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Board of Governors Meeting Minutes

19-21 July 2018
Vancouver

Board of Governors Present:

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

Incoming Board of Governors Present:

Robert Bruner, DBA	Daniel Fasciano, CFA	Geoffrey Ng, CFA
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Incoming Board of Governors Absent:

Alex Birkin	Punita Kumar-Sinha, CFA
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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 Mundinger, CFA
BD Deora, CFA	Jennifer Garbowicz, CFA	Susan Williams, CFA

Incoming Presidents Council Representatives Present:

Ashraf Bava, CFA	Bogdan Bilaus, CFA	David Smith, CFA
Aaron Brown, CFA (Incoming PC Chair)		

Leadership Team Members Present:

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

Leadership Team Members Absent:

Michael Collins	Darin Goodwiler
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Others Present:

Stephanie Ennaco	Emily Grymes	Joseph Lange (Meeting Secretary)
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Materials Provided:

Board Meeting Pack

Green – Approved Resolutions

Blue – Action Items

Red – Tabled Resolutions

FRIDAY, 20 JULY

WELCOME/MEETING OVERVIEW, CONFLICT OF INTEREST DECLARATIONS, RECORDING AND POLLING EXERCISE

Presenter: Robert Jenkins, Board of Governors Chair

The Board Chair welcomed everyone to the meeting in Vancouver. The group was notified that the sessions would be recorded, and the governors were asked to disclose any conflicts of interest as they pertained to the agenda. None were reported.

The incoming Presidents Council Representatives – Ashraf Bava, CFA; Aaron Brown, CFA; Bodgan Bilaus, CFA; and David Smith, CFA – were welcomed to their first Board meeting.

It was reported that FY2019 Board Committee appointments had been approved by Board in executive session. These had been included in the materials for everyone's reference.

CONSENT MATTERS

Presenter: Robert Jenkins, Board of Governors Chair

The following resolutions were approved unanimously:

FY2019 Research Foundation Board of Trustee Appointments

RESOLVED, that Robert Jenkins, FSIP, is authorized to vote on the behalf of CFA Institute as the sole Voting Member of the Research Foundation at its annual meeting of members;

FURTHER RESOLVED, that Robert Jenkins, FSIP, is authorized to vote for the approval of Ted Aronson, CFA, to serve as Chair for a two-year term commencing 1 September 2018;

FURTHER RESOLVED, that Robert Jenkins, FSIP, is authorized to vote for the approval of Joachim Klement, CFA, to serve as Interim Vice Chair for a one-year term commencing 1 September 2018;

FURTHER RESOLVED, that Robert Jenkins, FSIP, is authorized to vote for the approval of Aaron Low, CFA, to serve as an Elected Trustee for a three-year term commencing 1 September 2018; and

FURTHER RESOLVED, that Robert Jenkins, FSIP, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

RESOLVED, that the Board of Governors appoints Robert Jenkins, FSIP, to serve in place of the Chair of CFA Institute as the Ex Officio Trustee of the Research Foundation assuming all responsibilities and duties of that position through fiscal year 2019.

FY2019 CFA Program Committee Appointments

RESOLVED, that the Board of Governors accepts and approves the appointment of Gerhard Hambusch, CFA, to serve as the chair of the Council of Examiners for a one-year term commencing 1 September 2018 and until his successors is chosen and qualified.

FURTHER RESOLVED, that the Board of Governors accepts and approves the appointment of Katrin Gottschalk, CFA, to serve as a member of the Council of Examiners commencing 1 September 2018 and until her successors are chosen and qualified.

FY2019 Volunteer Committee Chair and Member Appointments

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals to serve as volunteer committee and council chairs for a one-year term commencing 1 September 2018 and until their successors are chosen and qualified:

- Corporate Disclosure Policy Council
 - Brian Gibson, CFA
- Standards of Practice Council
 - Jean-Francois “JF” Bureau, CFA
- United States Investment Performance Committee
 - James Brenden O’Leary

FURTHER RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals to serve as volunteer committee members commencing 1 September 2018 and until their successors are chosen and qualified:

- Corporate Disclosure Policy Council
 - John Turner
 - Pranav Ghai
 - David Post
 - Bakul Gadia
- United States Investment Performance Committee
 - Gwen Fitzgerald
 - Raymond A. Lee, CFA, CIPM
 - David Spaulding, CIPM

FY2019 GIPS Executive and Technical Committee Volunteer Rotation and GIPS 2020 Risk Mitigation

RESOLVED, that the Board of Governors authorizes the GIPS Executive Committee and GIPS Technical Committee to not proceed with the annual nomination and rotation of scheduled members so that the current members responsible for the development of GIPS 2020 may remain in their current roles and maintain the continuity and consistency of industry expertise.

FURTHER RESOLVED, that the Board of Governors authorizes Carl Bacon, CIPM, to continue in his role as GIPS Executive Committee Chair and Karyn Vincent, CFA, CIPM, to continue in her role as GIPS Technical Committee Chair through 31 August 2019 and until their successors are chosen and qualified.

FURTHER RESOLVED, that the Board of Governors authorizes Kathryn Misic, CFA to serve as the GIPS Asset Owner Subcommittee Chair and member of the GIPS Technical Committee through 31 August 2019 and until her successor is chosen and qualified.

Capital Contribution and Opening of New Bank Account and Credit Card Program in the UAE

RESOLVED, that the Board of Governors accepts and approves a capital contribution of the AED equivalent of US\$525,000 to be deposited in the new HSBC UAE bank account and used for office build-out costs and initial working capital needs.

FURTHER RESOLVED, that the Board of Governors accepts and approves the AED equivalent of approximately US\$50,000 cash deposit, which will be treated as restricted cash, to support the establishment of a UAE credit card payable program with HSBC.

FURTHER RESOLVED, that the Board of Governors accepts and approves the opening 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 the Company to avail all types of banking facilities including electronic / internet banking facility and borrowing powers limited to a Credit Card Program.

FURTHER RESOLVED, that the Board of Governors authorizes Mr. Gary Baker 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 and Purchasing cards) and have borrowing powers related to the Credit Card Program.
- 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].

FY2019 Corporate Secretary Appointment

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Joseph P. Lange is appointed to serve as Secretary for a one-year term commencing 1 September 2018 and until his successor is chosen and qualified.

FY2019 Chief Financial Officer Appointment

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Diane Basile, CFA, is appointed to serve as Chief Financial Officer for a one-year term commencing 1 September 2018 and until her successor is chosen and qualified.

Recognition of Retiring Board and PCR Members, and Presidents Council Chair

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Frederic Lebel, CFA; Mark Lazberger, CFA; Colin McLean, FSIP; and George Spentzos, CFA, FSIP for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as governors on the CFA Institute Board.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Lamees Al-Baharna, CFA; BD Deora, CFA; and Clayton Gall, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as Presidents Council Representatives.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Dan Fasciano, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during his term as Presidents Council Chair.

CHIEF EXECUTIVE OFFICER (CEO) REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

The CEO report included highlights on the budget, computer-based testing (CBT), Investment Foundations, and technology in general. These topics would be covered in more detail later in the discussion.

It was noted that the G7 was interested in institutionalizing the organization's gender diversity initiative and bringing it to several global, developing markets. The G7 would fund this effort, and CFA Institute was in the process of working towards a legal contract with them. It was recognized that the G7's interest had been sparked by the recently completed gender diversity program in India.

The CEO stated that continuing professional development (CPD), CBT, culture, and Societies 2.0 were his four major items of focus for the following year. He emphasized the importance of CBT and the Credentialing 2030 vision, and the need for the Board and management to come to an agreement on what the organization sought to accomplish over the next 10 years. It was recognized that the Board and management were not in complete alignment yet, which would be necessary before the work underpinning the Credentialing 2030 vision could begin. The Board would be asked about their points of reservation at a future meeting.

There was a comment that the organization's mission was to serve the investment profession; and, if that profession was changing, it would make sense for CFA Institute to respond, either as a leader or a fast follower. The Board and management would not need to be aligned on the operational vision necessarily, but on the vision for the future and what would be in the best interest of the profession.

The organization had been both responding to and attempting to predict the direction of the investment industry. The vision needed to be flexible enough to change over time with the industry and with the ultimate goal of maintaining a relevant credential along with other offerings (i.e. CPD) that served the profession over the longer term.

The societies had been supportive of the Credentialing 2030 vision but did want the organization to remain mindful of how it might affect them in terms of their member and candidate numbers.

There was a comment that the Credentialing 2030 vision was an enticing one, but that more work needed to be done in terms of clarifying the vision and specifying the target return on investment. The vision should be defensible and further the mission of increasing charterholder penetration of the investment industry market. There should be an understanding on what was really shaping future candidates' attitudes about how they wished to be engaged and the best means of delivery. This information would feed directly into what CFA Institute wanted to achieve as well as the optimal way of achieving that goal. Execution of the vision would be significant as it could potentially disrupt the unifying aspect of the exam experience and subsequently the views of longstanding and future members. Key stakeholders, such as employers, societies, candidates, and members would need to be carried along with this journey.

The CEO reminded the group that the exam as well as the grading process had continued to evolve since 1963. The exam sat by many of the governors no longer existed today, and the credentialing function had executed these changes and improvements seamlessly over the years to ensure the Charter remained the gold standard worldwide.

CHIEF FINANCIAL OFFICER (CFO) REPORT

Presenter: Diane Basile, Chief Financial Officer at CFA Institute

The finance function had continued to go through its evolution, and it was noted that the Board had received financial data year-to-date through April 2018 as opposed to year-to-date May 2018. The finance team had taken great care with its first month of the new system to prepare for future monthly closings. The organization had continued to experience strong top-line growth in terms of candidates and members, and the CFO wanted to discuss how to leverage that strength and operate more efficiently with those resources.

The organization had experienced record registration numbers in 2018, up from 280,000 last year to 320,000. The growth had been coming from the developing world, with an increased presence in China, India, and Latin America. However, it was not possible for management to build an econometric model to predict with accuracy the location or number of registrations from one year to the next. Outside of CFA Institute's efforts, it was noted that GDP growth did seem play a factor. [The Board wanted to better understand what might be influencing registration numbers prior to pursuing the proposed Credentialing 2030 vision.](#)

It was clarified that the organization had not been able to invest as much as it would like to in China, because there were only 6,000 members in that locale. The imbalance between the member and candidate numbers in China was significant – 6,000 to 100,000 – and the organization had been working with the societies to address this issue. Once the member numbers in China increased, CFA Institute would be able to raise its funding levels accordingly. Management believed that candidate dollars should be reserved for those same individuals once they had converted to members in the future.

The scorecard had shown that the membership gap was growing despite the resources being directed toward this initiative. The leadership team would be discussing this and other metrics on the current scorecard as well as the scorecard's overall design at a future meeting.

The scorecard has also shown a decrease in membership dues payments from the top 100 asset managers. Management explained that the data had been incomplete, and that the relationship management function had been working to collect this information in a more systematic way. Management would also be launching a refresh of the core market penetration metric and reaching out to the governors for their input on additional information to collect.

[The organization had information on each society's conversion rates, which tracked how long it took an individual to obtain his or her Charter after passing level three. It was also noted that each class was tracked as a group over the years. There was a comment that perhaps more detail on conversion rates should be included in the scorecard for societies with the larger membership gaps.](#)

[Many people in the developing world had been treating the Charter like a general financial education tool, because financial education was particularly poor in their country. It would be important to understand what this figure represented in terms of total charter pendings.](#)

[It was asked that expenses be bifurcated by project in the report so that the Board could see the recurring vs. one-off items. The CFO stated that this would be possible with the new system implementation.](#)

The candidate and member numbers were ultimately a direct result of the mission as the organization did not advertise to these populations. Positioning the Charter as the standard for the industry would continue to be an essential piece of the strategy. There was a comment that the best way to engage new members, not necessarily charterholders, and produce member value would be through the societies, which had been the focus of the Societies 2.0 initiative.

RESEARCH STRATEGY

Presenter: Gary Baker, Managing Director of EMEA at CFA Institute

The purpose of the research division was to support the organization's strategic functions of credentialing, member value, and advocacy. The organization had some well-established research credentials and silos, and the challenge would be breaking down these silos for a broader impact. It was also recognized that research was a longer-term investment, with the Research Foundation articles taking about 18 months and the Future of Finance content taking about 12 months to turn around and publish.

The organization was proposing two changes to its research portfolio: the creation of a new platform for insights and briefings on industry trends and developments; and, moving the Enterprising Investor blog into the research division. The research function would work with institutional relations to broaden and deepen CFA Institute's contacts with firms, universities, think tanks, and other professional associations to expand its pool of potential authors and contributors, solicit ideas, and extend its reach with thought leaders. The research function would also refocus its outputs on specific audience segments and improve the regional relevance and diversity of its content. More structure and discipline around project selection would be needed to allow for more effective control of the research agenda.

Management stated that everything done in the research function should be funneled into the organization's eventual CPD offering. The challenge would be having an effective team in place to convert the content into CPD-ready material. The research function currently had eight people, and the intention was to add three more to give the team a better regional representation.

The organization had adjusted its contracts with the authors to enable CFA Institute to use their content. Authors were also now expected to do a video recording or produce a shorter form version of their manuscript. The content would be marketed, advertised, and put in front of members and the industry more widely.

The Asia Pacific Research Exchange (ARX) had worked well and filled an unmet need in that market. Management recognized that it was still a work in progress and was looking at implementing something similar in other markets. It was clarified that the ARX was more of a platform for exchanging ideas vs. a research initiative, which was why the division had not absorbed it.

It was noted that there was now consistent branding within the research function so that CFA Institute was easily identifiable.

Published content had attracted a larger non-member audience likely due to the fact that these readings represented leading edge, highly regarded, academic-based, and peer-reviewed research. This information was not just aimed at members. As such, the organization would be using an external commercial publisher for the *Financial Analyst Journal* to sell, distribute, mail, and maintain the distribution list while staff would continue to create and edit the copy. There was agreement that if done well, the research strategy could help close the membership gap and reach a wider financial readership beyond the membership.

Individuals who did not regularly write or submit research reports would still be able submit content for consideration. The idea was to establish a community of thought leadership, the biggest challenge being the online creation of a personality for CFA Institute.

The organization had a more articulate plan to approach universities and see what personal connections could be made in terms of research strategy, and to then leverage these relationships into something proactive, such as a conference or speaker series, for instance. It was recognized that CFA Institute could do little to influence the actions of universities and should therefore focus on encouraging curiosity driven research above all else.

INVESTMENT FOUNDATIONS

*Presenters: Bjorn Forfang, Deputy Chief Executive Officer at CFA Institute
Steve Horan, Managing Director of Credentialing at CFA Institute*

Investment Foundations had been a quality educational offering that had not been widely adopted by the industry over the years. Management recognized that the program could not continue in its current form and believed there was an opportunity to redeploy this resource to advance the organization's mission and do

social good. The proposal was to decommission Investment Foundations and offer the content as a free online learning experience focusing on under-represented groups in developed markets and literacy and market integrity in emerging markets. This would reduce operating costs to \$1.6 million a year, which was in line with the organization's other free programs, such as the Global Investment Performance Standards and the Asset Manager Code.

There had been several lessons learned from the Investment Foundations journey:

- Previous success in one area of the business did not necessarily mean future success in a different area. It was suggested that the original Investment Foundations proposal had been ill-conceived and not based on realistic targets.
- CFA Institute was a mission driven organization and needed to ensure that any new program aligned with its values and beliefs. It was not a commercial organization and yet Investment Foundations had been originally promoted as a revenue diversifier. It was again ill-conceived to think a not-for-profit organization could dabble in the for-profit sector and have immediate success.
- Engaging industry leaders in any new program should start at the C-suite level for the biggest impact. It was recognized that convincing people to pay for new programs would always be a challenge, but it was best to start at the top.
- New programs should reside in relationship management to build business operation excellence.
- Challenges and failures should not discourage the organization from taking risks and trying new things, especially if it meant advancing the mission.

In terms of next steps, an internal task force had been established to think about the risk factors and technology issues associated with decommissioning the program. The organization wanted to ensure that every area was considered and would come back to the Board with more detail on how this offering would work going forward.

The non-financial costs (i.e. staff time) had been considered and included in the figures presented to the Board. The financial projections also showed that services delivery would no longer be marketing the program and institutional partnerships would no longer have the remit to distribute the program to corporate clients. The technology, legal, and test center costs would also disappear. In addition, program updates would be done every two or three years, and this work would be done by an outside consultant. It was further explained that instead of advertising, the relationship management function would raise Investment Foundations organically in their conversations with key stakeholders.

There was a comment that Investment Foundations had originally been presented to the Board as a mission driven initiative. However, mistakes had been made, including detaching the CFA Institute brand from the product and not partnering well enough externally to elevate the program.

It was clarified that the organization had no way of forecasting the demand for the program, and that the goal would not be to generate top line registrations but to create diversity in the investment management industry by targeting underrepresented groups. The metrics had not been based on the program's financial performance.

The group was reminded that the organization had done several pilot tests, including lowering the price of Investment Foundations, to find a way to increase adoption of the program. These efforts had not succeeded, and management was now presenting the Board with an option to offer the program for free and to continue to probe the market to find an area where Investment Foundations excelled.

There was a remark that new initiatives should be launched in a smaller manner and enhanced by the lessons learned along the way. Attaching key milestones to these ideas would also be necessary to gauge progress.

There was a comment that the organization would find a solution with CFA Society United Kingdom with regards to Investment Foundations, and that the program would be kept to the CFA Institute standard. Management would maintain a respectable program, even if that meant allocating more funds to it in the future to do so. Investment Foundations, much like GPS and the AMC, would be used to build market integrity and contribute the community. It would similarly be continually reviewed.

The organization would work to speak with all Investment Foundations stakeholders about the changes taking place. The curriculum would remain the same, but the testing piece would be domestically proctored, and candidates would receive a digital badge once the program had been completed. Distribution would still be managed by the organization, but the exam would move into a non-CFA Institute controlled environment and no longer be a credential quality test. It was explained that it would cost about \$50 per person to keep the test with Pearson VUE; however, staff time would still be absorbed on the backend to obtain and report back candidate results. This was not the preferred option.

Investment Foundations and CIPM had been used as testing areas for the Learning Ecosystem, which had the potential to be very innovative in how the organization operationalized parts of the Credentialing 2030 vision.

The objective would be to maximize the organization's return on mission, which could be difficult to capture and quantify. Transitioning the program to a free offering could be a catalyst for the future or could show that it was no longer relevant to the mission. In either case, lessons would be learned.

[The Board requested an extensive post-mortem report on Investment Foundations. The group felt it was important to document the lessons learned as a key reference point for future endeavors.](#)

The following resolution was approved:

RESOLVED, that the Board of Governors accepts and approves decommissioning CFA Institute Investment Foundations as a commercial product and offering the content in the form of an online learning experience at no charge.

Abstention: Mark Lazberger, CFA

Mr. Lazberger explained that while he agreed that the proposal had been consistent with the mission, it should have been presented as a new project rather than a continuation of Investment Foundations. He believed that the proposal had potentially missed out on some alternative options and could cost more than \$1.6 million a year. Mr. Lazberger emphasized that his issue was one of transparency and that he did not believe that management had considered all of the challenges associated with this new direction.

EMPLOYEE ENGAGEMENT SURVEY

Presenter: Chris Ainsworth, Chief Human Resources Officer at CFA Institute

The organization had used Gallup once again to conduct its Employee Engagement Survey. It was explained that Gallup had been used in 2016 and that it had a large global database containing many of CFA Institute's peer organizations. The 2018 results had shown an 86% participation rate and a grand mean score of 3.87, which had been out of a five-point scale and very similar to the 2016 results.

Looking at the lower-rated questions, it was reported that the percentage of engaged employees had moved from 37% to 38%; non-engaged employees from 55% to 49%, and actively disengaged employees from 8% to 13%. It was explained that the non-engaged group had included individuals who were waiting to see what actions the organization would take going forward.

Looking at the top-rated questions, the organization had ranked in the 76th percentile for employees receiving recognition in the last seven days and in the 80th percentile for employees receiving feedback about their progress in the last six months. It was noted that human resources had been working to redesign the performance management process to help leaders have constructive conversations with their employees about their goals and how they were connected to the organization overall.

It was clarified that 3.87 was considered a good score, and that anything near a four or five would be great. The organization would not, however, set any future targets as this could skew the responses received; the focus would instead be on the outcomes. The 2018 data had indicated ways to improve the employee experience at CFA Institute, and the CHRO believed that a culture audit would be timely as about 70% of employees had indicated an understanding of the cultural values. There was a comment that a cultural audit could be quite confronting for management and that communication and accountability typically seemed to be the biggest issues raised. The process would be much richer in content than a Gallup poll and could offer valuable inputs. There was also a comment that changes in cultural values, especially ones around accountability, could lead to poorer results initially until they firmly took root within the organization.

The CHRO agreed that the Gallup poll had a rigid structure, consisting of 12 standard questions and the option of adding four more. The CHRO had wanted to find an element of consistency in the survey responses before making any changes and had therefore used a version similar to the one distributed in 2016.

There had been a noticeable engagement dip associated with employees who had been with the organization for three-to-five years. It was explained that individuals at this level were starting to identify career paths and looking for development opportunities and leadership support. Human resources had been working to create sophistication in its leadership to ensure that every employee had a robust development plan.

It was noted that three years ago, the organization had shifted its focus outward and therefore modified a substantial number of people's job descriptions within the organization. This had been a challenging transition, and it was believed that the change management component had not been as strong as it could have been.

The survey had indicated that about 60% of employees planned to still be working at CFA Institute in two years' time. The human resources function would be examining that figure to see what percentage of high potential employees resided in that category. The survey had also indicated that about 50% of employees felt positive about the organization's diversity and inclusion work, but also that it was not moving fast enough.

The human resources action plan would focus on the bottom three responses and reactions. In addition, the Employee Engagement Council would be comprised of director- and head-level employees going forward to increase the impact across the organization and show that the leaders owned the cultural values. There would also be a narrower set of initiatives to focus the council's efforts and create real change. No region or function would have more than five action plans.

Employee engagement seemed to be driven by a strong employee value proposition and while the organization had all the components of that proposition, it had not yet coalesced as a narrative for employees to absorb and understand. The human resources function believed that educational improvements could remedy this disconnect. The results had indicated that employees believed in and remained committed to the mission but might be questioning the delivery of that mission at the leadership level. There was agreement that the plans for the people managers would be critical and that the first leadership conference in October 2018 would help to tackle this very subject.

