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**Board of Governors**  
**OPEN SESSION**  
**Meeting Minutes**  
16 & 19 October 2020  
Video Conference Call

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**Board of Governors Present:**

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

**Presidents Council Chair and Representatives Present:**

Aaron Brown, CFA (PC Chair)	Shirley Ogden, CFA	Mahmoud Nawar, CFA
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**Leadership Team Members Present:**

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

**Others Present:**

Nick Bartlett, CFA	Joseph Lange (Meeting Secretary)	Kelli Palmer, PhD
Stephanie Ennaco	Sarah Maynard, ASIP	Chris Wiese, CFA
Laura Jarrell	Anne O'Brien	

**Materials Provided:**

Board Meeting Pack

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

**FRIDAY, 16 OCTOBER**

**OPENING REMARKS**

*Presenters: Daniel Gamba, Board of Governors Chair  
Aaron Brown, Presidents Council Chair*

**Board Chair's Remarks**

The Board Chair welcomed everyone to the Q1 Board meeting. A brief overview of the agenda was provided, and the group was notified that the sessions would be recorded. The governors were asked to disclose any conflicts of interest as they pertained to the agenda. Mr. Tamim El Jarkass stated that he had a standing conflict of interest with regards to the agenda item on Board cut score decisions and would therefore recuse himself from that conversation.

The top four short-term priorities for management would be the December exam, preparing for computer-based testing, filling key leadership positions, and society communications and relationship management.

### Presidents Council Chair's Remarks

The Presidents Council (PC) Chair stated that an annual planning session with society leaders had taken place virtually last month. The emphasis had been on internal PCR processes, such as standardizing communications, elevating collaboration with societies, and facilitating the sharing of ideas. There had also been an ongoing effort with staff to institutionalize these operational items.

With the new strategic plan, the PCRs had also been reviewing society and operational funding models and seeking to establish society impact metrics. In addition, the PCRs had been working with the Society Partnership Advisory Council to address forward-looking themes, including product and programming innovation at the local level, that would ultimately be brought before the Board. Lastly, the PCRs would provide input on the new participation structure (i.e., three PCRs with one from each region) at the Board meetings throughout the fiscal year.

It was stated that long-term volunteerism had been one of the bigger concerns, and there would be a heightened focus on tracking the number of individuals interacting with their local societies over the next two years. It was further explained that the APAC and EMEA regions had seemed to be struggling more with the loss of connectivity and inability to physically convene.

### CEO REPORT

*Presenter: Marg Franklin, President and CEO*

The CEO stated that she would take her report as read and welcomed comments from the group. It was highlighted that the organization had closed another 22 exam centers, which would affect about 14,000 candidates, and that the Board would receive an update on the estimated financial impact on revenues, cash, and reserves. The credentialing team had continued to plan and prepare with their colleagues in IT and customer service to process change requests, refunds, and preemptive moves by candidates while building capacity to administer the exam in 2021. In addition, there had been a focus on both near-term and long-term opportunities to diversify revenue streams, and management would seek the Board's insights on these initiatives.

There was a question on the impact of the new strategy on the societies. The CEO shared that it would be important to stabilize the situation with societies and understand what CFA Institute could do to help alleviate the challenges caused by the global pandemic and what a future partnership might look like. The CEO stated that she would be conducting small group discussions with society leaders over the next three weeks to facilitate candid conversations about the way forward.

There was an emphasis on building trust with the Board virtually, especially given the urgency around the strategic decisions being made. The CEO thanked the Board for their continued support and voiced confidence in the strategic plan to see the organization through these difficult times. It was also noted that communications and messaging would be paramount in keeping all constituents informed along the way.

It was recognized that the organization would need to combine the businesslike focus of the new strategy with the inspirational words of the mission to ensure the survival of CFA Institute and keep volunteers engaged. [The CEO had asked Mr. Ng and Mr. Fasciano to reflect on the volunteer experience in a virtual world and come back with recommendations for the Board to consider.](#)

The organization had been applying ESG principles to its own practices, which would become clear during the Investment Subcommittee report and the discussion on inclusion and diversity initiatives.

## **COMMITTEE REPORTS**

*Presenters: Geoffrey Ng, Audit and Finance Committee Chair  
Daniel Gamba, Executive Committee Chair  
Robert Bruner, Governance Committee Chair  
Punita Kumar-Sinha, Investment Subcommittee Chair  
Diane Nordin, Nominating Committee Chair  
Tricia Rothschild, Risk Committee Chair  
Dan Fasciano, Society Partnership Advisory Council Co-Chair  
Alex Birkin, Strategy SWAT Team Chair*

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

The AFC had reviewed the current financial challenges and discussed the need for a more flexible business model that would measure results and accomplishments against revenues and costs. There was also agreement on the committee's goals, which would focus on achieving a financial budget fit for operational purpose and for facilitating strategic initiatives; improving decision-making through increasing availability, transparency, and intelligence of financial data; and, overseeing action plans to improve integrity and mismanagement.

### **Executive Committee (EC)**

The EC would continue to oversee the transformation project at CFA Institute and to address any other matters as provided by management. It was highlighted that all governors and PCRs would be invited to attend the monthly EC sessions.

### **Investment Subcommittee (IsC)**

The IsC had been working to identify a new consultant by the end of January and would present their selection to the Board for final approval at the February meeting. It was explained that a search was required every five years. The group had also been looking at best practice across different endowments and foundations to see if it would be appropriate to reappoint Mercer for a second term.

In addition, the IsC had been focused on approving a new investment policy statement, which would delineate results in two segments, continent and strategic reserves. The group would look to identify the right managers for both portfolios to determine the asset allocation targets. This would address some of the concerns with liquidity, longer term investments, and other more meaningful approaches to ESG. The committee would be reviewing different investment instruments to help the organization balance strategic intent with an acceptable risk appetite and would integrate ESG by assessing the proxy voting policies of State Street, BlackRock, and Vanguard.

It was clarified that ESG principles had already been incorporated into the organization's fund selection, and the IsC would be taking the next step and discussing to what extent those principles should be integrated.

### **Governance Committee (GC)**

The GC had reviewed their goals and priorities for the fiscal year, which would largely focus on reviewing the organization's position with regards to US public company standards and the onboarding plan for the next Board Chair.

### **Nominating Committee (NC)**

The NC would be considering a slate of seven governors, two open positions and five potential reelections, for the upcoming cycle. The committee would be looking for educational technology and society leadership experience and would also take diversity factors into consideration. In addition, the outreach for the multi-year Board Chair would continue through the end of October, and it was noted that Korn Ferry Hay Group had been hired to facilitate this process as well as mapping out the competencies of the current Board. The consultant would be interviewing all governors to inquire about their attributes and to understand what kind of Board Chair they would envision for CFA Institute. Based on these findings, the NC would develop a profile for the Board Chair position and present it to the Board for final approval.

#### People and Culture Committee (PAC)

The PAC had recently talked about matters of inclusion, diversity, and culture – specifically the gaps between the current state and desired state. In addition, the committee had reviewed the year-end performance distribution curve, discussed incorporating organizational and departmental performance into the guidelines, and assessed the PAC’s role with respect to open senior leadership positions. Lastly, the committee had conducted a self-assessment for the FY2020 cycle, which had resulted in an emphasis on setting goals and metrics for the group to monitor throughout the fiscal year.

#### Risk Committee (RC)

The RC had discussed their goals and priorities for the fiscal year, considered how its work would intersect with the other committees, and talked about escalation procedures and the new risk framework within the organization. The group had also reviewed its primary oversight of enterprise risk, legal and compliance, and internal audit, and would be creating a risk register and risk heat map that would be provided to the Board. The group had emphasized the importance of balancing risk management via dashboards against human judgment on issues of the moment.

