

## CFA to become global passport

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A boom in private wealth management and the globalization of world financial markets is causing a convergence in the finance and investment industry, where the money you earn on the job may just depend on the letters that follow your name.

The broad field of finance is undergoing a shift toward global standards in regard to credentials, and in various sectors of the industry, different designations are emerging as leaders, according to certification bodies.

Chartered Financial Analysts (CFAs) are battling it out with Master's of Business Administration (MBAs) to be considered the global standard for credentials in the field of investment.

But it's the CFA designation that convergence in global financial markets has pushed to become the rapidly emerging world standard for chief investment officers, equity analysts and other investment professionals.

"The flows of money around the world, globalization of capital markets, and the need for people that can manage those flows is exploding, without any question," says Jeff Diermeier, president of the Charlottesville, Va.-based CFA Institute. "The (CFA) designation has become a global passport for people in a highly lucrative industry."

A study by the CFA Institute and Russell Reynolds Associates shows that, globally, CFA-holders out-earn their MBA-holding counterparts by 24% (median average salary of \$248,000 versus \$200,000) for people with at least 10 years of experience.

Length of experience aside, the gap is even wider. Those with the CFA designation command compensation levels 54% higher than those without it (\$180,000 versus \$116,000).

"The appeal with the CFA designation is that it's a very difficult designation to



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DESIGNATION SETS SALARY: In Canada, CFAs with 10 years experience earn 35% more than their MBA counterparts

earn and it's really a global standard," says Blaine Lennox, a CFA graduate and partner at investment counselling firm Jarislowsky Fraser Ltd. in Calgary.

In Canada, the discrepancy between earning power of an MBA and a CFA in a similar role is even greater than the global average. CFA holders with 10 years of experience earn 35% more, while the average regardless of experience is 26% more than an MBA grad, according to the study.

As the past president of the Calgary CFA Society, Mr. Lennox says he hears about more employers encouraging or requiring their investment professionals to acquire a CFA because global market analysis increasingly requires a globally accepted designation and skill set.

"The skill set you learn and acquire by going through the CFA program travels very well," Mr. Lennox says, adding the same exam is taken in English around the world.

"From the standpoint of an employer ? if a person has their CFA designation you don't have to differentiate them from all the different [MBA] schools that applicants come from."

It's not easy to earn the CFA designation: 50% of candidates fail the three-exam process each time. It's a 6,000-page manual requiring at least 750 hours of study and an additional four years of work experience.

Mr. Lennox says the material covers valuation, risk analysis, financial accounting, portfolio management, ethics and a broad range of other investment-related topics.

Growth in membership has exploded in the past five years. There are now 86,000 CFA charter- holders worldwide, while membership for candidates pursuing the designation was 127,000 in 2006. In Canada, there are 11,000 members and another 11,000 candidates. Fifty per cent of accredited members earned the CFA designation in the past five years.

Mr. Diermeier says the biggest increase in the institute's membership base has come from rapidly developing countries. "The really strong growth is coming from India and in mainland China."

India's graduate membership doubled in 2006 to 3,500 from a year earlier and China experienced a 40% increase to 3,000, Mr. Diermeier says. That trend is expected to continue as both countries' economies roar ahead.

Although the CFA designation has been around since 1963, interest in it only peaked in the past five years. The average age of charter accreditation is 31, so the average age of a CFA holder is still relatively young.

The designation is most commonly found on the buy side of the investment business -- mainly large, institutional clients. That's changing as private wealth management becomes a larger part of the industry and, therefore, a bigger portion of CFA membership.

"Thirty per cent of our members service private investors and the private wealth marketplace," Mr. Diermeier says. "As institutions step back a bit from their role in providing for retirement and individuals have to step up, that's an area that is

going to be doing nothing but growing."

Half of the institute's members work as in-house financial analysts, portfolio managers at mutual fund and investment companies or insurance organizations. The remainder fall into private wealth management, the sell side of the business as investment bankers, or in various consulting roles.

There is also an increase in the number of CFA members who lead different organizations as chief executive, investment or financial officers, Mr. Diermeier says.

However, E.A. Clarke, a partner at Ottawa-based executive recruiters Stonewood Group, says the "vast majority" of top financial executive roles in industries such as technology are still commonly held by Chartered Accountants (CAs).

The technology-heavy economic base requires intimate knowledge of regulatory and financial reporting requirements.

"When we're doing executive searches for CFOs, the requirement to find someone who has managed revenues from different global markets is essential," Mr. Clarke says. "The appreciation of the tax implications ? is pretty critical."

A continued move toward new, global financial reporting standards poses similar convergence issues in the accounting field.

Whether you're a CFA, an MBA, a CA, CGA or CMA, it appears the more globally recognized credentials you have, the better.

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