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## **Crouching tiger, hidden dragon**

India and China are likely to leap to prominence in the world of staff trained in finance, writes Matthew Richards, CFA

By MATTHEW RICHARDS

China-watchers are fond of using statistics to ram home its status as an emerging economic superpower. They tend to focus on industrial goods, quoting China's voracious appetite for metals, cement and energy and its huge output of electrical goods, clothes and cars.

But if you want evidence that China is reaching the level of advanced, services-based economies, look at the statistics from the CFA Institute.

Last year the number of mainland Chinese holding the prized Chartered Financial Analyst designation nearly doubled, reaching 465. Although this is a tiny proportion of the 70,000 charter-holders worldwide, mainland China accounts for 8,000 of the 116,000 candidates in the CFA programme. In 1995, it accounted for two out of more than 20,000.

The story is the same in India. Today there are 5,000 Indian CFA candidates, up from 18 in 1995. And, as in China, the number keeps on rising.

The proportion of CFA candidates based in the US has fallen from two-thirds to one-third over the past decade. In a few years, it is likely the US will have fewer candidates than Asia.

The CFA programme is roughly equivalent to a master's degree in finance, with an emphasis on investment. All candidates study the same syllabus. They take the same exams, in English, on the same weekend at hundreds of test centres around the world.

Pass rates are low, and barely one-fifth of the programme's candidates pass all the exams and earn the right to put the letters CFA after their name.

Nevertheless, the programme has many advantages over masters' degrees. Candidates can follow the self-study programme anywhere in the world, combined with a full-time job - and it is less than one-tenth of the cost of doing an MBA.

Employers like the fact that the CFA charter is the gold standard in financial training. Bob Johnson, a managing director at the CFA Institute, says: "What drives growth of the CFA charter is what drives India and China in other parts of the economy - Thomas Friedman's idea that the world is flat. The financial world certainly is flat and has become a very small place. It is becoming more inter-dependent, not independent."

For example, the number of financial analysts working in India has risen from 300 in 2002 to 5,700 today, according to Niket Patankar, co-founder of Adventity,

which provides research to investment banks.

This has prompted angst among professionals in rich countries, who see their jobs being relocated to low-cost countries such as India.

But Indian professionals face a struggle to match the credentials of westerners who enjoyed a privileged education at the world's top universities. The CFA helps them compete on a level playing field.

"The reward for earning the charter in India and China is, relatively speaking, higher than in other markets," says Mr Johnson. "It improves your career prospects even more than in developed markets. Asian cultures are very credential-oriented, and not just in finance."

If Mr Johnson is right, the rewards in India and China must be huge - even in the US, a survey last year by Russell Reynolds, the headhunters, found investment professionals with the CFA charter earned 54 per cent more than those without it.

He says professionals in developing countries see the charter as their ticket to the West. "People are recognising you need a global qualification to compete," he says.

"A lot of people see the CFA charter as a global passport. It's a great equaliser."

Siddharth Teli, who works on the investment team at Reliance Mutual Funds in India, says it was the relevance of material and international recognition that made him pursue the CFA charter. His supervisor is also a charter-holder and the company gave him financial support and a pre-examination holiday.

India established its role in the CFA Institute last year with the foundation of the Indian Association of Investment Professionals - one of dozens of affiliated societies worldwide.

The institute is trying to do the same in China and Mr Johnson has been "very encouraged by the institute's reception by the Chinese authorities". He says this is because the CFA programme is part of the professionalisation of financial services - a trend Chinese authorities are keen to encourage.

In last December's Level I exams, candidates in mainland China achieved the highest pass rate of any country - 54 per cent, against an average of 34 per cent. This was particularly impressive since the exams are in English and cover financial concepts China has yet to put into practice.

Mr Johnson puts this down to Chinese candidates' motivation, stimulated by rewards that come with success. But another factor may be the importance of exams in Chinese culture.

He makes a staggering, but plausible, prediction for the CFA charter in China and India.

He defines its "market penetration" as the number of charter-holders as a proportion of the jobs for which the charter would be a credential. He estimates it at 25 per cent for the US but less than 2 per cent for China and India.

This suggests the phenomenal growth of the CFA programme will remain one of those countries' impressive statistics for many years.