#### Society Partnership Advisory Council (SPAC)

The SPAC had discussed the current challenges associated with maintaining trust, society funding, and membership renewal. There had also been conversations around the impact of the strategic plan on societies, especially the programming and innovation opportunities and deliverables. The group believed there would need to be an increased focus on communications as well as listening to the feedback and questions society leaders had been receiving at the local level.

#### Strategy SWAT Team

The purpose of the Strategy SWAT Team would be to collaborate closely with management and act as a sounding board to facilitate the strategy development work. The group would also oversee and assess progress, make further refinements to the four pillars, define the future operating model, and focus on readiness for implementation. There would be an emphasis on furthering the mission by increasing the organization’s relevance and influence over the industry.

#### **CIO REPORT**

*Presenter: Marty Colburn, Chief Information Officer at CFA Institute*

The CIO reported that the IT Working Group had been meeting regularly to review the technology architecture, data strategy, digital product management, and preparedness for computer-based testing (CBT). In general, the IT department had been focused on enabling the strategy, including collaborating with professional learning to release refresher readings to members and with marketing on the redesigned home page. It was also noted that the organization had retired its data center in Culpeper, Virginia, meaning all production technology would now be in the cloud, and retired 76 applications or systems altogether for a more efficient, cost-effective, and simpler architecture.

It was clarified that the IT Working Group would continue to be the Board’s oversight body for IT and that the newly formed Risk Committee would play a role as well going forward. The governors serving on the working group confirmed that they had met regularly and been satisfied with the progress to date. There had been a recent emphasis on the shift to CBT, particularly the need to oversee Prometric and to review the candidate experience from registration to receiving results.

It was recognized that further work needed to be done to link the business technology strategy to societies and that this would be shared with the Board once ready.

**CFO REPORT – FY2020 YEAR END**

*Presenter: Allison Holmes, Chief Financial Officer at CFA Institute*

The CFO report included in the materials had been reviewed by the Audit and Finance Committee and shared updates on the department's strategic goals, preliminary FY2020 unaudited results, status of the operational and strategy revenue and expense plans for FY2021, status of the organization's liquidity and reserves, and tax position. The Board was then encouraged to ask questions.

It was stated that the CFO and CIO and their respective teams had been working well together to make key business decisions for the organization and improve the technology tools used by the finance team.

The uncertainty around the CBT registration numbers would continue, and it appeared that the organization was moving closer to budget scenario C, which would have a larger impact on the reserves. It was noted that the line of credit would be in place by the end of October.

**STRATEGIC INITIATIVE – CREDENTIALING**

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

*Chris Wiese, Senior Head of Examination Development at CFA Institute*

It was reported that the organization had cancelled exam locations in 37 cities at the first checkpoint, impacting approximately 50,000 candidates, and in 22 cities at the second checkpoint, impacting approximately 14,000 candidates. The credentialing team had been collecting data for its third checkpoint, which currently had five cities listed, impacting approximately 1,100 candidates.

From August to October, the number of December registrations had declined from around 243,000 to 100,000, with the majority residing in China, where testing had fewer obstacles and issues at present. It was noted that computer-based testing (CBT) registrations for 2021 had started to populate the February, May, August, and November exam windows.

There were questions on the impact of COVID-19 on new Level I candidate trends and recent call center metrics. It was stated that these topics would be covered during Monday's session.

In terms of communications and outreach, the organization had held sessions with the APAC, EMEA, and AMER society leaders, sent various messages to impacted candidates, and held a Q&A forum on Reddit. The credentialing team had also been tracking candidate input via the call center and social media and had found that most people had been looking for information or sharing their personal situations. It was further clarified that employers had been part of the stakeholder communications plan; however, the organization had been selective in its outreach efforts for exam locations, because of its high administration standards.

It was explained that candidates would be using a calculator for the first CBT exams and eventually transition to using a computer calculator and/or Excel as part of the longer-term roadmap. This would make for a less disruptive transition for candidates.

It was stated that with the paper-based exam format, capacity had started to become an issue for the organization. With CBT, Prometric and British Council would help CFA Institute meet the demands of its global footprint and accommodate an increased capacity in February. It was added that Prometric had responded well to the pandemic and had almost fully returned to delivering services around the world.

**STRATEGIC INITIATIVE – INCLUSION AND DIVERSITY**

*Presenters: Chris Ainsworth, Chief Operating Officer at CFA Institute*

*Kelli Palmer, Head of Global I&D and Corporate Citizenship at CFA Institute*

*Sarah Maynard, Global Head of External I&D Strategies and Programs at CFA Institute*

**Inclusion and Diversity**

It was explained that the COVID-19 crisis had accelerated global change and exposed racial and socioeconomic realities to mainstream scrutiny. The public extrajudicial killing of a US citizen had highlighted inequalities in employment, wealth, health, educational, housing, and criminal justice not just for Black and brown Americans, but for underrepresented and disadvantaged groups across the country. CFA Institute was at a moment beyond public statements, and sustained action and change inside and outside the organization would be needed.

Key foundational work and progress had occurred since the introduction of the internal and external Inclusion and Diversity (I&D) roles in 2019 and building upon the internal I&D work done to date would be critical to the cultural adaptation needed to deliver the planned strategic and management change. The internal and external I&D teams had established an effective collaboration and shared core strategic goals, particularly the importance of effective data systems, enabling organizational change, and building ownership of I&D through education and disseminating I&D expertise.

In FY2021, the internal and external I&D teams would utilize the organization's ecosystems, develop collaboration, build on early successes, and maintain institute metrics for monitoring accountability, which would align with the new organizational priorities. Driving the inclusion programs and strategies externally in FY2021 would enable CFA Institute stakeholders to build capacity to innovate, create new products and services, grow trust, and serve new clients.

There was a question on overcoming some of the issues associated with applying I&D globally. It was explained that to address the complexity of geographic distribution, the organization had started with identifiable landscapes to gain some immediate traction while taking more time to learn locations with more nuance and less familiarity with CFA Institute.

There was a question on the I&D learnings thus far in exploring gender diversity programs. It was stated that while some learnings had been translatable to other areas of diversity, many had not. More specific programs would therefore be needed to address this struggle and to increase the visible leadership from people of color. The I&D team would continue to pay close attention to learnings from both experimental partners and its internal resources to move the work forward.

It was clarified that the volunteer governance structure for the Women in Investment initiative would need to be addressed and that many individuals had expressed an interest in being involved after the most recent conference.

There was a question on the business plan around I&D at CFA Institute. It was explained that there would be certain elements offered at no charge and other services that could produce revenue. However, the organization would first need its research and surveying to expand its credibility, influence, and relevance before moving in that direction. It was recognized that CFA Institute had been in the process of developing its internal pricing capabilities and would need to conduct a market analysis to price its programs appropriately.

It was stated that I&D had often been paired with equity and allyship (or accountability). It would be necessary to build a momentum within the organization, starting with an inclusive environment that would create a fertile space for diversity, and then pushing towards equity in that setting.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the Internal and External I&D strategies for FY2021 substantially in the form presented.**

### Culture Strategy

The organization would continue to focus on and invest in its culture, because culture had been recognized as a unique, competitive advantage for CFA Institute. Over the past two-and-a-half years, a systemic approach had been taken to nurturing the elements of the organization's culture that must remain while eliminating or evolving those elements that had hindered success. There would be a need to evolve the culture further to support the new strategy and improve organizational performance using the six primary levers of culture (leadership commitment; mission and values; talent; recognition and rewards; systems, processes, and controls; and atmosphere) and a comprehensive system of employee-focused programs and initiatives. Progress would continue to be tracked by key measures of success, which would be updated on a quarterly basis, and there would be an ongoing effort to clarify expected behaviors, with a primary focus on accountability and inclusion over the next two years.

There was an emphasis on evolving the compensation structure, improving career opportunities, growing internal talent, and memorializing key repeatable processes in the organization to drive consistency, effectiveness, and efficiencies.

### **MONDAY, 19 OCTOBER**

#### **STRATEGY UPDATE – STRATEGIC INITIATIVE REFINEMENT**

*Presenters: Marg Franklin, President and CEO at CFA Institute*

*Melissa Carroll, Head of Strategic Change and Design at CFA Institute*

*Vito Lore, Senior Head of Strategy and Planning at CFA Institute*

The group was reminded that the enterprise risk management office (ePMO) had been established about a year ago to enable departments to run projects effectively and to oversee that progress. Owners had been assigned to the strategic initiatives and tasked with developing business cases for each, and a steering committee composed of members from the organization's top leadership had been created to facilitate some key decisions around prioritization and resource allocation. It was explained that all initiatives and funding requests had to pass through several stages, including discovery, planning, and implementation. The aim had been to set an initial roadmap for execution and then address the more urgent initiatives, such as computer-based testing and the ESG Certificate, at the outset.

Within the financial planning and analysis (FP&A) team, there had been resources devoted to the strategic initiatives to help build the business cases and figure out the associated costs and revenues. In addition, the Strategy SWAT Team had been facilitating the refinement of the four pillars and would be convening regularly to continue to support management on strategy development and execution. It was emphasized that the operating model should reinforce the new strategy with an implementation roadmap to rollout initiatives against a timeline with key milestones. Much of this work was still in progress and more components would be completed by the February Board meeting.

There was a question on the status of gathering data to discover the underlying reason for the decline in new Level I candidates. It was explained that staff had been working on this business plan and would be requesting funding to focus on three key markets – China, India, and the US – in November.

It was stated that given more pressing priorities, the organization would need to revisit Investment Foundations in about six months to ensure that adequate resources could be dedicated to a full analysis of the business plan.

With regards to communications, there had been about 40 meaningful interactions with societies and PCRs since launching the strategic plan, which had led to candid conversations and learning opportunities. In addition, there would be less formal coffee chat sessions held with five societies at a time over a three-week period to gather more feedback and share that information with leadership, and the PCRs would be conducting a society survey as well. The organization would listen closely to the input received and look to improve their communications accordingly.

#### **STRATEGY UPDATE – PILLAR 4: DESIGN & EVOLVE CUSTOMER EXPERIENCE**

*Presenters: Michael Collins, Managing Director of Marketing, Communications, and Customer Care at CFA Institute  
Laura Jarrell, Senior Director and Chief of Staff of Marketing and Customer Experience at CFA Institute*

The Board received an update on pillar four, which would focus on designing and evolving the customer experience. It was explained that CFA Institute was currently in the discovery phase and would use a data-driven approach to identify and size opportunities to be featured in this pillar. There would be an effort to improve the registration and member renewal experience to remove blockers and drive revenue, and the team would also aim to test out enterprise activities that would deliver a return on investment and align the organizational culture with customer and market insights. Lastly, it was noted that there would be an enterprise data strategy to pursue these meaningful advancements over the next 12 to 18 months.

It was explained that the term, “customer,” had been broadly defined as anyone who was planning to or already had transacted with the organization. There was some discussion on the word, and it was stated that “constituent” had been used as well to expand the audience and that management was open to further feedback. The intent would be to address how CFA Institute appeared in the marketplace to any constituent. The Spark Demand Generation campaign had served as a tangible example of reviewing and enhancing the candidate experience and would offer more data on how candidates had been interacting with CFA Institute. The importance of keeping customers involved with the organization over time was emphasized as it related back to its overall influence and relevance.

It was stated that societies had been offering their own customer experiences, and the organization would need to support those efforts and ensure that they were aligned with the brand. It was added that the data on different population segments would drive many of the initiatives in pillar four. The organization had several hypotheses to test out and would look to make informed decisions going forward.

The types of constituents had ranged from candidates to employers to societies to members, and it would be necessary to consider the various actions needed to improve the customer experience for these different segments of the population. There was also a question on the relevance of customer experience for a differentiated product like the CFA Program. It was explained that the organization could expect to face more competition for credentials and thought leadership in the future, which would make the customer experience an increasingly important differentiator. There was agreement that the return on investment should be a key consideration going forward, and it was noted that the KPIs for this initiative would focus on acquisition, retention, and customer satisfaction with a focus on building capabilities within the organization to become customer-centric over the long-term.

[The Board requested a list of definitions associated with pillar four to ensure an understanding of the language being used globally.](#)

The term, “customer experience,” had been defined by how easily customers could find what they needed and valued, whether that was simply the credential or an ongoing relationship with the organization. The objective would be to provide constituents with the right level of information based on their preferences, which would ultimately help to build trust.

#### **STRATEGY INITIATIVE – COMPUTER-BASED TESTING & REMOTE PROCTORING**

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

The global call center metrics from the period of 2 to 16 October were shared with the group. The average customer wait time had been five minutes and 10 seconds with an average close time of 2.59 days, which had been slightly slower than the preferred target. In addition, average customer satisfaction had been 3.82 as opposed to the organizational goal of 4.25, and the number of calls had doubled when compared to the same time frame last year.

It was explained that computer-based testing (CBT) would increase the organization’s ability to find capacity for all candidates. CBT would allow CFA Institute to use more centers within a city, offer more days, and hold two sittings in



one day. With the closing of exam centers, there were currently around 90,000 candidates for the February 2021 window, and the organization had been working well with Prometric and British Council to meet that demand. Furthermore, there would be several strategies employed to protect the integrity of exam difficulty (i.e. equating measures) and to protect the organization against cheating.

It was clarified that in China and India, Prometric and British Council would use pop-up centers, which would align with all CFA Institute standards and requirements per the agreement in place. In addition, both vendors had a history of preparedness and agility in meeting client expectations and capacity needs.

With regards to new Level I candidates, December 2019 had marked the first instance of a decline, and the new strategy would be focused on understanding the reasons why and identifying a way forward. COVID-19 had greatly impacted the June 2020 and December 2020 numbers, making it nearly impossible to separate out the previously existing decline in new Level I candidates. Looking at February 2021, the organization had 16,189 new Level I candidates whereas it had projected 16,100 Level I candidates overall due to the introduction of CBT.

[In the weekly reports to the Board, it was requested that management show the number of Level I, II, and III candidates that had transitioned out of June exam window to either December or another window in 2021. A regional breakdown was also requested.](#)

The CBT environment had helped the organization to mitigate the risks associated with capacity and the global pandemic. The exam had been shortened from over six hours to five hours, enabling two exam sittings in one day. In addition, test centers would be open all the time, making it easier to add more days to an existing channel as opposed to negotiating with new venues, which had been necessary in the paper-based environment. Lastly, test centers had been built to handle 25 candidates in a testing room to allow for social distancing and were required to meet safety protocols to resume testing around the world. CBT would also provide more granular data on candidate behaviors and trends.

The group was reminded of the organization's review of remote proctoring over the past several months. The six largest vendors had been vetted and the decision made not to apply this technology to the CFA Program or CIPM Program right now. There had been three main reasons behind this conclusion: internet connectivity around the world could not support the length of the exam; candidates would need to have a fair and consistent experience; and, there was a high potential for cheating. Staff would continue to track new and existing vendors in this space and the maturation of the technology over the next 12 to 24 months and look to possibly use it for some of its lower-stakes programs.

The most important components of remote proctoring would be confirming the identity of candidates and monitoring them for aberrant behavior during the exam. It was clarified that the organization had been learning from the remote proctoring experiences of other companies as well as from the CFA Society United Kingdom with regards to the ESG Certificate.

The Board went into executive session.

*Meeting adjourned.*