

Board of Governors
OPEN SESSION
Meeting Minutes
6-8 May 2021
Video Conference Call

Board of Governors Present:

Marshall Bailey, CFA	Daniel Gamba, CFA (Meeting Chair)	Diane Nordin, CFA
Alexander 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:

Camille Alexander, CFA	Aaron Brown, CFA (PC Chair)	Pieter van Putten, CFA
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Leadership Team Members Present:

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

Others Present:

Ted Aronson, CFA	Joanne Hill, PhD	Anne O'Brien
Shambi Dalal-Patel	Joseph Lange (Meeting Secretary)	
Stephanie Ennaco	Mark Lazberger, CFA	
Bud Haslett, CFA		

Materials Provided:

Board Meeting Pack

Blue – Action Items**Green – Approved Resolutions****Red – Tabled Resolutions****THURSDAY, 6 MAY****BOARD CHAIR***Presenter: Daniel Gamba, Board of Governors Chair*

The Board Chair welcomed everyone to the Q3 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 items on setting the minimum passing score and would therefore recuse himself from those conversations. The Board Chair then took the opportunity to make a few opening remarks.

CHIEF EXECUTIVE OFFICER REPORT

Presenter: Marg Franklin, President and CEO at CFA Institute

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

It was clarified that the ESG Certificate offered by CFA Institute had been distinct from other ESG products, mainly because it was a truly global standard versus region-centric. The CEO asked the Corporate Secretary to circulate the report on this subject to the full Board.

The organization had engaged an outside firm to conduct a comprehensive review of its programs and offerings to identify opportunities for diversifying its revenue. There would continue to be a focus on creating sustainable revenue streams in the future state.

The CEO and her leadership team were commended for their strategy work and for weathering CFA Institute through the pandemic. Management was encouraged to continue its refinement of the strategy with the input of the new leadership team members to ensure the plan was cohesive and allowed the organization to accelerate implementation. Management was also encouraged to ask the Board for the investments required to change the business.

The CEO stated that she would be meeting with the governors individually after the Board meeting to capture their thoughts on additional refinements to the strategy leading up to the Q4 sessions.

FINANCIALS

Presenter: Allison Holmes, Chief Financial and Risk Officer at CFA Institute

The group received an overview of the financials report, which had been reviewed by the Audit and Finance Committee, as detailed in the materials.

The CFO explained that the move to computer-based testing had reduced the cancellation risk and cost of delivery. The organization would likely use only about half of the \$43 million drawn from the reserves given the positive impact of the demand generation campaign. Management agreed that they could be bolder with the implementation of their strategy while also supporting the infrastructure needed to scale the business and build out new opportunities. Going forward, the financial discipline adopted during the pandemic would become the standard for leadership.

The CFO was asked for her thoughts on the current state of the reserves. There was also a comment that the reserves should be benchmarked against operating expenses and deferred revenue. The CFO shared that, historically, the organization had taken a conservative approach to the reserves, and, more recently, had been building out its risk management framework to assess the risk impact each year and to consider the contingent reserves more dynamically. There would be a review of the contingent reserves and what needed to be set aside versus what should be spent on strategic initiatives.

It was explained that management had been working to secure capacity for all deferred candidates for the November exam.

With regards to discretionary versus non-discretionary spend, the organization did not have the capability yet to pull out that level of detail and conduct a full analysis across departments. The CFO had not asked her team to pull this information manually and would aim for a systematic solution in the future.

Management's business plans would detail the expected impact on revenue, and the organization would eventually like its diversified revenue stream to represent a defined portion, which would become clearer at the Q4 meeting, of overall revenue.

It was stated that headcount had decreased, and personnel expenses had increased primarily due to the replacement of some junior roles with more senior, higher skilled roles in different locations around the world. Management had a forecast in place to implement this workforce strategy.

PRESIDENTS COUNCIL CHAIR

Presenter: Aaron Brown, Presidents Council Chair

The group received an overview of the PC Chair report as detailed in the materials. The PC Chair also shared some feedback on the role of the Presidents Council Representatives (PCRs) and attendance at the Board meetings, which had been previously discussed with the Society Partnership Advisory Council.

The PCRs from Western Europe and the Eastern US were then asked to share some regional updates.

It was stated that the PCRs had not been hearing about any technology issues. There had been comments about an eagerness to return to face-to-face events but also recognition that virtual events had broken down geographic barriers, increased collaboration, and connected people in a whole new way. Many societies would likely adopt a hybrid approach in the future to retain the benefits of the virtual environment.

Societies had been asked to consider how they could measure member value, specifically the impact of their events and offerings on members' professional lives and careers.

BOARD COMMITTEES

Presenters: Geoffrey Ng, Audit and Finance Committee

Robert Bruner, Governance Committee Chair

Punita Kumar-Sinha, Investment Subcommittee Chair

Maria Wilton, People and Culture Committee

Tricia, Risk Committee Chair

Shambi Dalal-Patel, Global Head, Enterprise Risk Management at CFA Institute

Dan Fasciano, Society Partnership Advisory Council Co-Chair

Audit and Finance Committee (AFC) Report

The AFC had continued to review the management of operating expenses, remain supportive of the strategic investments, oversee the tax implications associated with necessary changes to the organization's international entities, and monitor financial operational risks.

Governance (GC) Report

The GC had reviewed the annual proxy statement, onboarding plan for new Board members, with attention to the incoming Board Chair, and the remit of the PCRs.

Investment Subcommittee (ISC) Report

The ISC had created two working groups, one for the review of the Investment Policy Statement and one for the review of ESG investments in the CFA Institute portfolio.

People and Culture Committee (PAC) Report

The PAC had discussed the results of the Ready, Willing, and Able survey, which had received a 69% response rate, the proposed volunteer affirmative action plan, the annual proxy statement, and the possibility of a discretionary incentive payment.

Risk Committee (RC) Report

Enterprise Risk Management Report

The group received an overview of the Enterprise Risk Management (ERM) report as detailed in the materials.

It was clarified that CFA Institute had always been risk-minded, but that the ERM would build upon current processes and create additional structure, rigor, and discipline in the way that the organization managed risks to allow it to assess risk from an emerging perspective. The risk program would take a phased approach and aim to have a risk infrastructure in place by the end of the calendar year and to then add more sophistication from there.

Society Partnership Advisory (SPAC) Council Report

The SPAC had been focused on funding, renewals and engagement, programming and innovation, and KPIs. The group had encouraged management to ensure that communications to the societies provided more clarity and certainty and had been working on a more formalized feedback mechanism for the societies.

EXAM DELIVERY

Presenters: Peg Jobst, Managing Director, Credentialing at CFA Institute

Michael Collins, Managing Director, Chief Marketing Officer and Customer Experience at CFA Institute

Chris Wiese, Senior Head, Examination Development

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

It was explained that deferred candidates in Argentina, Chile, and Peru had been offered the November exam window, because the organization could not obtain any space sooner from Prometric or British Council. Management would consider the possibility of remote proctoring; however, the pilot test had revealed many issues, and the Risk Committee would need to assess whether it was a viable option for Levels II and III. In addition, management would be considering other options for delivering the exam in the future.

With regards to candidate service levels, the organization had reduced its average backlog from 15,200 to 5,674 since March and gone from closing cases within five weeks to fewer than two weeks, with 41% of cases completed in two days or less and 82% of cases completed in a week or less. The customer service team had grown from 27 to 36 agents, composed of 20 full-time employees and 16 contingent workers, and management had continued to work with IT to triage and respond to inbound email messages more efficiently. By July, it was expected that every case would receive a response in less than seven days and 75% of cases would receive a response in two days or less.

The group received a brief overview of future changes to the exam curriculum and delivery.

FRIDAY, 7 MAY

PCR FEEDBACK AND FIRST 90-DAY OBSERVATIONS

Presenters: Aaron Brown, Presidents Council Chair

Lutfey Siddiqi, Managing Director, Regions and Society Relations at CFA Institute

PCR Feedback

A high-level overview of the feedback from the PCR sessions was provided.

It was noted that societies had not seen a negative impact to volunteerism due to the pandemic and wanted to learn more about what the strategy would mean for them specifically and individually. The societies had appreciated the increase in communication efforts from the CEO and CFA Institute overall and now wanted to understand their role,

how to deliver, and how their progress would be measured. Lastly, there had been some questions around revenue generation, the hierarchy of strategic priorities, and brand awareness.

First 90-Day Observations

Management had interacted with many societies, society leaders, boards, executive directors, and members around the world and been invited to speak at several events as well. The power of the CFA Institute network and community was emphasized. In addition, it was shared that a one-size-fits-all approach to societies would be suboptimal and that the communications gap with societies would need to be addressed, especially with regards to the new strategy. The organization believed that there would be many opportunities ahead as it sought to deliver the mission outwards to the regions in which it operated and would look for better ways to measure impact.

It was noted that management had been in the final stages of hiring the regional heads for the EMEA and Americas regions, and that the business plan for regions and societies would be reviewed at the Q4 meeting.

It was stated that Societies 2.0 had been more appropriate for the established societies while somewhat of a burden for others. The organization would therefore be reviewing its approach.

RESEARCH, ADVOCACY, AND STANDARDS

Presenter: Paul Andrews, Managing Director, Research, Advocacy, and Standards at CFA Institute

The primary direction of the research, advocacy, and standards group would be to integrate the operating models of these three areas and to maximize thought leadership as an organization. Management would look to pivot from a product-driven to a research-driven orientation as this would reinforce the organization's advocacy positions and strengthen its efforts to create and enforce its various codes and standards. The new ecosystem would offer five things: the creation of original research, thought leadership, fellowship opportunities and internships for rising stars both internally and externally, convening power for luminaries to contribute, and engagement with regulators and industry leaders around the world.

It was clarified that the organization would be prepared to take firm positions backed by strong data.

The group was reminded that the business plan for research, advocacy, and standards would be reviewed at the Q4 meeting.

STRATEGY

Presenters: Marg Franklin, President and CEO at CFA Institute

Peg Jobst, Managing Director, Credentialing at CFA Institute

Barbara Petitt, Managing Director, Professional Learning at CFA Institute

Vision Update

The group received an overview of the vision update as detailed in the materials.

[The Board requested that management engage with the governors more on the vision prior to the next meeting.](#)

Business Plan: Modernize and Grow the CFA Program

The group received an overview of the business plan as detailed in the materials.

Management was advised to focus on the measurement of outcomes with regards to each assessment.

It was stated that the organization would be looking for ways to bring new things into the curriculum faster and to keep the CFA Program relevant to the investment profession. The plan presented at the Q4 meeting would have more specificity on these elements and would offer data-driven information on market demands.

Business Plan: Building a Diverse Portfolio of Learning Products

The group received an overview of the business plan as detailed in the materials.

There would be many opportunities to enhance member value through professional learning. It was also noted that while the professional learning portfolio would aim to generate revenue overall to sustain the mission, not everything would be monetized. A pricing study had been underway and would feed into the proposal presented at the Q4 meeting. Furthermore, inputs from the regions and societies, marketing, and finance groups would help the professional learning team segment their audiences and offer the best possible products in the best possible conditions.

It was explained that credentialing would focus on the high-quality qualifications, which would require strong bodies of knowledge, learning outcome statements, and assessment whereas professional learning would be the content curator with a nimbler approach to the market and a diversified portfolio of products. For the moment, the two groups would remain separate but function together at an enterprise-wide level, and it was understood that this structure could evolve and change over time.

It was noted that many employers would want a package solution. The professional learning team would therefore have a thoughtful approach to the B2B markets and strive to make very deliberate partnerships. In addition, there would be a focus on global vs. regional products to reach a broader audience.

SATURDAY, 8 MAY

CFA INSTITUTE RESEARCH FOUNDATION

Presenters: Joanne Hill, CFA Institute Research Foundation Chair

Ted Aronson, CFA Institute Research Foundation

Paul Andrews, Managing Director, Research, Advocacy, and Standards at CFA Institute

Bud Haslett, Executive Director, CFA Institute Research Foundation

The group received an overview of the CFA Institute Research Foundation (RF) report as detailed in the materials.

It was stated that the RF had been working with the marketing team to broaden its reach to the membership. There was agreement that the content should be more accessible.

There was some discussion on the risk appetite of the RF and recognition that it would need to operate on a smaller scale and reconsider its pricing strategy if it were independent from CFA Institute entirely. The RF was encouraged to think about the conversation in the context of expansion and having an influence beyond the membership.

The RF believed that it was close to an optimal state with its current portfolio and would welcome more production of society content. It was noted that the RF would be working more closely with the professional learning team as it had a wealth of content to share with regards to potential learning modules.

It was suggested that the RF could translate its content for some of the international markets to gain more relevance and influence. In addition, the RF could look to release more regular publications on specific themes, such as ESG or ETFs.

Meeting adjourned.