BOARD OF GOVERNORS
MEETING MINUTES
Grand Hyatt Beijing
3 February 2007

Notice:
24 January 2007

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

Governors Absent:
Monique E.M. Gravel, CFA
George W. Noyes, CFA

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

Also Present:
Chanitr Charnchainarong, CFA, President of the CFA Society of Thailand
Raymond J. DeAngelo, Managing Director, Member and Society, CFA Institute
Jaynee M. Dudley, Manager, Planning, CFA Institute*
Margaret M. Eisen, CFA, Managing Director, Marketing and Communications,
CFA Institute
Gary J. Felsten, Managing Director, Human Resources, CFA Institute
Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event Planning, CFA Institute*
Robert R. Johnson, CFA, Managing Director, Education Division,
CFA Institute
Joseph P. Lange, Corporate Secretary, CFA Institute
Peter B. Mackey, CFA, Head, CFA Examinations, CFA Institute*
William P. McKeithan, General Counsel, CFA Institute
Nitin M. Mehta, Managing Director, Europe, Middle East and Africa Operations,
CFA Institute
Thomas R. Robinson, CFA, Head, Educational Content, CFA Institute

* Present for Part of Meeting
Planning Session Summary Report

The chair of the Planning Committee summarized the feedback and recommendations received from the participants of the planning session that took place prior to this meeting. The following subject areas were discussed with the Board adopting the actions noted below:

- **Continuing Education** – The Board reaffirmed the organization’s strong commitment to continuing education (CE). At this time, the Board does not believe it is in the best interest of the members to pursue a mandatory CE program. It does support a simple and practical process for supporting CE commitment. The Board’s goal is to continue to explore options that improve the quality of education. A task force will be established to provide guidance on how best to serve the members’ needs on this matter by, among other things, reviewing the current Professional Development Program and Diary.

- **Work Experience Requirements for Regular Membership** – It was agreed that the CFA Institute Bylaws currently provides a reasonable overall definition of the work experience requirement, but the operational implementation should continue to evolve as the industry changes. Job categories and functions are dynamic and continued focus on how to effectively communicate qualifying experience, verify university degrees, and support the overall application process is needed. It was agreed that the work experience process and definition should have ongoing review with Board oversight by the External Relations and Volunteer Involvement Committee (ERVIC) at applicable intervals.

- **Member Value Proposition** – Results from the Harris survey were reviewed. CFA Institute conducted the survey to obtain member feedback on the organization’s products and services. The objective of the research is to understand the relative and monetary value members place on current and proposed products and services so that the organization can enhance the value it provides to members in an efficient, targeted manner.

**Asia Pacific Strategy**

The managing director of Asia Pacific Operations presented his perspectives and thoughts on a possible direction for CFA Institute in this region. It was explained that it is misleading to think of “Asia Pacific”
as though its identity has a set of unifying, defining characteristics. In reality the region is a very diverse with a far-flung set of local markets.

The basic objective is to promote, in a localized way whenever and wherever appropriate, the mission of CFA Institute in the Asia Pacific region. The organizing principles of how to potentially prioritize resources across markets along with a five-year vision of the organization in the region were outlined. Related action items over the course of the five years would entail building the structure and systems, as well as, developing the associated staffing and volunteer needs. Initial budget implications were also outlined.

The Board discussed and provided feedback on the strategy presented.

**India Litigation Report**

The General Counsel provided a historical overview and an update on the current status of the trademark litigation between CFA Institute and the Institute of Chartered Financial Analysts of India (ICFAI). In August of 2006, CFA Institute received a favorable ruling with the interim injunction order issued by the Delhi High Court. Settlement negotiations opened and ICFAI appealed the interim injunction order. The parties participated in the mediation talks directed by the Appeals Court, however, mediation failed and the case was returned to the Appeals Court. The appeal hearing is currently scheduled to take place in March. ICFAI activity undertaken since the end of mediation was discussed as well.

**Board Committee Reports**

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

**Executive Committee (EC)**
- Discussed the number of distractors used for multiple-choice and item set questions.
- Discussed standard setting at the Level III examination.
- Adopted the Investment Policy Statement for the CFA Institute 401(k) Plan.
- Updated on the CFA Institute departmental reporting and structure change.
- Received an India litigation report.

**External Relations and Volunteer Involvement Committee (ERVIC)**
- Received a Society Partnership Program Advisory Committee report.
- Received a Presidents Council of Representatives report.
- Discussed joint development of job categories and functional descriptions with the Job Practice Analysis.
- Reviewed minimizing type 2 errors with the reduction of job categories implemented by Gravel Report.

**Planning Committee (PC)**
- Planning session follow-up.
- Discussed establishing key words to describe CFA Institute and its major assets in order to present a consistent message to the public.
- Received a financial report.
Presidents Council Representatives Report

The chair of the PCRs presented its report. It was announced that Terence Burns, CFA, Jeff Matthias, CFA, and Marla Harkness, CFA, have been re-elected to second terms as PCR. Ralph Lehman, CFA, has been elected to succeed Kathy Chrisman, CFA, who is concluding her last term as a PCR. The Society Leader Award will be present to Jim Lyon, CFA, of the Los Angeles society.

President and CEO Report

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

- Alignment change consolidating the CFA Program and PD (educational segments) Divisions into one Educational Division. Hired a Head of Educational Content and a Head of Private Wealth.
- Alignment changes involving the Marketing and Communications division involves the creation of several new positions.
- Efforts to establish a China society are proceeding on several fronts.
- Europe, Middle East and Africa Operations are also taking shape but execution will require some patience as a number of positions need to be filled to provide basic services.
- New FAJ editor started on 1 December 2006.
- Several key positions still need to be filled within the organization. Due to the structure of the organization the New York area is a plausible location for recruiting qualified candidates to fill some of the open slots.

The Board Chair has requested the managing director of Human Resources to investigate best practice in determining the appropriate review process to utilize in evaluating the CEO this fiscal year. The Board will be kept posted on the process and structure as it comes together.

Global Investment Performance Standards Report

A historical overview was provided of the Global Investment Performance Standards (GIPS). The benefits of industry-created performance standards were noted as follows:

- Prospective Investors
  - Transparency and Confidence
  - Ethical Commitment - Professionalism
  - View as the norm
- Firms
  - Global Passport
  - Self-regulating
  - Enhance internal controls

The AIMR-PPS Standards were adopted in 1993. Then in 1999 the GIPS Standards were adopted as a global solution based on the AIMR-PPS Standards. The GIPS vision is as follows:

- A global investment performance standard leads to readily accepted presentations of investment performance that:
  - present performance results that are readily comparable among investment management firms without regard to geographical location, and
  - facilitate a dialogue between investment managers and their prospective clients about the
critical issues of how the investment management firm achieved performance results and determines future investment strategies.

**Awards Committee Report and Recommendations**

The chair of the Awards Committee presented its report and recommendations for year’s award recipients. The members of the Committee were as follows:

- John C. Stannard, CFA, FSIP (Committee Chair)
- Alida Carcano, CFA
- Jeffrey J. Diermeier, CFA
- Vincent Duhamel, CFA
- Daniel S. Meader, CFA

The aim of the Committee is to focus on the most deserving candidates and not to present every available award each year. A brief description of the awards and proposed recipients were highlighted to the Board. The following resolution was 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:

- Award for Professional Excellence – Jack Treynor
- Daniel J. Forrestal III Leadership Award for Professional Ethics and Standards of Investment Practice – Lee N. Price, CFA
- Alfred C. “Pete” Morley Distinguished Service Award – Theodore R. Aronson, CFA
- C. Stewart Sheppard Award – Frank J. Fabozzi, CFA
- Special Service Award – Charles S. Comer

**Nominating Committee Report and Recommendations**

The chair of the Nominating Committee (NC) presented its report and nominee recommendations for officer and governor terms beginning fiscal year 2008. The members of the Committee were as follows:

- John C. Stannard, CFA, FSIP (Committee Chair)
- Anthony Cagiati, CFA
- Frank C. Dohn, CFA
- Vincent Duhamel, CFA
- James E. Hollis, CFA
- James G. Jones, CFA
- William R. Warnke, CFA

The Committee acted independently and utilized the guidance provided by the Executive Committee and CFA Institute Bylaws. The following criteria were reviewed by the Committee during its screening process to determine potential candidates for the governor positions:

- No reduction to board size (19 governors – 18 elected and the President/CEO).
- Due consideration to governor reappointments.
- Seek industry leaders in the profession.
The following resolution was approved with Mr. Gonzalez and Mr. Singer abstaining from the vote for Chair and Vice Chair and Ms. Franklin, Mr. Jones, and Mr. Singer 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 9.2 of the CFA Institute Bylaws, the nominations of Emilio Gonzalez, CFA, and Brian D. Singer, CFA, to the offices of Chair and Vice Chair is approved;

FURTHER RESOLVED, that pursuant to Article 9.2 of the CFA Institute Bylaws, the nominations of Mark J.P. Anson, CFA, Margaret E. Franklin, CFA, Samuel B. Jones, Jr., CFA, Jeffrey D. Lorenzen, CFA, and Brian D. Singer, CFA, as governors are approved.

Annual Meeting of Members

The General Counsel submitted the proxy package for the Annual Meeting of Members for review and approval. It was explained that last year the proxy statement had been enhanced by providing more disclosure materials, thereby, moving it closer to a corporate model format. This year continuing with CFA Institute’s commitment to more transparency and by following the SEC guidelines, not only will the proxy statement contain the Chief Executive Officer’s compensation it will also include the compensation of the Chief Financial Officer and three other of the most highly compensated executives in the organization.

In order to make proxy solicitation more effective and cost efficient, beginning this year members may elect to forgo receiving proxy materials by traditional mail and opt to receive notification of member meetings electronically with access to proxy materials and casting proxies made available over the Internet. Members who do not opt for electronic notification and delivery will continue to receive proxy materials by mail. The following resolution was passed unanimously.

RESOLVED, that the CFA Institute Annual Meeting of Members shall be held on Sunday, 29 April 2007 at the CFA Institute Annual Conference in New York, U.S.A.;

FURTHER RESOLVED, that the 2007 Proxy materials, 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 20 February 2007 shall be the “Record Date” for determining members eligible to receive the 2007 Proxy materials, 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, 27 April 2007, 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 materials to the Regular Members of CFA Institute on or about the “Mail Date” of 1 March 2007 and to take such action as necessary to implement the resolve of the Board.

Consent Agenda

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

Adopt New Vision Statement
  o RESOLVED, that the Board of Governors accept and approve the revised Vision Statement substantially in the form presented at this meeting.

Appoint Standards of Practice Council Chair
  o RESOLVED, that the Board of Governors approve the appointment of Toshihiko Saito, CFA, as Chair of the Standards of Practice Council for a one (1) year term beginning 1 September 2006 and ending 31 August 2007, or until his successor is selected and qualified.

Appoint Research Foundation Executive Director
  o RESOLVED, that the Board of Governors appoint Robert R. Johnson, CFA, to serve as Executive Director of the Research Foundation.

The following matters were informational only and presented in memorandum format in the Board binders:
  o December Exam Results Report
  o Strategic Plan Report
  o Financial Report

Future Board Meetings and Key Event Dates

Board meeting dates and locations were provided through the end of calendar year 2007 with the next meeting scheduled to take place on 29 April 2007 in New York.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary