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**BOARD OF GOVERNORS
MEETING MINUTES
4 February 2005
Santa Monica, CA**

Notice: 26 January 2005

Governors Present:

Robert E. Angelica, CFA 	Samuel B. Jones, Jr., CFA
Theodore R. Aronson, CFA	James M. Lyon, CFA
Shirley Shea DeJarnette, CFA	George W. Noyes, CFA
Jeffrey J. Diermeier, CFA	Nicola Ralston
Vincent Duhamel, CFA	Brian D. Singer, CFA
Denise M. Farkas, CFA	John C. Stannard, CFA
Margaret E. Franklin, CFA	Jose Luis Velasco, CFA
Emilio Gonzalez, CFA	Teong Keat (T.K.) Yap, CFA
Monique E.M. Gravel, CFA	

Governors Absent: Anthony H. Cagiati, CFA Alex K.G. Ng

Presidents Council
Representatives

Present:

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

Also Present:

Raymond J. DeAngelo, Executive Vice President, Member and Society, CFA Institute
Robert R. Johnson, CFA, Executive Vice President, CFA Program, CFA Institute
Gary J. Felsten, Human Resources, CFA Institute
Helen A. Hatzenbeler, Associate, Member and Society, CFA Institute*
Joseph P. Lange, Corporate Secretary, CFA Institute
William P. McKeithan, Senior Vice President and General Counsel, CFA Institute
Timothy G. McLaughlin, CFA, Executive Vice President, Finance and Corporate Support, CFA Institute
Rhonda S. Reid, Society Relations and Global Chapter Development, CFA Institute*
Katrina F. Sherrerd, CFA, Executive Vice President, Planning and Professional Development, CFA Institute

 Participated via Telephone

* Present for Part of Meeting

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Materials

Distributed

Prior to Meeting: CFA Institute Board Binder

Materials

Distributed

at the Meeting: Planning Committee Report
Governors Evaluation Matrix
Revocation of Status as a Recognized Society – Taipei
Uniform Sponsor Requirement for Regular Members
Governance and Structure of CFA Institute Board Committee PowerPoint
Recommended Award Recipients FY 2005
Officer and Governor Nominee Recommendations FY 2005
Strategic Plan Midyear Report Resolution
Proposed Board Meeting Times at the May Annual Conference

Chair: Monique E.M. Gravel, CFA

Meeting Secretary: Joseph P. Lange

Opening Remarks

The new head of the CFA Institute Human Resources department was introduced to the Board. It was also announced that a staff driven initiative to aid victims of the recent tsunami disaster had raised over \$32,000 to give to relief organizations, such as UNICEF.

Strategic Plan Report

In July 2003, the Board adopted a formal approach to strategic planning that involved the development of a written Strategic Plan and an approach to planning that emphasized execution and accountability. The Plan identifies a vision of the organization in 2008, a set of strategic objectives, and a set of one-year milestones, the measurable indicators of progress towards the 2008 vision. CFA Institute is currently midway through the second year of the Plan and recently completed a Board Strategy Retreat. The Planning Committee (PC) recently reviewed proposed changes that came out of the Retreat and recommended Board adoption. A summary of the proposed changes were as follows:

- Mission changed to reflect the preference for the word “ethics” over “integrity”;
- Vision changed to reflect the elements prioritized at the retreat;
- New Strategic Objective #6 added to more clearly indicate the importance of professional development to the organization; and
- Milestones added to reflect the importance of human capital (4.12) and to define measurable indicators for the new Strategic Objective #6.

Progress review of the FY05 milestones indicate that of the 48 milestones established at the beginning of the year, 77 percent were on target to be completed. In addition, five new milestones have been added, bringing the total for the year to 53.

It was explained that the PC will continue to oversee implementation of the Strategic Plan and will report to the Board again in May. FY06 milestones will be discussed at the June PC meeting and presented to the Board for approval in July. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the changes to the Strategic Plan with regards to the Mission and Vision and the addition of Strategic Objective #6 substantially in the form presented at this meeting.

CFA Institute Core Values

The President and CEO provided background on the work being done internally at CFA Institute on developing a theory of the firm and capturing the core ideology of the organization by defining who we are, why we exist, and our values for staff guidance and direction. In relation to that undertaking, the Board was requested to review the organization's core values that were established on 10 September 1998 as follows:

- Integrity;
- Professional Excellence;
- Volunteer Service; and
- Strength of Community and Cooperation.

