

**Association for Investment Management and Research**

**BOARD OF GOVERNORS**

**MEETING MINUTES**

**6 February 2004**

**San Francisco**

Notice: 28 January 2004

Governors Present:

Robert E. Angelica, CFA	Emilio Gonzalez, CFA
Theodore R. Aronson, CFA	Monique E.M. Gravel, CFA
Thomas A. Bowman, CFA	James M. Lyon, CFA
Dwight D. Churchill, CFA	Janet T. Miller, CFA
Jeffrey J. Diermeier, CFA	Alex K.G. Ng
Anthony H. Cagiati, CFA	George W. Noyes, CFA
Shirley Shea DeJarnette, CFA	Nicola Ralston
Vincent Duhamel, CFA	John C. Stannard, CFA
Denise M. Farkas, CFA	Malcolm M. Trevillian, CFA
Khalid Ghayur, CFA	Teong Keat (T.K.) Yap, CFA

President Council

Representatives

Present:

Daniel P. Broby	Stanley G. Lee, CFA
Kathleen C. Chrisman, CFA	Joseph Y.S. Lim, CFA
Christopher G. Dunmall, CFA	Daniel S. Meader, CFA
Warren A. Johnson, CFA	John M. Rickel, CFA
William K. Kovalchuk, CFA	William R. Warnke, CFA

Also Present:

James M. Cudahy, Vice President, Marketing & Communications, AIMR\*

Raymond J. DeAngelo, Executive Vice President, Member and Society, AIMR

Sharon J. Glover, Vice President, General Counsel and Assistant Secretary, AIMR

Marianne M. Jennings, Consultant\*

Robert R. Johnson, CFA, Executive Vice President, CFA Program, AIMR

Lauri K. Keen, Associate, Professional Conduct Program Compliance, AIMR ☎\*

Joseph P. Lange, Associate, Office of General Counsel, AIMR

William P. McKeithan, Senior Vice President and General Counsel, AIMR

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☎ Participated via Telephone

\* Present for Part of Meeting

Katrina F. Sherrerd, CFA, Executive Vice President, Planning and Professional Development, AIMR  
David L.H. Yu, CFA, Member of the Disciplinary Review Committee, AIMR\*  
Patricia D. Walters, CFA, Senior Vice President, Professional Standards and Advocacy, AIMR\*  
Guy P. Williams, Vice President, Financial Operations, AIMR

Materials

Distributed

Prior to Meeting: AIMR Board Book

Chair: Theodore R. Aronson, CFA

Meeting Secretary: Joseph P. Lange

**Changes to Professional Conduct Program**

The Board, as part of the strategic planning process this year, requested a review of AIMR's Professional Conduct Program (PCP). The Designated Officer and Disciplinary Review Committee (DRC) with assistance from the Office of General Counsel and an outside consultant with expertise in such disciplinary programs undertook the task of evaluating the PCP's structure, policies, and procedures. The objective was to restructure the PCP to incorporate industry best practices with respect to professional or other self-disciplinary programs and to minimize potential conflicts of interest that may exist. As part of this process, a Task Force was formed that was comprised of DRC members, professional staff, and other members of the organization which met in October and acted as a focus group in developing a comprehensive set of restructuring recommendations.

The Board was presented with and discussed the recommendations for revising the PCP operating policies and procedures to minimize identified conflicts of interest and increase transparency and fairness to AIMR members and CFA candidates who were subjects of disciplinary review and sanctions for violations of the AIMR Code of Ethics and Standards of Professional Conduct. Cost issues associated with the implementation of the restructuring proposals were also discussed.

Out of this review process, the Board was requested to consider how AIMR should enhance ethics education for members beyond the revision to the Standards of Practice Handbook and what kind of disclosure should the organization make about current professional conduct cases. The following resolution was passed with one opposed.

RESOLVED, that the AIMR Board of Governors agrees with the proposals regarding the structuring of the AIMR Professional Conduct Program and requests that staff begin implementation of the proposals. The first step would be to submit to the Board:

- 1) A detailed business plan setting out the costs of the new proposals.
- 2) A plan for developing the pool of volunteers and ensuring necessary education, objectivity, and confidentiality.
- 3) A structure to ensure accountability to the Board.

### **Update on Organizational Structure Project**

An update on the Organizational Structure Project was presented to the Board. It was explained that development of an organizational structure plan to support the 2008 AIMR Strategic Plan was an important strategic initiative this year. The plan must address several issues confronting the organization:

- How best to deal with the impact of substantial growth outside of North America transforming the nature of AIMR membership.
- The role of Societies and how it differs by region.
- Sensitivity that AIMR is “US centric” or “CHO centric.”
- Identifying the processes that should be decentralized/centralized.
- How to deal with the volunteer issue globally.
- How to account for exceptions to the “model” (e.g., China because of numbers).

Over the past six months, an ad hoc team has been working with AIMR’s strategy consultant to develop the plan. The team has been reaching out to constituents for input and feedback. The team has also developed a set of organizing principles, exploring alternatives, drafted value propositions, drafted job descriptions, and examined costs. The proposal is scheduled for presentation to the Planning Committee in February for feedback with the Planning Committee submitting a Global Structure Plan to the Board in May for approval.

### **Relationship between Board and CFA<sup>®</sup> Center Advisory Council**

Board oversight and policy guidelines for the CFA<sup>®</sup> Center for Financial Market Integrity were presented for adoption by the Board. The guidelines were amended to delegate to the Executive Committee oversight of the nomination process for the Advisory Council. It was noted that there were ongoing discussions as to where to locate the headquarters of the Center, given the profile that the organization would like to establish for the Center, a leading financial district may be appropriate. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the CFA Center for Financial Market Integrity board oversight and policy guidelines as amended substantially in the form presented at this meeting.

### **Nominating Committee Report**

The Chair of the Nominating Committee presented its report and nominee recommendations for fiscal year 2005. The nomination process started with a call to the membership to submit nominee recommendations, which produced an initial list of 90 names. The Committee

maintained its independence during the selection process and focused on the following criteria:

- Management skills
- Governance skills
- Audit skills
- CFA Program experience
- Geographical diversification
- Society experience
- Private Client experience

The following resolutions were approved with Mr. Duhamel and Ms. Gravel abstaining from the vote for Governor and Ms. Gravel and Mr. Stannard abstaining from the vote for Chair and Vice-Chair.

RESOLVED, that the report of the AIMR Nominating Committee substantially in the form presented at this meeting is accepted and approved;

FURTHER RESOLVED, that pursuant to Article 9 of the AIMR Bylaws, the nominations of Vincent Duhamel, CFA, Monique E.M. Gravel, CFA, Brian D. Singer, CFA, Jose Luis Velasco, CFA, Margaret Franklin, CFA, and Samuel B. Jones, Jr., CFA, are approved;

FURTHER RESOLVED, that pursuant to Article 9 of the AIMR Bylaws, the nominations of Monique E.M. Gravel, CFA, and John C. Stannard, CFA, to the offices of Chair and Vice-Chair are approved; and,

FURTHER RESOLVED, that the Secretary of AIMR is directed and authorized to submit the nominees to the AIMR Regular Members in Good Standing for election at the 2004 Annual Meeting of Members.

The Board proceeded to discuss the backgrounds of the new nominees for Governor.

### **Principles of Affiliation and Operating Framework**

As stated at the November Board meeting, two years ago ERVIC established a Task Force to develop a framework to identify the separate and shared responsibilities of AIMR and its Member Societies and Chapters in their representation of the global investment management profession. The Task Force was comprised of Governors, PCRs, and AIMR management.

The final drafts of the Task Force's Principles of Affiliation and Operating Framework were being presented to the Board for approval. The documents were designed to capture the essence of the preferred relationship (both high level and operational) between AIMR and its global network of Member Societies and Chapters.

Both documents went out for comment to 127 Member Societies and Chapters in October 2003 of which 16 comments were received by the Task Force. In December, they went out to all AIMR members for a 5-week comment period and 62 comments were received of which nine were official society comments.

A discussion ensued regarding the Board's ability to request a Member Society's or Chapter's financial information if the need occurred. It was noted that Member Societies and Chapters were separate organizations and that the hypothetical issue in question was how to prevent reputational risk to the association and its members. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Principles of Affiliation and Operating Framework with the incorporation of an escalation clause substantially in the form presented at this meeting.

### **Organizational Name Change**

The Board reviewed the results from the latest full member survey on the proposed name change. It was stated that with a 40% turnout, 75% favored changing AIMR's name to incorporating the letters "CFA" and 25% disagreed. When the membership was asked their first choice name, 41% favored CFA International and 31% favored CFA Institute. When the membership was asked their second choice name, 34% favored CFA Institute and 28% favored CFA International. In addition, results from an electronic survey conducted by Gallup just prior to the meeting tracked very close to the prior full member survey. However, results from the Presidents Council Representatives name change inquiry posting on the presidents list serve resulted in 90% in favor of CFA Institute. It was emphasized that Virginia law requires approval by two-thirds of the voting members for the measure to pass.

A lengthy discussion ensued on the following issues:

- Should the Board propose to the membership a change of the organizational name at the 2004 Members Meeting in Denver?
- If so, which name should be presented to the members?
- Should the matter be postponed and a special Members Meeting called in July or August to address the name change?
- Should the current proxy mailing be delayed to conduct another survey on the membership with regards to CFA Institute?

A straw poll was conducted by the Board with regards to their preference between CFA International and CFA Institute. The following resolutions were passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the proposal to change the name of the organization to CFA Institute and to submit to the voting members; and

FURTHER RESOLVED, that the name change proposal shall be included in the 2004 Proxy Package for the Annual Meeting of Members to be held on Sunday, 9 May 2004 at the Annual Conference in Denver, Colorado, USA.

