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**BOARD OF GOVERNORS
MEETING MINUTES
11 October 2007
Washington, D.C.**

Notice: 3 October 2007

Governors Present: Mark J.P. Anson, CFA Stanley G. Lee, CFA
Alida Carcano, CFA Jeffrey D. Lorenzen, CFA
Pierre Cardon, CFA Daniel S. Meader, CFA
Jeffrey J. Diermeier, CFA George W. Noyes, CFA
Margaret E. Franklin, CFA Nicola Ralston, FSIP
Emilio Gonzalez, CFA (Chair) Brian D. Singer, CFA
James E. Hollis, CFA Thomas B. Welch, CFA
Samuel B. Jones, Jr., CFA Teong Keat (T.K.) Yap, CFA

Governors Absent: Vincent Duhamel, CFA John C. Stannard, CFA, FSIP

Presidents Council
Representatives

Present: Terence E. Burns, CFA Attila Koksai, CFA
Kathleen C. Chrisman, CFA Ralph Lehman, CFA
Marla L. Harkness, CFA Todd Parker Lowe, CFA (Chair)
Helmut Henschel Jeffrey Matthias, CFA
Jan Jackrel, CFA Joni K. Pierce, CFA

Also Present: John L. Bowman, CFA, Head, Education Products, CFA Institute
Lee E. Buttles, Director, Internal Audit, CFA Institute
Michael K. Dalton, Managing Director, Information Technology, CFA Institute
Raymond J. DeAngelo, Managing Director, Member & Society, CFA Institute
Denise M. Farkas, CFA, Co-Chair, Continuing Education Task Force,
CFA Institute*
Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event,
CFA Institute
Robert R. Johnson, CFA, Managing Director, Education Division, CFA Institute
Rahul Keshap, Associate General Counsel, CFA Institute
Christine J. Krecek, Strategic Planning Administrator, 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 and Corporate Support, CFA Institute

* Present for Part of Meeting

Nitin M. Mehta, Managing Director, Europe, Middle East and Africa Operations,
CFA Institute
Janet T. Miller, CFA, Co-Chair, Continuing Education Task Force,
CFA Institute*
Thomas R. Robinson, CFA, Head, Educational Content, CFA Institute
Kurt N. Schacht, CFA, Managing Director, CFA Institute Centre for Financial
Market Integrity
Jan R. Squires, CFA, Managing Director, Asia Pacific Operations, CFA Institute
Ashvin P. Vibhakar, CFA, Deputy Head, Asia Pacific Operations, CFA Institute
Guy P. Williams, Head, Finance and Risk Management, CFA Institute

Materials

Distributed

Prior to Meeting: CFA Institute Board Binder

Materials

Distributed

At the Meeting: Preliminary Outline for Sydney Meetings

Chair: Emilio Gonzalez, CFA

Meeting Secretary: Joseph P. Lange

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 (EC)

- Reserve Funds
 - Approved additional revisions to the Investment Policy Statements adopted in July for the Contingency Fund and Business Opportunity Fund.
 - Discussed the appropriate use and thoughts on a process to handle situations where there are excess funds to the reserves. Management instructed to develop a plan with the input provided and return to the EC for additional review.
- Professional Conduct Program
 - Discussed developing the appropriate process to ensure that management, Executive Committee, and/or the Board are adequately informed of matters that could potentially have reputational or financial impact on the organization.
- Provided an India litigation update.
- Reviewed the Oversight committee's objectives and milestones for fiscal year 2008.

Audit and Risk Committee (ARC's)

- Completed all of last fiscal year's objectives and milestones noting ARC's focus on enhancing the processes for risk management and internal audit.
- Approved objectives and milestones for the fiscal year 2008.
- The law firm of Hunton & Williams gave a presentation on the responsibilities of directors as specifically attributable to ARC's function.

External Relations and Volunteer Involvement Committee (ERVIC)

- Approved objectives and milestones for fiscal year 2008.
- Discussed emerging and rapid growth societies noting the need for feedback from SPPAG and management as this matter is developed and framed.
- Approved several reoccurring procedural matters.

Planning Committee (PC)

- Handled various routine matters.
- Prime initiative is developing the 2012 Vision and the next four-year Strategic Plan. Summarized the timeline of the planning process for developing and approving the 2012 Vision and noted the associated focus-group meetings being scheduled over the next couple of months.
- Approved objectives and milestones for fiscal year 2008.

Presidents Council Representatives Report

The chair of the Presidents Council Representatives (PCRs) provided a few brief remarks to supplement his written report. Highlighted was the global/cross representation turnout at this year's Society Leadership Conference. Approximately 270 individuals representing 128 societies in 53 countries were in attendance.

CEO Report

The CEO provided a few brief remarks to supplement his written report. The following matters were noted:

- Overview of issues identified from the CFA Institute staff employee survey.
- ARC recently discussed and was supportive of multi-currency bill payment. Management was reviewing to make sure that the organization has the competencies to successfully implement multi-currency payment.
- Discussed advertising brand management and noted that a new ad agency (Doremus) had been obtained is believed to better understand the subtleties of CFA institute and will help position the organization in electronic and print media more appropriately.
- Discussed CFA Institute Centre activities and stated that the organization will become a sponsor and accepted a board position on XBRL U.S.
- CFA Institute recently released to the membership the members' compensation survey.
- Provided a summary of his Latin America trip. Charterholder penetration is low and outside of Brazil the markets are small.
- Compensation Committee along with the CEO has determined to share responsibilities of the position of President and CEO with a second management individual. The person to assume this new role was identified as Robert R. Johnson, CFA, with his actual new title to be determined. Mr. Johnson's current division and management committee members are very supportive of the appointment.

India Litigation Update

The General Counsel briefed the Board on the latest litigation developments taking place involving the Institute of Chartered Financial Analysts of India (ICFAI) and All India Council for Technical Education (AICTE). The following matters were noted:

- Writ Petition fully vetted awaiting Delhi High Court ruling on whether the CFA exam will be able to be administered in India come December.
- Interim injunction involving trademark matters issued by the Delhi High Court last year in CFA Institute's favor is currently under appeal by ICAI with additional hearings scheduled for late October. ICAI has been instructed in a recent hearing to comply with an interim injunction order, both in letter and spirit.
- The U.S. default judgment issued by the Eastern District Court of Virginia in CFA Institute's favor in 1998 has been recently reinstated after being set aside with the order now being appealed by ICAI.
- Ongoing technical and procedural motions noted.

FY 2007 Year-End Financial Report

The Chief Financial Officer provided an overview to the materials provided in the Board binder. Background and the timeline for completing the annual audit were outlined. The November Board teleconference will be when ARC presents its recommendation for approval of the financial statements.

CFA Institute experienced a significant surge in new CFA Program exam registrations in FY2007 with resulting revenues exceeding budget by \$7.4 million. Lower expenses that resulted from open staff positions and lower than expected professional service and regional office expenses were offset by CFA Day activities, Candidate volume related exam administration costs, increased society relations activities and increased litigation, resulting in a \$3.3 million budget variance. These results yield an operating margin that is \$4.1 million better than budget. However, reduced expenses due to open positions are not ideal given the importance of those functions to achieving our mission objectives.

The following aspects of the financial results were noted:

- CFA Institute had 137,000 CFA Program candidates net the 3,200 Indian candidates that received refunds.
- 3,500 members over budget with 14,000 or so additional candidates.
- CFA Program revenue from exam fees noted an increase of \$13.8 million.
- CFA Institute Centre cost up slightly due to additional committee costs.
- India litigation costs went up.
- Subscriptions and publication sales were down \$0.5 million.
- CIPM candidates were on budget.
- For FY2008, 4,000 candidates ahead of budget, slightly down for June.
- Forecast of 165,000 candidates and 99,400 members for FY2008.

CFA Institute Centre Report

The managing director of the CFA Institute Centre for Financial Market Integrity discussed its recent activities. The following key industry topics were highlighted:

- Speaking out for investors' shareholder access through director selection process.
- Improving market integrity with: Regulation and Roles of Self-Regulation; Continued Viability of SROs; Globalization and Consolidation of Markets; and Demutualization of Markets.
- Promoting self-regulation for hedge funds standards (Asset Manager Code).
- Educating investors with additions to the Corporate Governance manual.

- Providing thought leadership with Financial Reporting in 21st Century: New Accounting Model.
- Providing standards for the world through GIPS.
- Pending projects were highlighted along with EMEA region and APAC region focus noted.

The Board discussed several of the ongoing CFA Institute Centre projects. It was noted that the ethics-training program was exceeding supply. The Board proceeded to unanimously pass the following resolutions.

Appoint CFA Institute Centre Advisory Council Chair

RESOLVED, that the Board of Governors approve the appointment of Alan J. Brown as Chair of the CFA of the Institute Centre for Financial Market Integrity Advisory Council for a one-year (1) term beginning 1 September 2007, or until his successor has been duly selected and qualified.

Appoint Capital Markets Policy Council Chair

RESOLVED, that the Board of Governors approve the appointment of Denise M. Farkas, CFA, as Chair of the Capital Markets Policy Council for a one-year (1) term beginning 1 September 2007, or until her successor has been duly selected and qualified.

Continuing Education Task Force Report

The co-chairs of the Continuing Education (CE) Task Force presented its report and recommendations. The Task Force was initiated to review the overall continuing education program that CFA Institute offers (currently know as the Professional Development Program) and to make recommendations for the next steps in the evolution of the program. The guiding principles for the Task Force were noted as follows:

- Keep it simple.
- Program should be user friendly.
- Make sure the program is relevant and cost efficient for members to support their efforts in lifelong learning.
- Without accountabilities and good execution, the program will fail.
- Program must be credible to both members and outsiders.
- Trust the members.

The Task Force reviewed the existing plan and recommended that CFA Institute redesign the current voluntary PD Program to better meet the needs of organization's members. The Task Force recommended that a voluntary program be re-branded as the Continuing Education (CE) Program.

The Task Force also proposed that participation in the CE Program consist of an attestation by the member that they have met the minimum annual CE educational recommendation of the program. Record keeping will be encouraged utilizing convenient online tools (CE Diary) but not required and the program will explicitly note that there will be no audit process. Participation will be based on the ethical guidelines set forth in the Code of Ethics and Standards of Professional Conduct regarding the member's responsibility to "Maintain and improve their professional competence," and the foundation of the program will be to trust in our members regarding their continuing education efforts.

Core elements of the revised CE Program were further explained to include:

- Structure-20 hours of qualifying education per year, including 2-hour ethics component.

- Content-CFA Institute and third party products, explore additional partner products that provide relevant information.
- Participation and Attestation-Participation should be encouraged with attestation based on the honor system.
- Incentives and Penalties-Certificates and listing of participation, employer letters, enhanced member directory listing participation, and incentive points system.
- Audit-Seen as a disincentive for participation, no longer part of the program.
- Record Keeping and PD Diary-encouraged, but not required.

The Planning Committee unanimously endorsed the CE Task Force recommendations for a revised CE Program.

The Board proceeded to discuss the proposal. The CEO emphasized that the revised CE Program adheres to CFA Institute's position statement on continuing education:

At this time, the Board does not believe it is in the best interests of our members to pursue a mandatory CE program. However, the Board does support a simple and practical process for supporting CE commitment. Accordingly, we endeavor to continue to explore options that improve the quality of education with a goal of providing a robust and dynamic voluntary CE Program. The staff of CFA Institute is charged with further developing our educational programs, identifying external programs, and making optimal use of Society programs and products to be of added relevance and efficiency for our time-constrained members.

The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the recommendations of the Continuing Education Task Force for a revised Continuing Education Program substantially in the form presented.

Education Advisory Committee

The head of Education Content explained that in July the Board approved the restructuring plan of the educational committees to better align committee input on content and products with the lifelong learning needs of members and candidates. The Board was requested to approve the charter for the Education Advisory Committee and appoint the initial members to serve on the Executive Advisory Board of the Education Advisory Committee.

It was noted that the Board previously appointed Matthew H. Scanlan, CFA, as chair of the Executive Advisory Board on 29 August 2007. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Charter for the Education Advisory Committee substantially in the form presented; and

FURTHER RESOLVED, that the following individuals are appointed to serve on the Executive Advisory Board of Education Advisory Committee for a one (1) year term commencing 1 September 2007 and until his/her successor is chosen and qualified.

Alan M. Meder, CFA
Mark Henning, CFA

Giuseppe Balocchi, CFA
Samantha McConnell, CFA
S.V. Balachander, CFA
Andrew Abouchar, CFA
Richard Ennis, CFA
Frank K. Reilly, CFA
Gabriele Montalbetti, CFA
Farhan Mahmood, CFA
Denise M. Farkas, CFA

Consent Agenda

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

Authorize Signatory to CFA Institute Accounts

RESOLVED, that the Board of Governors accept and approve that Jean A. Cash in her capacity as Managing Director, Human Resources, shall be added as an authorized signatory on all CFA Institute accounts listed below.

Main Checking Account
Controlled Disbursement Account
Imprest Account
Dreyfus Money Market Fund
Mutual Funds – CFA Institute Portfolio
Mutual Funds – CFA Reserve Portfolio
Checking Account – Hong Kong
Checking Account – Malaysia
Checking Account – London

Board Meeting Minutes

RESOLVED, that the Board of Governors accept and approve the following meeting minutes substantially in the form presented.

11 July 2007 – Executive Session (MPS Level I)
20 July 2007 – Executive Session (MPS Level II and III)
20 July 2007 – Open Session
29 August 2007 – Open Session

Future Board Meetings Schedule

The Chair reviewed the upcoming meeting dates and time with the Board. A preliminary event plan was distributed for the February meetings slated to be held in Sydney.



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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary

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