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**BOARD OF GOVERNORS  
MEETING MINUTES  
2 October 2008  
Washington, D.C.**

Notice: 24 September 2008

Governors Present:

Mark J.P. Anson, CFA	Alan M. Meder, CFA
Pierre Cardon, CFA	Nicola Ralston, FSIP
Jeffrey J. Diermeier, CFA	Jane Shao, CFA
Emilio Gonzalez, CFA	Brian D. Singer, CFA (Chair)
Samuel B. Jones, Jr., CFA	Thomas B. Welch, CFA
Stanley G. Lee, CFA	Teong Keat (T.K.) Yap, CFA
Jeffrey D. Lorenzen, CFA	Roger Urwin
Daniel S. Meader, CFA	

Governors Absent: Kay Ryan Booth Saeed Al-Hajeri, CFA  
Margaret E. Franklin, CFA

Presidents Council  
Representatives

Present:

Terence E. Burns, CFA	Attila K. Koksai, CFA
Richard A. Clemens, CFA *	Ralph H. Lehman, CFA
Sharon L. Criswell, CFA	Todd Parker Lowe, CFA (Chair)
Marla L. Harkness, CFA	Nanci D. Morris, CFA
Helmut Henschel	Mohammad Shoaib, CFA

Also Present:

C. Jeannie Anderson, General Counsel, CFA Institute  
John L. Bowman, CFA, Head, Product Strategy, CFA Institute  
Lee E. Buttles, Director, Internal Audit, CFA Institute  
Jean A. Cash, Managing Director, Human Resources, CFA Institute  
Carole Cox, CFA, Member of the Nominating Committee, CFA Institute  
Michael K. Dalton, Managing Director, Information Technology, CFA Institute  
Raymond J. DeAngelo, Managing Director, Member and Society, CFA Institute  
Monique E.M. Gravel, CFA, Past Chair of the Board of Governors\*  
Charles C. Henneman, CFA, Head, Educational Events and Programs,  
CFA Institute\*  
Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event,  
CFA Institute  
Stephan M. Horan, CFA, Head, Professional Education Content, 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

Robert R. Johnson, CFA, Deputy CEO, CFA Institute  
Joseph P. Lange, Corporate Secretary, CFA Institute  
Craig S. Lindquist, Director, Business Planning and Analysis, CFA Institute\*  
Peter B. Mackey, CFA, Head, CFA Examinations, CFA Institute\*  
Timothy G. McLaughlin, CFA, CPA, Managing Director and Chief Financial Officer, Finance and Corporate Support, CFA Institute  
Thomas R. Robinson, CFA, Managing Director, Education Division, CFA Institute  
Kurt N. Schacht, CFA, Managing Director, CFA Institute Centre for Financial Market Integrity, CFA  
Jan R. Squires, CFA, Managing Director, Interactive and External Relations, CFA Institute  
Jonathan J. Stokes, CFA, Director, Standards of Practice, CFA Institute\*  
Ashvin P. Vibhakar, CFA, Managing Director, 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:

Board Assignments for Regional Dinners  
Dubai Meeting Information Sheet  
Preliminary FY2008 Results and FY2009 Outlook PowerPoint  
Bank Account in New York City for the CFA Institute Centre  
Office Space Lease Resolution

Meeting Chair: Thomas B. Welch, CFA

Meeting Secretary: Joseph P. Lange

### **Opening Remarks**

The Vice Chair of the Board of Governors, Tom Welch, CFA, informed the meeting participants that the Chair of the Board of Governors, Brian Singer, CFA, was recovering from surgery and would participate in the meeting by teleconference. In addition, the new governors of the Board were welcomed to their first official meeting.

### **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)/Brian Singer, CFA (Committee Chair)

- Board Performance Evaluations are to be conducted every other year. Follow-up input will be solicited from the Board at the end of this fiscal year to gauge how well it responded to the previous evaluation feedback.
- The Chair requested continuous feedback from everyone on the functioning of the Board over the course of the year.
- Audit and Risk Committee and Planning Committee will review their respective roles with the budget process and provide clarifying language to the Board.

Audit and Risk Committee (ARC)/Emilio Gonzalez, CFA (Committee Member)

- Initial six countries reviewed (Brazil, Korea, Japan, China, Russia, and Vietnam) with regards to the country risk management project. There was no non-compliant activity identified within those countries, however, discussed were different levels of risk associated with each.
- Presented with the quarterly compliance officer report.
- External counsel (Hunton and Williams) provided a best practices presentation on ARC's role and responsibilities as an audit committee.
- Discussed the importance of IT for the organization with regards to growth and capabilities.

Planning Committee (PC)/Jeff Lorenzen, CFA (Committee Chair)

- Discussed the concept of regional advisory councils with the PC scheduled to discuss further.
- Discussed how to improve the presentation of informational updates on the strategic plan to the Board.
- Approved the strategic scorecard concept and structure on how to measure ourselves relative to the strategic plan.

External Relations and Volunteer Involvement Committee (ERVIC)/Dan Meader, CFA (Committee Chair)

- Discussed the probation and service standards matters presented later on the Board agenda. Presidents Council Representatives (PCRs) were requested to come back to ERVIC with a definition of probation.
- Approved ERVIC's objectives and milestones.

### **Presidents Council Representatives Report**

The Chair of the PCRs, Todd Lowe, CFA, noted that in addition to the memo in the Board binder, governors were encouraged to attend the Society Leadership Conference regional dinners. It was also noted that the Board and PCR Chairs have developed a more formal mechanism for PCRs to bring issues before the Board that have not been addressed/covered elsewhere. The Board Chair has recommended that PCRs have an opportunity at each meeting to bring forth a topic that we think is especially timely to societies.

It was explained that the recent Board Performance Evaluations revealed the desire to have more clarification on the effectiveness of the PCRs in the meetings and relationship with the Board.

### **CEO Report**

The Chief Executive Officer (CEO), Jeff Diermeier, CFA, provided his last report to the Board. He thanked the Board, PCRs, and staff for their support during his tenure and noted appreciation for this

wonderful opportunity to serve as CEO. He commented on how CFA Institute has progressed on various issues from when he was first elected to the Board to present. As CEO, he focused on the following three areas of the organization:

- Management oversight by the Board;
- Management execution; and
- Society relationships.

From all of his travels, he has learned to believe in the members of CFA Institute and is probably one of the staunchest believers that the membership is a cut above the general investment industry population in terms of their ethical being. He noted his strong support of the organization's mission and vision. Lastly, that staff with support, encouragement, and guidance will continue to succeed.

### **India Litigation Report**

The General Counsel, Jeannie Anderson, provided additional remarks to update the memo in the Board binder. CFA Institute appeal of the Delhi High Court decision on the All India Council for Technical Education (AICTE) matter has been delayed to 23 October. The current ruling means that the organization cannot administer the CFA examination within India; however, we are registering candidates from India to sit for the exam outside of India. In addition, the trademark litigation hearing in the Delhi High Court has also been delayed to mid-November.

The Indian society (IAIP) received a summons for the Indian tax authority inquiring into the relationship between IAIP and CFA Institute.

Lastly, CFA Institute submitted its application to the AICTE and has had several follow-up meetings with officials. However, the AICTE still expects the organization to have a physical operation on Indian soil and to fundamentally change the nature of the CFA Program.

### **FMI Index U.S./CFA Institute Centre Report**

The Managing Director of the CFA Institute for Financial Market Integrity, Kurt Schacht, CFA, presented a report on its recent activities. New hires to the staff leadership team were highlighted. Media awareness showed strong increases in both the European and Asia Pacific regions with recognition regularly noted by the financial and trade press.

An overview of the Financial Market Integrity (FMI) project was provided. The challenge was to develop a proprietary signature index for CFA Institute that was really going to be of a public awareness value. The objective was to promote the organization's presence on ethics. There is currently the foundation piece and talking points provided in six different markets soon to be expanded to several others. Local societies have considerable involvement working on this project with regards to delivery, being spokespersons, and commentators on financial market integrity. Additional detail of the key findings and ratings in the initial six markets were noted.

Next, the Centre's response to the subprime rescue plan was discussed. The Centre is actively engaged in the situation at hand and continues to comment on the mortgage underwriting standards, credit rating agency issues, and accounting transparency. The Centre continues to track developments and inform the membership and has sent letters to Capitol Hill and the U.S. Treasury with regards to the bailout package.

The Centre has conducted three separate spot surveys of the membership which are continuing to generate a very good response rate.

### **Probation for Designated Member Societies**

The ERVIC Chair referred the group to the summary description and resolution provided in the Board binder noting one point for correction to the materials. The purpose stated was that identified societies that fail by 1 January 2009 to achieve the 50-member threshold, or 100-member threshold as noted, or have not provided a detailed plan for doing so be placed on probation as of that date. Following a probationary monitoring period, a period of time that is still to be vetted and recommended by the PCRs and reviewed by ERVIC, the more serious action of terminating or suspending society status could be recommended to the Board for consideration. It was emphasized that the resolution is the confirmation that there should in fact be probation; however, the determination has not been made that these 11 societies will be placed on probation.

The PCRs have been working with the societies identified towards some solutions.

The Board discussed what effect probation of a society could have on the member. It was anticipated by staff that there would be no direct impact on the member in terms of service etc. Furthermore, it was noted that there has been communication with the societies identified regarding the matter at hand. The following resolution was passed unanimously.

RESOLVED, that the External Relations and Volunteer Involvement Committee accepts and recommends to the Board of Governors that the following Member Societies be placed on probation effective 1 January 2009, if they have not achieved the 50-member threshold by that date or have not provided a clearly articulated plan of action that includes measurable targets and specific deadlines for achieving the threshold:

- Barbados CFA Society
- CFA Society of Idaho
- CFA Jordan
- Knoxville CFA Society
- Society of Financial Analysts – Mauritius
- CFA Society of Nevada
- Okanagan CFA Society
- CFA Society of Spokane
- CFA Society of Toledo
- CFA Society of Tucson

FURTHER RESOLVED, that the External Relations and Volunteer Involvement Committee accepts and recommends to the Board of Governors that the following Member Society be placed on probation effective 1 January 2009, if it has not achieved the 100-member threshold by that date and has not provided a clearly articulated plan of action that includes measurable targets and specific deadlines for achieving that threshold:

- CFA Egypt Society

FURTHER RESOLVED, that CFA Institute staff is directed to follow through on implementation of this resolution with ERVIC oversight.

## **Society Member Service Standards**

The ERVIC Chair stated that he was pleased to bring the proposed Society Member Service Standards before the Board. This was a collaborative effort between the Society Partnership Program Advisory Group (SPPAG), PCRs, and staff that resulted in the proposed Service Standards. The intent of the Service Standards is to deliver a consistent, value-added experience to the members globally. This will dramatically improve upon the previous “one-size-fits-all” approach. More importantly, the Service Standards are linked to a new model that is structured to encourage society growth and promote the synchronization of CFA Institute and society strategic planning.

The PCR Chair referred the Board to the documentation in the Board binders. He noted that the initial marching orders for development of the Service Standards were outlined in the SPPAG mission statement. Member societies were to create a framework for sustainable delivery systems of services that ensures a high quality and consistent member experience. The framework was to include baseline standards and the resources to attain those standards. The new society funding model was explained to the group.

The Board discussed the Service Standards and society funding model resulting in three levels of funding. It was recommended that the language/terminology used for describing the different funding levels be revised. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the Society member Service Standards substantially in the form submitted.

## **Financial Report**

The Chief Financial Officer (CFO), Tim McLaughlin, CFA, CPA, provided the preliminary year-end financial report. This was for the year ended 31 August 2008. The Board was previously given a preliminary forecast as part of the budget presented in July for the upcoming fiscal year. The Board is scheduled to receive the final audited financial statements in mid-November.

The CEO discussed a few changes that have occurred since year-end. Reserve funds (contingency and business opportunity) have experienced a \$10 million decline from the fiscal year end of \$175 million. CFA registration projections for fiscal year 2009 revised from budget of 221,500 to 205,000. It was also noted that a second scenario showed a potential for a 12 percent decline from budget to 195,000 CFA registrations. The CFA December registrations had budgeted 74,900; however, experienced 73,000/72,700 or 3 percent less than budget. Staff is now forecasting lower new candidate registrations than last fiscal year now projecting 40,000 vs. 42,500 in FY08 verse budget of 48,900 in FY09.

Board discussed the information provided.

## **Strategic Report**

The Chief Planning Officer, Barbara Higgins, discussed with the Board the 2012 strategic plan that was previously adopted and how the organization was moving forward with implementation and prioritizing associated objectives and milestones to the five strategic objectives. It was noted that improvements will be made on the formatting of future status reports presented to the Board that are designed to keep them

abreast on the status of the various objectives and milestones. In addition, work was being done to develop a strategic scorecard to measure various success factors.

The Board gave feedback on the information to be provided and suggested that the Board Extranet be utilized to a certain degree for some of the progress reports to the governors.

### **Consent Agenda**

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

#### Bank Account in New York City for the CFA Institute Centre Office Space Lease

RESOLVED, that the Treasurer is authorized to open a bank account in connection with leasing new office space in New York City that requires a letter of credit drawn on a bank in the same city. The following individuals shall be authorized signatories on this bank account:

Jeffrey Diermeier, CFA, President and CEO;  
Robert Johnson, CFA, Deputy CEO;  
Timothy McLaughlin, CFA, CPA, Chief Financial Officer; and  
Guy Williams Head, Finance and Risk Management.

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

#### GIPS United States Investment Performance Committee Chair

RESOLVED, that the Board of Governors accept and approve the appointment of Iain McAra to serve as chair of the GIPS United States Investment Performance Committee for a one (1) year term commencing 1 September 2008 and until his successor has been selected and qualified.

### **Board Meeting Schedule**

The Corporate Secretary, Joe Lange, discussed briefly the meeting schedule and logistics for the next in-person Board meeting to be held in Dubai. Additional information would be forthcoming to the group in the near future.

### **Recognition of Departing CEO**

The Board recognized the service and contributions of the departing CEO with the Past Chair of the Board of Governors, Monique Gravel, CFA, providing a few parting thoughts and comments.

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

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary