



CFA Institute

THREE-YEAR STRATEGIC PLAN

FY17–FY19

OUR STRATEGY

To develop future professionals through relevant and accessible credentialing programs.

100% Market Penetration

To deliver member value that accelerates the professional success of our members.

100% Member Satisfaction

To build market integrity that benefits investors and our members that serve them.

100% Industry Penetration



CFA Institute



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INTRODUCTION

The sustainability of the investment management profession is dependent on raising public awareness of both the work we do and the beneficial role investment management professionals play in society. And in doing so, CFA Institute must come together on behalf of our more than 135,000 members worldwide and speak with "one voice"—a voice that is steadfast in conveying our mission, vision, and values.

Our mission remains unchanged, and the strategy is designed to purposefully move us forward in delivering greater value to members and having a larger, more impactful presence within the investment management industry.

The strategic plan sets forth how we will advance the investment management profession in the communities we serve. Our focus will be on three strategic actions:

- **Developing future professionals** through relevant and accessible credentialing programs, aspiring to 100% market penetration
- **Delivering member value** that accelerates the professional success of our members, aspiring to 100% member satisfaction, and
- **Building market integrity** that benefits investors and our members who serve them, aspiring to 100% industry penetration.

"Our mission remains unchanged, and the strategy is designed to purposefully move us forward in delivering greater value to members and having a larger, more impactful presence within the investment management industry."

The plan builds on these strategic actions with five goals, each supported by actionable objectives and measurable targets. All functions within the organization will work toward achieving these goals and objectives. Our leadership intends to drive innovation and experimentation within the context of greater risk awareness so we may accelerate the impact of our mission.

The next decade is a critical time for our industry and investors. Explosive growth is predicted for middle-class consumers globally. Changing demographics and technology trends also factor into our industry's future. What this means for CFA Institute and our members is that investors need investment professionals now more than ever. More importantly, they need investment professionals they can trust and an industry that has their best interests in mind. As we advocate on behalf of investment management professions and the investors they serve, we must think and act over the long-term. CFA Institute will be a force worldwide that restores investor trust in our industry and better proves our worth to society at large.



Beth Hamilton-Keen, CFA
Chair, Board of Governors



Paul Smith, CFA
President and CEO

STATEMENTS OF GOVERNANCE

MISSION

The mission of CFA Institute is served by generating value for core investment management professionals and engaging with the core investment management industry to advance ethics, market integrity, and professional standards of practice, which collectively contributes value to society. Our mission is:

To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

Core investment management **professionals** are considered to be those individuals primarily involved in activities related to the investment decision making process—generally portfolio managers, financial advisors and research analysts on both the buy and sell side—with relevant work experience as defined in the CFA® charter [work experience requirements](#)¹.

The core investment management **industry** is comprised of firms (or larger firm business lines) primarily engaged in asset management (mutual funds, hedge funds, private equity, real estate investment, investment research and ratings, and investment advisory services), wealth management, fiduciary asset ownership (such as pension funds, endowments, and sovereign wealth funds), and their related regulators and standard setters.

VISION

CFA Institute seeks to set professional standards for investment management practitioners and broadly engage other finance professionals through their interest and interactions with the investment management industry. Improving outcomes for investors advances our social mission and benefits members through greater demand for educated and ethical investment management professionals.

Our vision is to:

- Serve all finance professionals seeking investment management–related education, knowledge, professional development, connection, or inspiration; and
- Lead the investment profession's thinking in the areas of ethics, capital market integrity, and excellence of practice.

VALUES

As a global, independent organization, we play a role in being a steward and champion of the investment management industry. We believe that financial markets and services should operate in the following ways.

- Investment professionals contribute to the ultimate benefit of society through the sustainable value generated by efficient financial markets and by effective investment institutions.
- Good stewardship and high ethical standards are necessary for trust and confidence to be secured and for society to be served.

¹https://www.cfainstitute.org/community/membership/process/Pages/work_experience.aspx

- Financial markets should afford every investor the opportunity to earn a fair return.
- Financial markets are more effective with knowledgeable, diverse participants.
- High ethical principles and professional standards are essential to positive outcomes; rules and regulations, while necessary, are not sufficient by themselves.

In addition to direct benefits to their clients, the work of investment management professionals and the impact of the investment management industry also benefits society through improved investor outcomes and the resulting effective allocation of capital that drives economic growth and development.

STRATEGY

We aspire to develop global financial markets that serve the public interest. The overall outcomes that we believe will contribute to this aspiration are a community of educated, ethical investment management professionals and financial markets that reflect CFA Institute beliefs.

To achieve this aim, our strategy is to **develop future professionals** through relevant and accessible credentialing programs, to **deliver member value** that accelerates the professional success of our members, and to **build market integrity** that benefits investors and our members who serve them.

Recent work by the CFA Institute Board of Governors, Presidents Council Representatives, and staff assessed the current business environment, competitive pressures, disruptive technologies, and client demographic trends that are affecting the investment management profession and the CFA Institute community. The following drivers of change and observations about current conditions have influenced our strategic planning efforts.

<p>DEVELOP FUTURE PROFESSIONALS</p> <p>.....</p> <p>Education is the foundation of professional competence. We develop future investment management professionals through credentialing programs that require the application of technical knowledge and an appropriate ethical framework to guide decision making.</p>	<p>DELIVER MEMBER VALUE</p> <p>.....</p> <p>We equip and support members so they can better serve their clients and further develop their professional careers. This aim is enabled through an active local professional community, professional recognition from employers and regulators, and the creation and delivery of high-value content.</p>	<p>BUILD MARKET INTEGRITY</p> <p>.....</p> <p>Setting global standards and advocating for professional excellence are activities that ultimately benefit society by improving both investor protections and investor outcomes.</p>
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STRATEGIC CHALLENGES

Business Environment

Global shifts in economic power, the growth of private wealth, and increasing passive investment management are major drivers of industry change while regulators are increasingly active in setting local standards of practice. There is also a generational shift in attitude toward learning and the use of technology to build and leverage personal networks.

Competition

Although we face no single direct global competitor, there are numerous regional competitors and increasing numbers of easier-to-obtain qualifications, including in the private wealth space. At the same time, technology may be disrupting both the investment management and learning/credentialing industries, although it is not clear to what degree.

Member Demographics

Although we aspire to lead the investment management industry, our penetration is low, and only a minority of our members today work in core investment decision-making jobs for firms primarily engaged in asset management or wealth management. We do not yet represent the profession.

Develop Future Professionals

Today, although the quality of the CFA charter is perceived to be high, the CFA® Program curriculum is a slow follower of the investment management profession and not the fast follower of core competencies we wish it to be. In addition, brand awareness outside of the investment management profession is weak.

Deliver Member Value

Today, the tradition of engaged member volunteers and our global membership network are recognized strengths; however, there is a significant gap between members' perception of the value they receive and the actual cost in generating that value. This gap is a symptom of the challenge of meeting the needs of professionals with an ever-widening dispersion of demands that are driven by the increasing complexity of investment management itself and our growing global footprint.

Build Market Integrity

Today, we are neither a recognized thought leader for the investment management profession nor an effective advocate for regulatory change. To successfully develop future investment professionals, serve investment professionals, and achieve our mission objectives, we must be able to shape the investment management profession and industry to better protect and advance investor interests.



GOALS

1.0 → GROW GLOBAL RELEVANCE, EXTEND LOCAL REACH

Grow Global Relevance

CFA Institute-credentialed professionals should be increasingly present and working in current and developing financial centers and applying their skills and ethical standards to improving outcomes for investors worldwide. This requires, among other actions, that the CFA Program be protected and actively developed as the gold standard of rigor, relevance, and quality during times of market expansion and contraction. Ultimately, our goal is that every investment practitioner will be credentialed by and a member of CFA Institute and a CFA Institute member society. Although this aspiration requires that our offerings are locally relevant around the world, **we will not lower standards**. Rather, this aspiration motivates us to inspire all of those working in the industry to reach for standards that we feel are necessary to advance the profession and improve outcomes for investors. We **aspire to 100% achievement** of the following goals:

- 1.1 Membership for all core investment management professionals
- 1.2 CFA Program participation for all aspiring professionals involved in the investment decision-making process
- 1.3 CIPM® Program participation for all aspiring professionals involved in investment portfolio evaluation
- 1.4 Claritas® Program participation by all support staff working in the core investment management industry

To support these goals, we will allocate resources and operate in a regionally balanced manner as a fast follower with the competencies, skills, and technology required as the investment management profession and its professionals shift and change. This result has implications for our [practice analysis capabilities](#) and also implies the need to review pricing and transaction capabilities regionally, among other considerations. Additionally, membership offerings may need to be tailored to specific industry segments.

Extend Local Reach

CFA Institute member societies and regional CFA Institute staff are best able to meet the local needs of members and are connected with the local employers, regulators, educators, and other stakeholders essential to growing relevance and advancing the mission of CFA Institute. To further enable this goal, we will emphasize CFA Institute society partnership, increase support for societies, and evolve a matrix organization across regions. We aspire to 100% achievement of the following goals.

- 1.5 Aspiring investment management professionals have access to testing services² for our credentialing programs
- 1.6 All members are served by at least a country-based society³ and all CFA Institute members belong to a local society
- 1.7 CFA Institute societies are satisfied with their partnership with CFA Institute

There are nearly 150 societies that constitute a dedicated volunteer base that is much larger than the staff resources of CFA Institute. As we work to validate member value needs, we believe that our community network of local societies supported by regional CFA Institute teams will be more effective in engaging and creating value for members and investors. As a result, funding and support for societies and regional CFA Institute execution will increase over time.

² Provided that minimum financial, security, operational risk, and other required parameters are met.

³ Provided that board-approved conditions for society formation are met.



2.0 → DELIVER MEMBER VALUE

As a membership-driven organization, CFA Institute must help its members be more successful in their professional practice and deliver immediate benefits at a reasonable cost. Achieving this goal will help us sustain long-term member engagement with CFA Institute and contribute to advancing the mission. We believe that the long-term viability and vitality of the organization is dependent on effectively meeting the needs of our professional members and therefore **aspire to 100% achievement** of the following goals.

- 2.1 All CFA Institute members are satisfied with the value of their membership
- 2.2 All CFA Institute society members are satisfied with their society membership
- 2.3 All eligible members are retained in both CFA Institute and CFA Institute societies

This ambition has resulted in an orientation of a significant part of the organization to focus specifically on understanding, creating, and delivering member value with the intention of growing membership, engagement, satisfaction, and ultimately, retention—especially with local societies. We desire to be the leading membership body of the investment management profession globally and so must adapt our creation and delivery of member value with the changing business environment. CFA Institute societies are essential partners in engaging with members locally and thus require an effective partnership with CFA Institute to deliver member value at the local level.

3.0 → ADVANCE PROFESSIONALISM AND PROFESSIONAL RECOGNITION

In order to lead the investment profession, it is critical for the profession itself to be established. Therefore, we must convince the investment management industry and its regulators and practitioners to recognize the importance of professionalism and require adherence to its tenets.

We believe that the recognition of the professional standing of our members is critical to advancing our mission and improving our members' professional practice and therefore **aspire to 100% achievement** of the following goals.

- 3.1 Regulator recognition of the professional standing of our members
- 3.2 Membership and program support by the investment management industry

Brand Awareness

Improving **brand awareness** has consistently been identified as a key way to increase member value. Because brand development activities can quickly be scaled up or down depending on the current financial conditions of the organization, investments in brand building can consume available resources in a constructive manner and also be scaled down quickly in response to changing business conditions or priorities. Brand awareness will also be developed through a comprehensive brand family that includes the formal credentialing programs, such as industry standards as the Asset Manager Code (AMC) and the GIPS® standards, and such content as the *Financial Analysts Journal*® and CFA Institute

Research Foundation publications. In addition, increasing branding support to societies can also serve as a constructive way to leverage brand investment and further extend our local reach. We **aspire to 100% achievement** of the following goals.

- 3.3 Awareness of the CFA Institute brand by investment professionals
- 3.4 Awareness of the CFA charter by high-net-worth investors

Continuing Education Requirement

To benefit society through improved outcomes for investors, investment management professionals must be supported within a culture of competence that emphasizes appropriate ethical principles and places the interest of clients ahead of personal interests. An important component of this support is the recognition of this professional responsibility by investment management industry practitioners, investors, regulators, employers, and society at large. The public recognition of any profession requires the mastery of the profession's core body of knowledge, commitment to and enforcement of a code of ethical conduct, and the ongoing demonstration of a measure of continued professional competence. The CFA Institute Code of Ethics requires that members "maintain and improve their professional competence," and by all accounts, CFA Institute professionals must commit many hours to continuing education activities. What is missing is the mechanism to fully demonstrate the fulfillment of this professional obligation to continued competence. Therefore, we will also work to develop member support for a continuing education reporting requirement as a way to further promote the professional standing of our members. **We aspire to 100% achievement** of the following goals.

