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**BOARD OF GOVERNORS
MEETING MINUTES
11 February 2006**

Notice: 1 February 2006

Governors Present:

Anthony H. Cagiati, CFA	Stanley G. Lee, CFA*
Alida Carcano, CFA	Alex K.G. Ng
Shirley Shea DeJarnette, CFA	Nicola Ralston, FSIP
Jeffrey J. Diermeier, CFA	Brian D. Singer, CFA
Vincent Duhamel, CFA	John C. Stannard, CFA, FSIP (Chair)
Margaret E. Franklin, CFA	Jose Luis Velasco, CFA
Emilio Gonzalez, CFA	Ashvin P. Vibhakar, CFA
Monique E.M. Gravel, CFA	Thomas B. Welch, CFA
James E. Hollis, CFA	Teong Keat (T.K.) Yap, CFA
Samuel B. Jones, Jr., CFA	

Governor Absent: James M. Lyon, CFA George W. Noyes, CFA

Presidents Council
Representatives

Present:

Terence E. Burns, CFA	Todd Parker Lowe, CFA ☎
Kathleen C. Chrisman, CFA	(Incoming Chair)
Beth Hamilton-Keen, CFA	Richard Mak, CFA
Marla L. Harkness, CFA	Jeffrey Matthias, CFA
Helmut Henschel	Daniel S. Meader, CFA (Chair)
Jan Jackrel, CFA	Joni K. Pierce, CFA

Also Present:

Lee E. Buttles, Director, Internal Audit, CFA Institute
Raymond J. DeAngelo, Managing Director, Member & Society, CFA Institute
Joseph P. Lange, Corporate Secretary, CFA Institute
William P. McKeithan, General Counsel, CFA Institute
Timothy G. McLaughlin, CFA, Managing Director and Chief Financial Officer,
Finance & Corporate Support, CFA Institute
Nitin M. Mehta, Managing Director, Europe, Middle East and Africa Operations,
CFA Institute
Katrina F. Sherrerd, CFA, Managing Director, Planning & Professional
Development, CFA Institute

Materials Distributed

Prior to Meeting: CFA Institute Board Binder

☎ Participated via Telephone

* Present for Part of Meeting

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Materials Distributed
at the Meeting: Nominating Committee Report
Bylaw Comments by Classification

Chair: John C. Stannard, CFA

Meeting Secretary: Joseph P. Lange

Summary of Strategic Planning Retreat

The chair of the Planning Committee (PC) briefed the Board on the predominantly positive feedback received from the participants of the successful strategic planning retreat held over the last day and a half. The PC will work with CFA Institute staff in compiling the information obtained from the retreat among the three main topic areas discussed: who are we, CFA[®] Program, and financial philosophy, into a useful workable format. The in-person May and July PC meetings will focus on strategic planning with final recommendations to be presented to the Board in September.

The Board commended the members of Planning and Professional Development who worked on the retreat for the outstanding job they did in helping the PC organize the event and preparing the background materials for the participants which included Board members, Presidents Council Representatives (PCRs), past Board Chairs, and invited guests.

Board Committee Reports

The chair of the following Board committees gave overviews of their recent activities to supplement the memoranda included in the Board binders.

Executive Committee

- Approved Board appointed members to the GIPS Executive Committee.
- Designated Officer to the Professional Conduct Program provided an update on the investigation caseload.
- General Counsel reviewed the responses received from the public comment period on the proposed bylaw changes.
- National Association of Corporate Directors will assist in developing a governor's self-assessment process.

Audit and Risk Committee

- The Financial Report for fiscal year 2005 has been finished and the management discussion and analysis have been completed and everything is now posted on the website.
- The Internal Auditor has completed the Cash Receipts audit and two audit projects are in process: Cash Disbursements and Information Systems Replacement.
- The Compliance Officer provided the Annual Compliance Report.

External Relations and Volunteer Involvement Committee

- Provided an update on the latest developments with the Mexico Society.
- Discussed the progress made in phase I of the Employer Outreach Program and how to leverage Board members, society leaders, and local societies in employer outreach.

- Discussed the revamping of the Public Awareness Committee within the ERVIC mandate.
- Survey of Board appointed committees to assess the level of satisfaction and effectiveness of the volunteers.
- Discussed the Society Partnership Program.

Planning Committee

- Focused on preparations for the February strategic planning retreat.
- Approved the formation of a new Private Wealth (PW) Advisory Committee whose purpose is to guide the development of the PW Body of Knowledge, explore means of delivering PW educational content to members, and encourage and support Member Societies in the development of PW educational programming.
- Reviewed the status of the IT Implementation project.
- Discussed the Members Dues Policy and the need to provide clarity to the membership on the process.

Presidents Council Representatives Report

The chair of the PCRs presented its report. It was noted that the PCRs were in the midst of the Mid-Year Regional Society Leader meetings being hosted in six locations worldwide. Work was underway on developing a Code of Conduct Policy for the PCRs with the final document to be brought before the Board in May. The new incoming chair of the PCRs was identified as Mr. Todd Lowe, CFA, and would essentially begin his duties in July.

The PCRs Roles and Responsibilities: Guiding Principles were previously distributed at the last Board meeting for governor review. The final version presented here for adoption by the Board has not changed since last circulated. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the PCR Roles and Responsibilities: Guiding Principles substantially in the form presented at this meeting.

President and CEO Report

The President and CEO presented his report. Since the last Board meeting, the primary area of focus has been on preparing for the strategic planning retreat. Other areas discussed and highlighted were as follows:

- Determining a baseline, gathering data and evidence of the CFA Program position and penetration in the market place;
- Understanding and moving toward a member value proposition;
- Critical year for information technology improvement rollouts;
- Establishing an effective strategy for CFA Centre for Financial Market Integrity to have impact;
- FY2007 to emphasize globalization;
- GIPS and matters concerning country sponsors;
- Year-to-date budget results, positive variances in candidate fees and curriculum sales result in being over \$1 million to the positive in revenue against budget.
- Modular curriculum received positively by candidates; and

- Monthly letters straw poll, CFA charter not viewed as a diploma.

Mr. Nitin Mehta was introduced as the managing director for Europe, Middle East, and Africa operations and Ms. Christina Koppel, CFA, was noted as the new designated officer for the Professional Conduct program.

Disciplinary Review Committee Report

The chair of the Disciplinary Review Committee (DRC) presented its report. It was stated that the DRC is current on all its disciplinary review hearings and has concluded all its assigned hearings on disciplinary matters for the past year within the required time periods. The past year has been one of change, with the implementation of improvements to the Professional Conduct Program resulting from the recommendations of the Jennings Report. Several of the changes were highlighted to the Board.

The DRC instituted a formal nomination process to fill eight vacancies that will occur in the group at the end of fiscal 2006. A Nominating Committee was established that issued a public call to the membership for interested candidates and prepared a formal application form. 270 applications were received for the eight positions. The Nominating Committee has begun the evaluation of the applications and expects to present its nominee recommendations to the Executive Committee in March.

Looking forward, the DRC has appointed a subcommittee to evaluate and make recommendations on the structure of sanctions available to hearing panels. The focus of the subcommittee will be to look to the sanctions of other, similar organizations and to consider other types of sanctions for ethical violations.

CFA Centre Report

The Managing Director of Member and Society presented the report of the CFA Centre for Financial Market Integrity. Since the Board's last meeting in November, the Centre has been extremely active:

- Both the NYSE and NASDAQ have distributed to their member firms a letter recommending that they follow the CFA Institute NIRI guidelines covering analyst issues and relations;
- Accepted as a member of the European Financial Reporting Advisory Group, an organization based in Brussels that works with the commission on a variety of areas related to financial reporting and disclosure;
- Invited to join the U.S. Public Accounting Company Oversight Board's Standing Advisory Committee;
- Submitted an application for CFA Institute to become an affiliate member of the International Organization of Securities Commissions. The leading market regulator in the U.K., Financial Services Authority, has offered to sponsor the organization.
- Continue to reach out to regulators around the world, such as, the International Accounting Standards Board, the U.S. Securities and Exchange Commission, the Financial Services Authority, and the Hong Kong Securities and Futures Commission; and
- Delivered a number of industry presentations and beta tested a new in-house ethics training program.

The Centre now has staff in four locations, the Centre headquarters in New York City, Charlottesville, London, and Hong Kong. The Centre has been actively engaged in partnership with the CFA Institute

marketing and communications group in developing more outreach to the media. Over the past few months, the Centre has been quoted and stories about its developments have appeared in such publications as Business Week, Forbes, The Financial Times, Reuters, The Washington Post, Pensions and Investments, and Investment News.

The Advisory Council for the Centre chaired by Mr. John Neff, CFA, recently met to consider new activities and to get their perspectives on whether the proposed issues were appropriate for the organization to pursue. It was also suggested that quarterly teleconferences be conducted to keep the Board apprised of the Centre's activities. The Board proceeded to discuss various Centre issues.

Nominating Committee Report and Recommendations

The chair of the Nominating Committee (NC) presented its report and nominee recommendations for officers and governors for fiscal year 2007. The members of the NC were as follows:

- Monique E.M. Gravel, CFA (Committee Chair);
- John C. Stannard, CFA, FSIP;
- James E. Hollis, CFA;
- Khalid Ghayur, CFA;
- William R. Warnke, CFA;
- Todd Parker Lowe, CFA; and
- Alan M. Meder, CFA.

The NC reviewed during its selection process guidance provided by the Executive Committee, recommendations from the recent Committee Structure and Governance Task Force, and the past Nomination Evaluation Task Force. The group focused on the following criteria:

- Reducing the size of the Board;
- Continuity and New Individuals;
- Global Scope and Experience;
- Professional Background and Experience; and
- CFA Institute and Society Involvement.

The following resolution was approved with Mr. Duhamel and Mr. Gonzalez abstaining from the vote for chair and vice chair and Ms. Ralston and Mr. Yap 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 Vincent Duhamel, CFA, and Emilio Gonzalez, 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 Nicola Ralston, FSIP, Teong Keat (T.K.) Yap, CFA, Daniel S. Meader, CFA, Pierre Cardon, CFA, and Andrew L.T. Sheng 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 for election at the 2006 Annual Meeting of Members.

NOTE: Following the Board meeting, Mr. Sheng upon further reflection decided that he could not devote sufficient time to serve as a Board member. The remaining four nominees approved by the Board will be submitted to the membership for election.

Bylaws and Article Amendment Recommendations

The chair of the Committee Structure and Governance Task Force provided a brief overview of the activities undertaken over the course of the past year, which led to the recommendation to amend the articles and bylaws.

The General Counsel summarized the 38 comments received on the proposed article and bylaw amendments solicited from the 60-day public comment period that began on 22 November and ended on 23 January. On the basis of those comments some minor changes have been made mainly to clarify language and eliminate redundant definitions to the proposed amendments. The Board discussed the matter and the following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve amending the CFA Institute Articles of Incorporation and Bylaws as present in the Proxy Statement; and

FURTHER RESOLVED, that the proposed CFA Institute Articles of Incorporation and Bylaw amendments be submitted to the membership for approval at the May 2006 Annual Members Meeting.

