



Setting the global standard for investment professionals

**BOARD OF GOVERNORS
MEETING MINUTES
25 July 2008
Charlottesville, Virginia**

Notice: 17 July 2008

Governors Present:

Mark J.P. Anson, CFA	Samuel B. Jones, Jr., 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)	Thomas B. Welch, CFA
James E. Hollis, CFA*	Teong Keat (T.K.) Yap, CFA

Incoming Governors

Present:

Saeed Al-Hajeri, CFA	Alan M. Meder, CFA
Kay Ryan Booth	Roger Urwin

Presidents Council

Representatives

Present:

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

Also Present:

C. Jeannie Anderson, Associate General Counsel, CFA Institute
John L. Bowman, CFA, Head, Educational Products, CFA Institute*
Gayle Buff, CFA, Chair of the Private Wealth Advisory Committee,
CFA Institute*
Lee E. Buttles, Director, Internal Audit, 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

Participated by Telephone

* Present for Part of Meeting

Charlottesville Hong Kong London

560 Ray C. Hunt Drive
PO Box 3668
Charlottesville, VA
22903-0668 USA

434 951 5499 tel
434 951 5262 fax
info@cfainstitute.org
www.cfainstitute.org

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

Rahul Keshap, Director Operations, Asia Pacific Office, CFA Institute

Christine I. Koppel, CFA, Designated Officer, Professional Conduct Program, 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, CPA, 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

Thomas R. Robinson, CFA, Head, Educational Content, CFA Institute*

Thomas Trainor, CFA, Vice Chair of the Private Wealth Advisory Committee, CFA Institute*

Guy P. Williams, Head, Finance and Risk Management, CFA Institute

Materials

Distributed

Prior to Meeting:

CFA Institute Board Binder
Executive Committee Guidance to the Nominating Committee
Consent Agenda Resolutions
Board of Governors Meeting Minutes – 11 May 2008

Chair:

Emilio Gonzalez, CFA

Meeting Secretary:

Joseph P. Lange

Opening Remarks

The Chair of the Board of Governors, Emilio Gonzalez, CFA, reminded the Board of the following house keeping measures:

- o Forward any edit suggestions to the Board meeting minutes dated 11 May 2008 to the Corporate Secretary, Joe Lange; and
- o Return completed annual conflict of interest statements and IRS form 990 questionnaires to the Corporate Secretary.

Board Committee Reports

The following governors for each of the Board committees gave overviews of recent activities to supplement the memoranda included in the Board binders.

Executive Committee (EC)/Emilio Gonzalez, CFA (Committee Chair)

- The Compensation Subcommittee, comprised of members of the EC excluding the CEO, is currently going through the annual process of analyzing and assessing merit increases and performance of the organization with regards to remuneration and compensation for CFA Institute employees.
- The EC has approved its guidance to the Nominating Committee (NC). The Chair highlighted areas for the NC to focus on this election cycle. This included that several non-North American governors will be retiring, reducing the overall number of governors serving from a total of 18 to 17, and to seek individuals who have shown a strong commitment and involvement with CFA Institute and/or Member Societies. The Board and President Council Representatives (PCRs) were encouraged to submit candidate recommendations to the NC.
- Members of the fiscal year 2009 NC were noted as follows: Emilio Gonzalez, CFA (Committee Chair); Brian Singer, CFA; Teong Keat (T.K.) Yap, CFA; Nicola Ralston, FSIP; Carole Cox, CFA; Jan Jackrel, CFA; and Matthew Scanlan, CFA.
- Members of the fiscal year 2009 Board Committees were noted as follows:
 - Executive Committee – Brian Singer, CFA (Committee Chair); Tom Welch, CFA; Emilio Gonzalez, CFA; Jeff Diermeier, CFA; Marg Franklin, CFA; Dan Meader, CFA; Jeff Lorenzen, CFA; and Nicola Ralston, FSIP.
 - Audit and Risk Committee – Marg Franklin, CFA (Committee Chair); Kay Booth; Emilio Gonzalez, CFA; Stan Lee, CFA; and Alan Meder, CFA.
 - External Relations and Volunteer Involvement Committee – Dan Meader, CFA (Committee Chair); Mark Anson, CFA; Jeff Diermeier, CFA; Sam Jones, CFA; Roger Urwin; Tom Welch, CFA; and T.K.Yap, CFA.
 - Planning Committee – Jeff Lorenzen, CFA (Committee Chair); Saeed Al-Hajeri, CFA; Pierre Cardon, CFA; Jeff Diermeier, CFA; Nicola Ralston, FSIP; Jane Shao, CFA; and Brian Singer, CFA.
- Fiscal year 2009 governor liaisons to CFA Program committees were identified as Jeff Lorenzen, CFA and Alan Meder, CFA
- Governors have recently completed the Board Performance Evaluation. The EC will now review the feedback provided and report back to the Board.
- The EC was updated on the Country Risk Management project. The project is an ongoing process to gain a better understanding and analysis of the potential risks that CFA Institute may face when operating in various countries.
- The Treasurer and Investment Committee Report was presented to the EC, which noted that the reserves are healthy and being managed in accordance to the organization's Reserve Investment Policy.

Audit and Risk Committee (ARC)/Sam Jones, CFA (Committee Member)

- Representatives from PricewaterhouseCoopers (PwC) provided ARC with an overview of the audit plan and field work to be completed for the annual audit cycle.
- Received quarterly update from the internal auditor, Lee Buttles, on the status of the internal audit schedule.
- Noted that the IT conversion issues that delayed completion of the financial statements last year have been corrected and should not be a factor this cycle.

External Relations and Volunteer Involvement Committee (ERVIC)/Marg Franklin, CFA (Committee Chair)

- ERVIC completed all of its objectives and milestones identified for the year.

- The PCR's have been requested to provide ERVIC with a revised society funding model that comprehensively takes into account all the comments noted by the Committee.
- Staff presented a proposal for a new scholarship program. ERVIC asked that the proposal be revised and brought back before the Committee to incorporate the already existing program in order to more efficiently address the needs of the candidates.

Planning Committee (PC)/Tom Welch, CFA (Committee Chair)

- After the Board meeting in Vancouver, the PC completed minor clean-up work on Vision 2012.
- Reviewed feedback received from the Board with regards to improving future strategic planning sessions. Specifically noted was that strategic planning should be more inclusive and participants engaged early and throughout the process.
- PC reviewed and provided input on the proposed fiscal year 2009 CFA Institute operating and capital budget.
- Discussed within strategic objective five was the issue of solidifying and extending the organization's global capabilities and doing a better job of cultivating meaningful relationships with industry leaders.

Presidents Council Representatives Report

The Chair of the PCR's, Todd Lowe, CFA, had no additional remarks to supplement the memorandum in the Board binder.

CEO Report

The Chief Executive Officer (CEO), Jeff Diermeier, CFA, provided a few brief remarks to supplement the memorandum in the Board binder.

- Management has been focused with working on the 2012 Vision.
- Noted increase resource and activity levels in Europe, Middle East, and Africa (EMEA) operations. Future Board meetings will most likely include regular updates on the activities of both EMEA and the Asia Pacific operations.
- With regards to advertising and the appropriate spelling of certain words by geographical region, Ray DeAngelo, managing director of the Member and Society division, has been asked to look at the entire policy of how the organization uses language.

The Vice Chair of the Board of Governors, Brian Singer, CFA, complimented the CFA Program staff on their ability to continually administer the exams so successfully year after year and in the case of Mumbai, India, on such short notice.

Regional Advisory Councils

The Chair briefly discussed the concept of regional advisory councils and referenced the CEO's memorandum in the Board binder.

The Chair of the Planning Committee, Tom Welch, CFA, explained that the matter was discussed at the recent Planning Committee meeting. Pierre Cardon, CFA, and T.K. Yap, CFA, have agreed to put together their thoughts on the matter and come back to the committee in September to present.

The CEO stated there is agreement with the objectives of increasing the organization's relationships with senior leaders in the industry and global culture of CFA Institute.

Private Wealth Advisory Committee

The Chair introduced the Private Wealth Advisory Committee (PWAC) Report. PWAC was established in 2006 with the task of guiding the development of the Private Wealth Global Body of Investment Knowledge (PWBOOK) and to investigate ways of how to deliver educational content around private wealth. This is the group's final report to the Board whose charter is set to expire as of 31 August 2008. The Chair complimented PWAC for its written report to the Board and achievements made over the past 30 months.

The Chair of PWAC, Gayle Buff, CFA, thanked the various parties involved for the resources, support, and interest in looking at the private wealth area. The Board was referred to the executive summary of the report. Upwards of 33,000 CFA charterholders (between 21 percent and 35 percent of CFA charterholders based on past surveys) work in the private wealth area. It was explained that past surveys of the membership may be somewhat unreliable both in how the data was generated and with regards to the breakpoints of assets under management. For example, institutional gradients were too large to meaningfully capture private wealth characteristics (e.g. assets under administration breakpoints \$100 million to \$1 billion). PWAC believes that the numbers of members participating in private wealth may actually be much higher. It was noted that private wealth is necessarily complex with many issues that are local in nature which is different from an institutional practice of money management in general. Furthermore, there are the cultural and human elements that require new skill sets.

The Vice Chair of PWAC, Tom Trainor, CFA, provided an overview of the members practicing in private wealth. Approximately one third have about \$50 million of assets under administration; roughly about half of them have about \$100 million of assets personally under administration. All the practitioners have an average client size of \$5 million or less. About 87 percent have an average client size of about \$10 million or less. PWAC concluded that it was really the process that was important, not so much the average client size. If you had a client that was \$1 million or \$10 million, you're not doing anything substantially different between the two.

The PWAC Chair highlighted the group's purpose as outlined in its charter:

- Guiding the development of the Private Wealth Global Body of Knowledge;
- Exploring and evaluating means of delivering private wealth education content to members;
- Encouraging and supporting Member Societies in the development of private wealth educational programming.

It was stated that PWAC was fairly successful in attempting to address all three areas of the charter. Both the Chair and Vice Chair of PWAC proceeded to discuss in detail the activities undertaken, progress made, and issues identified to be addressed. Two central challenges were noted by the group:

- Competitive positioning of the CFA private wealth practitioner, and
- Distribution of content and other resources.

PWAC provided several recommendations to the Board as to how to build on the momentum created and move the private wealth initiative to the next level. It was stated that ongoing encouragement and support for the private wealth community in general is vital and necessary. In this regard, the Board was requested to post the PWAC report on the private wealth page of the CFA Institute website so that any

member in private wealth could see the results. The second request was to present their report at the October Society Leadership Conference.

The Board proceeded to discuss the report. The Chair inquired as to progress made with the CFA credential being identified in private wealth. The PWAC Chair noted much work still needs to be done. Alida Carcano, CFA, stated that in the last five years other organizations have begun developing/offering designations in private wealth.

The CEO inquired as to how many societies could undertake the activities that were discussed in the report. The PWAC Vice Chair suggested that the five largest Member Societies could be significant contributors with realistically 10 to 20 additional Member Societies contributing in some fashion.

Marg Franklin, CFA, inquired of the CEO what the next steps for the organization were to address private wealth following PWAC. The CEO stated that management needed to digest the PWAC report and recommendations to try and figure out resourcing and determine the best way to proceed forward so as not to lose momentum on the matter. Nicola Ralston, FSIP, suggested that somewhere in the mix PCR's should play a very important role working with Member Societies.

The Chair emphasized the importance of private wealth and the need for CFA Institute to strategically determine how to move forward on the matter. The following resolution passed unanimously.

RESOLVED, that the Board of Governors recognize the work carried out by the Private Wealth Advisory Committee in developing the CFA Institute Private Wealth Global Body of Knowledge and notes the final report to the Board.

Strategic Plan

The Chief Planning Officer, Barbara Higgins, provided an update on the CFA Institute mission and 2012 vision since the Board approved the strategic objectives in May. The Planning Committee reviewed short titles developed by the marketing group to aid in communicating the strategic objectives to the public. In addition, the Planning Committee discussed input from Jamie Hollis, CFA, and George Noyes, CFA, as to whether ethics and ethics training were adequately addressed under the CFA Institute Centre in the strategic objectives. It was determined that the language was sufficiently broad enough and properly emphasized ethics as a priority for the organization going forward.

The strategic plan is currently being communicated internally to staff so that they understand the implications for CFA Institute over the next four years with work commencing on development of the fiscal year 2009 milestones. Likewise, progress is being made in preparing for external communication of the strategic plan.

Fiscal Year 2009 Operating and Capital Budget

The Chair of the Planning Committee introduced the proposed operating and capital budget for fiscal year 2009. Highlighted were the activities and timeline that the Planning Committee followed throughout the budgeting process. It was stated that the Planning Committee endorsed the budget being presented to the Board.

The Chief Financial Officer (CFO), Tim McLaughlin, CFA, CPA, provided an overview of the budget and referred to memorandum in the Board binder. Development began on the fiscal year 2009 budget with the Board approving the 2012 Vision strategic objectives in May. Management then initiated a bottom-up development of the budget as directed by the strategic objectives. Essentially, this results in a portfolio of initiatives that helps CFA Institute to accomplish the first year of the new strategic plan. No single item in the budget of enough material value will actually go forward without going into the organization's standard business and product development cycle. Management Committee will approve items as the year goes on and when warranted due to material scope, impact, or dollar amount will bring items before the appropriate Board Oversight committee.

The budget presented before the Board included a \$207 million operating cycle at revenue level and \$195 million in expenses. This is \$40 million more in expenses than last year; however, \$25 million is the result of increased volume and committed activities. The remaining \$15 million in expenses is the result of the change portfolio of which approximately \$4 million has already been approved for various initiatives. Subtract out some of the efficiencies and savings leaves about \$11 million in expenses, the actual decision point facing the Board. The Board relies on management's representation that the budget is moving CFA Institute forward the first year of the strategic plan and holds management and the CEO accountable for achieving those objectives.

In fiscal year 2008, CFA Program candidate registrations were budgeted at 165,000; however, 175,000 candidates registered for the exams. The organization is budgeting for a 27 percent growth in candidate registrations, 221,000, this coming fiscal year. It was noted that the CFA Program generates approximately 84 percent of the organization's revenue.

The CFO proceeded to discuss revenue and expenses budgeted for the CFA Program activities along with candidate versus member distributions by geographic region. It was explained that CFA Institute knows 90 percent of its revenue within the first six months of the fiscal year but more than half of its expenses occur in the last six months of the fiscal year.

The Board discussed the proposed budget and directed questions and comments to the CFO. The chair of the External Relations and Volunteer Involvement Committee requested, in the future, that management provide metrics around the marketing budget since it is the single biggest line item outside the CFA Program related costs. The chair of the Planning Committee noted that CFA Institute is becoming increasingly more dependent on new candidate enrollments to support programs. Pierre Cardon, CFA, requested that a visual chart be created to show, by region, exactly where expenses are coming from. The following resolution passed unanimously.

RESOLVED, that the Board of Governors accept and approve the fiscal year 2009 CFA Institute Operating and Capital Budget substantially in the form submitted.

Society Waiver to the Society Application Requirement for New Members in Mainland China

The Managing Director of the Member and Society division, Ray DeAngelo, explained the purpose for requesting the Board to waive the society application requirement for new members located in mainland China. In May 2008, the Board approved the concept of forming a Hong Kong based Local Limited Company that will establish representative offices in mainland China to provide services to members because establishing a local society does not seem possible at this time.

Following that approval, CFA Institute China Limited was formed and is applying to establish representative offices in Beijing and Shanghai. To implement this structure for providing services to CFA Institute members in mainland China, the Board is requested to waive the CFA Institute policy requiring China-based applicants for CFA Institute membership to apply simultaneously to join a Member Society. If the Board does not waive the requirement, applicants in mainland China would still be required to apply to a Member Society outside of mainland China, despite the implementation of the representative office approach for member services.

Once the representative offices are established as expected in fiscal year 2009, CFA Institute will create and charge annual fees for a special China member status available to all CFA Institute members in China. All new applicants for CFA Institute membership in mainland China will be required to apply for this special China member status in lieu of the requirement to apply for membership in a society. If and when a traditional local Member Society of CFA Institute is established in mainland China, the Board will be requested to reinstate the society application requirement for new members in mainland China.

It was also noted that over the last several years the Hong Kong society has been graciously taking into its membership mainland Chinese members by providing support services and educational programs in China. Implementing the society waiver now will begin the transition process for the next cycle of new Chinese members and inform them of the pending establishment of representative offices located in mainland China.

Richard Mak, CFA, emphasized the Hong Kong society's past experience and the difficulty of encouraging non-local members to join their respective local Member Society once the option becomes available.

The Chair noted the desire to include in the pending resolution clarification language that in addition to the society application waiver for new mainland China members that it specifically stated Chinese members will have to apply for the special charter member status application in order to earn their charters. The following resolution was passed with one abstention.

RESOLVED, that for new CFA Institute members in mainland China, the Board of Governors hereby waives the CFA Institute policy requiring applicants to apply simultaneously to join a Member Society; and

FURTHER RESOLVED, that once established new CFA Institute members in mainland China will be required to apply for a special China members status in order to earn their charter.

Consent Agenda

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

Approval of 11 May 2008 Minutes

RESOLVED, that the Board of Governors accept and approve the meeting minutes of 11 May 2008 substantially in the form presented.

Approval of New GIPS Executive Committee Member

RESOLVED, that the Board of Governors approve the appointment of Carl Bacon, CIPM, as a GIPS Executive Committee member and chair of the Verification/Practitioner Subcommittee for the 2008 term.

Approval of Name Change of the North American Investment Performance Committee

RESOLVED, that the Board of Governors accept and approve changing the name of the North American Investment Performance Committee to the U.S. Investment Performance Committee.

Approval of Signature Authority for India Litigation Matters

RESOLVED, that as required under Indian and Sri Lankan law, the CFA Institute (formerly known as the Association for Investment Management and Research) Board of Governors hereby authorizes each of C. Jeanne Anderson, Esq., CFA Institute Associate General Counsel, and Rahul Keshap, Esq., CFA Institute Director of Asia Pacific Operations, to make, sign, execute, verify, affirm and file caveats, complaints, affidavits, applications, petitions, or written statements, replies, objections, appeals, cross-appeals, warrants of attorney, tabular statements, or any other documents and papers expedient or necessary in her or his opinion to be made, signed, executed, verified, presented or filed on behalf of CFA Institute with regard to all litigations taking place in India or Sri Lanka, present and future, that involve the Institute of Chartered Financial Analysts of India, the All India Council for Technical Education, or any other affiliated or related parties; and

FURTHER RESOLVED, that the proper officers of CFA Institute be and they hereby are authorized, empowered, and directed to take such action as necessary to implement the resolve of the Board, including the preparation of documentation, if so required, to affirm that the Board has on this date authorized the action set forth in the above resolution.

Approval of FY09 Volunteer Committee Chairs

RESOLVED, that each of the following persons are elected to serve as indicated on the committee and, if applicable, in the indicated position set forth opposite their name for a one year term commencing 1 September 2008 and until their successors are chosen and qualified:

Council of Examiners-Chair: Susan Borelli, CFA
Education Advisory Committee-Chair: Matthew H. Scanlan, CFA
Disciplinary Review Committee-Chair: Marilyn Robinson-Irvin, CFA
Capital Markets Policy Council-Chair: Denise Farkas, CFA
Corporate Disclosure Policy Council-Chair: Gerald White, CFA
Standards of Practice Council-Chair: Toshihiko Saito, CFA
Financial Analyst Seminars-Chair: Kim Shannon, CFA
Annual Conference Committee-Chair: Peter Jarvis, CFA

Approval to Open Bank Accounts for the Hong Kong LLC and Representative Offices in China

RESOLVED, that the Treasurer is authorized to open bank accounts for the reasons stated above, and subject to the contingency noted. The following individuals shall be authorized signatories on the Hong Kong LLC bank account:

Jeffrey Diermeier, President and CEO
Robert Johnson, Deputy CEO

Timothy McLaughlin, Chief Financial Officer
Guy Williams, Head, Finance and Risk Management
Ashvin Vibhakar, Deputy Head, Asia Pacific Operations
Rahul Keshap, Director of Operations, Asia Pacific Operations

The following individuals shall be authorized signatories on the Beijing and Shanghai bank accounts in China:

Jeffrey Diermeier, President and CEO
Robert Johnson, Deputy CEO
Timothy McLaughlin, Chief Financial Officer
Guy Williams, Head, Finance and Risk Management
Ashvin Vibhakar, Deputy Head, Asia Pacific Operations
Joey Chan, Director, Planning and Program Development, Asia Pacific Operations

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

The CFA Institute Centre report was presented as an informational item in memorandum format in the Board binders.

Recognition of Retiring General Counsel

The Chair recognized the retiring General Counsel, Pat McKeithan, for his contributions to CFA Institute during seven years of service and wished him the very best for the future.

Recognition of Retiring Governors

The Chair recognized the retiring governors for their involvement and service with the organization. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Alida Carcano, CFA, Vincent Duhamel, CFA, James E. Hollis, CFA, George W. Noyes, CFA, and John C. Stannard, CFA, FSIP, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as governors on the CFA Institute Board.

Recognition of Retiring Presidents Council Representatives

The PCR Chair recognized the retiring PCRS for their involvement and service with the organization. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Elizabeth Hamilton-Keen, CFA, Jan Jackrel, CFA, Richard Mak, CFA, and Joni K. Pierce, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as Presidents Council Representatives.

Miscellaneous

The CEO noted the recent passing of two distinguished CFA Institute leaders Eugene Sit, CFA, and Sir John Templeton, CFA. The Board took a moment of silence to reflect on the work of these individuals and the contributions they made to the organization and profession.

The Chair reminded the governors and PCRs to complete their respective annual conflict of interest statements and to return them to the Corporate Secretary.

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

Respectfully submitted,

Joseph P. Lange
Corporate Secretary