- 3.5 Member participation in the voluntary continuing education program
- 3.6 Member support for a continuing education reporting requirement to maintain their professional credential

4.0 → BUILD MARKET INTEGRITY TO BENEFIT SOCIETY

We believe that significant opportunity to advance our mission and benefit both members and investors lies in improving the integrity of the overall investment management environment; therefore, we will invest in increasing investor protection, market fairness, and ethics and professional standards. **We aspire to 100% achievement** of the following goals.

- 4.1 Members are satisfied with the value and impact of advocacy efforts
- 4.2 Systemically important investment management regulations and market policy debates that materially affect investor outcomes are identified; the outcomes of those debates reflect CFA Institute values that benefit market integrity
- 4.3 Membership on and relevant impact of targeted advocacy committees
- 4.4 An effective media presence and media promotion of advocacy and Future of Finance (FoF) initiative priorities

The relevance and gold standard—quality of the CFA Program will be protected and developed as a core and continuing priority for the organization both during times of market expansion and contraction. With that commitment, significant opportunities exist in the regulatory and policy realm that can further advance our brand and better serve members and investors. As a result of this opportunity, coupled with a strong process for monitoring and selecting our policy targets, funding and other resources focused on building market integrity will increase.

Promote Ethical Standards

As a core value, we believe that high ethical principles and professional standards are essential to positive outcomes for investors and society. We will therefore inspire excellence in ethical conduct with the ultimate goal of zero violations of the codes and standards by investment management professionals. We **aspire to 100% achievement** of the following goals.

- 4.5 Investment management firm adoption of industry codes and standards, such as the AMC and the GIPS standards
- 4.6 Identify and resolve codes and standards violations by professional (regular) members

We believe that the best way to improve ethical conduct in the industry is three-fold for CFA Institute:

- First, and most important, is to grow the presence of CFA Institute professionals within the industry who are ethically trained and focused.
- Second, we will work to increase the awareness of ethical and professional standards for practitioners in the investment management industry. This includes increasing client awareness of what to seek or even demand from their investment service providers.
- Finally, CFA Institute will swiftly and robustly address violations of its own codes and standards by professionals and advocate aggressively for effective enforcement of industry rules and regulations.

5.0 → ENHANCE OPERATIONAL EXCELLENCE

We believe that the ability to execute on our strategy and advance the mission of CFA Institute is dependent on a sound operating foundation and robust enabling capabilities. We will further focus on and invest in developing world-class people, processes, and technology. We aspire to:

- 5.1 Deliver digital experiences that generate member satisfaction
- 5.2 Deploy technology solutions through the Digital Core Transformation initiative that drive process efficiency
- 5.3 Comply with regulatory, tax, and appropriate public company standards
- 5.4 Ensure satisfaction with the CFA Institute volunteer experience
- 5.5 Develop effective global talent acquisition and talent development processes
- 5.6 Maintain appropriate financial reserves and financial management to support our organization's mission and goals

Digital technology will be used to create platforms that allow broader reach of content, strengthen the investment management professional community, and maintain the relevance of programs. Effective governance structures and mature business processes are necessary to guide the organization in the best interests of members. Likewise, the talents and dedication of our member volunteers and professional staff are primary contributors to achieving our mission. We will shift our organizational culture and talent development practices to increasingly incorporate client perspectives and develop a mindset that encourages understanding and taking appropriate risks, adapting from failures, and relentlessly improving to achieve results.

RISK PROFILE

The Board of Governors' strategic direction for the organization is to **focus and make incremental advancement of our mission and goals** rather than to shift course or to significantly increase strategic risk through such initiatives as the development of new business lines or programs. The mission remains unchanged, and the strategy is designed to purposefully move us forward in delivering greater value to members and having a larger, more effective presence within the investment management industry.

Although the overall strategic risk profile of the organization is largely unchanged, there are various risks associated with specific proposed strategies, such as implementation risks with new technology platforms and potential financial, regulatory, and reputational risks around greater decentralization of local marketing and advocacy activities. A general discussion of these risks is included in the Appendix. Management's intention is to mitigate risks to be in alignment with the board-approved risk appetite statement. A comprehensive enterprise risk management program documents organizational risks, responsible parties, and mitigating actions taken to control risk exposure.

However, **management is not promoting a risk-averse culture** at CFA Institute. On the contrary, management is driving innovation and experimentation with greater risk awareness to accelerate the impact of our mission. Current examples include upcoming trials of different member dues rates, small marketing campaigns targeting specific lapsed candidate populations, and the application of human-centered design to improve the value of products and services. By taking smaller risks more often, required mitigations are likewise smaller and setbacks less damaging. This results in faster organizational learning while keeping the overall risk exposure at an acceptable level.

GOALS	OBJECTIVES	FY15 BASELINE	FY19 TARGETS
1 Grow Global Relevance, Extend Local Reach	1.1 Increase core member market penetration	9%	12% or higher
	1.2 Increase the annual volume of professional CFA Program candidates employed in the core	47,000	20% growth
	1.3 Grow overall Claritas Program candidate volume	4,390	14,500
	1.4 Grow overall CIPM Program candidate volume	1,480	2,500
	1.5 Increase candidate test center accessibility	47%	50%
	1.6 Reduce CFA Society membership gap	17%	10% at most
	1.7 Increase CFA Institute society partnership satisfaction	From 88%	90% or higher
2 Deliver Member Value	2.1 Increase CFA Institute membership Net Promoter Score ²	From +22	+25 or higher
	2.2 Increase CFA Institute society membership Net Promoter Score	From -6	+10 or higher
	2.3 Maintain global CFA Institute membership retention	95%	95%
	3.1 Achieve regulator recognition of the professional standing of our members		Secure credentialing program regulator waivers in Germany, Spain, France, Italy, Denmark, Hungary, Norway, India, China, Japan, and Chile
3 Advance Professionalism and Professional Recognition	3.2 Increase CFA Institute membership support of top 100 global asset managers	TBC	TBC
	3.3 Increase CFA Institute brand awareness for IM professionals	28%	37%
	3.4 Increase HNWI investor ⁴ aided CFA charter awareness	From 70% in US From 86% in Canada	77% in US 91% in Canada
	3.5 Increase member participation in the voluntary Continuing Education (CE) Program	From 71%	75% or higher
	3.6 Determine member support for a CE reporting requirement to maintain their professional credential	Pending	Completed
4 Build Market Integrity by Promoting Ethical Standards that Benefit Society	4.1 Increase member satisfaction with advocacy efforts and impact	From 76%	80% or higher
	4.2 Achieve targeted advocacy engagements (position papers, meetings) with investment management related regulators and standard setters	TBC	TBC
	4.3 Achieve membership on and demonstrate relevant impact of targeted advocacy committees	TBC	TBC
	4.4 Increase quality advocacy media volume associated with targeted advocacy of FOF priorities	TBC	20% growth over FY16 Volume
	4.5 Increase GIPS registrations of the top 100 global asset managers	From 74	80+ of the top 100 global asset managers (GIPS Standards)
	Increase AMC adoptions of the top 100 global asset managers Increase total number of firms adopting both GIPS and AMC	From 24 From 1,200	50+ of the top 100 global asset managers (AMC) 1,600 total firms (AMC)
5 Enhance Operational Excellence	4.6 Achieve regionally proportional case sourcing capabilities and mean case aging for practitioner Professional Conduct (PC) cases	14 months	18 months or less
	5.1 Increase member satisfaction with digital experiences	From 72%	80% or higher
	5.2 Process efficiency increase from the Digital Core Transformation initiative	Baseline	10% or higher
	5.3 Compliance with regulatory, tax, and appropriate public company standards	Compliant	Compliant
	5.4 Maintain volunteer satisfaction ratings ⁵	94%	94%
5.5 Board-approved CEO succession plan in place. CEO-approved succession plans for LT members in place. Overall headcount managed within Board-approved limits ⁶	Pending	Complete	
5.6 Maintenance of net contingency reserve balance	100% ± 20% of annual operating expenses	100% + 20% of targeted level	

¹ Regional strategies in APAC and EMEA are tentative pending review by new regional Managing Directors

² Net Promoter Score <http://www.netpromoter.com/why-net-promoter-know-for-more-information>.

³ Aggregate average unaided awareness weighted by country-specific AUM in 2014. Approx. 82% of global AUM in the 12 markets included in the survey.

⁴ Defined as having greater than \$1 million USD in investible assets.

⁵ 94% of respondents to 2014 volunteer survey felt that their contributions had a positive impact on the mission

⁶ Currently 637 global headcount approved by the Board