



Setting the global standard for investment professionals

**BOARD OF GOVERNORS
MEETING MINUTES
12 November 2004
London, U.K.**

Notice: 1 November 2004

Governors Present: Robert E. Angelica, CFA
Theodore R. Aronson, CFA
Thomas A. Bowman, CFA
Anthony H. Cagiati, CFA
Jeffrey J. Diermeier, CFA
Vincent Duhamel, CFA
Denise M. Farkas, CFA
Margaret E. Franklin, CFA
Emilio Gonzalez, CFA
Monique E.M. Gravel, CFA
Samuel B. Jones, Jr., CFA
James M. Lyon, CFA
Alex K.G. Ng
George W. Noyes, CFA
Nicola Ralston
John C. Stannard, CFA
Jose Luis Velasco, CFA
Teong Keat (T.K.) Yap, CFA

Governors Absent: Shirley Shea DeJarnette, CFA
Brian D. Singer, CFA

Presidents Council
Representatives
Present:

Daniel P. Broby
Kathleen C. Chrisman, CFA
Christopher G. Dunmall, CFA
Warren A. Johnson, CFA
Beth Hamilton-Keen, CFA
Richard Mak, CFA
Daniel S. Meader, CFA
Joni K. Pierce, CFA
William R. Warnke, CFA

Also Present: Ron Bancroft, Consultant
Raymond J. DeAngelo, Executive Vice President, Member and
Society, CFA Institute
Robert R. Johnson, CFA, Executive Vice President, CFA Program,
CFA Institute
Joseph P. Lange, Associate, Office of the General Counsel, CFA Institute
William P. McKeithan, Senior Vice President and General Counsel,
CFA Institute
Timothy G. McLaughlin, Executive Vice President, Finance and
Corporate Support, CFA Institute
Katrina F. Sherrerd, CFA, Executive Vice President, Planning and Professional
Development, CFA Institute
Guy P. Williams, Vice President, Finance, CFA Institute

Materials
Distributed
Prior to Meeting: CFA Institute Board Binder

Charlottesville Hong Kong London

560 Ray C. Hunt Drive
PO Box 3668
Charlottesville, VA
22903-0668 USA

434 951 5499 tel
434 951 5262 fax
info@cfainstitute.org
www.cfainstitute.org

Materials
Distributed
at the Meeting:

CFA Preparation Task Force Report
Vision 2008 PowerPoint
Governors Manual Input
Professional Conduct Program Resolution
Presidents Council Representatives Report
Revised Executive Committee Minutes

Chair: Monique E.M. Gravel, CFA

Meeting Secretary: Joseph P. Lange

Opening Remarks

The chair of the Board noted the successful launching of the CFA Centre for Financial Market Integrity in both New York and London. Over the past week, members of the CFA Institute Board and staff held several informative meetings with regulators, trade associations, and business leaders in London. Furthermore, discussions with the UKSIP came to a consensus that CFA Institute would explore possible opportunities to support the local ASIP designation.

Planning Retreat Review

The chair of the Planning Committee (PC) provided an overview of the Board Strategy Retreat held the previous day. The PC was to conduct a midpoint review of the Strategic Plan's Vision 2008 with input obtained from the Retreat and recommended changes presented to the Board in February. Several issues relating to each of the strategic objectives were outlined. It was noted that governance structure changes had been recommended to simplify the CFA Institute Bylaws with regards to committees. The Board discussed the matter and the following resolution was passed unanimously.

RESOLVED, that the Board of Governors instruct the General Counsel to prepare changes to simplify the CFA Institute Bylaws as discussed at this meeting for presentation and review at the February Board meeting with anticipated submission to the membership for approval in the 2005 Annual Proxy.

Audit Report and Financial Results

The chair of the Audit Committee (AC) reported on the Audited Financial Statements. CFA Institute auditors, PricewaterhouseCoopers (PwC), issued an unqualified opinion. They had no adjustments or disagreements with management. There was no internal control weakness or reported conditions from PwC. It was noted that there was nothing off balance sheet other than the leases, which were mentioned in the notes. PwC did provide six items for improvement; however, they were operational or recommendations to formalize processes that were already in place.

The chief financial officer noted that the audit had been completed within 90 days of year end and outlined the activities that PwC undertook. Financial results were provided to the Board. Compared to budget, the organization's revenue overall was below budget and the various dynamics were explained.

The candidate count was lower than forecasted but not by much. CFA Institute does not budget for unrealized or realized gains/losses on its assets, which were positive this year at around \$4 million. Cash flow was favorable at nearly \$14 million and the organization's financial position remains favorable with reserves of about \$90-88 million with another \$8 million for required operating cash for the next 30/45 days. The CFO discussed the effect of the various candidate registration deadlines and the multiple administration of the Level I CFA exam. It was stated that at this time the organization saw no benefit to changing its fiscal year-end date and noted the effect of the weak U.S. dollar. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Audit Report and accompanying audited financial statements of CFA Institute for the year ending 31 August 2004 substantially in the form presented at this meeting.

CFA Institute/NIRI Task Force

The co-chair of the CFA Institute/NIRI Task Force presented the Guidelines for Analysts and Corporate Issuers. In May 2003, CFA Institute established a Joint Task Force (JTF) with the National Investor Relation Institute (NIRI) to develop best practice guidelines governing the relationship between investment professionals (primarily, sell-side research analysts) and corporate issuers. This project was an outgrowth of the CFA Institute project to develop Research Objectivity Standards (ROS) and resulted from NIRI's comments on the ROS proposal.

The Guidelines are voluntary. Neither organization is requiring members, companies or firms to claim compliance, nor will such compliance be monitored, except where an individual analyst's behavior is already covered by the CFA Institute *Code of Ethics and Standards of Professional Conduct*. The Board discussed the Guidelines and the following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Guidelines for Analysts and Corporate Issuers substantially in the form presented at this meeting.

Board of Governor Role and Responsibilities

The president provided background on the development of a Board Roles and Responsibilities Statement to be included in the Governors Manual. The Board was requested to discuss and provided input on the current draft. It was determined that an eleventh item should be added to the Statement as follows: Promote positive working relationships and communication with members and member societies. With the adoption of the Statement, section 103 would be removed from the Manual. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Roles and Responsibilities Statement substantially in the form as amended at this meeting.

Board Policies (Code of Conduct Policy and Conflict of Interest Policy)

The General Counsel conducted an in-depth presentation on the importance of having and adhering to a Board Code of Conduct Policy and Conflict of Interest Policy. The Board discussed several of the corporate

case examples presented and provided feedback on the draft policies. It was stated that the draft policies would go before the Executive Committee (EC) for review and then be submitted to the Board in February for adoption.

Oversight Committee Reports

Audit Committee (AC)

The overriding theme for the AC this year has been the issue of good governance. The AC was working with the management team to develop a multi year plan to coordinate an internal audit program. The AC was also coordinating with the Performance Oversight Committee overlap of activities between the two committees.

External Relations and Volunteer Involvement Committee (ERVIC)

ERVIC was working on the Volunteer Involvement Charter and CFA Institute member society relationships and developing a more integrated operational model.

Performance Oversight Committee (POC)

POC highlighted its recent activities, along with coordination of responsibilities with the AC, and requested that the Board approve a resolution delegating to the EC the authority to appoint a new Designated Officer for the Professional Conduct Program in the event the position becomes vacant before the next Board meeting. The following resolution was approved unanimously.

RESOLVED, that the Board of Governors delegate to the Executive Committee the authority to appoint the Designation Officer for the Professional Conduct Program in the event the position becomes vacant before the next scheduled Board meeting.

Planning Committee (PC)

The PC noted its ongoing work on the Strategic Plan.

Private Wealth Initiative Update

The executive vice president of Planning and Professional Development reported on the latest activities of the Private Wealth Initiative. The CFA Institute Board determined that the trend toward more Private Wealth Management in the industry is of major strategic importance to the organization. After surveying employers of private wealth portfolio managers, members, and other investment professionals, there does not appear to be great interest in creating a separate designation in this area. What does seem to have appeal is a certification that shows mastery of knowledge and/or some opportunities in developing educational product materials in the private wealth area. The Board discussed the initiative with further input scheduled for the February meeting.

CFA Preparation Task Force

The chair of the CFA Preparation Task Force gave an overview of their activities and objectives. The Task Force was initiated by POC in August 2004 in support of the fundamental belief that proper candidate preparation is essential for a qualified candidate to successfully master the material necessary to obtain the CFA designation. The Task Force has conducted interviews with leading preparatory course

and material providers. A report will be prepared for the February meeting summarizing the purpose, goals, methodology, and conclusions of the Task Force.

Disciplinary Review Update

The executive vice president of Member and Society gave an update report on the restructuring initiative of the Professional Conduct Program. The Board discussed several topics and another report was scheduled to be presented at the February meeting.

CFA Centre Launch Update

The executive vice president of Member and Society gave a brief update on current events with regards to the CFA Centre. Part of the launch was the introduction of the Centre's first product, which is an asset manager code of conduct. This was released as a consultation paper/exposure draft with the goal to receive comments back in time to prepare the final version of the product to meet the deadline of 7 January that the SEC set. Other products in the works are revisions to the Soft Dollar Standards, a global corporate governance manual, and a new global business reporting model. It was also noted that the Centre would be conducting a series of soft launches in Moscow, Singapore, Hong Kong, and Japan.

Financial Analysts Journal Report

The executive vice president of Planning and Professional Development provided an overview of the activities with the *Financial Analysts Journal (FAJ)*. Several changes were highlighted such as bringing a new editor on board. The Board was also updated on the major events surrounding the celebration of the *FAJ's* 60th anniversary and the conference to be held on 10 and 11 February 2005.

Consent Agenda

The consent agenda consists of informational, reoccurring, and procedural matters that come before the Board. The following resolutions were passed as noted.

Board Meeting Minutes

(Unanimously Approved)

- Approved the following Board meeting minutes substantially in the form presented at this meeting:
 - 5 May 2004 – Executive Session
 - 15 July 2004 – Executive Session
 - 23 July 2004 – Executive Session
 - 24 July 2004 – Open Session

Appointment of Vice Chair to Serve on the CFA Centre Advisory Council

(Approved with 1 abstention)

- RESOLVED, that pursuant to Article 7.4(e) of the Bylaws, the Board of Governors hereby approves the appointment of John C. Stannard, CFA to serve on the CFA Centre for Financial Market Integrity Advisory Council.



Incoming president, Mr. Jeff Diermeier, CFA, disclosed to the Board that he entrusted management of a portion of his assets to a newly established investment operation. While Mr. Diermeier will own an interest in the operation he would not have ongoing operating or management responsibilities.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary