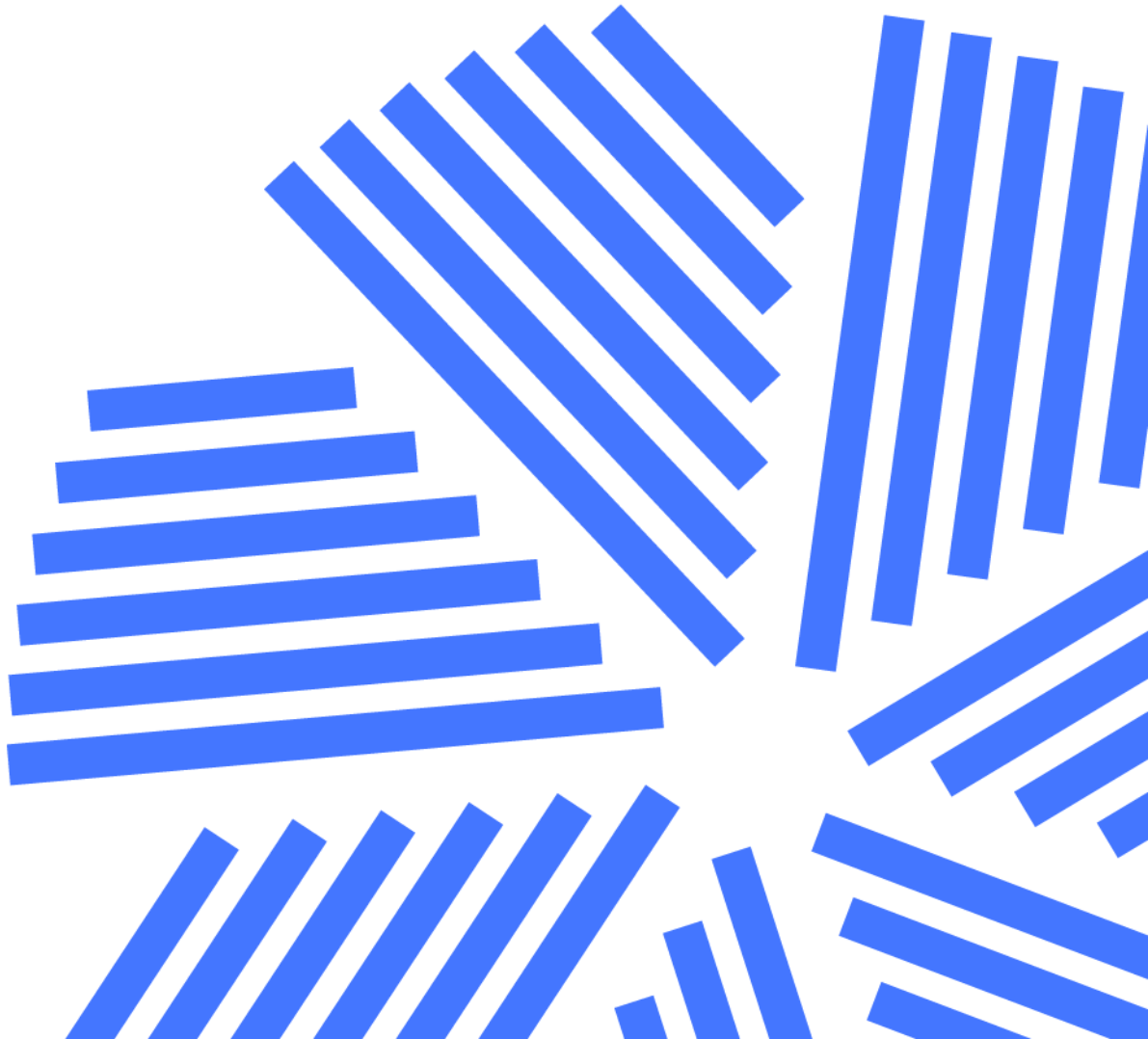
Intercorporate Investments

Revised Date	Location	Page(s)	Replace	With
26 August 2025	Exhibit 1	5	Last row in table duplicate of row 3	Removed last row in table

Employee Compensation: Post-Employment and Share-Based

Revised Date	Location	Page(s)	Replace	With
21 August 2025	Example 10, Solution to 2	95	Net pension asset of 952.6 million	Net pension asset of **954.5** million
2 September 2025	Exhibit 8	96 - 97	Row 2, Columns 2 & 3 Past service costs — Recognized in OCI and subsequently amortized to P&L over the service life of Employees. Row 4, Columns 2 & 3 Expected return on plan assets — Recognized in P&L as the following amount: Plan assets × expected return.	Both columns shifted left by 1 to be: Row 2, Columns **3 & 4** & Row 4, Columns **3 & 4**
18 August 2025	Discussion Box under Knowledge Check	176	Discussion box removed from curriculum	

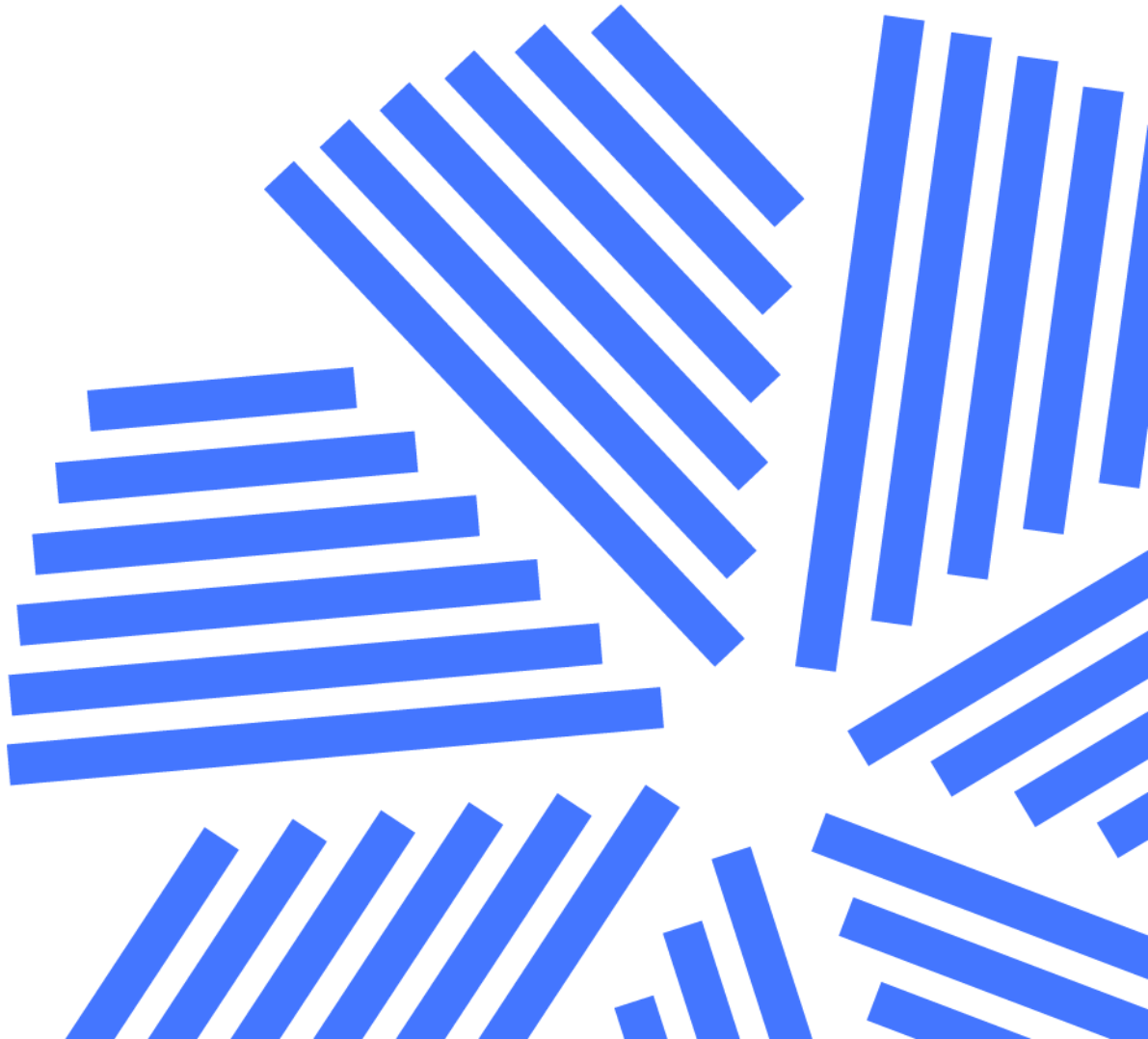
Corporate Issuers



Cost of Capital: Advanced Topics

Revised Date	Location	Page(s)	Replace	With
1 August 2025	Knowledge Check, Question 4, Solution 2	150	re = rf + ERP + SP + SCRP + CRP re = 5.41% + 6% + 5% + 6% + 2% = 24.41%	re = rf + ERP + SP **+ IP** + SCRP + CRP re = 5.41% + 6% + 5% **+ 1%** + 6% + 2% = 2**5**.41%
18 August 2025	Knowledge Check, Solution to 5	150	= (0.1749)(0.07096)(1 − 0.20) + (0.8251)(0.2441) = 0.2113, or 21.13%	= (0.1749)(**0.0887**)(1 − 0.20) + (0.8251)(0.2441) = **0.2138**, or **21.38%**

Equity Valuation



Discounted Dividend Valuation

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Under Equation 12	73	If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = $22.42 + PVGO and PVGO = $43.20 − $22.42 = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.	If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = **$22.35** + PVGO and PVGO = $43.20 − **$22.35** = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.

Discounted Dividend Valuation

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Under Equation 12	73	If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = $22.42 + PVGO and PVGO = $43.20 − $22.42 = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.	If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives $43.20 = ($1.52/0.068) + PVGO = **$22.35** + PVGO and PVGO = $43.20 − **$22.35** = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth.

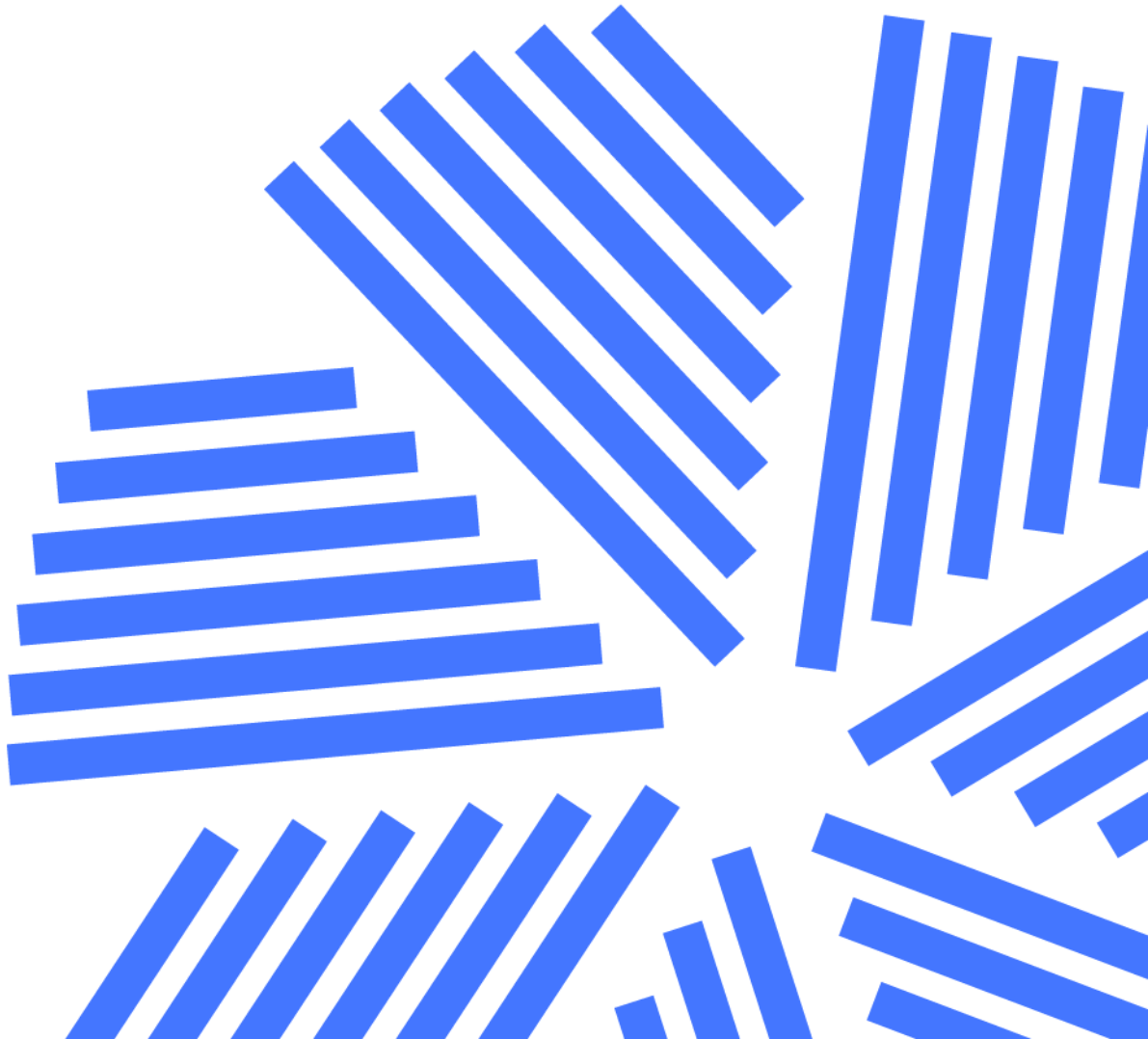
Residual Income Valuation

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Example 10	358	Total value is ZL$86.26, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years).	Total value is **ZL$89.26**, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years).

Private Company Valuation

Revised Date	Location	Page(s)	Replace	With
25 August 2025	Example 8, Solution to 2	437	$\text{Firm Value}_t = \frac{\text{BRL}15,750,000}{0.142 - 0.02}$	$\text{Firm Value}_t = \frac{\text{BRL}15,300,000}{0.142 - 0.02}$
25 August 2025	Example 10,	442	Total value is ZL$86.26, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years).	Total value is **ZL$89.26**, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years).
1 Sept 2025	Example 12, Step 3	450 –451	Terminal Value = 142.680	Terminal Value = **141.295**

Fixed Income



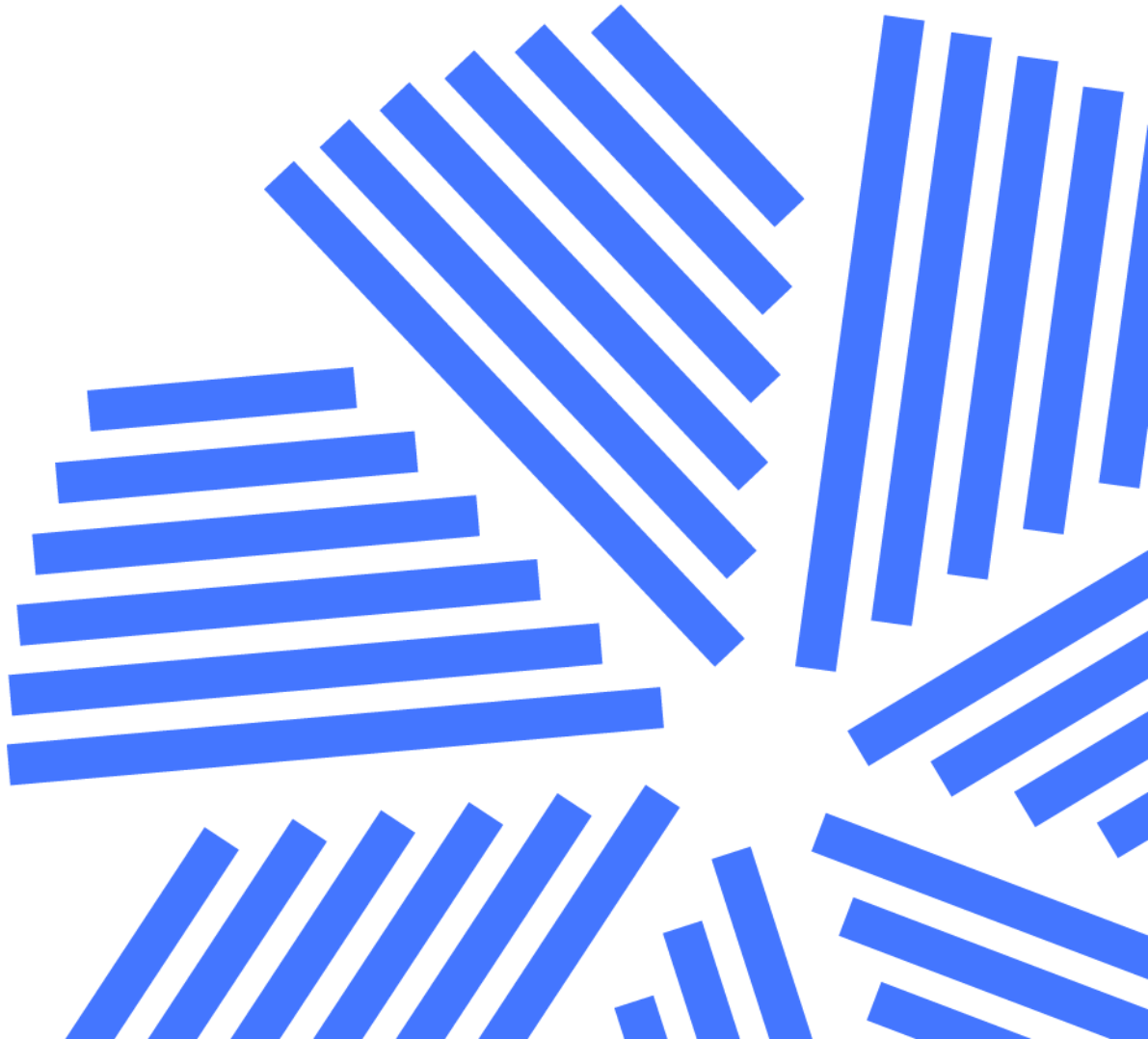
The Term Structure and Interest Rate Dynamics

Revised Date	Location	Page(s)	Replace	With
1 August 2025	Paragraph under Exhibit 7	30	As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and is expected to replace Libor in the future.	As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and **has replaced** Libor ~~in the future~~.

Credit Default Swaps

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Last Sentence – 6th Paragraph	293	As noted, it is apparent why a party making a loan might want credit protection. Consider, however, that a party with no exposure to the reference entity might also purchase credit protection. Such a position is called a naked credit default swap, and it has resulted in some controversy in regulatory and political circles. In buying protection without owning the underlying, the investor is taking a position that the entity's credit quality will improve.	As noted, it is apparent why a party making a loan might want credit protection. Consider, however, that a party with no exposure to the reference entity might also purchase credit protection. Such a position is called a naked credit default swap, and it has resulted in some controversy in regulatory and political circles. In buying protection without owning the underlying, the investor is taking a position that the entity's credit quality will **deteriorate**.

