

**Board of Governors**  
**OPEN SESSION**  
**Meeting Minutes**  
 16-17 July 2020  
 Video Conference Call

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**Board of Governors Present:**

Alex Birkin	Marg Franklin, CFA	Diane Nordin, CFA (Meeting Chair)
Leah Bennett, CFA	Daniel Gamba, CFA	Tricia Rothschild, CFA
Heather Brilliant, CFA	Punita Kumar-Sinha, CFA	Zouheir Tamim El Jarkass, CFA
Robert Bruner, DBA	Karina Litvack	Yu Hua, CFA
Daniel Fasciano, CFA	Geoffrey Ng, CFA	Maria Wilton, CFA

**Incoming Board of Governors Present:**

Marshall Bailey, CFA	Yimei Li, CFA
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**Presidents Council Chair and Representatives Present:**

Camille Alexander, CFA	Jennifer Garbowicz, CFA (PC Vice Chair)	Ming Shu, CFA
Ashraf Bava, CFA	Josh Howard, CFA	David Smith, CFA
Bogdan Bilaus, CFA	Mauro Miranda, CFA	Susan Williams, CFA
Aaron Brown, CFA (PC Chair)	Pieter van Putten, CFA	Ken Yee, CFA

**Leadership Team Members Present:**

Chris Ainsworth	Allison Holmes	Nick Pollard
Marty Colburn	Peg Jobst	Sheri Littlefield
Marg Franklin, CFA		

**Others Present:**

Stephanie Ennaco	Joseph Lange (Meeting Secretary)	Anne O'Brien
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**Materials Provided:**

Board Meeting Pack

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**Blue – Action Items****Green – Approved Resolutions****Red – Tabled Resolutions**

**THURSDAY, 16 JULY**

**OPENING REMARKS**

*Presenters: Diane Nordin, Board of Governors Chair  
 Aaron Brown, Presidents Council Chair*

**Board Chair's Remarks**

The Board Chair welcomed everyone to the Q4 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. Bruner stated that he had a conflict with regards to the strategy and budget discussions and would declare his conflict during executive session. It was noted that Mr. Bruner's conflict

had been made known to the Audit and Risk Committee and the Chief Legal Officer, and that there was a mitigation process in place.

The Board Chair also shared some introductory comments with an emphasis on the professional and personal challenges members of the organization had experienced in FY2020 and commended CFA Institute leadership and staff for their agility, resolve, and diligence during a global pandemic. Difficult decisions would need to be made based on imperfect information, and the organization would need to balance such risks with the interests of all its global stakeholders.

#### Presidents Council Chair's Remarks

The Presidents Council (PC) Chair noted that a great deal of work had gone into the Society Partnership Advisory Council's proposal, which would be discussed later in the session. He also shared that a survey had been circulated to the societies to gauge the level of upheaval caused by COVID-19. The PC Chair displayed the outcome of two questions, both of which had received 112 responses.

The first question had asked about the negative financial impact on the societies and shown that 21.4% had experienced a significant impact, 46.4% moderate impact, and 32.4% little to no impact. The second question had asked about the societies' current financial reserves and when, if ever, they anticipated running into financial problems. The results had shown that roughly 64% of societies saw no foreseeable issues for more than 12 months. The survey data had indicated that the financial health of most societies was strong; however, it was noted that some societies had already made the difficult decision to move office locations to lower costs. The PC Chair stated that the new operating model would mean changes for the societies, and it would be important for CFA Institute to continue to offer opportunities for innovation, collaboration, and support going forward.

#### CEO REPORT

*Presenter: Marg Franklin, President and CEO*

The CEO stated that her report had been included in the materials and would be taken as read. She then opened the discussion for questions and comments.

With regards to the reasoning behind the relaunch of Investment Foundations, the CEO stated that there had been a demand for the program but that it had not been priced properly in the past. The organization would be increasing its internal skillsets around pricing and conducting a pricing analysis to calibrate the supply and demand of the program. The results would be included in a detailed business plan for Investment Foundations.

Management was commended for their progress over the past few years in developing leaders within the organization. It was highlighted that these efforts would help support the outcomes of the strategic work.

There was a question on the shift in the marketing strategy from promoting the brand to increasing candidate numbers. The CEO explained that the new digital campaign would yield significant data and offer a targeted approach, aiming to capture a broader cohort of future candidates and/or investment professionals, to shorten their decision-making timeframe, and to better understand why they might exit the program.

The CEO shared that she had been impressed by the caliber and candor of her conversations with the Board over the last five months and would continue to engage governors, Presidents Council Representatives (PCRs), and society leaders for help as needed. She had appreciated the vulnerabilities and opportunities stemming from the crisis and would endeavor to establish an environment of open-mindedness and transparency.

There was a question on future engagement with the societies. The CEO reported that three society focus groups had been created to establish a more systematic approach to society engagement and collaboration going forward. The organization would remain committed to a transparent and effective relationship with the societies. It was

recognized that there would need to be an adjustment period to recalibrate expectations and socialize the changes associated with the new financial constraints and strategic plan.

There was some discussion on the organization's approach to ESG. The CEO explained that ESG would not just be a CFA Institute product and that there would be both internal and external aspects to the ESG strategy. In terms of the former, the organization would serve investment professionals by developing an ESG standard, integrating its advocacy work to train people on how to incorporate ESG elements into their portfolio management and research, and working to globalize the ESG certificate created by CFA Society United Kingdom (UK). In terms of the latter, CFA Institute would continue to thoughtfully consider the use of its public platform to make comments on ESG issues and contribute to a constructive dialogue, specifically one related to the investment profession. [After further discussion, it was agreed that a holistic approach to ESG would be needed and that perhaps the Board should consider this as a standalone agenda item at their next meeting.](#)

### **DEEP DIVE INTO STRATEGIC INITIATIVES**

*Presenter: Marg Franklin, President and CEO*

The Board was presented with the updated strategic plan proposed by management. The organization believed that the four strategic pillars were appropriately ambitious and achievable, requiring strong execution while leveraging its core competencies, experiences, brand, and heritage.

It was reported that the foundations of the first pillar had already been established and that the work in this area would be accelerated. More planning and preparation would be needed around the second pillar, specifically the recruitment of a leader for professional learning. It was stated that the third pillar had encapsulated the organization's mission-based work, bringing together research, advocacy, and standards. Lastly, it was noted that the fourth pillar had created a client-first mentality driven by data analytics and guided by the allocation of resources.

The group was reminded that at the May meeting, management had aligned with the Board on the strategy framework; presented opportunities in the four strategic pillars; received a strong endorsement for initiatives on computer-based testing (CBT), reinvigorating the demand for the CFA Program, and micro-credentials; and, received the go-ahead to develop an operational model and organizational design.

It was explained that a strategic refresh had been needed to address core business challenges, the slowdown in APAC and the US, risks of a single revenue source, a changing external environment, and organizational challenges. It was emphasized that the mission had not changed, and there would be a unique opportunity to elevate the role of CFA Institute to increase its influence across the ecosystem, increase its global constituent base, and increase the scale and diversity of its product portfolio. The initiatives underlying the four pillars were displayed for the group:

1. Advance and grow credentials and certificates
  - a. Modernize CFA Program
  - b. Reinvigorate CFA Program demand in key markets
  - c. Launch into specialized topics
2. Build professional learning
  - a. Launch lifelong learning platform
  - b. Build B2B strategy
3. Advocate for professional excellence
  - a. Influence key decisions and provide regulatory input, specifically on topics related to professionalism and asset management talent
  - b. Develop holistic approach to policy, research, and standards development to achieve greater impact across key topics
  - c. Identify and partner with key third-party standard bodies, regulators, institutions, and other industry influencers

4. Design and evolve client experience
  - a. Utilize data-driven market research to develop personalized, value-added services for clients while exiting those activities that members do not value
  - b. Design CFA Institute and societies best practices to provide client value

It was explained that the first and second pillars would require a higher investment of funds than the third and fourth pillars, and that enabling all these activities would be talent and capabilities, the operating model, and societies.

The progress on the first pillar was reviewed and had included an initial redesign of the structure and operating model for the credentialing team to increase innovation and agility; seeking Board approval to accelerate CBT delivery for CFA Program Level II and III to June 2021; continued negotiations with CFA Society UK around globalizing the ESG certificate; elevating priority markets to drive CFA Program registration; and, developing draft business plans around Investment Foundations. An overview of next steps was also provided.

The vision for the second pillar was presented and had included a digital learning platform to provide lifelong learning to asset management and a corporate hybrid solution for providing a range of learning and development solutions. The primary target for the initial audience would be corporations and current members, and B2B would be a key point of entry to the market.

The progress on the second pillar was reviewed and had included refining the strategic vision of professional learning, developing a preliminary business plan, launching initial conversations with potential business partners, and defining the organizational structure and key roles required to incubate the new business. An overview of next steps was also provided, with an emphasis on the recruitment of a leader for professional learning to implement the vision.

The CEO agreed that the strategic framework would be ambitious with many transformational elements. There had been an emphasis around focus and accountability since the beginning, and it was noted that the pacing of each pillar would be different based on what initiatives were new vs. already in progress. The strategy would address many inefficiencies and resource allocation issues, and there would be a robust change management program that would include both a leadership and employee approach, and the organization had hired an expert to oversee that effort.

[The CEO stated that the Board would receive the organization's ESG consultation paper in the next two weeks or so.](#)

Over the last five years, roughly 70,000 candidates had taken the Level I exam, successfully passed, and not moved on to another level. The organization would be conducting an analysis to understand the reasons behind this type of behavior and to try and address the learning needs of its clients. In addition, it was noted that while the marketing campaign would target new Level I candidates, there would also be continued work around promoting Level III candidates and new charterholders to employers, whether that was through talent development events or branding and advertising.

It was explained that the organizational structure for professional learning would evolve based on the input of the new leader, and that the pace of the second pillar would be slower and more methodical than some of the others. With regards to the B2B strategy, for instance, the organization had reached out to very large asset managers to conduct a preliminary check but would look to the new leader to establish the engagement criteria and suite of educational offerings. The CEO also clarified that the goal was to have a successful professional learning program first before moving in the direction of mandatory continuing professional development.

It was recommended that management balance addressing the decline of new Level I candidates with developing new products and diversifying the revenue stream. [Management agreed and reported that the organization was in the process of identifying a list of top ten initiatives to pursue to increase the new Level I numbers while also collecting data for future decision-making needs. The Board would receive an update on these initiatives and preliminary metrics at the October meeting.](#)

Management would next be focusing on the key performance indicators (KPIs) with the Boston Consulting Group to ensure that they were meaningful and transparent, driving the right behaviors and outcomes, and simple enough to share across the entire organization. The KPIs would also have enough flexibility to adapt to the regional needs for members and societies.

The organization would be reviewing its pricing strategy for Investment Foundations and the CFA Program, with a specific interest in valuing its products properly and motivating new Level I candidates. It was recognized that there had been a skills gap around pricing, business planning, and market intelligence, and management would look to build up those critical capabilities as part of the strategy refresh. It was added that Investment Foundations would provide opportunities to test different options, such as a differentiated pricing model, and arrive at some thoughtful conclusions.

It was explained that the organization would need to recruit for resources to address the B2B strategy and would build out that platform slowly and methodically over the next three years. The benefits of the new B2B infrastructure would likely not be realized until year four or five.

In response to a question on the lessons learned from Investment Foundations, it was stated that the organization would need to change its cultural mindset around new ideas and bringing them to fruition. There would be more information and data incorporated into the business planning process and an agility to address constituent needs along the way. [It was suggested that management revisit the initial plan for Investment Foundations, especially around the expectations set and data points used. The CEO agreed and would include that in the framework to be shared with the Board.](#)

It was clarified that Investment Foundations would fit well in the first pillar and not divert energy and resources from the strategy. Management would work to enable and engage the right people on this initiative. In response to a comment on no longer offering Investment Foundations for free, the CEO stated that she found no disconnect between creating sustainable revenues that supported the mission. There were costs associated with delivering any product, including Investment Foundations, and the organization would conduct an analysis to ensure that the program was valued properly, both by the users and CFA Institute, in terms of pricing and resource allocation.

[The Board suggested that management consider a five-year vision for the organization as they built out their KPIs and outcomes.](#) The CEO agreed and would eventually share with the Board the metrics and milestones for measuring management's progress against the strategic goals.

The following resolutions were approved:

**RESOLVED, that the Board of Governors accepts and approves the FY2021 strategic plan substantially in the form submitted.**

**FURTHER RESOLVED, that Strategic Initiatives that implicate Board approval requirements under Section I.4. of the Delegation of Authority will be presented to the Board for approval prior to commitment of strategic funding.**

**Abstained: Robert Bruner**

#### **CREDENTIALING REPORT**

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

#### **Level II and Level III Exam Administration**

The Board was reminded that they had approved an accelerated business plan to 2022 for the Level II and III exam administration at the May meeting. Management had reviewed further and believed that it could now accelerate to 2021, providing more candidate opportunities while also reducing the complexity, risk, and overall cost structure. It was stated that the push for 2021 had largely been in response to the global pandemic.

