

## Board of Governors Meeting Minutes

12-13 May 2018  
Hong Kong

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### **Board of Governors Present:**

|                                      |                      |                               |
|--------------------------------------|----------------------|-------------------------------|
| Leah Bennett, CFA                    | Colin McLean, FSIP   | George Spentzos, CFA, FSIP    |
| Heather Brilliant, CFA               | Diane Nordin, CFA    | Zouheir Tamim El Jarkass, CFA |
| Daniel Gamba, CFA                    | Sunil Singhania, CFA | Yu Hua, CFA                   |
| Robert Jenkins, FSIP (Meeting Chair) | Paul Smith, CFA      | Maria Wilton, CFA             |
| Frederic Lebel, CFA                  |                      |                               |

### **Board of Governors Absent:**

Mark Lazberger, CFA

### **Incoming Board of Governors Present:**

|                      |                         |                  |
|----------------------|-------------------------|------------------|
| Alex Birkin          | Punita Kumar-Sinha, CFA | Geoffrey Ng, CFA |
| Daniel Fasciano, CFA |                         |                  |

### **Incoming Board of Governors Absent:**

Robert Bruner, DBA

### **Presidents Council Representatives Present:**

|                        |                         |                      |
|------------------------|-------------------------|----------------------|
| Lamees Al-Baharna, CFA | Kati Eriksson, CFA      | Steven Gattuso, CFA  |
| James Bailey, CFA      | Daniel Fasciano, CFA    | Phil Graham, CFA     |
| Simon Cawdery, CFA     | Clayton Gall, CFA       | Richard Munding, CFA |
| BD Deora, CFA          | Jennifer Garbowicz, CFA | Susan Williams, CFA  |

### **Leadership Team Members Present:**

|                   |                    |                   |
|-------------------|--------------------|-------------------|
| Chris Ainsworth   | Emily Dunbar       | Sheri Littlefield |
| Gary Baker, CFA   | Bjorn Forfang      | Nick Pollard, CFA |
| Diane Basile, CFA | Darin Goodwiler    | Kurt Schacht, CFA |
| Elaine Cheng      | Stephen Horan, CFA | Paul Smith, CFA   |
| Michael Collins   |                    |                   |

### **Others Present:**

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Stephanie Ennaco                 | Jim Jones, CFA   | Kim Maynard      |
| Joseph Lange (Meeting Secretary) | Jeffrey Knighton | Lisa Plaxco, CFA |

### **Materials Provided:**

Board Meeting Pack

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**Green – Approved Resolutions**

**Blue – Action Items**

SATURDAY, 12 MAY

**WELCOME, MEETING OVERVIEW, CONFLICT OF INTEREST DECLARATIONS, AND RECORDING**

*Presenter: Robert Jenkins, Board of Governors Chair*

The Board Chair welcomed everyone to the meeting in Hong Kong. The group was notified that the sessions would be recorded, and the governors were asked to disclose any conflicts of interest associated with the agenda. None were reported.

Maria Wilton, CFA, was welcomed to her first meeting as a serving governor, and the incoming governors – Alex Birkin; Dan Fasciano, CFA; Geoffrey Ng, CFA; and Punita Kumar-Sinha, CFA – were also welcomed and congratulated.

**CONSENT MATTERS / PRESIDENTS COUNCIL CHAIR AND COMMITTEE UPDATES**

*Presenter: Robert Jenkins, Board of Governors Chair*

Consent Matters

Staff confirmed that it would be sufficient for the Education Advisory Committee to report to the Board once a year.

It was explained that the Hong Kong office's lease would be up at the end of the calendar year. Staff had looked for other options that might add values in terms of space and/or location, and found none. The proposal was to stay at the current address, which would mean a 40% increase in cost. The group was reminded that the initial agreement had been well below market at HK\$75 per square foot vs. the new HK\$110 per square foot.

The following resolutions were approved:

**Bank Account Resolution for the UAE Office**

**RESOLVED, that the Board of Governors authorizes CFA Institute to open and operate of one bank account with HSBC Bank Middle East Limited, UAE in the name of CFA Institute Limited (herein after called the Company).**

**FURTHER RESOLVED, that the Board of Governors authorizes CFA Institute to avail all types of banking facilities, including electronic / internet banking facility, excluding borrowing / credit facilities.**

**FURTHER RESOLVED, that the Board of Governors authorizes Gary Baker, CFA, to do the following singly:**

- **open, operate and close one bank account.**
- **execute all documents required for the use of Internet / Electronic Banking Delivery Channels and take all necessary actions including the ability to delegate and sub-delegate as required for the establishment of administrators and users within such Internet / Electronic Banking Delivery Channels.**
- **execute any Undertakings, Indemnities, Agreement or any other document required by the bank for the bank account and / or banking facilities availed. Execute all bank Account Mandate and agreements related to one bank account.**
- **execute all Credit Card Program documents (Agreement & Application) related to the establishment and operation of a Credit Card Program (Corporate Travel & Entertainment and Purchasing cards) and have the power to borrow in the form of a Credit Card Program for the entity.**

- to delegate all or any of his powers to any person(s) on behalf of the company if authorized in writing by all Directors of the Company [or company representatives having authority as per the Memorandum of Association].

#### **Education Advisory Committee Charter Revisions**

**RESOLVED, that the Board of Governors accepts and approves the revised Education Advisory Committee (EAC) Charter substantially in the form submitted.**

#### **Society Partnership Advisory Council Charter Revisions**

**RESOLVED, that the Board of Governors accepts and approves the revised Society Partnership Advisory Council (SPAC) Charter substantially in the form submitted.**

#### **3 Year Lease Renewal for Hong Kong Office**

**RESOLVED, that the Board of Governors accepts and approves a three-year lease renewal for the Hong Kong office at the negotiated rate of HK\$110 per square foot.**

#### Presidents Council (PC) Chair Update

The PC Chair stated that the Society Leadership Conference had gone well and that he would be summarizing his notes to provide formal feedback to the Board and leadership team. The PC Chair also explained the elections process and stated that he would work with the Board Vice Chair on the PCR committee appointments for FY2019.

There were criteria that needed to be met become a candidate for the PC Chair position or regional PCR positions. In terms of the number of candidates up for election, three had been the recommended standard for the PC Chair position and no hard figure had been recommended for the regional positions.

#### Board Committee Reports

There were no questions on the Board committee reports included in the materials.

#### **CHIEF EXECUTIVE OFFICER (CEO) REPORT**

*Presenter: Paul Smith, President and CEO at CFA Institute*

It was highlighted that the new three-year strategy would be presented at the July meeting along with the budget figures.

Finance 2.0 had been making progress, and the new system was now partially in place with the support of IT. Societies 2.0 had appeared to have a great deal of positive support, but people had wanted to have a more detailed understanding of the initiative. The budget had been performing well, and the CEO congratulated his leadership team on a job well done. While the headcount had remained under the threshold agreed to by the Board, the organization had continued to make efficiency gains wherever possible. Lastly, it was noted that the staff engagement survey had closed and that approximately 86% of employees had participated. The Board would receive a written summary of the results by or before the July meeting.

The Digital Core Transformation project was in its last year and would be about 95% complete by the end of the fiscal year. There would be one piece that would linger into the end of the calendar year as planned. The Board would receive a written status report in the next Quarterly Informational Pack in June.

It was explained that the Global Investment Performance Standards (GIPS) Executive Committee had taken a step back to focus on the GIPS 2020 project, which was centered on private equity, private wealth

management, alternative investments, and broader guidance on pooled fund performance reporting. It was also reported that CalPERS had recently signed up for GIPS, which had been a great win for the organization on the asset owner side.

The Association of Chartered Certified Accountants (ACCA) was considered a first-rate partner for CFA Institute due to the global reach of its educational programs. The memorandum of understanding (MoU) with the organization was meant to collaborate around ethics training and continuing professional development (CPD) events on subjects of mutual interest. It was explained that the MoU with ACCA had been pursued to make a larger impact on the investment management community. Overall, CFA Institute was interested in working with other professional organizations with similar missions in a more constructive and coordinated fashion to achieve this objective.

The organization was preparing to deal with any legal or regulatory issues resulting from China's new FNGO (Foreign Non-Government Organizations) laws. In some areas, it could make it slightly harder for CFA Institute to conduct business as usual. Staff stated that they had enough legal support internally and externally to manage these changes. The organization was advised to watch the changing environment in China closely as it represented a substantial constituency of members and candidates.

#### **CHIEF FINANCIAL OFFICER (CFO) REPORT**

*Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute*

*Mr. Knighton and Ms. Maynard joined the discussion via conference call.*

The CFO reported that the Finance 2.0 project was well underway and thanked fellow members of the leadership team for their effort and support. It was announced that the new purchase order system was now live.

In terms of the budget, revenue for FY2018 was projected to come in at \$360 million, which had represented approximately a 30% growth since FY2016. While this growth had been very positive, it also made it all the more important to ensure that the financial systems were in place to scale accordingly. It was stated that second quarter growth revenue had come in at \$321 million, which was up 16% over the same period last year, and that expenses had grown at a lower rate than revenue as planned. The NetSuite platform would help the organization perfect its reporting going forward, and finance would hold several conversations with the Audit and Risk Committee along the way.

Looking at candidate volumes for the December deadline, both new Level I and total Level I registrations had experienced a 15% growth year over year. It was also stated that the June deadline was expected to have a 30% increase year over year. The challenge for the organization would be to manage this growth and ensure that the appropriate processes and controls were in place and to have a grasp of the contingency planning piece should these numbers ever falter.

[It was explained that regional reporting would soon be possible with the new system. The CFO would have something to share with the Board at the July meeting.](#)

There had been a temporary increase in the cost per candidate plus member due to some investments made in FY2018. This figure would decrease in FY2019 to hit the overall 10% reduction target set from FY2017 to FY2019.

It was stated that the organization had a \$60 million policy that protected against test item exposure and a \$40 million policy that protected against specific regional or natural disaster events. [Staff was asked to find out the insurance premium and share it with the Board.](#)

#### **CONTINGENCY RESERVE**

*Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute*

*Mr. Knighton and Ms. Maynard joined the discussion via conference call.*

The organization was proposing the addition of Expendable Net Assets as a Percentage of Expenses (ENAPE) as an incremental metric to the way it currently measured the reserves. The intent would be to provide another perspective when assessing the appropriate level of reserves. The metric would help to provide a more realistic and conservative baseline. It was reported that this had been discussed with the Investment Committee and the organization's external consultant for the reserves.

It was noted that the reserve was sufficiently robust to cover its stated intention. The organization also had insurance policies and was working with a bank to obtain a revolver as well.

Management wanted to show the Board that the organization had more than enough in reserves and that it should perhaps be doing more with this funding to give back to the membership and to make a bigger impact on the investment management community. The Board was open to this perspective, and the group agreed that there should be future discussions on the proper use of the reserves.

The organization should consider the narrative for the reserves and make sure it was accurately explained to the membership.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the addition of Expendable Net Assets as a Percentage of Expenses (ENAPE) as an additional metric to monitor target reserve levels.**

#### **STRATEGY REFRESH**

*Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute*

*Mr. Knighton and Ms. Maynard joined the discussion via conference call.*

The group was reminded that the organization had a rolling three-year plan, which was updated every year. However, it was emphasized that management had continued to keep track of the initial baseline. Some new metrics had been added to hold management accountable for ongoing projects, such as Credentialing 2030, CPD, brand awareness, and ethics. More detail had been added to these strategic activities, and 12 high level key performance indicators had been identified. The overall purpose of the session was for management to draw the Board's attention to any new items before coming back with its priorities for FY2019 at the July meeting.

The organization was working on a communication plan for the registration process to describe the candidate to member journey. This would address three areas: explaining the purpose of the qualification, the meaning of entering the investment management profession, and the importance of expressing professionalism through joining a local society. The objective would be to educate people on what they were buying from CFA Institute to make registration a much more thoughtful process.

The charter pending numbers had increased. Some of these individuals had started the CFA Program as university students and still needed sufficient work experience by the time they passed Level III while others had passed Level III with no desire of becoming a charterholder. In China, for instance, many individuals had taken the exam to receive a general financial education, but had no intention of working in the investment management industry. The organization looked at each case carefully to ensure that it was helping people who wanted to obtain the qualification through the process.

It was stated that GIPS would become a more fundamental part of the strategy in the future.

It was clarified that there were about 20 to 25 metrics around advocacy. The organization was also working on the strategy for its research platforms, which the Board would hear more about at the July meeting.

It was stated that the core of what was required to become a charterholder had changed as the job in the investment management profession (i.e. Fintech area) had changed. Staff had not resized the core since 2016, which had shown about a 9% penetration of the market, and would need to do it again at some point. It stated that the core had likely changed, but not necessarily expanded. The triennial work experience review had considered the core definition as well.

The largest number of lapsed members were individuals in the first two years of their career mainly due to cost. By contrast, senior people lapsed mainly because they felt that they did not need it anymore. The organization realized that it would need to address these issues. It was also noted that retired members received a discounted rate and members over the age of 70 received complimentary status.

The strategy had addressed reducing the membership gap at the society level, and the organization would have to think about how to measure a return on mission in this category to ensure that funds were being spent effectively.

## SUNDAY, 13 MAY

### **CFA PROGRAM PRICING**

*Presenters: Steve Horan, Head of Credentialing at CFA Institute  
Lisa Plaxco, Head of the CFA Program at CFA Institute*

It was proposed that CFA Program pricing for fiscal year 2019 remain unchanged while strategic initiatives matured and current technology solutions for local pricing and/or payments in multiple currencies were planned and implemented.

The group was reminded that pricing was composed of a one-time enrollment fee of \$450, and pricing at the first, second, and third deadlines respectively were \$650, \$950, and \$1,380. Registration opened 11 months in advance and 96% of candidates registered within the first two windows. This pricing strategy and structure had remained unchanged in the last two years and, and the organization would come to the Board with an updated plan at the February 2019 meeting. The pricing would be impacted by the organization's move to computer-based testing. In addition, the subject of differential pricing would be discussed. The group was reminded that multiple approaches were possible, but that these could not be properly vetted until the new financial management system was in place.

It was stated that there were no relevant program pricing trends with regards to other credentialing organizations in the industry.

Looking at employer support, it had been much lower across the APAC region, especially in China. While about 80% of candidates in the western world received employee reimbursement, it was only half that in Asia. The credentialing team had been working with the relationship management and institutional partnership groups to address this issue. It was also noted that the new technology platform would make it easier for employers to pay for candidates.

During the CIPM pilot, the organization had dropped the priced significantly for one year and found that the candidate pass rate dropped dramatically, because the wrong individuals had been pressured into the program.

The CFA Program was still primarily a B2C product, but the organization had been thinking about a B2B proposition and the capabilities that would be required to enable that shift.

The CFA Program was considered rather inexpensive in the developed world and very expensive in the developing world. There were two different scholarship categories, one being need-based and the other being role-based. The latter was meant to engage influential partners (i.e. regulators, media, professors, etc.). It was reported that the organization had awarded about 8,000 scholarships.

It was stated that the organization had reviewed price sensitivity across markets by inferring it through exchange rate changes about eight years ago. The results had shown that changing exchange rates did not impact registrations, which had led the organization to create a steepened pricing curve between the first and third deadline. More recently, some market research had been conducted by external consultants to look at pricing sensitivity and market growth.