Annual Meeting of Members

The General Counsel submitted the proxy package to the Board for review and approval. It was explained that the proxy statement has been enhanced this year by providing more disclosure materials, thereby, moving it closer to a corporate model format. The new material included a message from the CEO to the membership, descriptions of all the Board committees, detailed information on Audit and Risk Committee pursuant to Sarbanes-Oxley, disclosure of the President and CEO compensation, and Board expenses. The proxy ballot has also been revised to give members the option to check one box to vote for all matters under consideration. As has been done in the past, proxy related materials will be posted on the CFA Institute website and members are encouraged to vote online. The following resolution was passed unanimously.

RESOLVED, that the CFA Institute Annual Meeting of Members shall be held on Sunday, 21 May 2006 at the CFA Institute Annual Conference in Zurich, Switzerland;

FURTHER RESOLVED, that the 2006 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;

FURTHER RESOLVED, that the close of business on 13 March 2006 shall be the “Record Date” for determining members eligible to receive the 2006 Proxy Package, including the Notice of Meeting, Proxy Statement, and Proxy 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. UTC/GMT), Friday, 19 May 2006 shall be the “Deadline Date” for tabulating proxies received by Internet, facsimile, or mail;

FURTHER RESOLVED, that the CFA Institute Secretary is directed and authorized to send the Proxy Package to the Regular Members of CFA Institute on or about the “Mail Date” of 23 March 2006 and to take such action as necessary to implement the resolve of the Board;

FURTHER RESOLVED, that the submission of these changes to the CFA Institute Bylaws shall be conditioned upon approval of amendments to the Articles of Incorporation by the CFA Institute members; and

FURTHER RESOLVED, that upon approval of the amendments to the CFA Institute Articles of Incorporation set forth in the 2006 Proxy Package; the Secretary is authorized to file restated Articles of Incorporation with the Virginia State Corporation Commission incorporating the amendments approved by the CFA institute members.

Private Wealth Initiatives

The Managing Director of Planning and Professional Development noted that in May 2005 the Board decided not to pursue a Stand-Alone Private Wealth designation but to explore a more holistic approach by expanding PW offerings through enhanced educational products that include the CFA Program curriculum, professional development, linking with and helping to promote more in a society deliberative arena. Upcoming conferences and publications that will address PW content were highlighted for the Board.

In January, the PC endorsed the creation of the PW Advisory Committee which is composed of 15 members and recommends Gayle Buff, CFA, as committee chair. The purpose of the committee is to guide the development of the PW Body of Knowledge, explore means of delivering PW educational content to members, and encourage and support Member Societies in the development of PW educational programming. Committee members were chosen to assure representation across geography, firm size, and professional-responsibility spectrums, and from societies active in the delivery of PW product. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve Gayle H. Buff, CFA, to serve as Chair of the Private Wealth Advisory Committee for a term that will end on 31 August 2008.

Revision to CFA Program Conflict of Interest Policy 4

It was proposed that the CFA Program Conflict of Interest Policy 4 regarding restrictions on participation in review courses be amended to not include the trustees of the Research Foundation. The research published by the Research Foundation is intended for the membership worldwide, and on occasion may

be used by the Candidate Curriculum Committee; however, that is not their focus or intent. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve amending CFA Program Conflict of Interest Policy 4 and remove from the definition of key words the reference to the Research Foundation of CFA Institute.

Consent Agenda

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

Chair to the Retirement Investment Policy Committee

(Unanimously Approved)

- RESOLVED, that the Board of Governors accept and approve the appointment of Peter B. Mackey, CFA, to serve as Chair of the Retirement Investment Policy Committee for a two (2) year term or until his successor has been duly selected and qualified.

The following matters were informational only and presented in memorandum format in the Board binders:

- December Exam Results Report;
- Strategic Plan Update; and
- Financial Report.

Future Board Meeting Dates/Locations

Board meeting dates and locations were provided through the end of calendar year 2006. The fall meeting was moved to mid September to be held in conjunction with the Society Leadership Conference in Washington D.C. It was anticipated that a teleconference will be scheduled to review and approve the audited financial statements in November.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary