



CFA Institute
2007 Member Compensation Survey

Major Findings: China



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Introduction, Methodology, and Compensation Calculation



Introduction

The 2007 Member Compensation Survey is designed to provide CFA Institute members with compensation information to help with career assessment and planning. The self-reported data included in this report covers broadly defined positions and, as such, provide members with useful directional frames of reference about pay levels.

It should also be noted that because the survey includes only data from a sample of CFA Institute members, it is not necessarily representative of the full CFA Institute membership or the total population of individuals in these positions.

CFA Institute members continually express the value they derive from the compensation survey. The priority for the 2007 Member Compensation Survey was, therefore, to thoroughly review the survey instrument, methodology, and reporting practices both internally and with outside experts. The goal of this review was to enhance the rigor of the entire survey process and improve the validity and precision of the compensation data provided to members this year and in years to come. To accomplish this objective, CFA Institute worked collaboratively with two independent parties to blend their unbiased analysis and subject matter expertise. CFA Institute commissioned Harris Interactive, an independent global market research firm, to lead the 2007 Member Compensation Survey research process. Additionally, AON Corporation contributed to the design of the survey instrument and to the design and interpretation of the data reports.

Significant enhancements were made to improve the quality of the findings in 2007. In summary, the following changes were made:

1. The data were standardized to the extent possible by not including data that might distort the compensation results. This was accomplished by including only:
 - Individuals who were employed on a full-time basis throughout 2006.
 - Individuals who were **not** covered under expatriate pay arrangements in 2006.
 - Individuals who were in the same position at the same company for the whole of 2006.
2. The organizations and occupations tracked in reporting have been more precisely defined to provide greater consistency.
3. The total number of questions was limited to reduce respondent fatigue and maintain or improve response rates.
4. The questions included in the compensation calculation were reengineered to more accurately capture the appropriate pay elements to calculate total compensation.
5. All compensation data points were reviewed to confirm validity for inclusion in the calculation.

Because of the extensive changes made to the survey instrument in 2007, it is **not possible to make accurate comparisons with past survey data**. However, we believe these changes significantly improve the quality of the compensation data reported, and the 2007 survey will be a strong benchmark for future comparisons.



Methodology

CFA Institute commissioned Harris Interactive, an independent global market research firm, to conduct the 2007 Member Compensation Survey. Additionally, AON Corporation contributed to the design of the survey instrument and to the design and interpretation of the data reports.

The Member Compensation Survey was conducted online from 30 April through 29 May 2007. CFA Institute sent invitations to participate via e-mail, followed by two reminder e-mails. Each e-mail contained a link to the survey housed on a secure website managed by Harris Interactive. The survey took seven minutes, on average, to complete.

CFA Institute members in China – 1,146 members in total – were invited via e-mail to participate in the survey¹. A total of 163 members responded to the survey, and 123 members are included in this report, representing 11 percent of the CFA Institute membership in China.

A note about reporting

The following sample size thresholds were implemented in reporting the data:

- The text reports display results for sample sizes of 10 respondents or more.
- The online searchable database displays results for sample sizes of 5 respondents or more.
- Low- and high-quartile data are displayed for sample sizes of 10 respondents or more.

These thresholds were set in order to provide members with the greatest amount of information while still protecting the confidentiality of individual responses. The sample sizes for some of the reported data are quite small. Care should be taken when interpreting the data based on small sample sizes, as the results may not be representative of the total audience.

¹ Sample based on CFA Institute members in China with a valid e-mail address as of April 2007. Members requesting not to receive e-mail or survey communications from CFA Institute were excluded.