It was explained that there would be four exam windows in the CBT environment – February, May, August, and November. In 2021, the organization would offer Level I in February, Level II and III in May, Level I and II in August, and Level I and III in November. In 2022, which would be considered the steady state going forward, the organization would offer Level I and II in February, Level I and III in May, Level I and II in August, and Level I and III in November.

The main reason for the change had been the reassessment of the question bank, which had been increased over the course of two years. Management had determined that the size of the bank was big enough to move forward with Level II and Level III in 2021, had been working with Prometric on the candidate experience, and had evaluated the risk and put mitigation strategies in place.

It was clarified that Prometric and British Council applied the same principles to proctors at both their standard and pop-up locations. This would ensure consistency and uniformity around the world to comply with the unique standards requested by CFA Institute. In addition, video security measures would be used in the CBT environment to record proctor and candidate activities.

The group was reminded that the risks of paper-based testing compared to those of CBT had been analyzed in the first phase of the Future of Exam Delivery. This report would be recirculated to the Board for reference. It was highlighted that management had recognized the many sophisticated ways a candidate could cheat in the CBT environment and had developed a thorough mitigation strategy.

About 18 months ago, in a survey to candidates, the organization had found no material concern about the rigor of the exam or the requirements of CBT. The comments had primarily indicated that candidates wanted the ability to take the exam more frequently and to receive their results faster.

It was confirmed that British Council would allow for the organization's CBT presence in India. The group was reminded that this agreement had been signed in February 2019 and had locked in costs for Level II and III.

The following resolution was approved:

**RESOLVED, that the Board of Governors accepts and approves management's plan to accelerate the CBT implementation of the CFA Program Level II and Level III exams substantially in the form submitted.**

**Abstained: Leah Bennett, CFA**

#### December 2020 Update

A status update on the candidate numbers for December 2020 was displayed for the group. It was highlighted that the organization had received minimal refund requests, bringing registration for December to approximately 226,000 candidates to date. The group was reminded that registration for the December exam would close in early September. The organization had secured enough space to socially distance candidates and would be moving to a two-day offering in some locations to accommodate the number of people and safety procedures. There would be an increase in anticipated costs resulting from these changes. It was also noted that there had been about 11,000 registrations for the June Level I exam and that registration would remain open until November.

It was reported that the Gaokao exam in China had been successfully administered in early July, which had been encouraging news for the organization. Management had also been monitoring the COVID-19 data provided by Johns Hopkins Bloomberg School of Public Health and mapping it to CFA Institute test centers. The organization would have the flexibility in December to accommodate the exam in as many parts of the world as possible but recognized the likelihood that it would not take place everywhere. As of 2 July, 25% of registered candidates would be in test centers where the current infection rate was greater than 0.5% of its population – these areas would be flagged as yellow and anything above 3% would be flagged as red. As part of the monitoring process, the Crisis Action Team in credentialing would convene regularly leading up to the December exam.

It was explained that exam viability would be determined by a government or venue permitting or not permitting CFA Institute to proceed. The exams would be securely onsite in advance, and the organization would have the ability to open or close test centers at the last minute.

It was clarified that there would be a communication plan executed in August to update candidates. The message would mainly address the December exam, the refund policy, and the acceleration of CBT to the 2021 cycle. It was highlighted that the content would notify candidates who had registered for a paper-based exam that they would be offered a CBT exam instead in 2021.

There was a question on the possibility of holding makeup sessions earlier than the three-month waiting period for testing centers that happened to be in yellow or red zones come December. Management had thought to move candidates to the next exam window in February but would bring this idea to the Crisis Action Team for stress testing and evaluation.

The Crisis Action Team, in consultation with the legal group, had been discussing whether to have candidates sign liability waivers prior to sitting the exam. Management was asked to reflect on the role of the organization in advocating for more responsible public health policies as these ultimately contributed to market effectiveness.

The governors requested that management provide them with a regular status update in the form of a map (or some visual display) to show the number of candidates with viable testing locations in December and February.

It was suggested that local society leaders be involved to help with the organization's contingency planning efforts, specifically managing candidates unable to take the December exam due to high infection rates in their area. Management stated that they would bring this idea to the Crisis Action Team for further thought and consideration.

In comparison to last December, the organization had 48,000 candidates that had not come from the deferral pool as compared to about 100,000 in 2019. The final figures would not be known until registration closed.

#### Remote Proctoring Update – Environmental Scan

The Tiger Team had thoroughly reviewed the current state of remote proctoring and had not recommended its use for the CFA or CIPM programs. The group had found that the technology was too nascent, the candidate experience too uneven, and the security too inadequate, but would continue to monitor any developments and would reevaluate in the next 12 to 14 months.

There was agreement that management should be taking a broader approach as to what could be accomplished with remote proctoring and to look at adopting technologies that could ensure remote testing.

#### **NOMINATING COMMITTEE REPORT**

*Presenter: Heather Brilliant, Nominating Committee Chair*

#### Awards Strategy

The Nominating Committee (NC) Chair explained that staff had developed a new, more comprehensive awards program for the Board's review and approval. The program had moved from six different award names to a single award name, the CFA Institute Inspirational Leader Award, with four categories: education, ethics, professional excellence, and volunteer service. The details of the updated strategy had been included in the materials.

The expectations around the award recipients were discussed. It was clarified that these individuals would be honored as role models for the industry and CFA Institute and that the presentation and marketing efforts would be critical to giving the organization a wider audience. There was agreement that there could be additional expectations for the winners in the future, such as a commitment to continue certain behaviors or actions on behalf of CFA Institute.

It was clarified that there would be one award title and that the historical context of the program would become part of the description on the public website and remarks given at the ceremony. It was added that there was no requirement to continue with the legacy naming convention.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the Awards Strategy substantially in the form submitted.**

#### Guidance to the Nominating Committee

The NC had completed its initial review of the Governor Selection Criteria and considered the skill gaps that needed to be prioritized for the upcoming election cycle. The group had agreed to focus on society leadership experience and education experience, with a focus on those with credentialing backgrounds, and had proposed adding two new attributes, ethnic diversity and strategic initiative support, to the skills matrix. The last priority attribute identified by the NC had been Edtech, which had been included in the committee's guidance in the previous cycle.

It was suggested that the NC revisit the characteristics or competencies in the skills matrix to ensure that the definitions had been clearly articulated. There was an additional comment that modifying the definitions could accommodate a broader pool of qualified people and bring more ethnic and cognitive diversity to the Board. Lastly, it was noted that there were several skills listed that might not be necessary to have on the Board in a given year, especially if this competency had been more than adequately filled at the leadership team level at CFA Institute.

A questionnaire had been circulated to all governors eligible to serve in FY2021 to obtain a list of the current skill sets. The NC had provided more specific definitions for each competency to help governors make their selections and would use the results to complete the matrix for next year.

There was a comment that having too many variables and metrics could lead to an unnecessarily large Board. The NC Chair agreed and would ask the next committee to take this under consideration.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the guidance to the Nominating Committee substantially in the form submitted.**

#### RECOGNITION OF DEPARTING GOVERNORS AND PCRS

*Presenters: Diane Nordin, Board of Governors Chair*

*Aaron Brown, Presidents Council Chair*

The group held a social networking session to commend and recognize the efforts and contributions of the outgoing Board members and PCRs. The following individuals were honored and thanked for their years of volunteer service:

#### Governors

Leah Bennett, CFA

Heather Brilliant, CFA

Yu Hua, CFA

#### Presidents Council Representatives

Susan Williams, CFA

Ken Yee, CFA

**SOCIETY PARTNERSHIP ADVISORY COUNCIL REPORT**

*Presenters: Leah Bennett, Society Partnership Advisory Council Co-Chair*

*Aaron Brown, Society Partnership Advisory Council Co-Chair*

The members of Society Partnership Advisory Council (SPAC) working group had completed their review and included their proposal on PCR-Board interaction recommendations in the materials. The purpose of the working group had been to take a fresh look at how PCRs engaged as a feedback loop between societies and the Board, and how the governors could better extract their knowledge and expertise to help with their own strategic decision-making.

The Board expressed their deep appreciation for the PCRs and believed that the proposal would elevate their ability to give a more structure voice to the societies, better understand the organization's customer needs, share significant feedback, and deliver on the mission. The recommendation would provide PCRs a physical seat at the table with the Board and a channel to bring proposals forward for Board deliberation. The PC Chair noted that while change would not be easy, the Board and organization had evolved, and the PCRs would need to evolve as well, especially to support societies during these challenging times.

It was clarified that the SPAC would be developing the goals and metrics around the proposal and would share these with the Board. In addition, the recommendation would be reassessed and refined after 12 months, and there would be informal opportunities to connect with the PCRs during that timeframe.

The Board acknowledged that over the years, their own governance changes had been challenging but also led to positive results and believed the PCRs would undergo a similar experience. The goal would be to strengthen the relationship between the Board and PCRs and continue their mutual commitment to trust and transparency.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the PCR-Board Interaction Recommendations substantially in the form submitted.**

The Board went into executive session.

*Meeting adjourned.*