### **Annual Meeting of Members**

The General Counsel provided an overview of the materials to be included in the proxy package for the Annual Meeting. The Board proceeded to review and comment on the proxy statement and recommended minor edits to the materials. The following resolutions were passed unanimously.

RESOLVED, that the AIMR Annual Meeting of Members shall be held on Sunday, 9 May 2004 at the AIMR Annual Conference in Denver, Colorado, USA;

FURTHER RESOLVED, that the 2004 Proxy Package, substantially as provided to the AIMR Board (along with the name and background of each individual nominated to serve as Chair, Vice Chair, or Governor), is hereby approved for submission to the Regular Members In Good Standing;

FURTHER RESOLVED, that the close of business on 1 March 2004 shall be the "Record Date" for determining members eligible to receive the 2004 Proxy Package, including the Notice of Meeting, Proxy Statement, Election Biographies and Statements, and Proxy Ballot for the purpose of voting at the Annual Meeting of Members;

FURTHER RESOLVED, that the 12:00 p.m. (noon) Eastern Daylight Time (4:00 p.m. Greenwich Mean Time), Friday, 7 May 2004 shall be the "Deadline Date" for tabulating proxies received by Internet, facsimile, or mail;

FURTHER RESOLVED, that the AIMR Secretary is directed and authorized to send the Proxy Package to the Regular Members In Good Standing of AIMR on or about the "Mail Date" of 11 March 2004 and to take such action as necessary to implement the resolve of the Board;

FURTHER RESOLVED, that the submission of those changes to the AIMR Bylaws that also require amendment to the Articles of Incorporation shall be conditioned upon approval of amendments to the Articles of Incorporation by the AIMR members; and

FURTHER RESOLVED, that upon approval of the amendments to the AIMR Articles of Incorporation set forth in the 2004 Proxy Package, the Secretary is authorized to file restated Articles of Incorporation with the Virginia State Corporation Commission incorporating the amendments approved by the AIMR members.

### **Planning Committee**

The Planning Committee requested that AIMR management investigate leveraging the organization's existing intellectual capital as a potential revenue stream. The following resolutions were passed unanimously.

RESOLVED, that AIMR management prepare a study of new areas of activities that could leverage AIMR expertise and intellectual capital to produce new sources of income, among which could be GIPS certification or new private wealth management products; and

FURTHER RESOLVED, that AIMR management will report back to the AIMR Board of Governors on their findings.

The Planning Committee also recommended the dissolution of the Global Council. The following resolutions were passed unanimously.

RESOLVED, that the Global Council shall disband is accepted and approved by the AIMR Board of Governors; and

FURTHER RESOLVED, that the AIMR Board of Governors expresses its sincere appreciation and wishes to thank the members of the Global Council for their excellent work.

### **Meeting Minutes**

The Board unanimously approved the 14 November 2003 meeting minutes.

### **Awards Committee Report**

The responsibility for giving out the awards is charged to the External Relations and Volunteer Involvement Committee, which this year formalized the process and developed guidelines for selecting award recipients. The nominations for awards to be presented at the Annual Meeting were announced. The following resolutions were passed unanimously.

RESOLVED, that the report of the Awards Committee substantially in the form presented at this meeting is accepted and approved; and

FURTHER RESOLVED, that the following award nominees are hereby approved:

- Daniel J. Forrestal III, Leadership Award for Professional Ethics and Standards of Investment Practice
  - Glen A. Holden, Jr., CFA -
- Alfred C. "Pete" Morley, CFA Award for Distinguished Service
  - Frank C. Dohn, CFA -
  - Amaury Jordan, CFA -

- Thomas L. Hansberger, Award for Leadership in the Global Investment Profession
  - David M. MacKendrick -
- C. Stewart Sheppard Award
  - Fred H. Speece, Jr., CFA -

The Presidents Council Representatives announced that Allen F. Willenbrock, CFA, was the recipient of the Society Leadership Award.

### **Policy for Board Delegation of Public Comment Approval to Oversight Committees**

The following resolution was passed unanimously.

RESOLVED, that the approval of the release for public comment of a proposal by an AIMR volunteer committee is delegated by the board to the Oversight Committee assigned oversight responsibility for the volunteer committee.

### **Global Investment Performance Standards (GIPS®)**

The following resolutions were passed unanimously.

RESOLVED, that the GIPS Real Estate provisions for the GIPS be approved and adopted;

FURTHER RESOLVED, that the GIPS Advertising Guidelines be approved and adopted; and

FURTHER RESOLVED, that the attached proposed revisions to the GIPS standards be released for a six-month period of public comment.

### **Volunteer Role Policy**

The External Relations and Volunteer Involvement Committee was in the early stages of developing a formal volunteer charter with the objective to present the matter to the Board in May.

### **CEO Search Update**

The Board was updated on the current status of the CEO search and the hiring of an executive search firm.



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

Respectfully submitted,

Joseph P. Lange

Corporate Secretary

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