Compensation Calculation

Members were allowed to provide their compensation information in their currency of choice. All compensation data were then converted to both Chinese Yuan and U.S. dollars. **The data presented in this report are in Chinese Yuan.** At the end of the report, a summary of the data is provided in U.S. dollars. The exchange rate used was the average of the daily average Interbank Rate for the period 1 January 2006 through 31 December 2006 as reported on www.oanda.com. The compensation categories are defined as follows:

Base salary	The median of the annual base salary, determined by multiplying one's monthly salary as of 1 March 2007 by 12. As applicable, this <i>includes</i> fixed bonuses and/or other payments that are part of one's annual salary and <i>excludes</i> year-end cash bonuses.
Cash bonus	Median total cash bonus awarded for 2006 performance. This <i>includes</i> all cash payments related to the 2006 performance year, including commission payments, and <i>excludes</i> prior year deferrals paid out in 2006, long-term incentive grants, and pension and other retirement funds. Note: Only those eligible for a cash bonus in 2006 are included in the cash bonus calculation.
Total cash compensation	Total cash compensation was first calculated for each individual respondent by summing 2007 base salary and cash bonus awarded for 2006 performance. Median total cash compensation was then calculated for the full sample. Therefore, median total cash compensation will not necessarily equal the sum of the median base salary and median cash bonus.
Total compensation	Total compensation was first calculated for each individual respondent by summing base salary, cash bonus awarded for 2006 performance, and long-term incentives awarded for the 2006 performance year*. Median total compensation was then calculated for the full sample. Due to the small number of respondents who were awarded long-term incentives for the 2006 performance year, total compensation is the same as total cash compensation in some cases.
Low quartile / high quartile	Total compensation at the 25 th percentile and 75 th percentile.
N	Number of qualified survey respondents included in the reported data.

* Long-term incentives include the expected cash equivalent value of share options, restricted shares, and other long-term incentives granted for 2006 performance. This *includes* the portion of 2006 cash bonus mandatorily deferred, phantom shares, performance units, and investment partnership payments and *excludes* pension and other retirement funds.

Note: In order to calculate the most accurate cash bonus and long-term incentive figures for the 2006 performance year, the data exclude members who were not in the same position at the same company for the whole of 2006. The data do include members who may have changed their position and/or company during January through May 2007, which is reflected in the reported 2007 base salary.



Respondent Profile



Respondent Profile

Below is a summary of the demographic profile of the 123 CFA Institute members included in this report. It is important to keep in mind the profile of these respondents when reviewing the compensation results, as the group responding is not necessarily representative of the full CFA Institute membership in China or the total population of investment professionals in China.

Respondent Profile: China	
Year of Experience	
Less than 2 years	5%
2 years to less than 5 years	42
5 years to less than 10 years	44
10 years to less than 20 years	9
20 years or more	0
Advanced Degrees	
MBA or equivalent	29%
Masters' degree or equivalent	53
Ph.D. or equivalent	4
None of the above	18
Charterholder Status	
Charterholder	89%
Candidate	11
Organization Type	
Investment bank, commercial bank, brokerage firm	46%
Investment management firm	25
Consulting, accounting, law firm	11
Insurance company	7
Government agency/department	2
Hedge fund or hedge fund of funds	0
Corporate plan sponsor	0
Educational institution	0
Family office	0
Rating agency	0
Endowment, foundation	0
Other	9
Assets under Management (executives and buy-side only)	
Under 3990.9 million CNY	36%
3990.9 million CNY to less than 16 billion CNY	23
16 billion CNY to less than 79.8 billion	15
79.8 billion CNY to less than 399.1 billion CNY	17
399.1 CNY billion to less than 798.2 billion CNY	2
798.2 billion CNY or more	8



Respondent Profile

Occupations: China	%	N
Chief administrative officer/chief operating officer	2	2
Chief financial officer	1	1
Chief investment officer	1	1
Head of equities	2	3
Portfolio manager	11	13
Buy-side research analyst	9	11
Buy-side trader	2	2
Buy-side sales/marketing	1	1
Strategist	2	3
Manager of managers	1	1
Financial advisor/broker	2	2
Private banker	1	1
Investment banker	12	15
Sell-side research analyst	10	12
Sell-side trader	2	2
Sell-side sales	2	3
Performance analyst	1	1
Risk manager	7	8
Accountant/auditor	4	5
Actuary	1	1
Consultant	7	8
Credit analyst (rating)	3	4
Regulator	2	2

Occupations with no respondents are not shown.



Research Findings



Reported Compensation in China

This report includes selected results from the 2007 CFA Institute Member Compensation Survey. CFA Institute members can access the full dataset through an online searchable database located on the CFA Institute website:

<http://www.cfainstitute.org/memresources/private/surveys/index.html>.

The online searchable database contains all of the compensation results organized by country, select metropolitan areas, currency, organization type, and occupation where sample sizes permit. When looking at any aggregate totals, one should remember that several factors contribute to differences in compensation, including position, years of experience, size of organization, type of organization, and country. In many countries, limited sample sizes do not allow us to present a full cross-tabulation of all variables. To protect respondent confidentiality, results are only provided for sample sizes of five respondents or more. In this report, results are only shown for sample sizes of 10 respondents or more.

Most respondents (85 percent) report that their total compensation increased from 2005 to 2006; half (50 percent) said their compensation increased by 20 percent or more and 22 percent said the increase was between 10 and 20 percent. Only 3 percent said their total compensation decreased from 2005 to 2006.

On average, 88 percent of respondents were eligible for a cash bonus in 2006. What is the largest determinant of cash bonus? There is no clear-cut winner. About one-third (36 percent) said their bonus is primarily tied to their individual performance – investment performance, financial contribution, or other individual factors, another third (31 percent) said bonus is driven by business unit/division performance, and another third (31 percent) said overall firm performance is most important.

While most respondents were eligible for a cash bonus in 2006, many fewer (17 percent) were awarded long-term incentives. Thirty percent of those who were awarded long-term incentives said they received restricted shares, and 22 percent said they received share options. Nearly half (48 percent) of those who were awarded long-term incentives received other incentives such as mandatory deferred cash, phantom shares, performance units, and investment partnership payments.

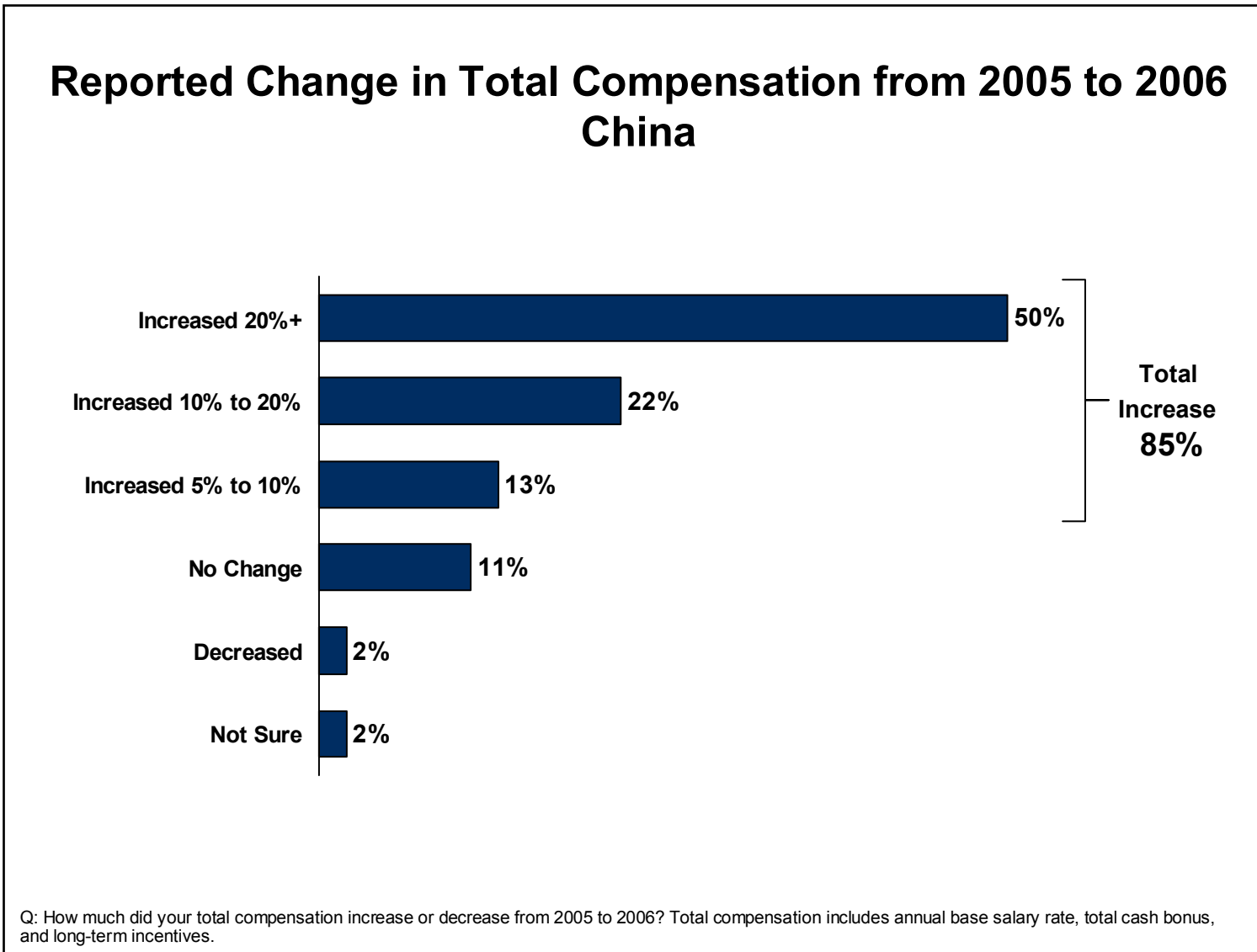


Reported Compensation in China

Among those occupations with enough respondents to report, investment bankers, portfolio managers, and buy-side research analysts are similarly compensated, with investment bankers earning slightly more (420,000 CNY) and buy-side research analysts earning slightly less (380,000 CNY). Sell-side research analysts in the sample earn less than the other occupations with enough respondents to report (320,000 CNY).

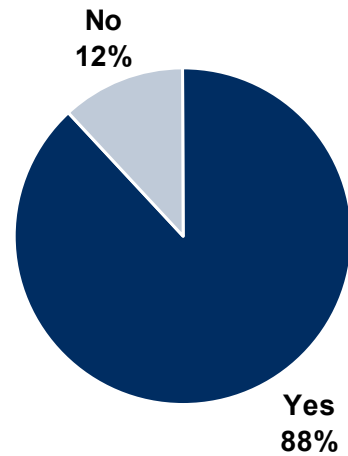
China Reported Compensation by Selected Occupations <i>(in Chinese Yuan)</i>				
	Portfolio Manager (N = 13)	Buy-Side Research Analyst (N = 11)	Sell-Side Research Analyst (N = 12)	Investment Banker (N = 15)
Base salary	240,000	200,000	200,000	300,000
Cash bonus	93,000	140,000	125,000	175,000
Total cash compensation	400,000	380,000	320,000	420,000
Total compensation	400,000	380,000	320,000	420,000
Low quartile	239,000	290,000	225,000	350,000
High quartile	550,000	600,000	1,729,000	740,000

Research Caveat: The compensation data reported here are based on responding CFA Institute members and are not necessarily representative of the full CFA Institute membership or the population of investment professionals as a whole.

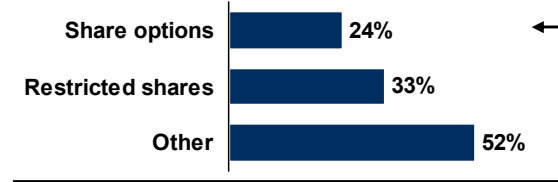
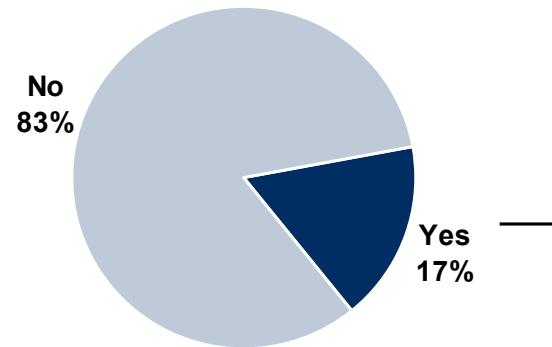


Cash Bonuses and Long-Term Incentives China

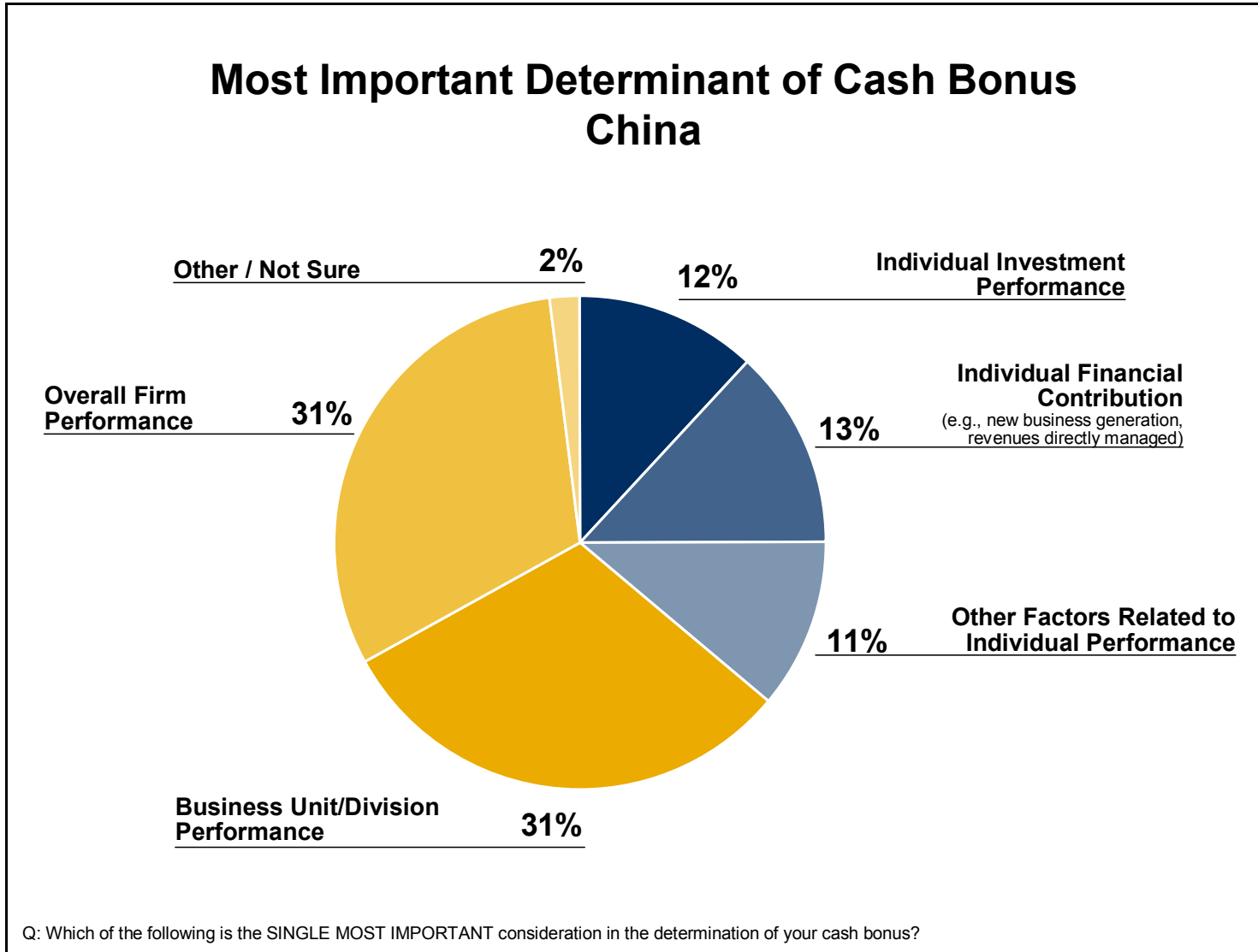
**Eligible for a
Cash Bonus in 2006**



**Long-Term Incentives
Awarded in 2006**



Q: Were you eligible for a cash bonus in 2006?
 Q: Which of the following long-term incentives were you awarded for the 2006 performance year? (Select all that apply): Share options, Restricted shares, Other long-term incentives, including mandatory deferred cash, phantom shares, performance units, and investment partnership payments, None of these.





Compensation Data in U.S. Dollars

Below is the compensation data table reported in U.S. dollars. The exchange rate used is 0.1256, which is the average of the daily average Interbank Rate for the period 1 January 2006 through 31 December 2006, as reported on www.oanda.com.

China Reported Compensation by Selected Occupations <i>(in U.S. dollars)</i>				
	Portfolio Manager (N = 13)	Buy-Side Research Analyst (N = 11)	Sell-Side Research Analyst (N = 12)	Investment Banker (N = 15)
Base salary	\$30,000	\$25,000	\$25,000	\$38,000
Cash bonus	12,000	18,000	16,000	22,000
Total cash compensation	50,000	48,000	40,000	53,000
Total compensation	50,000	48,000	40,000	53,000
Low quartile	30,000	36,000	32,000	44,000
High quartile	\$30,000	\$25,000	\$25,000	\$38,000

Research Caveat: The compensation data reported here are based on responding CFA Institute members and are not necessarily representative of the full CFA Institute membership or the population of investment professionals as a whole.



Appendix: Occupation Descriptions



Appendix: Occupation Descriptions

Below is a full description of the occupations with enough respondents to be reported for China. Please refer to the Summary Report for a description of all of occupations captured in the survey.

Portfolio manager includes:

Portfolio manager: equities (fundamental) – Portfolios/funds that consist largely of common shares issued by organizations. Investment approach focuses on analysis of individual securities’ financial performance, competitive advantage, quality of management, etc.

Portfolio manager: fixed income (fundamental) – Portfolios/funds that consist largely of fixed-income securities issued by organizations. Investment approach focuses on credit analysis and/or analysis of classes of securities, market trends, etc.

Portfolio manager: quantitative – Investment approach that seeks to maximize portfolio performance by using strategies that rely on mathematical models. Responsibilities include portfolio construction, monitoring, rebalancing, and model refinement.

Portfolio manager: indexed – Portfolios that are designed to replicate the performance of a specific index (e.g., MSCI, S&P 500).

Private client portfolio manager – Primarily responsible for managing individual and/or trust account assets and investment relationships

Portfolio manager: other – All other portfolio managers

Buy-side research analyst includes:

Buy-side research analyst: equity – Buy-side analyst whose investment recommendations are primarily based on fundamental analysis of equity securities.

Buy-side research analyst: fixed income – Buy-side analyst whose investment recommendations are primarily based on fundamental and/or credit analysis of fixed-income securities.

Buy-side research analyst: quantitative – Buy-side analyst whose investment recommendations are primarily based on advanced mathematical/statistical models.

Buy-side research analyst: other – All other buy-side research analysts



Appendix: Occupation Descriptions

Sell-side research analyst includes:

Sell-side equity research analyst – Evaluates the earnings potential and prospective market value of publicly traded companies. Analyses are distributed to brokerage and/or banking clients.

Sell-side fixed-income research analyst – Evaluates the creditworthiness of debt issuers and the value of their outstanding debt. Analyses are distributed to brokerage and/or banking clients.

Investment banker – Helps corporations, governments, and other institutions raise equity, issue debt, and/or complete mergers and acquisitions, private placements, restructurings, etc.