

WRITTEN RESPONSES FROM ANNUAL MEETING OF MEMBERS

14 July 2022

Following the conclusion of the Annual Meeting of Members on 14 July 2022, we committed to addressing questions that were posed by members during the meeting that we were unable to address live due to time constraints. Below, please find a compilation of those questions and responses to provide further clarity.”

- **Has the annual report been published?**

A: Please find the annual report for Fiscal Year 2021 on our website, [here](#).

- **Why is there a change in voting rights?**

A: There is no change to voting rights. The language “...and each shall be entitled to one (1) vote on each matter . . .” will be retained in the Bylaws, as is apparent in the proposed revised Bylaws in the Appendix (Page 98). No voting rights are being changed and any future new classes of individual Members would be non-voting Members.

- **In regard to changes to Article 2: Why is this change to the purpose statement necessary?**

A: Best practices for a purpose statement are to be clear in purpose, while general enough to adapt to conditions in the future that might not have been foreseen at the time of writing. In fact, many organizations’ purpose statements say no more than the purpose of the organization is to “undertake all legally permissible activities.” This change, recommended by the Board of Governors, reduces the level of specificity in the Articles of Incorporation to render the organization more flexible to address policies and initiate programs in the future. These changes do not diminish the importance or roles of Members and Member Societies, who will continue to be featured in detail by the provisions of the CFA Institute Bylaws in Article 3.

- **In regard to changes to Article 2: What changes will be undertaken in the future based on these changes that could not have been done prior to the changes?**

A: Our strategy is aimed at not only maintaining the reputation of the CFA brand but enriching its value by adding to the range of products and services we provide to the investment industry including our members, member societies, and candidates. This includes expanding our professional learning offerings for investment professionals from career entry to career exit, modernizing the CFA program to meet the needs of both employers and candidates, promulgating new professional standards, and building out the CFA Institute Global Research & Policy Centre.

- **In regard to changes to Article 3: Will these new members pay annual fees?**

A: While we remain in the early days of planning for non-voting members, our expectation is that they would pay an annual fee.

- **In regard to changes to Article 3: Will the new class of membership potentially promote misuse of the CFA charter?**

A: There will be no new classes of membership who are permitted to use the CFA charter designation, other than those who pass all three levels of the CFA Program, who attest to our Code & Standards, and who meet the work experience requirement. Only charterholder members are permitted to use the designation and that will not change.

In the view of the Board of Governors, it is in the best interests of CFA Institute for there to be flexibility to add other non-voting classes of membership, without diluting or diminishing the existing classes or the status of the charter. There may be future opportunities to improve and advance the organization and its mission through the addition of new classes of members who support our mission and the work we do to advance ethics, education, and professional excellence, such as charter-pendings or those who use our other products and services, but who are not charterholders.

We believe that collectively, we have a shared interest in expanding our member base, to include, for example, the charter-pending cohort. These individuals have already successfully passed all three Levels of the exam but do not have the requisite work experience to receive their charter. We would like this group, and possibly others in the future, to become active non-voting members of the CFA Institute and Society community so that they can benefit from all that we have jointly to offer. But in no way could they represent themselves as charterholders.

This is not a plan to completely change the organization nor to disenfranchise. Rather, it's about how we make this industry and organization more inclusive, expanding our reach and impact while still maintaining our high standards. There's an enormous opportunity for us collectively to have an even bigger say and to influence the industry and profession in a positive way. We will of course ensure the proper use of the CFA designation, as we always have.

- **I would like to understand the current situation in terms of our candidate pipeline. Given that total candidate numbers have declined from around 350K pre pandemic to around 200K in FY20-21, what is the expectation for the year ending August 2022? Also, do you have an estimate of the number of candidates required for breakeven, so that we don't need to dip into our reserves for the current year?**

A: While we had planned to sit most of the remaining deferred candidates by now, the ongoing impacts of the pandemic have prevented us from doing so. We have been able to sit 107,000 previously deferred candidates during FY22, and as of the end of June, we are forecasting approximately 53,000 deferred candidates will be carried forward to sit their exam in FY23.

With the delays in candidates sitting their exams, and subsequently returning to either sit the next level or become members, we will likely see a net cash deficit in FY22 and even with our focus on reducing the cost base, there will be a requirement to draw down between \$15 million and \$20 million of the reserves, to support our operating expenses. Going forward into FY23 and beyond, we expect revenues to exceed expenses, barring unforeseen circumstances.

- **Why aren't members able to speak or address the group live at the Annual Meeting of Members?**

A: At an annual meeting of members, it is critical that members have a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members. This includes an opportunity to communicate, and to read or hear the proceedings of the meeting.

This meeting was held through Zoom and all members interested in participating were able to hear the proceedings concurrently with the meeting. The opportunity to make comments or raise questions was provided through the Q&A feature of the Zoom meeting, which is common practice. We had almost 2,000 members registered to attend and in order to respond to as many of our members questions as possible, we used the most efficient method available to do so. Having an "open mic" would not be feasible with so many attendees.

- **What steps are being taken to maintain the relevancy of the CFA charter?**

A: Our primary objective for the CFA Program is, and has always been, to develop future professionals who exemplify the highest standards of ethics and professionalism. Our transition to computer-based testing is just one example of the way we're enhancing the Program's value to the industry by allowing us to deploy new question types that employers, candidates, and other stakeholders would recognize as being more reflective of the day-to-day application of on the job concepts.

The ongoing evolution of our curriculum is another way we maintain the relevance of the CFA Program. We introduced a new curriculum for CFA Program exams seated in 2022, having frozen the curriculum between 2020 and 2021. Traditionally, the CFA Program curriculum changes every year. We froze the curriculum between 2020 and 2021 to allow candidates impacted by pandemic deferrals to continue studying the same content. This was the first and only time we did this. Beginning in 2022, we returned to our standard practice and the curriculum has changed. This ensures we are testing the most up-to-date concepts and practices. For calendar year 2022, this included: data visualization, back-testing and simulation, fixed-income matrix pricing, green bonds, and climate risk to portfolios, for example. And new for calendar year 2023 will be updates on geopolitics and business models.

- **How are the Standards related to the Certificate in ESG Investing and the CFA Program? Will they become part of the curriculum?**

A: There is an important connection between technical standards and technical training. They work hand-in-glove to advance professionalism within an industry. ESG subject matter already exists in the CFA Program exams.

- **How do the ESG Standards differ from regulations and other standards that address investment product ESG disclosures?**

A: The Global ESG Disclosure Standards for Investment Products are designed to accommodate the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world. Regulation is inherently limited by geopolitical boundaries and does not always comprehensively cover all participants within a market. The disclosure frameworks developed by other organizations prior to the development of the Standards (e.g., the European SRI Transparency Code [for European retail funds], the Operating Principles for Impact Management [for impact strategies], and the INREV Sustainability Reporting Guidelines [for non-listed real estate strategies]) address only certain types of investment vehicles, asset classes, and ESG approaches. By addressing the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world, the Standards provide a harmonized, global approach to investment product ESG disclosures.

Appendix D of the [Standards](#) provides more detail about the Standards' relationship to key regulations and voluntary standards.

- **In the past, CFA volunteers used to come in-person to participate in different committees, grading and MPS workshop. This is provided an opportunity to get together and build new connections with other CFA colleagues. This in-person was disconnected due to Covid. Is there any date/time where you think this in person activity would resume?**

A: As we rebuild from the hiatus imposed by the pandemic, we have seen significant progress with our community of volunteers and societies in FY22. The pandemic restrictions prevented us from holding our regional society conferences and other in-person events, which we recognize as being so important to the vitality of our network. We are looking forward to these recommencing later in calendar 2022. We are also looking into opportunities for our graders to come together in person, and generally overhauling and enhancing our volunteer support platforms.

We also recognize the benefits of the hybrid model for events that have allowed us to “be” in more places – like our Alpha Summit series.

Going forward, we will continue to evaluate when it makes sense to gather both virtually and in-person.

- **What other certificates are going to come out, as the Chair noted?**

We have nothing to announce at the moment but more offerings are in the pipeline. Stay tuned for updates and announcements towards the end of the calendar year.

- **Is there a plan for mandatory continuing education?**

A: We currently have no plans to propose mandatory requirements. The CFA credential is a generalist designation for early-career practitioners. As our members advance in their careers, they tend to specialize and require advanced learning. We want to serve our members from career entry through to career exit by being the place that professionals come to skill, upskill and reskill. Our current Professional Learning focus is improving, expanding and diversifying our offerings and products for investment management professionals globally and for people working in other areas of financial services, reflecting the needs preferences and behaviors of learners today. We have several new Professional Learning courses that have launched or will do so shortly, including courses on Climate, Decentralized Finance, Data Science, Financial Modelling, and Data Analytics.

- **Are there plans to reduce annual fees?**

A: As of now there are no plans to offer a discount or reduce member dues. We are committed to providing value to our membership. Your CFA Institute membership, in addition to use of the designation, gives you access to our research, advocacy and standards content, as well as certain industry databases. Our website provides access to all these and more, which are available at no additional cost.

- **Can you expand on the decision to press forward with the Diversity, Equity and Inclusion Code? What need does it address?**

A: Diversity, Equity, and Inclusion is critical to the future of the investment industry. CFA Institute launched the DEI Code because research shows that diverse perspectives lead to better investment outcomes, and an inclusive investment industry is one that will better serve a diverse society.

These goals align with our work both with and for our members and stakeholders as investment professionals and our mission. We also recognize that an organization with an inclusive culture, awareness and education, and effective working relationships, is a better place to work.