Computer-based testing would provide candidates with their scores in less time as everything would be pre-standard set. This would enable them to more easily capture the first deadline price.

The following resolution as approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the pricing for the CFA Program for FY2019.**

**TRIENNIAL WORK EXPERIENCE REVIEW**

*Presenters: Steve Horan, Head of Credentialing at CFA Institute*

*Lisa Plaxco, Head of the CFA Program at CFA Institute*

*Jim Jones, Triennial Work Experience Advisory Team Member*

Management was looking to make a change in the calculation and tracking method of the work experience required to earn the CFA charter. In addition, there was a request to amend two existing job descriptions. Both requests had reflected an effort to increase the relevance and rigor of the experience requirements to earn the CFA charter.

The advisory team for the triennial work experience review had been comprised of current and former governors, members of the leadership team, PCRs, society leaders, and, for the first time, charterholder staff members. The group had focused not only on the quantity of the work experience, but the quality and composition as well. The organization wanted every individual who was objectively qualified to achieve the charter through their education, ethics, and experience without running into any artificial barriers.

The current approach to the work experience calculation and tracking evaluated the number of months that an individual was in a full-time position, where at least 50% of their work was in qualifying investment decision-making activities. The proposal had recommended that the organization switch the unit of measure from months to hours to provide the needed flexibility to stay current with today's workforce without reducing standards. This would allow individuals in part-time positions to work toward obtaining the charter. In addition, "career pathing" would be eliminated as a qualifying option, and the minimum number of months of employment would be set to no less than 36 months.

It was clarified that the 4,000 hours in investment decision-making would remain unchanged. An individual could achieve 4,000 hours ahead of schedule, but would still need to be employed for the full 36-month period to qualify.

Removing "career pathing" would increase objectivity and consistency. About 10% of individuals currently achieved the charter through this method.

It was explained that approximately 60% of individuals who passed Level III and applied for the charter were accepted within the first year. Adding in applicants over the next two years, that number increased to 70%. The 30% who did not convert either lacked sufficient work experience, did not recognize the value of the charter, or found the cost prohibitive.

These changes would be communicated to the membership, and the marketing team would be involved in developing that message. It would be important to highlight the areas that had largely remained the same, so that the membership understood that these were not large, sweeping changes to the process. Furthermore, it needed to be made clear that the objective had been to ensure the rigor and relevance of the charter, and that the right people were qualifying as charterholders.

It was confirmed that there were other credentialing organizations that measured in terms of hours.

The curriculum now included readings that spoke to Fintech in the context of professionalism. The organization expected to see a heavier focus on Fintech, including robo-advising and issues that touched on private wealth in the coming years.

The language in the job roles had always been about informing or driving investment management decisions, and that was the case for the tech jobs as well.

The following resolution was approved:

**RESOLVED, that the Board of Governors accepts and approves the recommendations of the Triennial Work Experience Review to change the calculation and tracking of work experience required to earn the CFA Charter.**

**Against: Zouheir Tamim El Jarkass, CFA**

### **CREDENTIALING 2030**

*Presenter: Steve Horan, Head of Credentialing at CFA Institute*

The subject of Credentialing 2030 had been discussed at prior meetings and was being brought up once again to keep the Board informed of the project's status and to obtain valuable input. It was clarified that no



decisions needed to be made at this point. Management would come back to the Board with a business plan, hopefully at the July meeting, for approval before moving forward.

The CFA Program had evolved over the years, and Credentialing 2030 was intended to be a proactive agenda for that continued evolution to maintain and advance the relevance of not just the CFA Program, but the organization's full suite of programs. The objective was to create flexible learning paths to meet the just-in-time learning needs of professionals and aspiring professionals who were on a variety of career paths.

A brief update on the Future of Exam Delivery was provided.

The organization was working to integrate the CFA Program and CPD into the competency framework. The subject of micro credentials and certificates had also been discussed, and the CFA Program could serve as a foundation for almost a dozen different specialist stacks. It was stated that micro credentials and certificates would replicate other professions and promote a robust CPD experience for members and allow CFA Institute to reach new markets of aspiring professional who were otherwise not attracted to the proposition of the CFA Program. The competency framework could also recognize candidates' prior learning in some of specialist areas, thereby extending the product line without comprising the organization's standards.

Credentialing 2030 could potentially broaden the membership umbrella by capturing individuals in these specialist areas.

Management believed that the micro credentialing trend would advance, and had conducted scenario planning 20 to 30 years into the future to come to that assessment. In addition, it seemed that credentialing, in general, was the preferred mode of learning, because it was more practically applied and more affordable than a traditional liberal arts education.

An outside perspective on Credentialing 2030 was encouraged. This could include potential candidates and members, and other institutions as well. Management confirmed that it had been working with external facilitators to talk through the trend of modularization in the industry. There had also been some analysis that indicated two-thirds of student candidates would be more likely to enroll in the CFA Program if they could first participate in more narrow, specialist certificates.

#### **SOCIETIES 2.0 VISION STATEMENT**

*Presenter: Paul Smith, President and CEO at CFA Institute*

*Emily Dunbar, Managing Director of Member Value and Society Relations at CFA Institute*

The Societies 2.0 vision statement had been included in the materials and previously discussed with the Board during executive session. CFA Institute and the XL societies had crafted a statement to signal alignment with the Societies 2.0 vision. Central to the statement was a commitment to raising professional standards in their investment communities. This important development further strengthened the organization's relationship with societies in the largest and fastest growing markets and engaged them in collaborating with CFA Institute to realize the Societies 2.0 vision over time. Among societies that had already signed up were New York, UK, Toronto, Singapore, Brazil, and India.

In response to a question on infrastructure, management noted that the statement was purely a vision to work with the organization, absorb more resources, and have a stronger local impact. The objective was to move societies to a uniform mindset. Once there was a shared vision in place, a road map could be developed to help societies achieve on the mission at the local level.

Societies 2.0 would come with increased accountability expectations for the interested societies. They would receive additional funding and technology for the purpose of building their infrastructure and raising professional standards, and they would need to show that funds were being used as planned.

It was reported that the organization had been building up its training for society leaders. There were training opportunities at the Society Leadership Conference, online, and at in-person regional sessions. Furthermore, this had been the first year that online orientation had been required for those attending the conference, and the organization had received positive feedback.

It was highlighted that the PCRs had been strong ambassadors for the societies and that the organization appreciate their involvement.

The main components from the infrastructure perspective would be a common technology platform, uniform training, and agreed upon governance standards. It was recognized that the starting point for each society would be a little different.

The PCRs indicated that they were supportive of the vision statement, and were interested in seeing the detail of and targets for the initiative, and how the societies should plan to move forward. There was a remark that it would be helpful to have tangible examples and goals for the larger vs. smaller societies, which would have different approaches to raising professional standards, especially in terms of the workload capacity of volunteers vs. professional staff. There was another comment that there could be challenges associated with society leadership turnover and the consistent, longer term aspect of Societies 2.0. It was also requested that the accountability piece be clearly explained to the societies to address any potential concerns. There were societies who worried about their ability to provide the scale and quality of programming, and there were ongoing concerns about the technology platform. There was an additional remark that the name, "Societies 2.0," may not be the best option and that perhaps something more along the lines of "Partnering for Members" would be more suitable.

It was recognized that the term, "governance," in the vision statement referred to operational framework implications for CFA Institute and the societies.

[The Board would receive an update on Member Nation at the July meeting.](#)

The organization had been working to involve the societies in the planning process, and wanted to build out the details with them to ensure full support.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the Societies 2.0 Vision Statement and its wider circulation to the entire CFA Society network for signature substantially in the form submitted.**

*Meeting adjourned.*

*The Board went into executive session.*