[The organization would be assessing vendors to conduct a cultural audit and would come back to the Board at the October meeting to identify the preferred vendor and project timeline.](#)

SATURDAY, 21 JULY

BOARD CODE AND CONFLICT DISCLOSURE TRAINING

*Presenters: Sheri Littlefield, Chief Legal Officer and General Counsel at CFA Institute
Emily Grymes, Director of Global Compliance and Ethics at CFA Institute*

The goal of the training session was for the Board, leadership team, and PCRs to have a consistent understanding of the conflicts of interest process as well as the principles of transparency and disclosure.

The group came from a variety of backgrounds that could enrich the discussion. It was noted that not all these experiences and roles would create conflicts of interest and that most could be mitigated with the appropriate processes and oversight. An overview of how CFA Institute would approach conflicts of interest as well as the relevant timeline of events was provided.

The importance of disclosing an interest that could have the appearance or potential to interfere with an individual's ability to make an impartial or objective decision was emphasized. Individuals were encouraged to include all activities, whether directly relevant to CFA Institute or not, on their conflict of interest form. The Senior Adjudication Committee, which was composed of staff, would review the conflicts and make a recommendation on any mitigation plans to the Audit and Risk Committee (ARC). It was clarified that the ARC was the body delegated by the Board to own the conflicts of interest program. After receiving ARC approval, the recommendation would go to the Board for final approval. The chairs of the various committees would be notified of any members who had made disclosures and would be advised on an ongoing basis.

It was explained that the Board Nominating Committee (NC) would follow a slightly different process. The NC would review conflict of interest disclosures independently, but with help and guidance from the ARC Chair.

All senior persons were asked to complete their conflict of interest statement for FY2019 and return to the Corporate Secretary. The review process would be completed by the end of August in time for the Board's review at the September retreat.

[Staff would work with the PCRs to tailor a conflicts of interest process relevant to their nominations.](#)

It was stated that all the organization's volunteers were covered by conflict of policies, and that charterholders had the Code of Conduct, which also covered conflicts of interest. Staff had made sure that the policy at the Board level had integrated well with those standards.

Embracing a conflict could sometimes be a positive thing as long as everything was transparent. The main point was to take an active approach to conflicts and manage them. The new process would be more robust, and the ARC would review it in a year to make sure it was at the right level and propose any recommended changes to the Board.

ENTITY STRUCTURE UPDATES

*Presenters: Sheri Littlefield, Chief Legal Officer and General Counsel at CFA Institute
Diane Basile, Chief Financial Officer at CFA Institute*

Management had been working on a new legal entity framework to meet the organization's current operating model, which had been focused more on regional business. The proposed changes included a request to convert existing branch offices into private limited companies to protect the assets of CFA Institute, promote regional empowerment, and better align the corporate structure with the operating model. The changes

would also include creating a regional holding company in each region to serve as the primary office location and hub for all entities and activities in the area.

It was noted that management had received tax input from Ernst & Young, and that the ARC had reviewed and recommended the entity structure updates for Board approval.

It was explained that the organization would hold off on making some changes in the APAC region until there was more information on certain tax treaties.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the legal entity structure substantially in the form presented.

TECHNOLOGY EXECUTION AND CONTINUING PROFESSIONAL DEVELOPMENT EXECUTION

Presenters: Paul Smith, President and CEO at CFA Institute

Elaine Cheng, Managing Director of Information Technology at CFA Institute

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

Ms. Kumar-Sinha joined the discussion via conference call.

Technology Execution

The digital core transformation (DCT) had been a three-year project to replace the organization's major platforms. By the end of December, the project would be completed in line with the original timeline, and CFA Institute's platforms would be modernized and usable for many years to come. The group was reminded that the original budget request of \$10.7 million had been modified with Board approval not long after the launch of the project. The total amount being targeted was now \$20 million, and there was about \$800,000 left to spend in 2018. There had been 16 total modules; seven had been fully implemented and the others would be completed simultaneously at the end of the year.

The Finance 2.0 project had been incorporated into the operating budget but did not have a set cost. This had not been part of the original DCT initiative until later with the hiring of the new CFO.

[It was suggested that the reports on the technology projects show initial and revised targets. The Board understood that scope analysis could lead to changes and would prefer to see costs in this layout.](#)

The annual IT budget outside of projects was about \$28 million. It was explained that once DCT was completed, other initiatives would be put forward, including spend for CBT, CPD, and other enhancements that would not have been possible without the implementation of the DCT. In terms of efficiency gains, the target had been to increase digital satisfaction from key stakeholders and reduce the number of customer-impacting issues. It was noted that management would come back to the Board in about a year with these results as it would take time for processes and people's roles to change with the new technology.

The society technology project had been another substantial initiative for the organization. There had been challenges, including the vendor and product selected; these had not performed as well as anticipated. The Society Technology Council had chosen the vendor, and it was noted that this had been a collective decision between management and eight societies, including the XLs and several smaller ones. Vendor selection had been communicated to all societies and updates and changes on the platform had also been communicated since. It was highlighted that the vendor was still considered a top performer in the association management space and was working with the organization to improve the platform. There would also be additional resources allocated to the IT department to assist with this effort next year.

There was agreement that the change management piece for society technology could have been handled better in terms of setting expectations for the organization's ability to deliver in a given time frame. It had been challenging to meet the unique needs of the 151 societies as the system had to be flexible enough to work for those with complex and simple requirements. The FY2019 and FY2020 budgets would reflect resources around the society strategy to invest in their technology platforms and help them deliver and build member value at the local level. The organization was committed to ensuring that societies had the right training resources in place and access to support services at any time when they encountered problems.

[The Board requested a quick technology update at the October meeting.](#)

Continuing Professional Development Execution

Continuing Professional Development (CPD) had been moving in the right direction and building momentum. The group was reminded that the Managing Director of Credentialing had been tasked with the strategy and competency framework while the Managing Director of Member Value and Society Relations had been tasked with the content and delivery side of CPD. The mission was for CFA Institute to be recognized as a professional body with a strong CPD component that was rooted in the CFA Program, because obtaining the Charter was just the start of the journey. Through the efforts of CFA Institute and the societies, the organization wanted to address the increasing demand for members to attest to verifiable CPD to regulators and firms in their locale, members' growing interest in career development, and the fact that credentialing bodies had been moving towards competency-based frameworks as opposed to topically-based ones.

It was explained that CFA Institute would be reorganizing some staff roles to establish content producers and curators. There would also be a CPD Design Council composed of PCRs, society leaders, and staff to inform the content and curation pieces. In addition to these important structural changes, the organization would also be introducing personalization through artificial intelligence to better understand what members wanted. Furthermore, technology changes and improvements would create a more user-friendly experience for members to engage with and track CPD content. Design of the platform would begin in FY2019, and a pilot of the first competency framework would be conducted with CFA Society United Kingdom. CPD efforts would continue to ramp up throughout the year and process improvements would be ongoing.

The competency framework would be fluid and refined over time. The goal was to start with some valuable products at the beginning and then build out different parts of the framework as it evolved. Member demand and market conditions would determine the type of CPD offered as it related to C-suite level positions. The organization would modify the framework in stages as management reflected on the lessons learned from each step.

It was clarified that about 55% of people voluntarily attested to CPD today, and that the organization would use this as an anchor to set expectations going forward. If the decision was made to move forward with a membership vote on mandatory CPD, there would be a substantial campaign with the societies around this effort. The current target was 2021, but this could be pushed back if more time was required. A brief overview of the 2002 vote was provided.

FY2019 BUDGET

Presenter: Diane Basile, Chief Financial Officer at CFA Institute

Ms. Kumar-Sinha joined the discussion via conference call.

The FY2019 budget was presented to the Board for approval.

[Since the organization was approaching a significant juncture in terms of change, particularly related to the future of exam delivery, management would not refresh the longer-term budget outlook until it had more detailed information. Finance would come back to the Board at the October or February meeting with these numbers.](#)

The 10% operational efficiency target was explained and discussed, and it was noted that the proposed budget intended to exceed that figure. It was clarified that a consistent methodology had been applied to the efficiency targets set in 2016 and 2019.

The new financial systems would increase the cadence of forecasting in the organization and provide more metrics and detail on project spending, elevating the Board's comfort with how initiatives were tracked and measured overall. It would also be possible to establish consistent financial indicators and drive accountability in line with the organization's objectives.

The regional reporting from the new financial systems was a best estimate at this stage and would become more accurate over time. The goal would be to encapsulate the work being done in each region.

In terms of market changes, the organization had a robust contingency policy in place and was also moving toward a quarterly review, which would provide a more regular cadence of how CFA Institute's revenues and expenses were trending. The aspiration was to look at the FY2019 budget at the more granular level and then report against that going forward.

It was noted that in 2008 and 2009, the organization had experienced modest dips in candidate registrations, but rebounded rather quickly. It was noted that people tended to turn toward education in times of recession. Over the years, the organization had tried to improve efficiency within a modest growth budget, and it would be the Board's decision as to how ambitious it should be in funding future initiatives.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the proposed FY2019 Budget substantially in the form submitted.

