FY2018 ANNUAL MEETING OF MEMBERS Q&A

The following questions below were asked and answered before the FY2018 Annual Meeting of Members. For questions asked and answered during the meeting, please refer to the meeting minutes.

Question 1: I would like the institute to confirm it does not, and has never, used the opacity of the minimum passing score to favor some candidates over others. If the institute has set different minimum score requirements for different test centers or applicant demographic data, it should disclose its policies and procedures for this behavior.

Please be advised that CFA Institute does not and never has manipulated the minimum passing score to favor some candidates over others. CFA Institute uses the same minimum passing score for all test centers and all candidates. The guiding principles the board uses to set the minimum passing score (MPS) ensure fair treatment of all candidates and high standards. The process of setting the MPS is described in more detail on p.10-11 of The CFA Program: Where Theory Meets Practice.

Question 2: I was wondering if there is any active plan to boost the CFA designation market in Iran? As far as I know there is a huge potential candidates' base (around 10,000 candidates) in just the capital of Iran. I have also already shared my story with Randi Tolber, and would be glad to help in that area.

Many thanks for your inquiry regarding plans for Iran, that we agree represents a market with very high potential for CFA activities and our accreditations. We have met with a number of charterholders already active in the local financial market in Tehran and we are looking at ways to support the already strong candidate growth within the country, most specifically by evaluating the possibility of establishing a test centre within the country. This is being led by the EMEA office in London who would be very happy to talk further about plans.

Question 3: During proposed and accomplished mergers with other societies, what will be the differentiating factor that keeps the CFA brand and its prestige? Is there any concern of dilution of the overall CFA brand from acquiring and allowing the same rights as existing CFA Charters?

We are very conscious of the need to protect the prestige of the CFA brand and it is a responsibility that we take very seriously, as shown in the extensive brand campaign we have conducted in recent years. The recent merger of CFA Society Netherlands and VBA resulted in a merged entity, CFA Society VBA Netherlands, which retains a very clear identification with the CFA brand. As importantly, the financial professionals joining CFA Institute because of the merger represent senior professionals in prominent roles within the Dutch financial community, many of which hold a local (RBA) accreditation which is considered to be as prestigious as the CFA charter within the local market. There is no diminution in quality or rigor of the CFA program as a result of the merger; on the contrary, it now becomes more strongly positioned as the undisputed gold standard for the entire investment management industry within that country, advocated for supported by a stronger society with a more powerful voice, at a time of important change within the European financial landscape.

Question 4: I am writing to express my strong objection to the proposal in this year's proxy to retroactively admit to the CFA Institute members of an organization with whom CFA Institute combines through a merger. The idea is offensive to all the existing charterholders who worked hard to earn their charter and dilutes the integrity of the charter (far more than one-off ethical violations by individual charterholders would).

Dilution of the charter will also likely impair the CFA Institute's future financial performance as the charter loses relevance and fewer people sign-up to take the tests. Not only does the proposal border on being unethical (misrepresentation of the qualifications required to achieve the charter), but it is also a poor financial decision.

It should be dismissed, regardless of the voting results.

Thank you for your observations regarding the admission of new members to CFA Institute by way of merger activity. We are sorry that you find the idea distasteful. There appear to be a number of issues at the heart of your comments: firstly, membership of CFA Institute, secondly, the admission of non-CFA charterholders from merged societies, and thirdly, the value and standing of the CFA charter. On the first point, being a CFA charterholder is not a requirement for membership of CFA Institute. While a large majority of regular members are charterholders it is not obligatory as long as someone has attained a passing score on the Standards of Practice Examination and has relevant qualifications and work experience (recently, for example, we made it possible for CIPM holders to become regular members). In the UK Society a large number of members are not charterholders but are ASIPs, courtesy of a merger of two local societies back in 2000. In the case of the proposal to admit members in good standing from ‘merged’ associations such as in the Netherlands, to be clear we are not offering to make them CFA charterholders but we do want them to become regular members of CFA Institute. In that instance, the professionals being proposed for membership of CFA Institute hold a designation (RBA) that is university-taught to Masters level and is regarded locally as just as rigorous and prestigious as a CFA charter. We certainly do not regard this as any diminution in the quality of membership of CFA Institute; quite the contrary. As we advance our mission to develop professionalism within the investment management industry for the ultimate benefit of society, we absolutely want to widen the membership of CFA Institute to attract high quality professionals from all financial communities in which we operate, whether via a CFA charter route or other access points. As part of this commitment we certainly would take very seriously any ‘one-off’ ethical violations by any charterholder. Finally, on the rigor and prestige of the CFA charter, we do not agree that admitting additional regular members impacts the quality, standards or attractiveness of the CFA program and do not consider that one is a consequence of the other. Indeed, in the Netherlands, the aforementioned RBA will no longer be delivered as a competing designation post the merger, so we might expect to see an increase in demand for the CFA charter helped by a louder voice from a stronger, more integrated local society.

