



Setting the global standard for investment professionals

**BOARD OF GOVERNORS  
MEETING MINUTES  
11 May 2008  
Vancouver, Canada**

Notice: 1 May 2008

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
Vincent Duhamel, CFA	Nicola Ralston, FSIP
Margaret E. Franklin, CFA	Brian D. Singer, CFA
Emilio Gonzalez, CFA (Chair)	John C. Stannard, CFA, FSIP
James E. Hollis, CFA	Thomas B. Welch, CFA
Samuel B. Jones, Jr., CFA	Teong Keat (T.K.) Yap, CFA

Incoming Governors

Present:

Saeed Al-Hajeri, CFA	Jane Shao, CFA
Alan M. Meder, CFA	Roger Urwin

Presidents Council

Representatives

Present:

Terence E. Burns, CFA	Ralph H. Lehman, CFA
Sharon L. Criswell, CFA (Incoming)	Todd Parker Lowe, CFA (Chair)
Janine C.K. Guenther, CFA (Incoming)*	Richard Mak, CFA
Elizabeth Hamilton-Keen, CFA	Jeffrey T. Matthias, CFA
Marla L. Harkness, CFA	Nanci D. Morris, CFA (Incoming)*
Helmut Henschel	Joni K. Pierce, CFA
Jan Jackrel, CFA	Mohammad Shoaib, CFA (Incoming)
Attila K. Koksál, CFA	

Also Present:

C. Jeannie Anderson, Associate General Counsel, CFA Institute  
Jean A. Cash, Managing Director, Human Resources, CFA Institute  
Michael K. Dalton, Managing Director, Information Technology, CFA Institute  
Raymond J. DeAngelo, Managing Director, Member and Society, CFA Institute  
Margaret M. Eisen, CFA, Managing Director, Marketing and Communications, CFA Institute\*  
Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event, CFA Institute  
Robert R. Johnson, CFA, Deputy CEO and Managing Director, Education Division, CFA Institute

\* Present for Part of Meeting

Rahul Keshap, Director Operations, Asia Pacific Office, CFA Institute  
Christine I. Koppel, CFA, Designated Officer, Professional Conduct Program,  
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  
Nitin M. Mehta, Managing Director, Europe, Middle East and Africa Operations,  
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: CFA Institute Centre Update PowerPoint  
Revised Consent Agenda Resolutions  
Summary of Breakout Session from Sydney Planning Retreat

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)

- A performance evaluation has been distributed to the governors to comment and rate the Board on a number of factors surrounding strategy, governance, and performance of the members as a whole. Responses collected from the evaluation will be presented and next steps discussed during the July meetings.
- The CEO and Senior Management Directorship Policy has been finalized and is on the agenda for approval at this meeting.
- Continued discussions on the concept of establishing regional advisory councils. One of the primary purposes noted for establishing these councils is to solicit input from thought leaders and senior individuals within different regions to ensure that the Board is receiving the appropriate global perspective to make decisions at both an operational and board level. Another purpose identified is to cultivate future governor candidates from the individuals that serve on these potential councils to ensure global representation on the Board.

- One of the topics that came out of the planning retreat breakout sessions in Sydney was regarding the complexities of the investment profession globally and movement towards greater specialization. It was determined that the Planning Committee should be tasked with framing the pros and cons of specialization programs and other related issues for the Board to consider with regards to additional designations.
- Presented with the DRC annual report.
- Received a report on security of test examinations.
- Updated on project to identify potential regulatory and risk issues resulting from CFA Institute conducting operations in other jurisdictions.
- Governor mentor program discussed and incoming new governor mentors identified.

#### Audit and Risk Committee (ARC)

- Brief overview of the Committee's role and responsibilities were noted for the new incoming governors. The Committee oversees the risk and controls framework for CFA Institute. Their purpose is to understand all aspects of the day-to-day functioning of the organization and identify areas of risk and highlight those to management for review. The internal audit process is a key component with approximately nine audits completed annually with detailed reports presented to the Committee covering such areas as exam development, curriculum, and internal financial controls. Another important role for the Committee is overseeing the external auditor function. PricewaterhouseCoopers (PwC) is the organization's current external auditor. With the latest financial audit completed this past November two items were highlighted for further analysis and review. First, the level of unfilled CFA Institute staff positions was identified and has now been addressed with some very proactive action. Second, the implementation of the Siebel database project caused some delays in finalizing the audit because of timing issues. Other areas noted as reviewed regularly by the Committee were risk management, compliance, exam security, and financial reporting.

#### External Relations and Volunteer Involvement Committee (ERVIC)

- The CFA Institute volunteer process was discussed in terms of gathering information on potential volunteers and providing relevant information on the website. Several recommendations were suggested by the Committee with further improvements forthcoming.
- SPAGG presented its society partnership program update along with a proposed funding model. The Committee was pleased with the funding model and made a few language changes to accurately reflect what they were trying to achieve. SPAGG was also granted a term extension to its charter until February 2009 to complete its objectives.
- The Committee supported and provided feedback on the concept of establishing for strategic reasons local member organizational structures in certain regions. Further discussion and an example of such an organizational structure scheduled for review at the July meeting.

#### Planning Committee (PC)

- It was noted that in a typical year the Committee oversees the CFA Institute budget process and progress made towards the current strategic plan. This year involved a third project of developing the next four year strategic plan.
- Reviewed the participant feedback received on the planning retreat breakout sessions. It was suggested that the allotted amount of time should be increased for future planning sessions.
- Reviewed the organization's annual budget process.
- Began initial discussion on the matter of specialization and the investment profession.

### **Presidents Council Representatives Report**

The chair of the Presidents Council Representatives (PCRs) provided a few brief remarks to supplement his written report. It was explained that Jeff Matthias, CFA, will be resigning his PCR appointment to accept a CFA Institute staff position as director of society strategy and design. Planning has begun to conduct training for the five new incoming PCRs during the July meetings.

### **CEO Report**

The CEO provided a few brief remarks to supplement his written report.

- Jan Squires, CFA, three-year tour as head of the Asia Pacific region comes to a conclusion at the end of August. He will return to Charlottesville to head up the new Interactive and External Relationships division. This division stems as a direct outgrowth of the Vision 2012 strategic plan relating to web design, web interactive activity, and member outreach.
- Bob Johnson, CFA, will move into full-time duties as Deputy CEO responsible for client, product, and information technology. Tom Robinson, CFA, will head up the Education division and join the Management Committee. The Management Committee will now consist of 11 members.
- Management is pleased with and received the information it needed from the Vision 2012 planning process.
- Will begin talking more about the balance scorecard concept as a way to try to organize some key metrics of the organization.
- Recently held an investor education round table in New York to determine if there is an opportunity for the organization to develop retail or individual investor awareness about CFA Institute. Currently in the process of gathering feedback from the participants.
- Highlighted recent new staff hires.

A Board member inquired if the investor education initiative was only focused on the United States and suggested that CFA Institute collect information globally then try to do something in this field. It was explained that the desire is for the initiative to be global in nature.

The Board noted that when possible to avoid scheduling of the CFA Institute Annual Conference and related meetings over Mother's Day.

### **CFA Institute Centre for Financial Market Integrity Report**

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

- The Pension Trustee Code of Conduct was developed with help and participation of global experts and pension organizations from all over the world.
- The ESG compliments the Corporate Governance "suite." Bloomberg has decided to upgrade its subscription service to provide more detailed information about ESG issues and offered the opportunity to come and launch this product as part of the unveiling of their new subscription service in July.
- The next generation of Financial Market Integrity Index surveys have been upgraded and expanded to include six different countries and for the first time included the Asia Pacific market. It is believed that this will become a very strong branding piece for the organization.

The Board was also briefed on the Centre's activities and staffing in EMEA and APAC regions.

A Board member requested that the group be kept informed of the Centre's planned publication releases over the course of the year.

### **India Update**

The deputy head of the Asia Pacific operations briefed the Board on the latest developments in India. CFA Institute filed its appeal over not being allowed to administer the CFA Program exams and having to register with the All India Council for Technical Education (AICTE). The organization has submitted its application to be registered with the AICTE, which is now under consideration. Will continue to work on building relationships with government agencies, as well as, the corporate side.

### **Global Branding and Communications Campaign**

The managing director of Marketing and Communications presented the new global branding and communications campaign. Research has shown that there is a limited perception of CFA Institute as just a credentialing organization. The goal is to elevate the organization on the global map with our key constituencies. In 2007, a project was undertaken to determine how to speak with one voice when describing CFA Institute. After reviewing press coverage and branding research key words were identified that were associated with the organization. In addition, a new advertising agency (Doremus) was selected with the requirement that they be able to communicate the value and distinction of CFA Institute beyond the charter. The agency identified four attributes or virtues to describe the organization; ethics, tenacity, rigor, and analytics. The new communications campaign was built on these virtues and demonstrates them with charterholders who have been significant contributors to CFA Institute, seasoned investment professionals with diverse backgrounds, expansive interests, and multi-dimensional personalities. Eight new print ads were noted to the group along with the timeline/media plan for the initial rollout of the campaign.

CFA Institute has recently conducted a global brand awareness study with the objective to assess where the organization is in terms of global brand awareness among investment professionals and academics. The organization GFK conducted the research with phone interview in ten countries: U.S., Canada, U.K., Switzerland, France, Germany, Russia, Japan, China, and Korea. Initial findings were shared with the Board.

Several Board members had questions about the research results especially with some of the country data that showed greater organization recognition than with the credential. It was explained that additional insight behind this information showed that there is not necessarily a disconnect.

The Board inquired as to the history behind the identification of the key words used in the ads and its role in vetting them. The group also questioned why the North American spelling of one of the key words was used in different country/regional releases of the ads. The PCRs noted that there was some concern voiced on the society level as to the meaning of one of the key words when used in non-North American countries.

The Board requested that staff take into consideration the comments mentioned and review the campaign accordingly.

## Vision 2012 Strategic Objectives

The Chief Planning Officer began the presentation on the Vision 2012 strategic objectives. Development of the new strategic plan has incorporated input from members, volunteers, industry leaders, societies, PCRs, and Board members. Sessions with luminaries in the investment industry in New York, London, and Hong Kong provided input about the future of the investment industry, as well as insight about opportunities for the future role of CFA Institute. This input and global industry research served as the platform for retreat discussions with the Board and the PCRs in the February 2008 meetings in Sydney.

Subsequent to the Sydney retreat, the Management Committee crafted five strategic objectives to steer the strategic path of CFA Institute for the next four years. The Planning Committee has since reviewed and approved the 2012 strategic objectives as follows:

### Strategic Objective 1 - The CFA Program

Enhance the CFA charter's position as the global gold standard by providing a curriculum and examination program that reflects the increasingly complex nature of the global investment environment, and promote broad understanding of that dynamic.

### Strategic Objective 2 - Educational Content

Create and source quality educational content aligned with the Global Body of Investment Knowledge to provide sufficient depth and breadth to help our members maintain and improve their life-long professional competence.

### Strategic Objective 3 - Engaging Members through Technology

Create an active relationship with members through technology by providing convenient, personalized access to relevant, dynamic resources and services that meet their professional needs.

### Strategic Objective 4 - Global Presence

Further our development as a truly global organization by ensuring a sustainable market presence, cultivating meaningful relationships with industry leaders and influencers, and developing leadership globally.

### Strategic Objective 5 - CFA Institute Centre

Refine the CFA Institute Centre for Financial Market Integrity structure and process to be an increasingly effective member advocate and proponent of ethical and professional standards for global capital markets.

Also highlighted in the strategic plan was the important role of societies noted with the inclusion of following language:

A strong network of partner societies plays an integral role in advancing our strategic objectives.

It was the consensus of the Board that the five strategic objectives should not be numbered so as not to convey the appearance of a ranking order of importance.

The Board reviewed at length the issue of ethics (promotion and training) and how it does not appear in the strategic objectives. The group noted that ethics does fall under the purview of the CFA Institute Centre; however, given the mantra of the organization perhaps ethics should have a greater emphasis in

the strategic objectives. It was also suggested that the language “cultural understanding” be included the strategic objective regarding global presence.

After further discussion, the Board passed the following resolution with one abstention, and one objection.

RESOLVED, that the Board of Governors accept and approve the Vision 2012 strategic objectives substantially in the form submitted at this meeting.

The Planning Committee was instructed to review how the ethics component fits in the strategic plan and report back to the Board in July.

### **Member Society Structure in China**

The managing and deputy managing directors of the Asia Pacific operations lead the discussion on the issue of member society structure in China. The number of CFA charterholders in Mainland China has rapidly increased to a current level of 1,200+, and current candidate registrations are in excess of 13,000 to date for FY08. Candidate registrations for June 2008 now exceed registrations for June 2007 and extensive growth is expected to continue. Currently, there is no local society in China to provide these members and candidates with a variety of services, products, and support. For the past several years, CFA Institute has explored a variety of options for establishing a society in China, such as achieving recognition as a social group, identifying a Chinese government partner, aligning with a Chinese university partner, and establishing alternative forms of operating business entities in China. In each case, CFA Institute has been unable to create a traditional society entity because of Chinese government restrictions on foreign entities and social organizations and/or difficulties associated with finding a high-level Chinese entity to take responsibility for sponsoring us through the organizing process. Thus, there is a greater need than ever to find a solution that will facilitate a “society like” experience for Mainland China charterholders.

The Board is requested to adopt the concept of forming a Hong Kong-based local limited company that will in turn establish representative offices in China to conduct the various activities that are traditionally the purview of a local member society. It was noted that this proposal was endorsed by ERVIC.

The Board proceeded to discuss the proposal. As for identifying risk related issues it was explained that advocacy activities should not be undertaken by the representative offices. It was also stated the representative offices would not use the term or be referred to as a society. Staff noted that there would always be some level of risk associated when operating in China and for that matter other jurisdictions. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the concept of forming a Hong Kong based Local Limited Company that will establish representative offices in China to conduct the various activities that are traditionally the purview of a local member Society of CFA Institute substantially in the form submitted at this meeting.

### **CEO and Senior Management External Directorship Policy**

The Chair explained that the need for developing the CEO and Senior Management External Directorship Policy came about as a result of the CEO being solicited to serve in a directorship capacity on the board of a publicly held company. The Executive Committee considers it appropriate for the CEO and senior management to have the opportunity to sit on external boards as directors as it provided valuable experience and an opportunity to broaden their own skills and knowledge that would benefit CFA Institute. In drafting the policy, five key points were identified as needing to be addressed. These were: conflicts of interest, reputational risk, transparency, time commitment and treatment of fees. In assessing these five key areas, the Executive Committee sought input from the Board of Governors, external advice, as well as internal and external counsel.

The recommended policy is that in the case of the CEO all external directorship appointments be approved by the Executive Committee and subsequently advised to the full Board and in the case of senior management the CEO has the authority to approve such appointments but to advise the Executive Committee of such appointments. An individual should disclose when first approached to serve in a directorship capacity covered under the policy and each appointment shall be considered on a case-by-case basis and assessed against the guidelines and directions as outlined in the policy. In assessing the appropriateness of external directorship appointments the approval must consider conflicts of interest, potential for reputational risks, and the time commitment required in addition with other external appointments that may hinder the individual's ability to fulfill their duties and responsibilities to CFA Institute. It was also agreed that it would be appropriate for fees earned from directorships be retained by the individual. The Executive Committee also felt that it was important to provide transparency and that external board appointments be disclosed on the CFA website and/or the CFA magazine.

The Board discussed the proposed policy and emphasized that directorship appointments do not convey any type of CFA Institute endorsement of one company over another company. It was also explained that senior management members that assume directorships would be obliged to disclose to the CEO fees earned from such appointments. The following resolution was passed with one abstention.

RESOLVED, that the Board of Governors accept and approve the CEO and Senior Management External Directorship Policy substantially in the form submitted at this meeting.

### **Consent Agenda**

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

#### Research Foundation

RESOLVED, that Emilio Gonzalez, CFA, is authorized to vote on the behalf of CFA Institute as the sole Voting Member of the Research Foundation at its annual meeting of members;

FURTHER RESOLVED, that Emilio Gonzalez, CFA, is authorized to vote for the approval of William Fung to serve as an Elected Trustee for a three (3) year term commencing 1 September 2008;



FURTHER RESOLVED, that Emilio Gonzalez, CFA, is authorized to vote for the approval of Frank K. Reilly, CFA, to serve as Trustee *Emeritus* for a continuous life term commencing 1 September 2008; and

FURTHER RESOLVED, that Emilio Gonzalez, CFA, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

GIPS Executive Committee

RESOLVED, that the Board of Governors accept and approve the revised GIPS Executive Committee Constitution and Operating Policies and Procedures substantially in the form presented.

Retention of External Auditor

RESOLVED, that the Board of Governors accept and approve the retention of PricewaterhouseCoopers as the external financial auditor for CFA Institute for the year ending 31 August 2008.

FY09 Board Oversight Committee Chairs

RESOLVED, that the Board of Governors accept and approve the appointment of the following governors to serve as oversight committee chairs for a one (1) year term commencing 1 September 2008 and until their successors are chosen and qualified:

Audit and Risk Committee

Chair: Margaret E. Franklin, CFA

External Relations and Volunteer Involvement Committee

Chair: Daniel S. Meader, CFA

Planning Committee

Chair: Jeffrey D. Lorenzen, CFA

FY09 Executive Committee Members

RESOLVED, pursuant to Article 7.2(b)(i) of the CFA Institute Bylaws the Board of Governors appoint the following governor(s) to serve as a member of the Executive Committee for a one (1) year term commencing 1 September 2008.

Brian D. Singer, CFA

Thomas B. Welch, CFA

Emilio Gonzalez, CFA

Jeffrey J. Diermeier, CFA

Margaret E. Franklin, CFA

Daniel S. Meader, CFA

Jeffrey D. Lorenzen, CFA

Nicola Ralston, FSIP

Retirement Investment Policy Committee Chair

RESOLVED, that the Board of Governors accept and approve the appointment of Julia S. Hammond, CFA, to serve as chair of the Retirement Investment Policy Committee for a two (2) year term or until her successor has been duly selected and qualified.

CFO and Secretary

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Timothy G. McLaughlin, CFA, and Joseph P. Lange are elected CFO and Secretary, respectively, to each serve a one (1) year term commencing 1 September 2008 and until their successors are chosen and qualified.

Signatory to Bank and Investment Accounts

RESOLVED, that Robert Johnson shall be added as an authorized signatory on the CFA Institute accounts listed below:

Main Checking Account	SunTrust Bank
Controlled Disbursement Account	SunTrust Bank
Imprest Account	SunTrust Bank
Dreyfus Money Market Fund	SunTrust Robinson Humphrey
Mutual Funds – Contingency Reserve	Vanguard Group
Mutual Funds – Business Opp. Reserve	Vanguard Group
Checking Account – Hong Kong	Standard Chartered Bank
Checking Account – Malaysia	Standard Chartered Bank
Checking Account – London	HSBC Bank
U.S. Treasury Bills and Strips Account	SunTrust Robinson Humphrey

The Board of Governors accept and approve in the form presented at this meeting.

Payroll Bank Account

RESOLVED, that the Treasurer is authorized to open a payroll disbursement account at SunTrust for the purpose of funding the net payroll and payroll taxes to our third party payroll provider, ADP. The following individuals shall be authorized signatories on the account:

Jeffrey Diermeier, President and CEO  
Robert Johnson, Deputy CEO  
Timothy McLaughlin, Chief Financial Officer  
Guy Williams, Head, Finance and Risk Management  
Jean Cash, Managing Director, Human Resources

The Board of Governors accept and approve in the form presented at this meeting.

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

- Strategic Plan Report (Quarterly Update); and
- Financial Report (Quarterly Update).

A Board member requested that written descriptions be developed to explain the process by which recommendations for Executive Committee members and Oversight committee chairs are determined.

**Miscellaneous**

A PCR member noted the political sensitivity of referring to Taiwan as a country, which it was unintentionally printed as in this year's CFA Program curriculum.



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

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary

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