The Board was asked if the current core values were still appropriate or whether they should be changed. A potential new core value was suggested for consideration that was defined as openness and transparency. The general consensus of the Board at the time was that the standing core values should remain the same. Work and review on the subject would continue and be brought back to the Board for further consideration in the near future.

Oversight Committees/Division of Board Oversight Roles and Responsibilities

The chair of the Performance Oversight Committee shared with the group responses from a survey that was conducted among the Board and management with regards to CFA Institute governance and committee structure. The Board discussed several of the findings from the survey. It was agreed that the Executive Committee was to provide more guidance around this project and the item would be placed on the May agenda for further discussion.

Board Policies

The General Counsel presented to the Board for approval a Code of Conduct and revised Conflict of Interest Policy. The Board approved a Code of Conduct for employees of CFA Institute in 2003. With the public positions that CFA Institute has taken on corporate governance it is advisable for CFA Institute to adopt a Code of Conduct for governors. The Code for governors is less detailed and specific than the employee Code because of the different roles of governors than employees of CFA Institute. The proposed conflict policy provides more guidance for governors and provides for advance disclosure of other board positions and interests that may affect a governor's decision-making process. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Code of Conduct and revised Conflict of Interest Policy substantially in the form presented at this meeting.

Disciplinary Review Committee

The Executive Vice President of Member and Society provided an overview of the current caseload of the Professional Conduct Program. The Board inquired into available resources to process the cases and the handling/follow up on various types of cases.

The General Counsel highlighted and discussed the major changes that the Disciplinary Review Committee (DRC) proposed, including new Charter and revised Rules of Procedures for the Professional Conduct Program. It was noted that Board approval of these items will have a delayed effective date. The DRC was continuing with its work on the revisions to the Professional Conduct Program and will have additional changes that must be approved by the Board before 1 September. If there are any inconsistencies or new thinking on the provisions of the Charter and Rules, there will be time to make corrections. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the new Charter for the Disciplinary Review Committee and the revised Rules of Procedure for the Professional Conduct Program substantially in the form presented at this meeting, to be effective the first day of September 2005.

Private Wealth Initiative

The Executive Vice President of Planning and Professional Development discussed with the Board the private wealth initiative. Finding the appropriate Private Wealth Strategy for CFA Institute is complex and finding a single solution that will be acceptable to all major constituencies of the organization will be a challenge. However, the issue is of significant strategic importance to CFA Institute.

Based on research and analysis, it is suggested that CFA Institute adopt a holistic approach to meet the needs of private wealth professionals not only through a core education and credentialing product, but also by expanded public awareness communications, professional development offerings, advocacy initiatives, research activities, and the introduction of specific products and services for individual investors.

The PC reviewed the research and the proposed alternatives for addressing the Private Wealth segment of the market. The PC agreed to present to the Board what they considered to be the most viable options: embedding more private wealth content in the CFA Program curriculum, supplemented by professional development products; or a Stand-Alone Private Wealth certificate program. These options could then be evaluated and from the evaluation, after input from stakeholders, a plan developed. The PC recommended that the Board approve further research of options available, including how a prototype Private Wealth Certificate product could be structure.

The Board discussed the matter and requested more information be provided as to who exactly would want to obtain a stand-alone credential. The following resolution was passed with one opposed and one abstention.

RESOLVED, that the Board of Governors endorse the Planning Committee recommendation to proceed with development of a prototype and business plan for a Stand-Alone Private Wealth Certificate product.

CFA Preparation Task Force

The chair of the CFA Preparation Task Force provided an overview of their recent activities. The group continues to gather information on the manner and method by which candidates are preparing for the CFA exams. Furthermore, the Task Force continues to add feedback with open-ended survey questions to preparatory course and material providers and through society focus groups with candidates. Most of the responses have been quite positive and supportive to the organization making some changes. The Task Force will provide its report and recommendations to the Board at the May meeting.

The Board also discussed various aspects of modular curriculum and curriculum bundling.

Volunteer Involvement Charter

The chair of the External Relations and Volunteer Involvement Committee (ERVIC) gave the Board an update on the matter. ERVIC and management were currently reviewing public comments received on the draft charter. It was projected that ERVIC would approve the final version of the charter in February and submit to the Board in March for adoption.

Revised CFA Institute Bylaws and Establishment of Board Oversight Committees

The General Counsel provided an overview and the Board discussed the amendments to the CFA Institute Bylaws that were proposed to be included in the proxy and presented to the membership for adoption. The amendments covered three areas: committee structure, reserve structure, and miscellaneous editorial corrections.

