

**Board of Governors**  
**OPEN SESSION**  
**Meeting Minutes**  
4-6 February 2021  
Video Conference Call

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**Board of Governors Present:**

Marshall Bailey, CFA	Daniel Gamba, CFA (Meeting Chair)	Diane Nordin, CFA
Alex Birkin	Punita Kumar-Sinha, CFA	Tricia Rothschild, CFA
Robert Bruner, DBA	Yimei Li, CFA	Zouheir Tamim El Jarkass, CFA
Daniel Fasciano, CFA	Karina Litvack	Maria Wilton, CFA
Marg Franklin, CFA	Geoffrey Ng, CFA	

**Presidents Council Chair and Representatives Present:**

Aaron Brown, CFA (PC Chair)	Joshua Howard, CFA	Ming Shu, CFA
John Carter, CFA		

**Leadership Team Members Present:**

Chris Ainsworth	Allison Holmes	Barbara Petitt, PhD, CFA
Marty Colburn	Peg Jobst	Lutfey Siddiqi, CFA
Marg Franklin, CFA	Sheri Littlefield	

**Others Present:**

Stephanie Ennaco	Joseph Lange (Meeting Secretary)	Randi Tolber, CFA
Melissa Carroll	Anne O'Brien	Roger Urwin, FSIP
Rebecca Fender, CFA		

**Materials Provided:**

Board Meeting Pack

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**Blue – Action Items**

**Green – Approved Resolutions**

**Red – Tabled Resolutions**

**THURSDAY, 4 FEBRUARY**

**BOARD CHAIR AND CEO REPORTS**

*Presenters: Daniel Gamba, Board of Governors Chair*  
*Margaret Franklin, President and CEO at CFA Institute*

**Board Chair's Remarks**

The Board Chair welcomed everyone to the Q2 Board meeting. A brief overview of the agenda was provided, and the group was notified that the sessions would be recorded. The governors were asked to disclose any conflicts of interest as they pertained to the agenda. Mr. Tamim El Jarkass stated that he had a standing conflict with regards to

the item on setting the minimum passing score for the CFA exam and would therefore recuse himself from that conversation.

The Board Chair took a moment to make some introductory comments to the group on the state of the pandemic and its impact on CFA Institute and the investment industry. It was also highlighted that a proposal had been included in the supplementary materials with regards to reassessing the number of Board and committee meetings during the fiscal year to create a more reasonable workload for the governors going forward. There had also been a recommendation to restructure a couple of the committees and retire one of the working groups.

[It was noted that there would be more social engagements planned between the Board and PCRs. The Corporate Secretary would be scheduling optional sessions every month to increase connectivity.](#)

#### CEO Report

The CEO provided an overview of her written report and asked Lutfey Siddiqi, CFA, who had recently been hired as the Managing Director of Regions and Society Relations, to introduce himself to the Board. It was also noted that Barbara Petitt, PhD, CFA, who had been with the organization for several years, had been hired as the Managing Director of Professional Learning and Paul Andrews as the Managing Director of Advocacy, Research, and Standards. The CEO then welcomed comments and questions from the group.

There was a question on the best organizing principles for societies and CFA Institute engagement. Management stated that they would have a fluid, multi-faceted approach when looking at clustering societies. In some cases, proximity would be the driving force while creating communities based on thematic interests would make more sense in other instances.

There was a question on how Mr. Siddiqi would gain an understanding of societies given the current state of travel. Mr. Siddiqi stated that he had already started to engage in many one-on-one virtual sessions with the societies and that he had a background in running global emerging markets for sales and trading businesses and therefore had great familiarity with many different countries.

#### PRESIDENTS COUNCIL CHAIR AND SOCIETY PARTNERSHIP ADVISORY COUNCIL REPORTS

*Presenters: Dan Fasciano, Society Partnership Advisory Council Co-Chair  
Aaron Brown, Presidents Council Chair and Society Partnership Advisory Council Co-Chair  
Joshua Howard, Presidents Council Vice Chair  
Randi Tolber, Head, Global Society Relations*

#### Presidents Council (PC) Chair Report

The PC Chair commented that there had been an increased alignment between the PCRs, SPAC, Board, and CFA Institute. Since the last Board meeting, the PCRs had hosted about three calls with the societies in their respective regions, and it was shared that budgets, in general and overall, had been holding steady due to reduced revenues and expenses, and that membership levels had been somewhat static as well. Societies had shared three main concerns: funding, testing (i.e. lower administrations in FY2020; future candidate pipeline), and the new strategy.

There had been virtual society leadership conferences and Presidents Council meetings in early December that had been effective and interactive. Societies had been polled on several questions, mainly related to funding, and the results were displayed for the group.

#### Society Partnership Advisory (SPAC) Council Report

The SPAC Co-Chair reported that the council had been on track with regards to their deliverables for the fiscal year. In addition, there would be three working groups formed to address funding, membership trends and member engagement, and society innovation. The objectives and timelines for these working groups would be clear, and the Board would receive progress reports at the next meeting.

### Approval – Society Funding

It was stated that the FY2022 society operational funding proposal had been reviewed and endorsed by the Audit and Finance Committee and SPAC. An overview of the recommendation as detailed in the materials was provided.

There was a question as to why the FY2020 profit margin had been greater than expected. It was explained that most society services and expenses, other than their staffing costs, had gone toward member programming. As revenues had declined, expenses had declined even further in the virtual environment. The group agreed that the future would likely have a hybrid approach of in-person and virtual events.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the recommended modifications to the society Operational Funding model for FY2022 and the corresponding financial commitment of up to \$14.8 million in the FY2022 budget.**

### AUDIT AND FINANCE COMMITTEE, INVESTMENT SUBCOMMITTEE, AND CFO REPORTS

*Presenters: Geoffrey Ng, Audit and Finance Committee Chair*

*Punita Kumar-Sinha, Investment Subcommittee Chair*

*Allison Holmes, Chief Financial Officer at CFA Institute*

#### Audit and Finance Committee (AFC) Report

The AFC had reviewed the Q1 financial results with the CFO as well as strategic measures pertaining to FTE spend and withdrawing from the reserves.

#### Investment Subcommittee (IsC) Report

After interviewing several investment consultants and completing its due diligence, the IsC had voted to renew Mercer and would look to include more ESG in the company's portfolios going forward. In addition, the IsC would aim to redesign the investment policy statement and update the organization's ESG values and beliefs statement. A working group would be established to drive these two initiatives, and there would be a survey circulated to the Board for their input on ESG.

#### CFO Report

The group received an overview of the CFO report as detailed in the materials.

There was a question on actuals versus the forecast across the regions. It was reported that this information would be circulated to the group by tomorrow.

There was a question on the demand for Optional Proctor Testing (OPT). It was clarified that OPT would not be formally offered to all candidates, would primarily be used as a contingency measure for cancellations, and would only be available to those who met certain requirements to ensure a good experience. It was explained that OPT would give the organization the ability to test a small population before deciding whether to accelerate any activities around that offering. The topmost priority had been to ensure that the rollout of computer-based testing (CBT) was a success. Management would need to be agile in its continued response to the risks posed by COVID-19 while also meeting candidate needs and expectations.

The current exam liability (i.e. deferred revenue) was approximately \$250,000 versus the \$543 million in reserves.

For cancelled exam sites, some candidates would receive an invitation for OPT and others would have the option to defer to another window at no cost. The organization would be able to scale to capacity for OPT if warranted (i.e. if many candidates qualified). In addition, the organization was allowing candidates to move to a different window at no cost if they felt uncomfortable sitting for the exam in February given infection rates in their respective locales. Lastly, if candidates had been twice deferred, they would be eligible for a refund.

**CREDENTIALING MATTERS**

*Presenters: Tricia Rothschild, Risk Committee Chair*

*Margaret Franklin, President and CEO at CFA Institute*

*Allison Holmes, Chief Financial Officer at CFA Institute*

*Peg Jobst, Managing Director of Credentialing at CFA Institute*

**Risk Committee (RC) Report**

It was shared that the RC's main priority had been to oversee the development of the enterprise risk management framework, including the refinement of the risk appetite statement, and to address five risk categories: operational, financial, compliance, strategic, and reputational. The group had been collaborating with the other committees, which were responsible for escalating key risks to the RC throughout the fiscal year.

The RC had been assessing the remote proctoring process and confirmed the oversight accountabilities of the committee versus management.

**Exam Delivery Update**

The group received an overview of the exam delivery update, which had covered the February CBT exam and OPT, as detailed in the materials. It was noted that the Board would receive additional documents by tomorrow to absorb in time for Saturday's executive session.

It was explained that it would cost the organization about \$100 per candidate to move out of the February window. Management had estimated that approximately 50,000 candidates would do so. It was stated that in a post-pandemic world, candidates would be able to select a window and be able to move within that window, meaning they would still have optionality but less so in a more normal environment. This would ensure candidates had a good and fair experience.

With regards to capacity assumptions, management had estimated approximately 88,000 new Level I candidates in FY2021. There was agreement that there needed to be a balance between deferred and new candidates from a political, reputational, and financial standpoint, and a path to accommodate inflated capacity levels. It was explained that the July window would serve in this context. It was added that the CBT windows originally mapped out for FY2021 had been changed quite substantively to address the impact of COVID-19.

The credentialing team viewed CBT as an evolving journey. The organization had continued to build its item bank; and, when it was large enough, it would be possible to sit multiple levels on the same day.

While many testing groups, such as Prometric and Pearson VUE, had seen an increase in candidates sitting for a variety of exams as compared to nine months ago, CFA Institute would be prepared to confront a worst-case scenario. Furthermore, management confirmed that there were risk mitigations plans in place to address the potential for cheating.

There was a concern about deferred candidates selecting different exam sites and leaving a lockdown environment to travel and take the exam. The organization stated that it could not prevent individuals from breaking local rules and could only control the safety protocols at the testing site, where candidates would have their temperatures taken and be asked a series of questions related to COVID-19 prior to entering a socially distanced setup.

The Board was asked to submit any remaining questions to the Corporate Secretary for compilation. These would be addressed by the credentialing team during Saturday's executive session.

FRIDAY, 5 FEBRUARY

## **STRATEGY MATTERS**

*Presenters: Alexander Birkin, Strategy SWAT Team Member*

*Margaret Franklin, President and CEO at CFA Institute*

*Chris Ainsworth, Chief Operating Officer at CFA Institute*

*Melissa Carroll, Head, Strategy Implementation and Organizational Capabilities at CFA Institute*

### **Strategy SWAT Team Report**

The Strategy SWAT Team had been focused on several significant tasks, including the refinement of the strategy, development of the operating model and key performance indicators (KPIs), creation of the implementation roadmap, and execution of the strategy. In terms of addressing critical areas of the strategy, the group had discussed professional learning, the next phase of Societies 2.0, exerting greater influence on the industry, and increasing new Level I candidate numbers.

### **Strategy Refinement, KPIs, and Operating Model Update**

The group received an overview of the strategy matters report as detailed in the materials.

It was clarified that the KPIs would evolve over time, especially those relating to measuring relevance. Overall, there had been a great level of engagement from staff on the targets to ensure that they connected to the strategy and made sense across the organization as opposed to determining targets from the top and cascading them down without this valuable reference point. The objective would be to move from “accidentally successful” to intentionally disciplined with the confidence to experiment and cross-collaborate.

It was noted that the external environment had impacted the organization’s thinking around the strategy, especially how professionals would learn and conduct their work in the future.

It was explained that the strategic vision in about two years’ time would bring the credentialing and professional learning functions closer together. Instead of considering one function as primary over the other, the two should be market driven and activities sequenced more thoughtfully and intentionally – the CFA Program and modularization of professional learning would therefore need to be addressed in a holistic manner.

The CEO agreed that further language refinement was needed around the organization’s objective to shape the whole industry. The main goal would be to influence certain aspects deemed critical to investor outcomes and the ultimate benefit of society where CFA Institute had a legitimate platform. It was emphasized that the organization’s code of ethics and other significant advocacy efforts had yielded a greater impact in developing countries.

It was indicated that that management would be having further conversations on societies and members, and that the Society Partnership Advisory Council would be part of this process to better inform the strategy.

## **INDUSTRY RELEVANCE – FUTURE OF FINANCE**

*Presenters: Roger Urwin, Future of Finance Council Chair*

*Rebecca Fender, Senior Director of the Future of Finance at CFA Institute*

The group received an overview of the Future of Finance (FoF) report as detailed in the materials. The Board Chair asked the group to organize their questions in three categories: the role of the FoF and measuring success, ESG and sustainability, and the work ahead.

There was a request for the presenters to provide a practical example of how systems theory would be applied to asset managers running their funds to address systemic risk factors, such as climate change. It was explained that systems theory pertained to behaviors and reflexivity in the industry, which had been moving toward the need for increased stewardship. However, it was recognized that the active ownership aspect of stewardship was currently not a money-making behavior. CFA Institute believed that showcasing the benefits of collaboration with other organizations on systemic risks could pave the way forward and add an important dimension to the sustainability issue.

There was a question on what the product fit might be for the greater China market. It was explained that with the hire of Paul Andrews, FoF distribution plans would be reviewed to ensure a more systematic and cohesive approach to impacting different markets. The organization had recognized that local adaptation would be important and that there would be no one standard model in applying sustainability to all countries for structural and cultural reasons. COVID-19 had likely reminded everyone how interconnected the world was and the dangers of not facing external risk factors.

In the US, it was suggested that with regards to the future of the profession, a heightened focus on inclusion and diversity trainings would be helpful to the societies and their members.

With regards to accountability measures, it was clarified that the FoF function had created working groups with the societies to ask the right questions at the local level and help measure the organization's influence more accurately. In the current framework, with every FoF paper published, tools had been created for the societies to engage with the content (i.e. standard slide decks, scripts, etc.), and the objective would be to ensure that these tools were as relevant as possible in each market.

There was a question on how to increase the FoF connection between the return on investment and the strategy, especially as it related to professional learning but also across all four pillars. In addition, it was suggested that the Board should have more oversight of the FoF function to better inform its agenda. It was stated that the development of the Advocate for Professional Excellence pillar would evolve with the onboarding of Paul Andrews and that he would be working to combine many elements across research, advocacy, and standards and to emphasize the significance of collaboration, which was currently a structural deficit in the industry. The return on investment had been and would continue to come from the recognition that CFA Institute was known as a thought leader and not only an exam administrator. The group also agreed that a return on investment could come from establishing different levels of gating to access content to increase member value and have a broader impact. Lastly, management stated that they would review the governance structure of the FoF and ensure it was fit for purpose. There would be salon sessions scheduled in the future to engage Board members on FoF topics, and it was added that certain members of the Research Foundation Board of Trustees would be invited to present at the Q3 meeting.

*Meeting adjourned.*