Question 5: What is the purpose of proposal 3.c.? Specifically, what types of organizations if the CFA considering a merger, acquisition or otherwise with? Will their education and certification requirements be as rigorous as CFA Institute? It is difficult to vote on this proposal in the absence of additional information to provide comfort that the CFA credential quality would not be diluted through these potential acquisitions or mergers.

Thank you for your question on proposal 3.c. Below is our response:

- As part of our mission to raise professional standards across all the geographies in which we operate, we believe that from time to time we might be presented with opportunities to potentially deepen and /or accelerate our involvement in certain jurisdictions by merging with similar professional bodies.
- We do not believe that this will be a common or typical occurrence, however when situations arise we do want the Board to have flexibility and latitude in making decisions on admitting other suitably-qualified investment professionals with designations other than the CFA charter to regular membership of CFA Institute.
- We continue to devote significant resources to maintain the relevance, quality and standards of the CFA charter and this is wholly separate and distinct from any consideration as to the merits of any merger or acquisition. We do not believe that such situations represent any dilution in the quality of the CFA credential.
- As you will be aware, membership of CFA Institute is not dependent on holding a CFA charter. While a large majority of our membership are CFA charterholders, anyone can be admitted for regular membership subject to achieving a passing score on the Standards of Practice Examination and holding relevant qualifications and work experience. In CFA Society UK, for example, many members hold an historic ASIP accreditation, not a CFA charter, courtesy of a merger of two predecessor local societies back in 2000.
- In the more recent case of the Netherlands, CFA Society Netherlands merged with a competitor association named VBA. Ex-VBA members being admitted as regular members of CFA Institute are all highly qualified professionals holding an RBA accreditation (a university-taught Master's program) that, locally, is regarded as equivalent in stature and difficulty to our own CFA charter.

It is worth stressing that the final decision on all such matters will always reside with the Board of Governors and not with CFA Institute management. This will be a true safeguard for existing members. While we do want to push further towards our goal of becoming a leader for the investment management profession globally this will not be achieved by either diluting the value or prestige of the CFA charter, or by changing the essence of what CFA Institute stands for. We are building on its foundations with this proposal, not looking to replace them.

Question 6: I am writing to you in my capacity as a past Chair of the Council of Examiners (COE) and a dedicated member of the Institute. The CFA exam is the cornerstone of the Institute and we are at an important point in the program's evolution. Over the next five to ten years, the exam as we know it will change dramatically, as we move from a paper-based test to a computer-based format. While the opportunities and risk management gains from this transition are significant, there will no doubt be challenges along the way. As a result, it's incredibly important to craft sound strategy, which requires a well-rounded perspective. Unfortunately, I believe the new board composition after the latest

nominations process leaves a void in that perspective, as the board will be without a senior leader from the exam team.

As a former member of the Nominating Committee, I am aware of the experience classifications that comprise the board matrix. During my time as a Nominating Committee member, I made it a point to stress that education is a very broad classification and this breadth could result in knowledge gaps within the board. For example, even within exam development there are significant differences in experience and knowledge levels. While exam team writers contribute a great deal to initial question creation, they are not privy to a substantial portion of the exam development process and therefore do not possess the depth of knowledge that's necessary to represent exam development at a strategic level. Therefore, simple classifications present a point of risk.

By removing the last remaining member of the board with high-level exam experience and failing to replace him with a senior leader from exam development, I fear the board has created a blind spot at the worst of times. Geoff Ng is a friend and I believe he will do a wonderful job representing another important part of the CFA program, which is the Education Advisory Committee (EAC). However, his time on the exam development team was limited in scope, as he served as a regular writer on a single level of the exam. Therefore, he simply should not be viewed as an exam development expert. As a result, the board is missing critically important perspective at a crucial point in the Institute's history.

I have long been an advocate for ensuring the CFA program has appropriate representation at the board level. The COE and EAC are two of the three pillars of the CFA program, with curriculum being the third. Each operates in completely different areas and each plays a critical role. I firmly believe that the board should always have a senior leader from the COE, as well as a senior leader from the EAC. These two individuals represent the foundation of the Institute's greater cause and bring critically important perspective to the boardroom.

In full disclosure, I have been nominated for the Board and fully realize that some may interpret this message as a call for my inclusion. Let me be very clear. That is not the aim of this message. The issue I raise today is bigger than any single person. It's about sound policy that informs prudent strategy for an organization that represents so much good in our profession. As such, if it increases the chance that my concern will be taken seriously, then please remove my name from consideration.

I have always had the best interest of the Institute at heart in my actions and my comments, so I hope you will take this message as intended.

Thank you for both your email today as well as your volunteer service and commitment to CFA Institute over the years. Your feedback is important and is being shared with the Board of Governors.

