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BUSINESS

HOTTER THAN AN MBA

In the financial industry, the Chartered Financial Analyst designation is the credential that counts. Even the B-schools are getting a piece of the action

Jerry Didunyk has June 1 marked in his daybook with a cryptic notation: "CFA 1." Translation: Chartered Financial Analyst Level One exam, a gruelling six-hour marathon that will cap 250-plus hours of study that have sabotaged Didunyk's spare time for more than six months. The 33-year-old investment adviser will be hunkered down in the barn-like National Trade Centre at Toronto's Exhibition Place with close to 7,000 Level One, Two and Three aspirants. Over 3,000 people in the rest of Canada, and another 90,000 around the world, also will be attempting one of the three sequential assessments administered to CFA hopefuls every June by the Virginia-based Association for Investment Management and Research (AIMR). Didunyk's odds of making the grade on his first go at Level One hover around 50%. His chances won't get much better once he gets to Levels Two and Three. Fewer than one in five candidates pass the charter's rigorous academic requirements in the three-year minimum program length, which goes a long way toward explaining why the financial industry holds the CFA designation in such high regard. Says Didunyk, "In the investment world, the cream really does rise to the top. And the cream are CFA charter holders."

If the staggering growth worldwide in CFA candidates — 253% in six years — is any indication, it's getting to be a mighty rich pool. In 1995, 28,000 people were pursuing the CFA. Today, Asia alone boasts almost that many. In the financial industry, the CFA has almost become a sine qua non. "People more and more are viewing this as a de facto meal ticket into our profession," says Tom Bowman, AIMR's president and CEO.

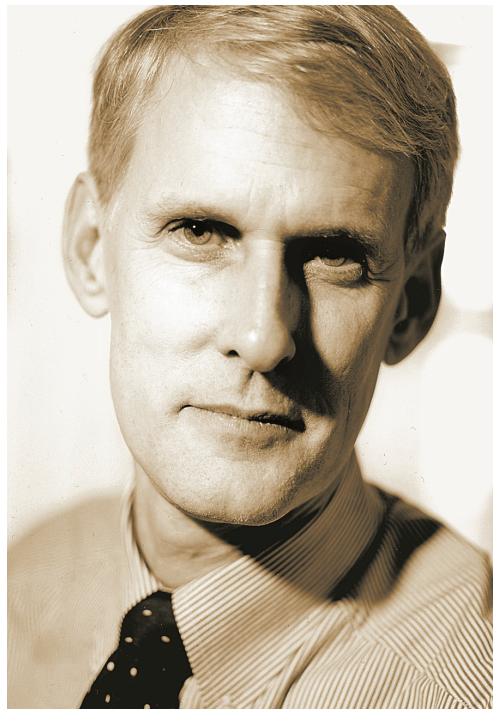
AIMR has also spread its gospel to business schools. Its website lists six institutions in the U.S., Singapore and Canada that have integrated the CFA into their curricula. Canada's lone entry is Concordia University's John Molson School of Business in Montreal. It's in the first year of a joint MBA/CFA, a three-year, part-time program.

At least two other Canadian universities have a close equivalent, though: the University of Sherbrooke in Quebec and Simon Fraser University in Burnaby, B.C., which is marketing a new MBA in Global Asset and Wealth Management directly to CFA candidates and holders.

Canada has 6,324 CFAs, 14% of the world total, but relative to the size of our capital market, we have more charter holders than any other nation. This reflects the boom in the financial sector since the late

'80s and the increasingly high standards demanded in a complex global marketplace. "There's nothing comparable to the CFA for a comprehensive understanding of capital markets," says Ian Russell, senior vice-president at the Investment Dealers Association of Canada (IDA). Regulators worldwide agree. A CFA is mandatory in Singapore's banking system, and the U.K.'s recently consolidated regulatory bodies use the CFA Level One as a proxy for their investment-management licensing exam. Regulators in Canada require that investment counsel registrants either hold the charter or have equivalent work experience. And this month, the IDA's board is expected to adopt recommendations by the Securities Industry Committee on Analyst Standards (SICAS) to make the CFA mandatory for senior managers who oversee teams of analysts at investment dealers. SICAS also recommends that all retail and institutional analysts on the sell side have the CFA.

Even without regulations, the charter has become almost mandatory for research associates assisting analysis at brokerage houses, says James McLeod, managing director and co-head of equity research at RBC Capital Markets. McLeod says a number of the firm's institutional sales people are also benefiting from what he sees as two key CFA assets: added credibility and depth of knowledge, which "equips you to speak the same language as your clients." That's important because now, on the buy side — as analysts or investment managers at big institutional players like Ontario Municipal Employees Retirement System (OMERS),



JERRY TOMBERLIN, DEAN OF CONCORDIA'S JOHN MOLSON SCHOOL



smaller pension managers like Jerry Didunyk's Zaiz and Associates or the treasury departments of banks. It's still possible to get by without a CFA. McLeod says senior analysts at RBC are still hired based on their reputations. And SICAS's recommendations explicitly state that a CFA need not be mandatory for all.

Still, enough people feel the need of a CFA that AIMR is pedalling fast to meet the demand. In recent years, says Bowman, AIMR has remodelled its Level One exam so that it's in a machine-gradable, but equally tough, multiple-choice format. And this year, it will launch biannual testing for Level One candidates in high-demand centres, including Toronto, Vancouver and Montreal. AIMR is also using some of the cash in its burgeoning coffers — the not-for-profit organization has netted at least US\$6 million in each of the past three years from candidate fees, which average US\$1,500 — to maintain a satellite shop in Hong Kong and to start a new one this year in London.

And it has some very enthused B-school supporters. "The CFA has become *de rigueur* in the stock exchange profession," says Jerry Tomberlin, Dean of Concordia's John Molson School. One advantage of the Concordia program, he says, is that it meshes perfectly with the CFA exam schedule and provides students with the weekly study discipline that he figures will lead to above-average pass rates for his students. More important is the university credential. "Although the CFA is a very necessary qualification if you're working in the industry,

it's not a graduate degree," he points out. "Getting the designation at the same time as an MBA gives you that much more advantage over your colleagues or competitors, and it also gives you more flexibility. After working in the investment industry for a while, people do jump ship and change industries. This opens the door to higher management."

"The CFA is a narrow specialization that ensures a minimal level of quality for people working in the field," says the Simon Fraser University program's academic director — and CFA holder — Peter Klein. "At the graduate degree level, we're not satisfied with minimum requirements, but want to go beyond to a higher level of analysis."

For AIMR, the competition is hardly overwhelming. It's more concerned with meeting program demand and maintaining the integrity of the CFA's code of ethics and standards of professional conduct, which all charter holders must sign on to each year. As Bowman says, it's easier to enforce standards in North America than in some Asian countries where, as he euphemistically puts it, "business is done a little differently. It's a big challenge for people in some countries to commit to the code." Even at home, AIMR's vigilance over its standards is suspect says SICAS chair Purdy Crawford. "If you read our report carefully, we are not complimentary about AIMR's ability to enforce," he says, adding that the problem is understandable, given the organization's mushrooming membership and lack of policing.

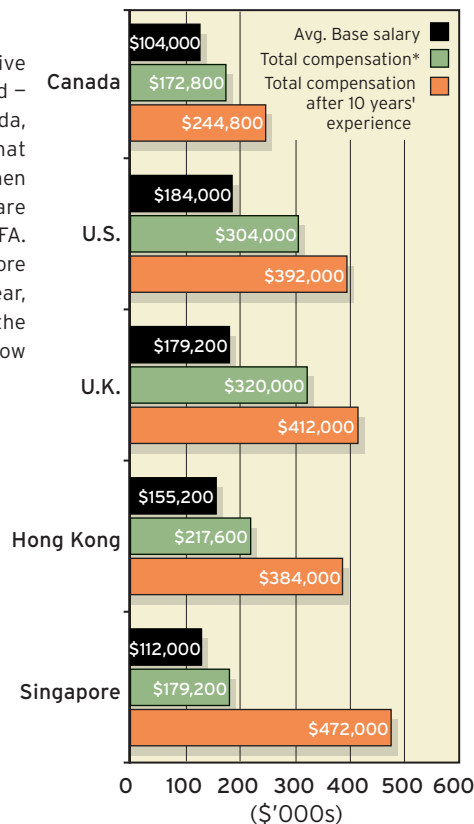
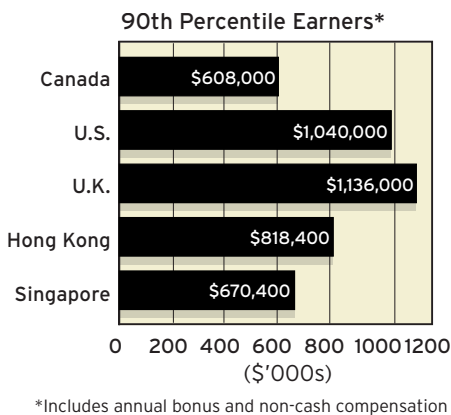
But AIMR's codes may get some teeth if the IDA follows the

SICAS recommendation to adopt them, or a Canadianized version of them, into its regulatory framework. “The intention is that a CEO would sign off on compliance,” explains Russell, who sat on Crawford’s committee. “Better monitoring is one benefit of putting the code into an IDA practice because it will fall under the oversight of the Self Regulatory Organization and will tighten enforcement.”

That’s not a problem that occupies the brain cells of CFA contenders like Didunyk. He’s too busy cramming for June 1 and relishing the possibilities. At a minimum, the CFA will add clout to his financial advice, he says. More important, it will open doors into the world of portfolio management or buy-side analysis, and not incidentally, the healthy salary boost — an average 21% in Canada, according to AIMR — that waits on the other side. As Didunyk says, “No one gets involved in this just to tack up a diploma.” **B**

CFA SALARIES

Chartered Financial Analysts form an exclusive club of some of the world’s most highly trained – and best paid – finance professionals. In Canada, the average CFA made \$104,000 in 2001. That rises to \$172,800 (all figures in Canadian \$) when you count bonuses. Interestingly, Canadians are three times as likely as Americans to take the CFA. But, compared to American CFAs who made more than \$300,000 in total compensation last year, Canadians have less incentive to go through the grueling process of being certified. Here is how Canada compares:



graphics by Kagan McLeod



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