

CFA is global passport to career:

Advisor's designation is respected worldwide for its skills and its high ethical standards

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More than 7,500 Canadians who endured the rigours of the six-hour Chartered Financial Analysts (CFA) exam this month will be on tenterhooks until August when they find out if they passed.

It's a difficult exam, and usually only a third of candidates pass the first of the three levels that must be completed to attain the CFA charter. The pass rate is about the same for level two, but those who make it to level three have a 65% chance of getting through.

More than 6,000 pages of material must be studied in total, requiring about 750 hours, to attain the respected charter. Typically, it takes about four years of your life, and a lot of studying on weekends and holidays.

"Ultimately, for every five people who start the process, only one makes it through to receive the designation," says Jeff Diermeier, CFA, and president of the CFA Institute based in Charlottesville, Va. "But for anyone who studies aggressively and has a serious interest in the investment business the chances of passing are pretty good and the benefits are worthwhile."

The average age for attaining a CFA is 31. Candidates must also have four years of industry experience with more than 50% of their time spent in investment decision-making.

Mr. Diermeier says the designation is particularly valuable to financial advisors as they have a critical responsibility to properly evaluate the needs of their clients, allocate investors' holdings by asset class, and monitor and rebalance portfolios. Advisors who make specific recommendations on financial securities and investment funds, or engage in professional fund management activities, have even more use for the "gold standard" of qualifications. The CFA is updated frequently as financial markets evolve, and currently contains new content on derivative financial instruments and

quantitative portfolio evaluation techniques that relate to hedge fund analysis, he says.

"It's not just a matter of being able to assess individual investments, but also the way in which they fit together in a portfolio context," Mr. Diermeier says. "Performance must be measured against a range of factors, such as the interest rate market, GDP growth, real estate prices and how the neighbours did."

For advisors looking to differentiate themselves and improve their portfolio management skills, the CFA can be well worth the work.

The designation is globally recognized for the investment management skills it imparts, as well as its high standards for ethical behaviour. Any CFA who does not comply with the code of ethics and strict standards of professional conduct will lose the designation. CFAs must submit a signed professional conduct statement each year swearing they have abided by the rules and have not been the subject of an investigation or written complaint. About 10% to 15% of the curriculum at each level is devoted to ethical practices, a key concern these days.

Chris Guthrie, hedge fund manager and president of Hildale Investment Management Inc., has a CFA designation, as do seven of the 18 employees at his firm.

"When you are hiring investment professionals you automatically know anyone with a CFA has a high standard of education and professional ethics," he says. "The CFA gives immediate material information about anyone who holds it. And it is very rare to see fraud at firms run by CFAs."

In addition to ethics, the exam tests the tools and inputs used for investment management and measurement, asset valuation, portfolio construction and performance presentation. It is always written in English, hence its reputation as a "global passport" to an investment career. Research done by the CFA Institute and executive recruiter Russell Reynolds Associates indicates investment

professionals with a CFA earn higher compensation than those without.

The median compensation of \$130,000 earned by CFAs in Canada exceeds by 26% the \$103,000 earned by their peers without the charter. The gap widens after 10 years experience, with Canadian CFAs earning a median of \$212,000, a 35% advantage over non-CFAs in comparable positions. CFAs also earn more than MBAs, with an average salary advantage of 5%. Most handsomely paid of all are people with a CFA and an MBA, who earn on average about 20% more than if they had only one of the designations.

Currently, more than 64,000 investment professionals in 112 countries hold a CFA, and 26% reside outside North America. Interest in the CFA is growing rapidly. There are 77,000 candidates taking the exams, and of these 53% are from outside North America. In

1990, there were only 30,000 CFAs in the world. Since then, their ranks have grown at an average annual compounded rate of 18%.

The CFA Institute was known as the Association for Investment Management Research from 1990 to 2004, but its roots date to 1947.

The CFA designation was introduced in 1963. "Capital markets are becoming more global in nature, and the CFA is becoming more globally recognized," says Mr. Diermeier. "With the low pass rates, anyone who goes through the process deserves credit."

The CFA Center for Financial Market Integrity has also introduced an Asset Manager Code of Professional Conduct, a guide to ethical conduct that can be used as a blueprint for asset management firms rather than individuals, and Mr. Diermeier says it is geared to "the new young hedge funds starting up." It relies on voluntary compliance and is not an enforceable set of rules. [...]

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