WORKING LUNCH: BOARD SELECTION CRITERIA, DEFINITIONS, SELF-EVALUATIONS

Presenter: Robert Jenkins, Board of Governors Chair

The Board held a working lunch session to review their selection criteria definitions and update individual governor skill sets for FY2019.

PRESIDENTS COUNCIL CHAIR REPORT

Presenter: Dan Fasciano, Presidents Council Chair

Ms. Kumar-Sinha joined the discussion via conference call.

It was highlighted that the Societies 2.0 initiative had coalesced over the years and become part of the vernacular amongst the 151 society leaders. The visioning document had been signed and societies were eager to partner with the organization to enhance and deliver member value in their respective regions.

BOARD COMMITTEE REPORTS

*Presenters: Robert Jenkins, Executive Committee Chair
Fred Lebel, Compensation Committee Chair
Fred Lebel, Nominating Committee Chair
Diane Nordin, Audit and Risk Committee Chair
Sunil Singhanian, Investment Committee Chair
Daniel Gamba, Society Partnership Advisory Council Co-Chair*

Ms. Kumar-Sinha joined the discussion via conference call.

Executive Committee (EC)

The EC had convened twice since the Hong Kong meeting in May. The group had discussed the Vancouver meeting agenda, the committee members appointments for FY2019, the possibility of having two Vice Chairs, the conflicts of interest process, and heard an update from Egon Zehnder on the CEO search process.

Compensation Committee (CC)

The CC had convened twice since the Hong Kong meeting in May. The group had discussed the people strategy and the CEO pay ratio, which would now be published in the annual proxy statement, and also heard presentations on the gender pay gap analysis and the executive pay analysis. The committee had also reviewed a proposed list of peer group comparators, approved the executive and non-executive severance guidelines, endorsed leadership team salary increases recommended by the CEO, considered the annual performance survey results, and assessed the scope of the CC Charter. It was noted that no changes had been submitted.

Audit and Risk Committee (ARC)

The ARC had convened three times since the Hong Kong meeting in May. The ARC and the Board had both approved of changing the external auditor from PwC to KPMG, and the group would be working with management to make that transition as smooth as possible. The ARC had also reviewed and approved the Disciplinary Review Committee's membership report as well as the external and internal audit plans. In addition, the committee had reviewed the results of the internal enterprise risk management survey results, the Board counsel expenses, and the legal entity project, and had heard recommendations from the CFO on changes to the short-term cash policy.

Investment Committee (IC)

The IC had not convened since the Hong Kong meeting in May. The group had met informally onsite in Vancouver to provide orientation for an incoming member.

Society Partnership Advisory Council (SPAC)

The SPAC had convened once since the Hong Kong meeting in May. Over the last two sessions, the group had discussed five major topics, including the membership gap, the charter pending numbers, the Societies 2.0 initiative, the updated member renewal process, and advocacy. It was highlighted that the committee had met with several societies to discuss the reasons for their respective membership gap issues and found many different results. These had been detailed in a memo that had been circulated to the societies.

Nominating Committee (NC)

The NC had convened twice since the Hong Kong meeting in May. An update on the status of the award presentations planned thus far was provided. It was also noted that the NC would hold a meeting in conjunction with the September retreat to orient its new members.

OUTGOING AND INCOMING CHAIR REMARKS

*Presenters: Robert Jenkins, Board of Governors Chair
Heather Brilliant, Board of Governors Vice Chair*

There were brief remarks made by the outgoing and incoming Board Chair.

The outgoing Board Chair stated that it had been a privilege to serve and that he looked forward to dedicating his service and efforts to leading the NC and CC next year.

The incoming Board Chair provided an overview of the key priorities for the following year. These included a successful CEO search and transition, a commitment to strong governance, a focus on supporting the implementation of the strategy, and a collaborative process to ensure agendas used the Board's time wisely.

OUTGOING GOVERNOR AND PCR, AND PRESIDENTS COUNCIL CHAIR REMARKS

*Presenters: Fred Lebel, Board of Governors Past Chair
Mark Lazberger, Board of Governors Member
Colin McLean, Board of Governors Member
George Spentzos, Board of Governors Member
Lamees Al-Baharna, Presidents Council Representative
Clayton Gall, Presidents Council Representative
BD Deora, Presidents Council Representative
Dan Fasciano, Presidents Council Chair*

The outgoing governors, PCRs, and Presidents Council Chair were thanked for their years of service. These individuals were welcomed to say a few remarks to the group.

Meeting adjourned.