

Seeking advice? Ask for the gold standard

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If you are a consumer of investment services, look for somebody with the CFA designation at the business end of managing your portfolio.

CFA stands for chartered financial analyst and it is considered the gold standard for investment professionals. These are the people who manage the money, and are the key decision makers at most large mutual funds and investment banks.

You may deal with a mutual funds salesperson or a financial planner, but it is usually a CFA in the back office who determines which funds, stocks and bonds to buy and how assets should be allocated at any given time.

The designation is so highly regarded because it is so difficult to earn. Candidates must take three six-hour exams, usually over four years of study. They also must have three or more years' experience as a financial professional, such as a broker, analyst or fund manager, to become a CFA charterholder.

With most candidates holding down a full-time job, the pass rate for the first stage exam fell to a record low of 34 per cent last year. The pass rate for the second level was even lower: 32 per cent.

The global pass rate for all levels since the exam was first administered in 1963 is 59 per cent.

So is the Virginia-based CFA Institute making the exams too tough? No, says president and CEO Jeff Diermeier, who was in Vancouver this week to speak to some of British Columbia's 848 active CFA charterholders.

"Our surveys show that those who are not passing are not doing anywhere near the requisite 250 hours of study for each stage," he said in an interview. "They wait until the last minute and run out of time."

Diermeier laments that "grade inflation" has crept into many high schools and universities. He also says professors are complaining that "alumni pressures" -- lobbying by mom and dad -- are greater than they were in the past.

Financial professionals who have coasted through college and other designations quickly learn that the buck stops with the CFA exam. Yet they keep coming. Last weekend more than 78,000 candidates

in 86 countries sat one of the three exams. Ten per cent were from Canada (7,504) and 10 per cent of those (742) were from B.C.

Ethical and professional standards are emphasized at all three levels of the curriculum, Diermeier said.

"Simply put, good ethics is good business. The CFA designation is a measure of an investment professional's belief in this value and those who take and pass the CFA exams are rising to investors' call for financial standards and ethical investment practices."

That's comforting to hear after the investment scandals that launched this decade, but why weren't CFAs speaking up for mom-and-pop investors back then, or sounding the alarm as the tech bubble inflated in the late '90s?

To be fair, some were, but their voices were muted by their obligations to their employers, says Janine Guenther, president of the Vancouver Society of Financial Analysts.

It was the same at the CFA Institute itself which was governed by strict internal rules and regulations about speaking to the media which mostly meant it couldn't do so in a timely manner.

"Many of our members were upset that we were too quiet and not outspoken enough about many important issues," Diermeier acknowledges. "So we have created a relatively autonomous group at the CFA Centre for Financial Market Integrity which can speak out and address public issues."

The centre opened last November in New York, close to Wall Street which many consider the scene of the crimes.

In promoting "the highest standards of education, integrity, and professional excellence," the centre has already produced a code of professional conduct for asset managers which details the following responsibilities to clients:

- Act in a professional and ethical manner at all times.
- Act for the benefit of clients.

- Act with independence and objectivity.
- Act with skill, competence and diligence.
- Communicate with clients in a timely and accurate manner.
- Uphold the rules governing capital markets.

Financial consumers should settle for nothing less.
Details of the code and the centre's corporate
governance model can be found at
www.cfainstitute.org.

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