Alternative Investments



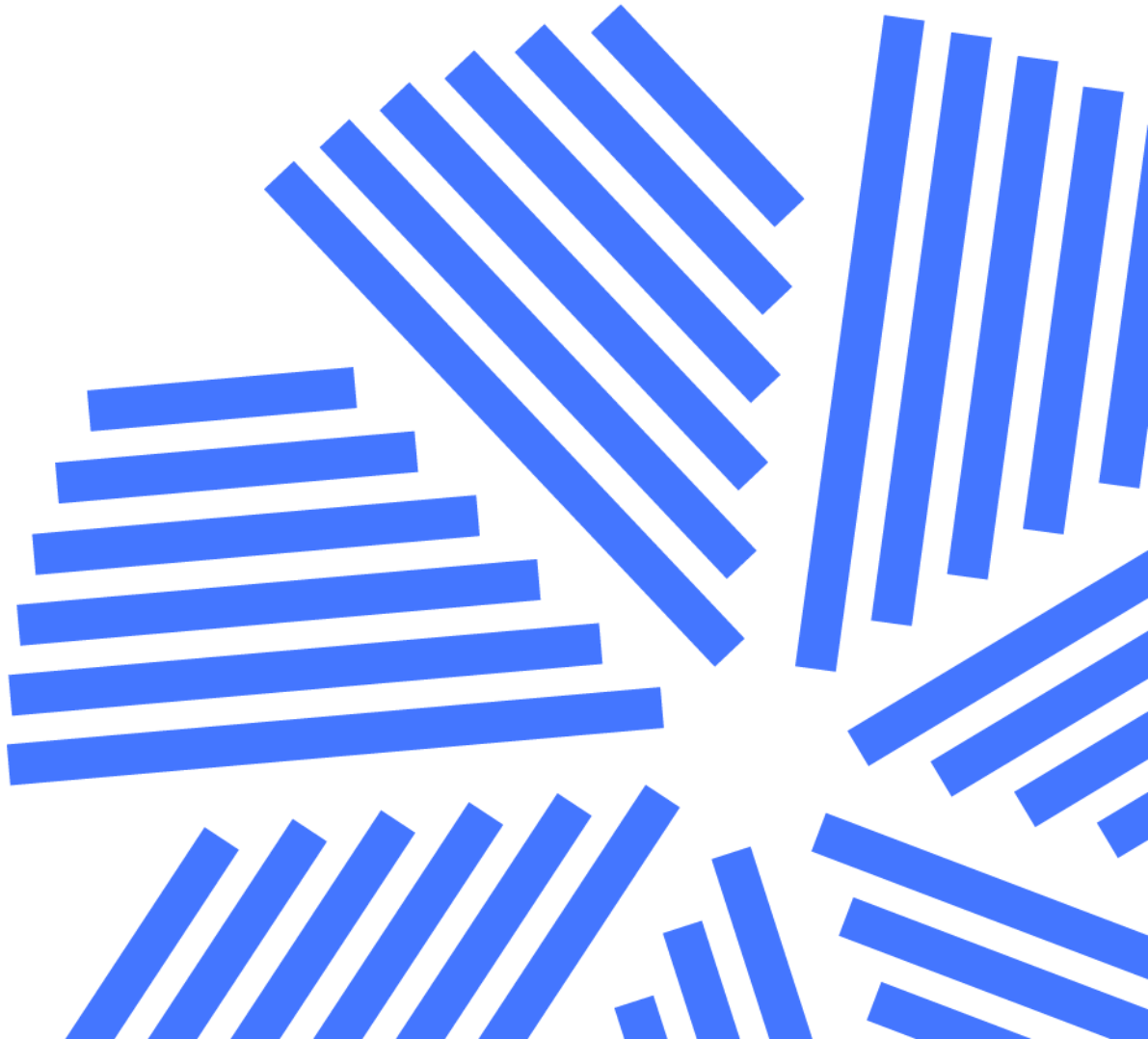
Introduction to Commodities and Commodity Derivatives

Revised Date	Location	Page(s)	Replace	With
31 July 2025	Exhibit 1	7	Flows: Speed of maturation to slaughter weight, economic (GDP) growth/consumer income, disease, adverse weather	Flows: Speed of maturation to **harvest** weight, economic (GDP) growth/consumer income, disease, adverse weather
5 August 2025	Paragraph under Exhibit 14	38	However, since 2010, the emergence of shale oil production in the United States has increased oil's convenience yield to the point that historical scarcity risk is much lower than before.	However, since 2010, the emergence of shale oil production in the United States has **decreased** oil's convenience yield to the point that historical scarcity risk is much lower than before.

Overview of Types of Real Estate Investment

Revised Date	Location	Page(s)	Replace	With
11 August 2025	Equation 17	105	$R_t = \frac{R_t^*}{a} + \left(\frac{1-a}{a}\right) R_{t-1}^*.$	$R_t = \frac{R_t^*}{a} - \frac{1-a}{a} R_{t-1}^*.$

Glossary



Introduction to Commodities and Commodity Derivatives

Revised Date	Location	Page(s)	Replace	With
25 August 2025	Tokenization	G-20	The process of representing ownership rights to physical assets on a blockchain or distributed ledger.	The process of **splitting a given text into separate tokens**.