

## Knowledge and old-fashioned skill are back in favour

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The world's financiers are doing their homework. After an era of buying and selling assets they did not fully understand, and taking risks they did not comprehend, financial wizards are learning to wise-up.

The era of rising markets and easy profits, in which everything increased in value, is over. Now, traders, investors, and even bank managers need real knowledge, and better ways of assessing risk, to identify undervalued assets that might just perform better than the 2 per cent return on a Treasury bill.

And nowhere are the stakes higher than in the US, where more than 100 fund managers are jostling for the spoils of a public-private partnership to buy up troubled assets underwritten by Treasury secretary Tim Geithner.

As Gil Christie, US chief executive of financial training firm 7City observes, "They need to understand what the assets are, how they are being valued, and the fundamentals of the products."

So while the west's battered banking industry draws in its horns, sheds staff, and pares recruitment and training budgets, "the better [training] opportunities are on the buy-side [investing institutions]," Mr Christie says.

However, no financial training or business school is claiming a bonanza. Mr Christie says 7City's US growth has slowed. Peter Houillon, UK chief executive of training provider Kaplan, concedes that margins are under pressure.

But Mr Christie says investment management firms are cautiously rebuilding training budgets to ensure analysts and fund managers have the skills to compete in markets where asset prices are uncertain and asset classes are becoming more diverse.

In the US, this has resulted in quite lively business for continuous training, and in recent months, renewed financial training business from the investment management industry.

On the banking side, on both sides of the Atlantic fewer clients remain, recruitment has slowed, and reorganisation has yet to translate into new training plans. But regulation is set to tighten, and when it does, compliance requirements will probably trigger increased training demands, especially for those selling financial products to consumers in the UK and US.

But in a multi-polar, multi-speed financial world, the less developed financial industries of Asia and the Middle East continue to show strong demand for skilled professionals, and good business growth for many training organisations.

Nothing illustrates the underlying trend better than registrations to sit the exams of the CFA Institute this month. Though the financial industry absorbs many with Masters degrees in Business Administration and Finance, the Chartered Financial Analyst qualification, pursued part-time by those already hired, has become the industry's benchmark.

The number of candidates worldwide sweating over the series of papers this month was 128,600, a 14 per cent increase on June 2008. In many regions growth was above the global trend. Registrations in London, the Institute's biggest exam centre after New York, reached 8,098 candidates, taking the UK rise to 18 per cent. Registrations in France surged 24 per cent and in Germany 21 per cent.

In the US, where the qualification originated, numbers increased by only 4 per cent, to 56,800 candidates. But Asia Pacific provided 80,200 candidates, up 25 per cent, led by China and India – 7,586 candidates registered in Mumbai alone. Registrations in the Middle East rose 19 per cent.

Nitin Mehta, CFA Institute managing director for Europe, Middle East and Africa, says the growth reflects globalisation of the qualification, but also a steady trend toward 'professionalisation' of the financial industry. "I think these drivers will continue beyond the present crisis," he says.

One attraction of the CFA, for employers, he says, is a strong commitment to ethics and resolving complex problems such as conflicts of interest. In financial markets blighted by a crisis of confidence, employing CFA holders can help restore client trust.

So dominant is the CFA becoming that 93 business schools worldwide now align part of their Masters in Finance programmes with the CFA curriculum.

Some critics have accused schools of disseminating ideas that contributed to the financial crisis, or failing to inculcate ethics.

Linda Kreitzman, director of the Masters in Financial Engineering at Haas School of Business, University of California, Berkeley, gives such suggestions short shrift.

"It is like accusing driving schools of being responsible for all car accidents," she says and adds: "We are definitely addressing what went wrong [with global finance] in our courses."

Professor Kalok Chan, head of the finance department at the Hong Kong University of Science and Technology agrees that business schools are part of the solution, not the cause of the "tsunami" that swept through global finance.

"We feel a pressure to help in re-establishing the financial system," he says. "How can we use what we learn from our research to help in establishing a more stable financial environment? Also, do we have to modify or change what we teach to provide solutions?"

As the CFA's Mr Mehta says, once the crisis has passed, "finance is still going to look pretty much the way it did a couple of years ago". But the CFA programme will probably contain "a greater emphasis on boom and bust, financial market history and the limitations of financial models," he says.

In Asia, says Prof Chan, the crisis has simply given financial educators and trainers a breathing space. "Over the past few years, the demand for financial education has been tremendous. Because of the financial crisis, demand has returned to normal levels, but is still quite strong."

In fact, graduates seeking a career in finance are reacting intelligently to industry changes.

Patrice Houdayer, Dean of EM Lyon business school in France, says that while enrolments for the school's Masters degrees in Market Finance and Financial Engineering have fallen 20 per cent this year, enrolments on the Masters in Audit and Risk Management have risen 20 per cent.

Mr Houillon, of Kaplan Financial, which provides accountancy training, says the number of trainee accountants peaked in 2007 after three years of 10 per cent growth. Last year showed the market at standstill. This autumn, he expects the intake to fall about 15 per cent, before recovering in 2010.

The biggest hit to financial training is at lower levels, among middle and back office staff who are easier to fire when volumes fall.

The UK's Securities & Investment Institute provides education and qualifications for many of these staff. Simon Culhane, chief executive, says registrations to sit its exams this year have fallen 17 per cent, to 42,000, and that the fall for 2009-10 could reach 30 per cent. But registrations in the Middle and Far East are up 5 per cent.

Meanwhile, on both sides of the Atlantic, there is a pick-up in demand for specialist qualifications in risk management, and in short courses related to risk and to particular asset classes, such as structured products.

If financial organisations are belatedly trying to train more staff in these skills, they are not alone. Staff from regulatory bodies are also among those flocking to technical courses.

For, as Gavin Shreeve, principal of the IFS School of Finance, which draws up study programmes for staff at British retail and commercial banks and other retail financial services, points out, in the UK and US, regulators need to do more than tinker with a model that prioritised selling over controlling risk.

Retail banking, a vast industry that also gathers precious deposits, forgot the banking and focused on retailing. Now a new generation of staff needs to learn old-fashioned skills.

If regulators seize the nettle, and demand more skills in branches, bank managers and customer advisers will join the financiers burning the midnight oil.

But without new obligations, some doubt the most flawed retail banks will have the nous to reform.

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