In addition, we wanted to share with you the emphasis that our Board of Governors has placed on our nominations process. We have a process that works to provide a thoughtful candidate pool and thorough consideration of all candidates. To highlight the importance the Board places on recruiting new Governors, in September the Board held a retreat where the members discussed and agreed upon the process, selection criteria and priority skill sets sought to guide the Nominations Committee's (NC) process. From August to mid-November, the Nominations Committee (NC) solicited recommendations for governor from the general membership, CFA Institute volunteer committees, the President's Council, CFA Institute leadership team, and the Board. In total, the NC received 98 applications for governor from interested candidates. The NC held seven meetings between September 2017 and January 2018 and conducted at least 15 interviews to inform its recommendations. We began using a uniform application process which provided us with the framework to consider all candidates and assess areas of expertise objectively. CFA Institute expertise, which includes educational/testing expertise, was one of those targeted areas identified by the Board.

We're pleased to report that we do have governors on the slate with impressive educational experience. Mr. Robert Bruner is an accomplished academic and a global leader in professional education and certification. In addition to his years in academia, he served on the board of directors for the Graduate Management Admission Council as well as serving as chair of the Consortium for Graduate Study in Management. We believe that Mr. Bruner will provide a wealth of knowledge and experience as the coveted CFA Program grows into the next phase. Also, as you note, Mr. Geoffrey NG, another committed volunteer, served as Vice Chair of the Education Advisory Committee and was a member of the Council of Examiners. In addition, we have other Board members with past experience on exam-related groups. We trust you will see that the Board of Governors of CFA Institute understands the importance of the CFA Program and, as such, has taken that into consideration when evaluating the potential slate of new members.

We sincerely appreciate your reaching out to share your feedback. This organization was built on the dedication of people like you and we know that you are keeping the interest of CFA Institute top of mind. We do indeed count on your continued dedication to the relevance of the CFA Exam and the quality of the CFA charter.

Question 7: What evidence is there for the effectiveness of the CFA Institute's Ethics program in influencing the behavior of either Charterholders or Applicants?

Ethics is foundational to CFA Institute. The two volunteer committees, the Standards and Practices Council and the Disciplinary Review Committee, along with the Professional Conduct Department create and enforce our Code of Ethics and Standards of Professional Conduct. The Standards and Practices Council ensure that our Code and Standards remain not only relevant but the gold standard. Their importance is tested at all three levels of the program. Professional Conduct and the Disciplinary Review Committee enforce compliance with our high standards for not only our members but also our candidates. We believe that the active level of our enforcement program is reflective of the ethical training and mindset that is instilled in our members. We believe that success is reflected in the low percentage of sanctioned misconduct relative to our membership and candidate population. As you know, all members are required to complete a Professional Conduct Statement annually. We receive about 300 self-reported matters a year. At the same time, we actively monitor media, court documents, etc. to identify possible violations. We also have a global network of volunteers, including our societies, who notify us of possible violations. Even with this high level of activity we see an average of 400 cases per year and of that only about 15% are sanctioned. As a percentage of our 155,000 members, this is low. Our candidate population is similar. Of our 255,000 candidates, we typically have 1,500 exam-related violations. Those that commit the most egregious violations are prohibited from participating in the CFA program. Again, this is a low percentage reflective of the high ethical standards we expect from anyone entering the program.

Question 8: It is clear from the proxy and the explanatory letter from the Chair that there is a larger than usual turnover in board of governors this year. I read between the lines that this is occurring as a result of the diversity and skills assessment that was performed in 2017. Is this the reason for the turnover? Also, I have been concerned for some time about the level of executive compensation at the CFA Institute. In light of its commitment to corporate best practices, is the board considering a "say on pay" provision for future proxy ballots for the CFA Institute?

You are quite right to note the larger than usual list of proposed new governors. Three governors were due to retire normally at the end of their second and final term and two other governors regrettably have had to stand down prematurely for personal reasons. Diversity and rigorous skills assessment did indeed guide the selection of those governors recommended to the membership.

Regarding "say on pay" I admit that the Board has not discussed this for some time but we promise you that we will put it on the agenda for a future meeting.

Question 9: I would like to know why we don't have a slate of candidates to choose from for the Governor positions. It does not seem like we are really voting here at all. I like the process that is used in US elections, where we have a choice of candidates. This process is also used in some CFA societies around the world such as the CFA Society New York.

The CFA Institute Bylaws incorporate a nomination process (Article 9 – Nominating Process and Election) utilizing a Nominating Committee to vet and recommend a slate of nominees that in order to be presented to the membership for election must be accepted/approved by the Board of Governors. That said, the Bylaws do have a provision (Article 9.5 – Nominations by Members) for the membership to submit additional written nominations for Governors, Vice Chair, and Chair.

Question 10: I am a fellow member of the CFA Institute and write in reference to the 2018 CFA Institute Proxy Statement. I am confused by the fragment on page 56, in the column "2017 Compensation Actions" which states "Board at 80% of base salary." Does that refer to the President and CEO?

When I called CFA Institute Customer Service, the representative said he could not put me in touch with anyone who could answer my question and could not read the proxy himself because he lacked access. He advised me to send a screenshot to info@cfainstitute.org. I realize that one interaction is not representative, but I feel like I am dealing with a large (and highly-paid) bureaucracy, as opposed to a small team of dedicated professionals with a mission. By the way, I feel the Board Expenses (page 48) are very high. Are we compensating volunteer board members with meetings in expensive locales?

Thank you for your email to Mr. Jenkins and to address the two other points raised:

1) Proxy Statement/Pg. 56 - Compensation Pay Elements/2017 Compensation Actions...It does appear when the document was converted to a PDF extra line spaces were inserted in that column that split and combined the actions noted. We have made this correction to the document to read correctly.

* Annual incentive for the President and CEO for fiscal year 2017 was determined by the Compensation Committee of the Board at 80% of base salary
* The fiscal year 2017 incentive for the Deputy Chief Executive Officer was 60% of base salary

2) CFA Institute Customer Service Experience - I apologize for the response you received as neither comment was correct. The call center was provided the Proxy Statement for exactly the kind of inquiry you had so they could address appropriately. Additionally, we will reaffirm instructions that questions such as these will be directed to the Board Services team to address.

Question 11: Why meet in Hong Kong? Easier and cheaper to meet in VA or DC.

The AMM is being held in conjunction with CFA Institute's Global Society Leaders Conference and Annual Conference that are held in Hong Kong in 2018. Since these are two of our largest yearly events with significant membership turnout, and our Board members and leadership team would already be in attendance, this was the best scheduling option. Furthermore, the Board will conduct its third quarter meeting in Hong Kong also. The Board and management does try to schedule significant meetings and conferences together whenever possible and to utilize CFA Institute office locations for primary meetings.

Question 12: While the CFA Institute does a great job with education of members, it seems more difficult to employ the resources of CFA Institute at the local level to market the expertise of the membership. In Naples, FL, most of the wealth is managed by brokerage firms. In my opinion, generally, a CFA charterholder would be a much better wealth manager. Can CFA Institute do a better job promoting local members?

We have had similar feedback from US members like yourself about doing more to convey the value and expertise of CFA charterholders to high net worth individuals (HNWI). That is why we have commissioned research on the HNW segment, the results of which we will be using to inform our marketing and advertising plans for the fall and beyond. We believe that there is a lot we can do at the Institute level, as well as at the society level, to increase awareness among high net worth individuals of what we do and how we do it, that will create demand for charterholders as wealth managers. We anticipate launching a focused HNWI advertising and brand campaign in Spring 2019 and we will be happy to share the details with you when we have them.

Question 13: It's only taken 25 years of yelling so now you are running ads about CFA on TV in America. However, the ads are AWFUL. AT THE END OF THEM NOBODY KNOWS WHAT A CFA IS. integrity blah. but what is a CFA. Your ads don't tell them we are better than a CFP dance to a higher standard than a broker etc. I can only scream about this so long. You guys never call me back. The new Pres last year offered to meet with me if I came to Charlottesville. I suggested the phone but alas they apparently don't know how to dial out. Only collect our fees and do nothing for us. Stupid centerfold

ad in the WSJ to waste hundreds of thousands. Have you folks seen the ads of the CFP Institute or whatever of the disc jockey who says I have no skills. I know nothing. I am a DJ. Funny, cute and clever. But maybe making an impact with your ads is beyond your objective.

We are sorry that you are not a fan of the current campaign, which has been well received around the world. However, I am happy to let you know that we have commissioned research on the high net worth (HNW)segment, the results of which we will be using to inform our marketing and advertising plans for the fall and beyond. We believe that there is a lot we can do at the Institute level, as well as at the society level, to increase awareness among high net worth individuals of what we do and how we do it that will create demand for charterholders as wealth managers. We anticipate launching a focused HNWI advertising and brand campaign in Spring 2019 and we will be happy to share the details with you when we have them.

Question 14: Is the CFA exam still as rigorous as it was in past decades? I am concerned about the large #s of candidates and keeping difficulty the same.

The CFA Program is at least as rigorous as it has been in past decade. As the investment management industry has grown more complex so too has the candidate body of knowledge (CBOK) and associated curriculum, which represents about 9,000 pages. Candidates are reporting spending more time studying for the exam, and pass rates have fallen. The average Level pass rate 20 years ago was 55% compared with 40% today. Similarly, pass rates at Levels II and III have dropped from 58% to 44% and from 72% to 52%, respectively. Although the board makes the final decision on the passing standard, they rely very heavily on the judgement of charterholders gathered through the standard setting process described in more detail on pp. 10-12 of The CFA Program: Where Theory Meets Practice.

Question 15: Within the proxy the CFA Institute is looking for authority to bring in non-CFA charters as voting members of the CFA Institute as an overall goal of expanding their voice to include more of the investment community. I personally believe this is a significant enough of a change to bring it up to our members on an informative basis (not making a recommendation).

Thank you for your question on the thinking behind the proposed amendment on admission of regular members by way of merger or acquisition. There are a few points worth clarifying on this proposal:

- As part of our mission of raising professional standards across all the geographies in which we operate, we believe that we will be presented with opportunities to potentially deepen and/or accelerate our involvement in certain countries, on a case by case basis, by merging with similarly professional bodies.
- We do not believe that this will be a common or typical occurrence; however, when situations arise we do want the Board to have flexibility and latitude in making decisions on admitting other suitably-qualified investment professionals with designations other than the CFA charter to regular membership of CFA Institute.
- As you will be aware membership of CFA Institute is not dependent on holding a CFA charter. While a large majority of our membership are CFA charterholders, anyone can be admitted for regular membership subject to achieving a passing score on the Standards of Practice

Examination and holding relevant qualifications and work experience. In CFA Society UK, for example, many members hold an historic ASIP accreditation, not a CFA charter, courtesy of a merger of two predecessor local societies back in 2000.

- In the more recent case of the Netherlands, our local CFA Society Netherlands merged with a competitor association named VBA. Ex-VBA members being admitted as regular members of CFA Institute are all highly qualified professionals holding an RBA accreditation (a university-taught Master's program) that, locally, is regarded as equivalent in stature and difficulty to our own CFA charter.

It is worth stressing that the final decision on all such matters will always reside with the Board of Governors and not with CFA Institute management. This will be a true safeguard for existing members. While we do want to advance our goal of becoming a leader for the investment management profession globally this will not be achieved by either diluting the value or prestige of the CFA charter, or by changing the essence of what CFA Institute stands for. We are building on its foundations with this proposal, not looking to replace them.

Question 16: CFA Institute allows retired individuals to continue their membership as CFA and CIPM. CFA does not have a mandatory continuing education program but CIPM does have a mandatory program. Does it make sense for CFAI to continue to impose a mandatory continuing education program for retired CIPM holders?

One of our overarching strategies for the CIPM Program is to align it with the CFA Program. This year, for example, we decided to welcome CIPM certificants into CFA Institute membership and dissolve the CIPM Association so that CIPM certificants could enjoy all the benefits of CFA Institute membership. This alignment is an ongoing process and will occur over a number of years. Your question about continuing to impose a mandatory continuing education program for retired CIPM holders is a good one. We believe that the industry and general public deserve to know that CIPM certificants have maintained their professional competence as long as they choose to carry the designation whether or not they are retired. Fortunately, this imposes no additional out-of-pocket costs on certificants because there is a wealth of continuing education material available free to members. It does, however, still require CIPM certificants who wish to continue to carry the designation to invest their time in the process.

Question 17: Can you tell me if any thought has been made as to adding a level 4 to the CFA exam? As a member, and I am sure others are thinking the same, we are seeing ever increasing numbers of new members which is diluting the status of the designation! An easy route to deal with this problem, in my view, is an addition of an extra level, this would also drive fees higher as well. Could you advise if any solutions are being debated internally to deal with this?

We are actively contemplating what changes we need to make to the CFA Program to ensure its continued relevance to the profession, protection of investors, and, ultimately, value to the individual CFA charterholders. At the moment, adding a 4th level is not among them. Our efforts are focused on building a profession that establishes competency and ethical standards that serve investors and put their interests foremost in the investment management process. Professionals who are able to meet that standard will naturally be limited and share in the value they provide to investors. It is not, however, our primary objective to create artificial barriers to entry that provide economic rents for members. So, our goal is not so much to create a scarce supply of CFA charterholders as it is to ensure that investors have access to CFA charterholders who can uniquely serve their needs.

Question 18: Mr. Paul Smith, CFA - President and CEO of CFA Institute - wrote in his email to members on 09 Jan 2018: "I have made no secret of the fact that if we can improve the quality and delivery of our CPD product, I intend to reopen the QUESTION OF MANDATORY CPD." I would like to learn the opinion of each of the 9 Nominees to the Board of Governors on this issue.

The Board devoted a great deal of time to the issue of CPD in its September 2017 strategy meeting. The question put to the Board was: "Is CPD a strategic imperative for the future of the CFA program?" After extensive discussion the Board concluded unanimously that it was. We did NOT address the question of whether CPD should be mandatory. I personally believe that for the CFA designation to remain relevant and perceived as such by candidates, employers and regulators that charterholders will have to be able to evidence that they have kept current on developments in the field. For the rationale please see my article "Rethinking Relevancy" published in the December 2017 issue of the CFA Magazine.

Question 19: I don't understand why CFA Institute apparent policy of diversity for the sake of diversity, in lieu of competency qualifications, should be a corporate objective at any level of CFA Institute personnel determination. Should not the best qualified and most excellent available candidate for any given position be the governing criteria?

You are correct in that every time we evaluate candidates for available opportunities within CFA Institute, it is always through the lens of ensuring we select the very best talent for the role. This is a core principle of our People Strategy. Your question about diversity is an excellent one. We are excited to respond to it. Now let's discuss how Diversity enriches that talent view. Studies unequivocally show that groups that possess diversity of thought solve more complex problems and produce better outcomes than groups characterized by monoline thinking. This has been demonstrated to be the case in investment management, as well. We are also keenly aware that, despite our best attempts to be dispassionate evaluators of seemingly objective facts, behavioral studies demonstrate that unconscious bias in subjective decision-making is a universal truth. To be faithful stewards of our members' resources, it is incumbent on us to purposely seek out diverse perspectives to assist with innovation and as an antidote to unconscious bias. I share your view that seeking out the best qualified candidates is still our overarching search criteria. That said, all else being equal, we hope to attract diverse candidates so our ideas become richer. Just like the attractiveness of an individual investment can only be evaluated in the context of the portfolio in which it would be held (e.g., highly-correlated securities are less attractive all else equal than less-correlated securities), so too it is in the labor market in which candidates that bring unique perspectives provide value that cannot be replicated by other candidates. Fortunately, this pragmatic view of diversity also happens to be the right thing to do.

Question 20: I keep hearing this, that now there are so many CFAs, and almost every student who has done an MBA in Finance has also done a CFA, whether in the coming years the designation will have reduced relevance?

You are absolutely right to be concerned about the continued relevance of the CFA designation. Nothing is more important to us than ensuring that the CFA Program develops the competencies within an ethical framework required of professionals today. It is not obvious how a growing number of candidates and charterholders diminishes that relevance, however. Rather, the program would attract fewer candidates were it less relevant. We also believe we have a long way to go before the market is saturated. Our market intelligence suggests that 9% of investment management professionals have a CFA charter or are enrolled in the program. That is a modest share of the market. We would hope that one day all investment management professionals caring for other people's money would hold the CFA charter, just as all attorneys must pass the bar exam. Until then, our primary objective is to maintain the relevance and stature of the CFA Program.

Question 21: **With regard to the proposal for a new 3.2(b)(iv):**

1. **Doesn't 3.2(b)(ii) already cover this eventuality, if one assumes that the other organization has a professional conduct examination?**
2. **Article 4 is about material adverse change – if we assume that CFA Institute merges with AICPA (with over 400,000 members in 2014), would this merger not be considered a material adverse change that requires a super majority vote by Regular Members as opposed to the Board?**

With regard to the creation of Section 3.2(b)(iv) of the Bylaws:

1. As you note, Section 3.2(b)(ii) covers those entities that already have a stand-alone professional conduct examination. However, many organizations do not have such an examination or their ethics components are covered within another more comprehensive examination. The proposed language is intended to capture those entities that do not have an existing stand-alone ethics examination or other exam. With the addition of the new section, the Board could approve into Regular Membership a group of individuals through merger or acquisition in addition to their existing rights to do through by approving other examinations as set forth in 3.2(b)(i) and 3.2(b)(ii).
2. Whether the introduction of a large group of new Regular Members would constitute a materially adverse change would need to be evaluated in its totality and we've not evaluated that here as that is not the intended purpose of the new section. Taking your analogy using AICPA, this could already be accomplished through Section 3.2(b)(i) of the Bylaws wherein the Board could approve the CPA exam as an alternative approved exam to Level I. Whether they would need a supermajority member vote to do so under the existing provisions or this proposed new section has not been evaluated as that use of these rights has not been contemplated at this time. The intended purpose of the new language is to more readily facilitate smaller society-led mergers like we saw recently with the VBA in the Netherlands.

Question 22. Why has the board not advocated for a global ban on soft dollar commissions, given the obvious conflict of interest soft dollars create and so that CFA Institute can "measure up" to the highest standards on commissions that have been rolled out in Europe?

We are tracking the global debate on unbundling of research and execution costs and expect this MiFid II approach to pressure change in all markets. We do support the transparency it brings.

Question 23: There isn't a concrete evidence that obtaining the CFA charter improves career prospects of candidates for front office roles in investment banks and buy-side institutions. Large number of recruiters believe that the CFA charter has little to no impact on getting a new role in a bank or a buy-side firm. Major banks have programmes like "MBA Associate", where freshly qualified MBAs can enter a new career path. Would the leadership team consider lobbying a similar programme like "CFA Associate". Is there a published salary survey of CFA charterholders that is accessible to the CFA Institute members?

Thank you very much for your query in response to the recent proxy regarding the career prospects of CFA charterholders, salary surveys, and the consideration of introducing programs similar to the CFA Program.

Despite your supposition that the CFA charter does not improve career prospects for front office roles at investment banks and buy-side institutions, our market research suggests that the CFA charter is required or preferred for intermediate and senior level roles at more than 90% of firms. At the junior-most level, over 70% of firms say the charter is preferred, and over 70% of asset owners prefer or require charters for external portfolio managers.

This preference for CFA charterholders is also expressed in the labor market. A survey of investment advisors by Investment News indicates that lead financial advisers who have attained a CFA designation earn on average 24% more total compensation for those with the certified financial planner mark and 23% more than advisers who also are certified public accountants. Moreover, a number of salary surveys conducted by local CFA societies report substantial salary premiums for CFA charterholders.

1. CFA Society Chicago Compensation Survey
2. CFA Society Toronto Canadian Compensation Report
3. CFA Society Minnesota Compensation Survey
4. CFA Society Pittsburgh Compensation Survey

To your point about complementary programs, however, the most important skill that employers look for when hiring junior or intermediate investment staff is specialized financial analysis skills. It is also true that the one-size-fits-all nature of the CFA Program is ill-suited to meet the just-in-time learning needs of early career investment management practitioners with varied career paths. Although we would not consider introducing programs that would erode the value of the CFA charter in any way, we are keenly aware that most investment management practitioners do not hold the CFA charter and that most certification programs are more specialized than the generalist CFA Program. So, we are in fact contemplating whether smaller programs that build foundational specialized knowledge would complement the CFA Program.

Question 24: Why are there not more women on this board?

The board is committed to diversity in general and set a minimum target for gender diversity in particular 30%. A third of the Governors on the current board are women and if the proposed slate for new governors is approved by members then 5 of the 14 non-executive governors will be women. The proposed Vice Chair and Chair are women. The current Chair of the key Audit and Risk Committee is female as is the Chair of the all-important CEO Search Committee.

Question 25: I would like to make a recommendation that, in future, we should have more candidates for election to the Board of Governors than the number of vacancies. This will address the situation where some candidates do not receive the required majority of votes cast, resulting in vacancies in the Board of Governors. It also will give Regular Members more candidate choices to consider voting for the Board of Governors.

Your Board represents the interests of the members. On your behalf we guide the organization's strategy and oversee its execution by management. This is a non-trivial responsibility. Our strategy is global with our most rapid growth in Asia. Our annual revenues approach $400 million and expenditures are not too far behind. What skills does oversight of such an enterprise require? How can we attract the needed talent to serve on the board – and on a pro-bono basis? In the Chair's remarks published in the annual report you will find an explanation of how we select governors and what attributes we prioritized in the most recent nominations cycle. Suffice it to say that no one governor can possess all the attributes needed for the task. So, the objective is to assemble a balanced board which, in the aggregate, has the requisite knowledge, experience, contacts and commitment. As with the director nominations in a public company, CFA Institute puts forward a list of recommendations which, if elected, will, in our judgment, best serve the oversight challenge. The recommendations take account not only of specific skills needed, but the value of regional representation, society experience, industry knowledge, educational expertise, diversity and more. Getting that balance right is hard enough as it is. To include additional candidates would make it very difficult to ensure that the final election achieved the balance of skills required. I also suspect fewer candidates would agree to go through the process if they believed that the election was anything other than a yes/no member vote. My question to you would be what purpose would additional choices serve? Would you be able to determine from the bios what combination of skills would best achieve the necessary balance? Your board and its committees devote many meetings, hours, and interviews to do so. So, I hope you will find the slate worthy of your support. If not, please vote no.

Question 26: Why do have our headquarters in a remote location like Charlottesville and why do we have such a bloated bureaucracy?

Our headquarters are in Charlottesville because this is where we trace our roots back to. The first person that had the President and CEO job, in the days when we only had one employee, worked at the Darden business school. We have never felt the need to move. It is perfectly possible to run a global enterprise from Charlottesville provided you hire the right people. Remember we are partly an educational organization and partly a professional body. Our offices around the world help us maintain contact with the industry we serve (New York, London, Abu Dhabi, Hong Kong, Mumbai and Beijing) whilst our Charlottesville base keeps us in close touch with academia and helps the educational part of our world divorce itself from the noise of the major financial centers.

We have 580 staff today serving 320,000 candidates and 158,000 members spread over 160 countries. We serve 151 Societies around the world. We run a substantial global enterprise. I agree that we could always be more efficient and that this should be an ongoing, never-ending battle. To this end over the last 3 years we have improved our efficiency measure (by our board-agreed internal metrics) by some 30%. There is always room for more and we continue to work hard on this through our technology efforts amongst others.

Question 27: Given distinct standards of living, currency convertibility and flow restrictions in some countries of the world with member presence, why is it the case that no decision has been made about a more flexible annual member dues structure? After all, $250 or so in the US is not the same proportion of disposable income as in some other countries, where CFA Institute members are present and not served well in this respect (even though this is my personal experience on the matter, I truly believe I am very much not the only one). Thus, a conversion from a worldwide flat-fee structure to a flexible one should help both resolve the burden of paying high fees and maintain high retention rate among the members.

Today's dues pricing strategy is based on fairness and consistency, coupled with local customization. Historically, CFA Institute members and society leaders believed that paying member dues was a financial burden in certain parts of the world, and thus there was price sensitivity in lower and middle-income economies. In response to this issue, CFA Institute management recommended a pilot program in 2016 to reduce pricing for members in certain countries. The program continues, having expanded to members across 48 countries which were provided with reduced pricing. Other trends continue to be monitored, and pricing and benefits may change accordingly.

Question 28: What is the reason for hiring a deputy CEO in 2016 and spending a significant amount of $847K in total comp for 2017? While total comp for all top executives went down significantly in 2017 vs. 2016 (a welcome sign of prudence), the large spend for the comp of a new Deputy CEO seems to be going in the entirely wrong direction. I would appreciate a more detailed answer.

It's important to note that CFA Institute looks at the same variables any other organization would look at when designing and staffing its leadership team: 1) what is the organizational design needed to ensure we have a structure that can optimally manage the complexity of the organization; 2) what are the critical skills and experience necessary to effectively lead the organization; 3) what is the optimal span of control for an executive; and 4) are we making the appropriate talent decisions for today that will ensure our success into the future when we, like other companies, experience turnover, etc.

It's also important to point out that we didn't hire a new Deputy CEO last year. Bjorn Forfang was already a member of our leadership team. Our current CEO does a tremendous amount of traveling around the world and we noted that we did not have anyone designated as an emergency backfill for the CEO. Because of Bjorn's background, skills and experience, we felt he was the appropriate member of the Leadership Team to add this responsibility to his job accountabilities. In addition, his job title was changed to reflect that new responsibility. Officially establishing an emergency backfill will ensure CFA Institute has business continuity if an emergency arises, which should be reassuring to our employees, members and other key stakeholders.

The final item you mention is that executive salaries were reduced. This is because we eliminated the prior Long-Term Incentive component of our executive salaries. It is important to note that we, like any other organization, continue to review our executives' salaries to ensure they are competitive within the markets in which we operate. Therefore, there may be occasions in the future when decisions need to be made to increase salaries to ensure market competitiveness and retain top talent.

Question 29: Why did you change the date of the CFA exam? Some students have difficulties to find a summer job because of that later date, I think you should review that new decision.

The exam has historically been held on the first Saturday in June until we offered an additional administration in December in 2003 to better serve candidates. Over time, our candidates increasingly hail from Asia-Pacific and hold different traditions than we in the West. The June 2018 exam date was moved to avoid conflicting with Ramadan, during which Muslims fast from sunrise to sunset thereby creating a significant challenge for those enduring a six-hour examination. We are working to avoid an exam date conflict with Ramadan in 2019, as well, but do not expect another conflict for another 40 years based on the Islamic calendar.

This is a natural outgrowth of the increasing globalization of the exam, of which we can all be proud. We will do our best to schedule the exam in a way that is most convenient for our stakeholders. Alas, it will be less convenient for some rather than others. That is both inevitable and regrettable, but we must do our best to serve our global constituents.

Question 30: How does CFA Institute protect members' data?

Keeping our members' data private and security is a top priority for CFA Institute. We take your data security very seriously and do not share or sell your data outside of CFA Institute, CFA Societies or to companies we hire to help us fulfill some of your member benefits (e.g. the company that prints charterholder awards), unless you specifically opt in to sharing like we do with exam prep providers. Consistent with the expectations of General Data Protection Regulation (GDPR), CFA Institute is committed to minimizing data collections, giving users greater control over their personal data we hold, and to incorporating "data privacy by design and default" in our systems design. One example of this is that CFA Institute no longer stores electronic payment card data. We believe these steps help protect our members, candidates, volunteers, and employees. In addition, we use leading practices to safeguard your data from hacking, including recently investing millions to upgrade our cyber monitoring and cyber threat defenses. We agree this is becoming a much broader ethical issue as recently seen through legislation in Europe (GDPR) and data sharing scandals at Facebook. We do not believe in firms selling or giving your information to others without your knowledge and consent.

Question 31: What does the CFA leadership do to guarantee that the mindset origins of the financial crisis, i.e., the bonus greed of employee bank managers are rooted out for good?

It would be great indeed if CFA Institute could solve the problem of greed in finance but as unlikely as that would be, we do see progress in a range of systemic protections designed to mitigate against practitioner greed. For example, much stricter trading and position limits are in place at organizations that deal in derivatives. Central Clearing Counterparties have been established to clear derivatives and better ensure proper margining and checks on counterparty overexposure. Finally, bank regulators look carefully at Incentive programs to ensure they do not promote excessive risk taking. It is not a matter of solving for greed but to have systems that catch and mitigate risky (greedy) behaviors more quickly. Progress has been made and our Codes & Standards definitely help, but there is no guarantee, we fear.

Question 32: I wonder if you could please clarify what you mean by proposal 3c. I understood you will make CFA Charterholders members of other organizations CFA Institute may acquire or merge with? Is that correct?

Your understanding is not quite correct. The proposal seeks to allow the Board discretion in granting regular membership of CFA Institute to those professionals in good standing from other organizations that we may merge with or acquire.

We do not believe that this will be a common or typical occurrence; however, when situations arise we do want the Board to have flexibility and latitude in making decisions on admitting other suitably-qualified investment professionals with designations other than the CFA charter to regular membership of CFA Institute.

This does not have any impact on the status of CFA charterholders with regard to their own membership of CFA Institute. In the recent example of CFA Society Netherlands merging with a local Dutch organization, VBA, this involved granting regular CFA Institute membership to those VBA members holding a specific Dutch accreditation (a university-taught Master's programme, seen locally as similar in stature and difficulty to the CFA programme).