

**Association for Investment Management and Research**

**BOARD OF GOVERNORS**

**MEETING MINUTES**

**8 November 2002**

**Herndon, Virginia**

Notice: 27 October 2002

Governors Present: Robert E. Angelica, CFA  
Theodore R. Aronson, CFA  
Thomas A. Bowman, CFA  
Dwight D. Churchill, CFA  
Jeffrey J. Diermeier, CFA  
Frank C. Dohn, CFA  
Vincent Duhamel, CFA  
Denise M. Farkas, CFA  
Khalid Ghayur, CFA  
Emilio Gonzalez, CFA  
Monique E.M. Gravel, CFA  
Amaury Jordan, CFA  
Cheryl-Ann E. Lister, CFA  
Janet T. Miller, CFA  
George W. Noyes, CFA  
Philippe A. Sarasin, CFA  
John C. Stannard, CFA  
Malcolm M. Trevillian, CFA  
Donald W. Trotter, CFA

Governors Absent: Yoshiharu Okazaki, CFA

President Council  
Representatives

Present: Daniel P. Broby  
Christopher G. Dunmall, CFA  
Jeffrey L. Evans, CFA  
Warren A. Johnson, CFA  
William K. Kovalchuk, CFA  
Joseph Y.S. Lim, CFA  
Todd Parker Lowe, CFA  
Daniel S. Meader, CFA  
John M. Rickel, CFA  
William R. Warnke, CFA

AIMR  
Management

Present: Moira J. Coleman, Senior Vice President, Corporate Services,  
AIMR  
Raymond J. DeAngelo, Senior Vice President, Stakeholder  
Services and Global Relations, AIMR  
Robert R. Johnson, CFA, Senior Vice President, Curriculum and  
Examinations, AIMR  
Joseph P. Lange, Corporate Secretary, Office of General Counsel,  
AIMR  
William P. McKeithan, Senior Vice President and General  
Counsel, AIMR  
Timothy G. McLaughlin, Senior Vice President and Chief  
Financial Officer, AIMR  
Keith R. Payne, Senior Vice President, Information Technology,  
AIMR

Katrina F. Sherrerd, CFA, Senior Vice President, Educational Products, AIMR

Randall R. Smith, Consultant, AIMR

Patricia D. Walters, CFA, Senior Vice President, Professional Standards and Advocacy, AIMR

Also Present:

Mike Tate, Consultant

Robert T. Willis, Jr., CFA, Chair of the Disciplinary Review Committee, AIMR

Materials

Distributed

Prior to Meeting: AIMR Board Book

Chair:

Dwight D. Churchill, CFA

Meeting Secretary:

Joseph P. Lange

### **Opening Remarks**

The Board noted the passing of Mr. Pete Morley and highlighted his numerous accomplishments and years of service with the organization. Mr. Morley was credited with initiating the globalization of the CFA Program and fostering the international reputation that the CFA charter enjoys today. Furthermore, he was an instrumental figure throughout the merger process of the ICFA and FAF into AIMR in late 1980's. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors recognize the significant contributions of Alfred C. "Pete" Morley, CFA, to AIMR, the profession, and to the individual lives of many of the people related to the industry; and

FURTHER RESOLVED, that because of over 25 years of service to AIMR, its predecessor organizations, and the global investment profession through tireless contributions both as a volunteer and as President and CEO of the ICFA, the FAF, and AIMR, the AIMR Board of Governors hereby declares that henceforth the AIMR Distinguished Service Award shall be known as the Alfred C. "Pete" Morley, CFA Award for Distinguished Service.

Next, it was announced that Mr. Robert Arnott, head of First Quadrant and a longstanding member of AIMR, had accepted the Editor-in-Chief role for the *Financial Analysts Journal* (FAJ). In addition, a recent review confirmed that the FAJ adheres to best practices with journal publications in its field. To provide increased transparency of the publication's policies and procedures, the forthcoming January/February issue of the FAJ will include its mission statement, conflict of interest policies, and the ethical responsibilities of the authors, reviewers, and editors.

It was also explained that the previous editor of the FAJ, Mr. Gifford Fong, was a member of AIMR during his time as editor and chose to resign in July when his contract expired.

#### **Performance Oversight and Audit Committee (POAC) Report**

The Board was provided an overview of the POAC's recent activities. An Audit Subcommittee was established to review and prepare recommendations on the issues of best practice. The Benchmarking Subcommittee that was created last fiscal year continues to carry its work forward. The financial report for fiscal year end was completed and the summary report of the audit presented by PricewaterhouseCoopers (PwC) was very complimentary to the organization. It was noted, that PwC would be conducting a risk assessment review to help AIMR identify potential issues and to provide recommendations with regard to the internal audit process.

#### **External Relations and Volunteer Involvement Committee (ERVIC) Report**

The Board was provided an overview of the ERVIC's recent activities. Responses received during the Research Objectivity Standards (ROS) public comment period were currently under review. It was emphasized that the subject matter was still very timely and that AIMR's finished product would be applicable to its global constituency. With the recent influx of new societies being admitted into the organization, review and updating of the admissions policy was underway. Global member focus groups had been assembled to determine the talking points for the membership survey which was conducted every two to three years. There was significant continuity of the issues identified by the focus groups with that of the President Council Representatives (PCR) survey done earlier for the Society Leadership Conference (SLC). The PCRs were working on a report detailing the top ten issues currently facing the organization's leadership as determined at the SLC.

#### **Planning Committee (PC) Report**

The Board was provided an overview of the PC's recent activities. There had been extensive work done fine tuning the issues for the Planning Retreat in order to create a three to five year business plan for the organization. The PC reviewed the proposal to change the program structure of the Level II CFA exam as well as issues concerning the membership eligibility criteria. Growth of the CFA exam in China and all the related issues continued to be debated. There were discussions with regard to AIMR's partnerships policies and how to best utilize the organization's intellectual capital by identifying the potential benefits to AIMR and the membership.

#### **Trade Management Guidelines (TMG)**

The Board was presented the TMG for approval. The TMG were three years in the making and the final draft was explained to be a compromise report. It was also

emphasized that the TMG were guidelines to best practice. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors approve the final draft of the AIMR Trade Management Guidelines and accompanying Adoption Release.

### **Disciplinary Review Transparency**

The Board was presented with the Disciplinary Review Committee (DRC) recommendations for changes to the policies and procedures of the Professional Conduct Program. Proactive enforcement options and related issues were reviewed along with the need for improved communication of activities to the membership. It was emphasized that AIMR was not a self-regulatory organization (SRO) and did not have subpoena power. The Board discussed the need to balance greater transparency of the activities being conducted to enforce the Code and Standards while at the same time maintaining safeguards to protect individual rights.

It was noted that for the February Board meeting, the governors would receive a data and statistics report on DRC cases in a form that would maintain confidentiality of the individuals under investigation and so as not to cause any conflicts of interest. The following resolution was passed with one opposition.

RESOLVED, that the AIMR Board of Governors accept and approve the following changes to the policies and procedures of the Professional Conduct Program:

- Subject to a feasibility study and budget approvals, that the AIMR Professional Conduct Program conduct searches of major newspapers and professional publications to identify complaints about members' professional conduct that may indicate violations of the AIMR Code of Ethics and Standards of Professional Conduct; and
- Authorization for AIMR Professional Conduct staff with review by the Disciplinary Review Committee to impose sanctions and publish public notification of such sanctions on covered persons who resign from AIMR during a professional conduct investigation.

FURTHER RESOLVED, the AIMR Board of Governors reaffirm the principle of due process and the importance of the rights of covered persons with an emphasis on privacy and confidentiality under the Professional Conduct Program.

### **AIMR Responsiveness on Advocacy Issues**

The Board reviewed the request to allow select AIMR staff to respond to advocacy issues by relying on established principles without committee deliberations. It was explained that AIMR's visibility and leadership role with standard-setting initiatives required the organization to have greater flexibility to quickly and authoritatively take positions on

advocacy issues, both to demonstrate leadership and meet member expectations. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors authorize AIMR management to respond to advocacy issues, without committee deliberations, under the following criteria:

- Advocacy Litmus Test;
- The position to be taken is consistent with core principles;
- The position to be taken is consistent with existing Advocacy positions (e.g., comment letters, position papers, surveys) or AIMR Standards; and
- The position taken is consistent with the CFA Body of Knowledge.

FURTHER RESOLVED, that the advocacy actions taken by AIMR management shall be reported to the AIMR Board of Governors on a periodic basis.

It was requested that the governors will be informed of the identity of each AIMR staff member having authority to respond to advocacy issues at the next Board conference call.

#### **CFA Examination Subcommittee**

The Board was presented with the proposal to establish a CFA Examination Subcommittee for approval. The matter had been previously vetted at prior Board and oversight committee meetings. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors approve the creation and implementation of a CFA Examination Subcommittee of the Performance Oversight and Audit Committee substantially in the form as presented at this meeting.

#### **AIMR Membership Criteria**

The PCRs presented recommendations on how to review and revise the work experience criteria, which was explained to be an important issue to societies. Background information was provided with regard to the application and review process of the criteria. The core question for the Board to consider was whether AIMR should have an inclusive or selective policy with regard to work experience that qualifies for award of the CFA charter and/or regular membership in AIMR. A discussion ensued regarding the organization's mission statement, quality of the membership, growth strategy, and related issues.

It was determined that a talking points memorandum would be prepared to frame the issues for further discussion at the February Board meeting.

### **Level II CFA Examination Format**

The Board reviewed the proposal to change the Level II examination to all item set questions starting with the 2005 exam cycle. The purpose for the proposal was to maintain the rigor of the Level II examination. Background information was provided outlining the implications of such change and AIMR's experience with using item set questions. There followed an in depth Board discussion with regard to the various issues surrounding the matter.

Decision on the matter was postponed to a subsequent Board conference call to allow further consideration of the points made at the meeting and any other input.

### **Nominating Guidelines**

The Board discussed the nominating process for governors. It was emphasized that the Board takes the nomination process very seriously and is committed to continually improving the process in order to provide the membership with a governing Board that can meet the changing and expanding demands of an increasingly diverse membership. Draft guidelines outlining the Nominating Committee's duties and formalizing procedures were presented to the Board for feedback.

### **Meeting Minutes**

The Board amended and unanimously approved the 27 July 2002 Board meeting minutes.

*At this time, the Board meeting went into Executive Session.*

### **Designated Compliance Officer**

The Board was presented with the proposal to establish a Designated Compliance Officer position in accordance with Audit Committee best practices. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors approve and authorize the President & CEO to install a Designated Compliance Officer with the reporting relationship, role, and responsibilities substantially in the form as presented at this meeting.

### **Audit Committee**

The Board reviewed the recommendation to create an Audit Committee separate and apart from the other functions of POAC in order to provide for maximum effectiveness of the board audit function and fulfillment of its audit responsibilities. The following resolution was passed unanimously.

AIMR Board Meeting Minutes

8 November 2002

Page 7

RESOLVED, that the AIMR Board of Governors accept the recommendation to establish a new Board Committee with responsibilities for Audit and related functions substantially in the form as presented at this meeting.

### **Meeting Minutes**

The Board unanimously approved the 10 July 2002 and 27 July 2002 Board Executive Session meeting minutes

There being no further business, the meeting was adjourned.

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary

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