



Setting the global standard for investment professionals

**BOARD OF GOVERNORS
MEETING MINUTES
14 September 2006**

Notice: 6 September 2006

Governors Present:

Alida Carcano, CFA	Daniel S. Meader, CFA
Pierre Cardon, CFA	George W. Noyes, CFA
Jeffrey J. Diermeier, CFA	Nicola Ralston, FSIP
Vincent Duhamel, CFA (Chair)	Brian D. Singer, CFA
Margaret E. Franklin, CFA	John C. Stannard, CFA, FSIP
Emilio Gonzalez, CFA	Jose Luis Velasco, CFA
Monique E.M. Gravel, CFA	Ashvin P. Vibhakar, CFA
James E. Hollis, CFA	Thomas B. Welch, CFA
Samuel B. Jones, Jr., CFA	Teong Keat (T.K.) Yap, CFA
Stanley G. Lee, CFA	

Presidents Council
Representatives

Present:

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

Also Present:

Christine K. Andersen, CFA, Head, Wealth Management and Professional Development, CFA Institute*

Gale Buff, CFA, Chair of the Private Wealth Advisory Committee*

Lee E. Buttles, Director, Internal Audit, CFA Institute

Raymond J. DeAngelo, Managing Director, Member and Society, CFA Institute

Robert E. Denham, Chair of the Financial Accounting Foundation*

Robert J. DeSantis, President and COO of the Financial Accounting Foundation*

Joseph P. Lange, Corporate Secretary, CFA Institute

Peter B. Mackey, CFA, Head, Examination Development, CFA Institute*

Rebecca T. McEnally, CFA, Director, Capital Markets Policy Group, CFA Institute*

William P. McKeithan, General Counsel, CFA Institute

Timothy G. McLaughlin, CFA, Managing Director and Chief Financial Officer, Finance and Corporate Support, CFA Institute

Alan Meder, CFA, Chair of the Practice Analysis Task Force, CFA Institute*

Nitin M. Mehta, Managing Director, Europe, Middle East and Africa Operations, CFA Institute

* Present for Part of Meeting

Katrina F. Sherrerd, CFA, Managing Director, Planning and Professional Development, CFA Institute
John D. Stowe, CFA, Head, Curriculum Development, CFA Institute*
Jan R. Squires, CFA, Managing Director, Asia Pacific Operations, CFA Institute

Materials

Distributed

Prior to Meeting: CFA Institute Board Binder

Materials

Distributed

At the Meeting: Beijing, China Information for February Board Meeting
CFA Centre Sarbanes Oxley Act of 2002: Discussion Points
Facts about FASB 2005

Chair: Vincent Duhamel, CFA

Meeting Secretary: Joseph P. Lange

Financial Accounting Foundation

The Financial Accounting Foundation (FAF) Chair and President/COO gave a presentation on their organization and the relationship with CFA Institute. The purposes of the FAF were noted as follows:

- Establish and improve financial accounting and reporting standards;
- Educate constituents as to standards;
- Responsible for oversight, administration, and finances of Standards Boards and Advisory Councils;
- Select members of the Boards and Councils; and
- Protect independence and integrity of standard-setting process.

The following is the organizational structure of the FAF:

- Comprised of four groups
- Two Standard-Setting Boards
 - The Financial Accounting Standards Board
 - The Governmental Accounting Standards Board
- Two Advisory Councils
 - Financial Accounting Standards Advisory Council
 - Governmental Accounting Standards Advisory Council

CFA Institute is one of six financial organizations that nominate candidates to eight trustee slots and its role with the FAF was highlighted as follows:

- Continue to nominate effective and experienced trustees;
- Further strengthen the FAF/CFA Institute organizational relationship;
- Continued participation in FASB's due process; and
- Promote independent standard setting.

Looking forward the FAF plans to:

- Develop proper strategies to best position and align the organization;
- Further leverage Trustee capabilities;
- Strengthen nominating organization relationships;
- Foster a culture that enhances productivity;
- Prudently manage financial resources;
- Communicate importance of independence;
- Continuously assess efficiency and implement required changes; and
- Pursue permanent source of funding for GASB.

Board Committee Reports

The chair of the following Board committees gave reports on their recent activities.

Executive Committee (EC)

- Reviewed and updated the committee's FY 2007 objectives and milestones.
- Provided input on drafting guidance to the Nominating Committee.
- Reviewed the proposed decision-making framework between the Board and management.
- Adopted two new governance policies regarding auditing of existing governance policies and expectations of governors.
- Reviewed the process for selecting standard setters of the CFA[®] Program.
- Discussed the new governor orientation and ongoing training of existing Board members.
- Reviewed design structure and framework of reserve funds.
- Received trademark litigation updates.

Audit and Risk Committee (ARC)

- Approved the internal audit plan for 2007-2011.
- Received updated reports on the external audit and information security.
- Discussed the Committee's oversight responsibilities.
- Reviewed the preliminary year-end financial results.

External Relations and Volunteer Involvement Committee (ERVIC)

- Reviewed and updated the committee's FY 2007 objectives and milestones.
- Approved Marketing and Communications Committee slate of members and discussed other related matters.
- Received updated reports on professional development, Society Partnership Program Advisory Committee (SPPAG), and Presidents Council Representative (PCRs).
- Approved the nomination recommendation of John Neff, CFA, to serve another one-year term as the CFA Centre for Financial Market Integrity (CFA Centre) Advisory Council Chair.
- Discussed the membership job requirement guidelines.

Planning Committee (PC)

- Discussed the planning retreat and the vision statement.
- Received an updated report on Certificate in Investment Performance Measurement (CIPM) Report.

Presidents Council Representatives Report

The chair of the PCRs presented its report. Attila Koksál, CFA, from Turkey has been elected as the new PCR of the Europe, Middle East, and Africa (EMEA) East region. The PCRs and society services staff have been actively engaged in planning the Society Leadership Conference (SLC). Just fewer than 300 society leaders will be in attendance at the SLC representing 53 countries and 130 societies.

President and CEO Report

The President and CEO presented his report that highlighted the following areas:

- December Enrollments – Current December exam forecast 41,000 candidates compared to the FY 2007 budget of 36,000. The YTD figures represent a 36 percent growth rate from the prior year and the full year figure exceeds the budget by 14 percent. The June 2007 exam enrollments are below prior year levels due primarily to fewer Level III candidates because of the recent high Level III pass rate.
- CFA Centre Update – Drawing steadily increased attention from a variety of key groups, including regulators in the U.S. and elsewhere, legislatures, business groups, and the media.
- GIPS Update – Continues to move forward its work agenda. A revised Country Sponsor Agreement will be presented to the GIPS Executive Committee for discussion.
- Strategic Plan – The revised plan may not look too dissimilar to the prior plan, however, it is an important step forward with some sharper focus. It will provide a more effective platform to address our change portfolio for those in management that have to execute it and those on the Board who must provide oversight.
- Post-CFA Life Long Learning – Making some real progress with advancements being made in the Body of Knowledge and in developing ideas to bring concepts to the members.
- CFA Examinations – Mid-year examinations appeared to have been well received. Accomplishments of exam administration staff to near flawlessly deliver, administer, retrieve and grade all exams from 258 locations in 86 countries around the world.
- Website – Successfully launched the new CFA Institute website. The look and feel has been met with positive comments.

Consent Agenda

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

Appoint CFA Centre Advisory Council Chair

RESOLVED, that the Board of Governors accept and approve the appointment of John B. Neff, CFA, as Chair of the CFA Centre for Financial Market Integrity's Advisory Council for a one-year term beginning 1 September 2006 and ending 31 August 2007, 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:

- Certificate in Investment Performance Measurement (CIPM) Report;
- Products/Conferences Report; and
- Financial Report.

Adoption of the Revised Strategic Plan

The vice chair of the Board (past chair of the Planning Committee) presented the revised strategic plan. The FY 2007 strategic plan reflects:

- Input from the February 2006 Planning Retreat;
- Strategic direction from the Planning Committee;
- No change to the mission statement;
- Vision 2008 statement in new format with beliefs section;
- Strategic objectives include detailed bullets that clarify the high-level strategic direction statement; and
- A set of milestones that represent management's consensus on actions that will significantly advance the strategy.

The Planning Committee provided the following guidance:

- Be a mission-driven, member-oriented organization;
- The financial philosophy reflects primacy of "return on mission" and value proposition;
- Position CFA Institute as the gold standard for education and ethics in the investment Profession;
 - This initiative will cover CFA Program, CFA Centre, and lifelong learning.
- Exhibit a global mindset that supports our global organization;
- CFA Institute is committed to lifelong learning and continuing education; and
 - The Planning Committee will deliberate further on the "how" and handoff execution to another committee (if appropriate).
- CFA Institute needs to revisit its reserve policy.
 - The Planning Committee gave the Executive Committee a recommendation with specific attention to the endowment question.

The Board proceeded to discuss the mission, vision, and strategic objectives along with related milestones. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the FY 2007 Strategic Plan substantially in the form presented at this meeting.

Board/Management Decision Making Framework

The President and CEO provided an overview of the Board/management decision-making framework. The Board discussed a case study to see how the framework would function. The consensus from the group was that the framework could be useful tool in determining which matters were appropriate to be brought to the Board's attention.

Practice Analysis Report

The chair of the Practice Analysis Task Force presented its report. The purpose of the practice analysis is to:

- Provide a road map for the CFA Program;
- Establish content validity for curriculum and exams; and
- Link to the knowledge and skills needed by practitioners.

Areas of the practice analysis that were improved during 2004-2006 and the benefits from a rolling/ongoing practice analysis to CFA Institute and the societies were highlighted to the Board. Key items for success were noted as follows:

- Having practitioner involvement throughout the process;
- Internal consultant (staff), external consultant, and society involvement; and
- Periodically call into service a Practice Analysis Task Force.

The Board proceeded to discuss matters with the Task Force Chair.

Affirm the CFA Centre for Financial Market Integrity Position on “Short-Termism”

The President and CEO explained that the CFA Centre and the Business Roundtable Institute for Corporate Ethics co-sponsored a “Symposium Series on Short-Termism.” The purpose of these symposia was to address the issue of “short-termism” corporate and investment decision making based on short-term earnings expectations versus long-term value creation for all stakeholders from a unique cross group perspective. The Board was requested to show its support for the recommendations of the symposia participants which were thought leaders from the corporate issuer, analyst, asset and hedge fund manager, institutional investor, and individual investor communities.

The Board discussed the issue and the following resolution was passed with one opposed and three abstentions.

RESOLVED, that the Board of Governors supports the recommendations from the proceedings of the CFA Centre for Financial Market Integrity and the Business Roundtable Institute for Corporate Ethics Symposium Series on Short-Termism.

Private Wealth Advisory Committee Report

The chair of the Private Wealth Advisory Committee (PWAC) provided its report. PWAC is responsible for guiding the development of the CFA Institute Private Wealth Global Body of Knowledge, exploring and evaluating means of delivering PW educational content material to members, and encouraging and supporting Member Societies in the development of private wealth educational programming. The initial task of the PWAC has been to develop a Private Wealth Global Body of Knowledge (PW-GBOK) as follows:

- Builds on Candidate Body of Knowledge;
- Generalist to Specialist;
- Dependent upon practice analysis and input of members;
- Draft reviewed by committee members; and
- Draft posted on private Wealth Member Forum inviting comment.

The PW-GBOK is organized around five sub-domains that are globally applicable yet acknowledge regional differences:

- Investment Policy;
- Asset and Risk Capital Allocation;
- Implementation;
- Feedback; and
- Firm Management.

Private wealth information is being made available to the membership through web-based content delivery. New pages on the CFA Institute website provide access to the Private Wealth Forum and materials.

Future Board Meetings and Key Event Dates

The next Board meeting is scheduled to be held by conference call on 21 November 2006. Additional background information was provided for the February Board meeting to be held in Beijing, China.

Miscellaneous

The Board expressed its sincere appreciation to the Swiss CFA Society for its generous monetary donation to the CFA Institute 11 September Memorial Scholarship Fund. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors recognizes and thanks the Swiss CFA Society for donating \$25,000 of society revenues from the 2006 CFA Institute Annual Conference to the CFA Institute 11 September Memorial Scholarship Fund.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary