

Top 400 Asset Managers



# Leaders in Europe 2007



# Getting the training right

The German financial industry is seeing an increasing shift towards professionalism, with specialist qualifications now becoming a necessity, says **Peter König**

In Germany we are seeing an increasing demand for qualification in the financial industry and in particular in the asset management sector. Financial products are both very complex and intangible, so one needs a very specialised abstract type of know-how.

This know-how cannot simply be acquired by on-the-job training, which is needed more to deal with details of the financial products and techniques, rather people have to invest in high quality training in the basic concepts of finance. This will take their qualification to another level and allow them to cope with the challenges of a complex financial market.

The difficulty has always been and still is to make people in HR departments and investment firms aware that they have to invest in human capital to stay competitive, and to commit a rather significant amount of money to training.

In fact the situation is now changing. Some 10 or 15 years ago, a German asset manager or banker would have had a broad university education with a qualification in law, economics, or even a social science. Only in very rare cases would they have had any specialist financial education. That was expected to be picked up along the way during his or her career.

So some years ago alpha and beta were terms that were familiar to probably less than 5% of the industry. The other 95% thought you were exotic if you talked about alpha, beta and CAPM, about risk factors and style.

But today, you cannot be a senior person in fund management without knowing these concepts, and about portfolio selection, risk budgeting, and alpha/beta-separation.

Aside from product training, people need to have know-how in investment concepts and strategies. Product cycles have also become very short over the last years, and details of a product you sell or you invest in today may not be relevant in three-to-five years time. But when you look at a structured product, for example, once you have learnt how to analyse the two or three basic underlying risks, it is much easier to take that knowledge and apply it to a similar product in a few years time.

So what types of qualifications are required by the industry today? We are seeing the establishment of what we call the Bologna process, the introduction of the bachelor/master structure in university education where the initial period of study is shorter. People then undertake a more specialised pro-

fessional educational programme after three, five or so years into their career. This can be a master's degree or a doctorate in finance, or a shorter specialist qualification like the CFA or the certified international investment analyst (CIIA) course that we at the DVFA offer.

A typical participant in our programme would have completed his or her university studies in, say, business economics, and then entered the financial industry. Now they find that they should add something to their qualifications, in other words, invest in their human capital. If that 'something' is training, perhaps a refresher course in mathematics and statistics, and also portfolio theory and financial modelling, equity valuation, fixed income management, accounting and corporate finance, asset allocation and derivatives, the CIIA programme would be a good choice.

If that 'something' also comprises financial markets regulation topics like rules on insider trading, the EU directives on market abuse (MAD) and markets in financial instruments (MiFID) and UCITS III, it will be covered in what we call the 'national' part of the programme.

With these new developments in qualifications in general and in the financial markets in particular, currently we are seeing a very

stable upward trend in participation numbers, with in the order of 150-200 people a year enrolling in the CIIA programme in Germany alone. Since its foundation in 2001, the CIIA programme has had more than 6,500 candidates in Europe, Asia, and South America.

The good news is that they are coming from everywhere in the financial industry, large houses, small houses, from investors and from non-financial industries. Another 40 to 60 candidates enrol in a variation of the programme, the certified international wealth manager (CIWM) course, which is a qualification for wealth managers and financial advisers.

And we have good reason to assume that this increasing demand for high-level qualifications in finance is of a structural than of a cyclical nature.

Our background in Germany was one of a universal banking system where everything was integrated, not a specialist banking system such as in the US. Now this is changing, and asset manager, financial adviser and investment banker have become professions in their own right, and professions that are very well regarded by young people looking for a challenging occupation. After all, to invest in human capital to be able to better invest in financial capital has an intriguing leverage factor, and should be a highly attractive proposition.

**Peter König is managing director of the Society for Investment Professionals in Germany (DVFA)**