Changes to the committee structure provide more flexibility to the Board to manage itself and its committees in the most efficient governing fashion by allowing the Board to set up and disband its oversight committees by Board resolution. The membership of the Executive Committee (EC) will be made more flexible by allowing for members other than the Chair, Vice Chair, and past Chair by resolution of the Board. The President and oversight committee chairs will not be specified in the Bylaws as EC members.

The existing Bylaws mandate a financial reserve be maintained by CFA Institute of \$250 per charterholder member. This reserve was established at the time the ICFA and the FAF merged and was intended as educational reserve for the CFA Program if the merged organization should encounter financial difficulties.

Next, the General Counsel explained that contingent on membership adoption of the committee structure amendment to the Bylaws the Board needed to approve a resolution that continues the existing Board oversight committees. The following resolutions were passed with one abstention.

Revised CFA Institute Bylaws

RESOLVED, that the Board of Governors accept and authorize that the proposed changes to the CFA Institute Bylaws be submitted to the membership for approval in the 2005 Annual Proxy.

Establishment of Board Oversight Committees

RESOLVED, that the Board of Governors shall establish the following Oversight Committees:

- Planning Committee. The Planning Committee shall oversee CFA Institute strategic direction and priorities through activities including, but not limited to, long-range planning, budget development, and establishing membership criteria and requirements.
- Performance Oversight Committee. The Performance Oversight Committee shall oversee CFA Institute ongoing operations through activities including, but not limited to, assessing the performance of products and services, and reviewing CFA examination and program matters.
- External Relations and Volunteer Involvement Committee. The External Relations and Volunteer Committee shall oversee CFA Institute communications activities including, but not limited to, establishing communication and awareness plans with both internal and external constituents, developing relationships with other organizations, and recommending CFA Institute award recipients.
- Audit Committee. The Audit Committee shall oversee CFA Institute financial reporting process, system of internal control, audit process, and CFA Institute process for monitoring compliance with laws and regulations and with the CFA Institute Code of Conduct. The membership of the Audit Committee shall not include the President of CFA Institute, nor shall the President have any vote in appointing the membership of the Audit Committee.

FURTHER RESOLVED, the above resolution shall be effective upon membership approval of the amendments to the bylaws of CFA Institute relating to the Oversight Committees of the Board as proposed in the 2005 Annual Proxy.

Annual Meeting of Members

The General Counsel submitted the proxy package to the Board for review and approval. The Board recommended minor edits to the proxy statement. The following resolution was passed unanimously.

RESOLVED, that the CFA Institute Annual Meeting of Members shall be held on Sunday, 8 May 2005 at the CFA Institute Annual Conference in Philadelphia, Pennsylvania, USA;

FURTHER RESOLVED, that the 2005 Proxy Package, substantially as provided to the CFA Institute 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 28 February 2005 shall be the “Record Date” for determining members eligible to receive the 2005 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;

FUTHER RESOLVED, that the 12:00 p.m. (noon) Eastern Daylight Time (4:00 p.m. Greenwich Mean Time), Friday, 6 May 2005 shall be the “Deadline Date” for tabulating proxies received by Internet, facsimile, or mail; and

FURTHER RESOLVED, that the CFA Institute Secretary is directed and authorized to send the Proxy Package to the Regular Members In Good Standing of CFA Institute on or about the “Mail Date” of 10 March 2005 and to take such action as necessary to implement the resolve of the Board.

Nominating Committee Report

The chair of the Nominating Committee (NC) presented its report and nominee recommendations for officers and governors for fiscal year 2006. The members of the NC were as follows:

- Theodore R. Aronson, CFA (Chair of Committee);
- Monique E.M. Gravel, CFA;
- Margaret E. Franklin, CFA;
- Khalid Ghayur, CFA;
- Todd Parker Lowe, CFA;
- Joseph T.S. Lim, CFA; and
- Alan M. Meder, CFA.

The NC took into consideration the following criteria during its selection process:

- Governors matrix;
- Organizational involvement;
- Issues by geography; and
- Industry and job function.

The following resolution was approved with Mr. Stannard and Mr. Duhamel abstaining from the vote for Chair and Vice Chair and Mr. Gonzalez, Mr. Noyes, and Mr. Stannard abstaining from the vote for governor.

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

FURTHER RESOLVED, that pursuant to Article 9 of the CFA Institute Bylaws, the nominations of John C. Stannard, CFA, and Vincent Duhamel, CFA, to the offices of Chair and Vice Chair are approved;

FURTHER RESOLVED, that pursuant to Article 9 of the CFA Institute Bylaws, the nominations of Alida Carcano, CFA, Emilio Gonzalez, CFA, George W. Noyes, CFA, James E. Hollis, CFA, Stanley

G. Lee, CFA, John C. Stannard, CFA, Ashvin P. Vibhakar, CFA, and Thomas B. Welch, CFA, are approved; and

FURTHER RESOLVED, that the Secretary of CFA Institute is directed and authorized to submit the nominees to the CFA Institute Regular Members In Good Standing for election at the 2005 Annual Meeting of Members.

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 12 November 2004 Board meeting minutes substantially in the form presented at this meeting:

Awards Committee Report

(Unanimously Approved)

- 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:
 - Award for Professional Excellence – Martin L. Leibowitz
 - Daniel J. Forrestal III Leadership Award for Professional Ethics and Standards of Investment Practice – John J. McCabe
 - Alfred C. “Pete” Morley Distinguished Service Award – Donald L. Tuttle, CFA
 - Nicholas Molodovsky Award – Jeremy J. Siegel
 - C. Stewart Sheppard Award – Janet T. Miller, CFA

Andrew W. Lo was announced as the recipient of the Research Foundation’s James R. Vertin award.

Revisions to GIPS Standards

(Unanimously Approved)

- RESOLVED, that the revised version of GIPS Standards be approved by the Board of Governors for adoption substantially in the form presented.
- FURTHER RESOLVED, that the IPC be encouraged to review the options to resolve the UK local country sponsor’s strong desire to recognize the benefit of mandatory verification.

Appointment of CFA Centre Committee Chairs

(Unanimously Approved)

- RESOLVED, that the Board of Governors accept and approve the following persons to serve as a committee chair as indicated for a one (1) year term commencing 1 September 2004 and until their successors are chosen and qualified:

- Corporate Disclosure Policy Council (CDPC) – Chair: Patricia A. McConnell
- Capital Markets Policy Council (CMPC) – Chair: Frederic Lebel, CFA

December Exam Results

(Oral Report/Confidential Information)

Other Business

- Uniform Sponsor Requirement for Regular Members

At the May 2003 Board meeting, the following policy was adopted stating that to become a Regular Member of CFA Institute and a Society an applicant must submit two qualifying sponsors to meet the following requirement:

One CFA charterholder and the applicant's supervisor, one of which must be a member of the society to which the individual is making application for membership. If the supervisor requirement cannot be met because the applicant is the principal of the firm, a student, retired, self-employed, or if providing a supervisor sponsor places the applicant in a difficult professional position, then an additional sponsorship by a regular CFA Institute member is required.

A change to the policy was proposed to replace "One CFA charterholder" with "One regular CFA Institute member." The reason for the proposed change was to allow Regular Members the ability to sponsor someone for membership. The goal was to broaden the sponsor pool and not to disenfranchise non-CFA charterholder members. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the following revised Uniform Sponsor Requirement for Regular Members: One regular CFA Institute member and the applicant's supervisor, one of which must be a member of the society to which the individual is making application for membership. If the supervisor requirement cannot be met because the applicant is the principal of the firm, a student, retired, self-employed, or if providing a supervisor sponsor places the applicant in a difficult professional position, then an additional sponsorship by a regular CFA Institute member is required.

- Revocation of Status as a Recognized Society – Taipei

The Taipei Society of Investment Professionals (TSIP) was admitted as a member society of CFA Institute on 4 February 2004. A split has developed in the Society and there are two groups each claiming to be the properly elected board of TSIP. After CFA Institute representatives met with both factions to try and resolve the situation there has been a lack of follow through and cooperation on their part with setting up a new election. The following resolution was passed unanimously.

RESOLVED, that the status of the Taipei Society of Investment Professionals as a member society of CFA Institute is terminated; and

FURTHER RESOLVED, that the requirement for a candidate to apply to a member society as a condition of receiving a CFA charter is suspended for candidates residing in Taiwan until another Taiwan member society is recognized by the Board.

It was noted that if members in Taipei decided to try an establish another society that CFA Institute will have independent counsel assist in organizing and conducting the election along with a representative from the Taipei government involved in the election as well.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary