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**BOARD OF GOVERNORS  
MEETING MINUTES  
26 April 2009  
Orlando, Florida**

Notice: 7 April 2009

Governors Present:

Mark J.P. Anson, CFA	Alan M. Meder, CFA
Kay Ryan Booth	Nicola Ralston, FSIP
Pierre Cardon, CFA	John D. Rogers, CFA
Margaret E. Franklin, CFA	Jane Shao, CFA *
Emilio Gonzalez, CFA	Brian D. Singer, CFA (Chair)
Samuel B. Jones, Jr., CFA	Roger Urwin
Stanley G. Lee, CFA	Thomas B. Welch, CFA
Jeffrey D. Lorenzen, CFA	Teong Keat (T.K.) Yap, CFA

Governors Absent: Saeed Al-Hajeri, CFA Daniel S. Meader, CFA

Incoming Governors Present: Charles J. Yang, CFA

Presidents Council Representatives Present:

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

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 H. 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, Marketing and Communications, CFA Institute  
David E. Deaton, Marketing and Industry Analyst, CFA Institute  
Walter V. Haslett, CFA, Head, Risk Management and Alternative Investments, CFA Institute

Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event,

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CFA Institute  
Robert R. Johnson, CFA, Senior Managing Director, CFA Institute  
Rahul Keshap, Director Operations, Asia Pacific Office, CFA Institute  
Christine J.S. Krecek, Manager, Event Services and Strategic Planning, CFA Institute\*  
Joseph P. Lange, Corporate Secretary, CFA Institute  
Philip N. Lawton, CFA, CIPM, Head, CIPM Program, CFA Institute\*  
Craig S. Lindquist, Director, Business Planning and Analysis, CFA Institute  
Kimball E. Maynard, Treasurer, 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, 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  
Rodney N. Sullivan, CFA, Head, Publications, CFA Institute  
Ashvin P. Vibhakar, CFA, Managing Director, Asia Pacific Operations, CFA Institute

Materials

Distributed

Prior to Meeting: CFA Institute Board Binder

Materials

Distributed

at the Meeting: CEO and Strategy Plan Report PowerPoint  
FY2010 Financial Outlook PowerPoint  
Total Portfolio Return Summary-CFA Institute Business Opportunity Reserve  
CFA Institute Global Strategy Resolution  
Asia Pacific Strategy 2012 PowerPoint  
Code of Conduct for CFA Institute Governors  
Consent Agenda Resolution

Meeting Chair: Brian D. Singer, CFA

Meeting Secretary: Joseph P. Lange

**Opening Remarks**

Nicola Ralston, FSIP, commented on the remarks made by Harry Markopolos, CFA, during his acceptance speech of the Society Leader Award. Several individuals in this room regret Mr.

Markopolos's decision to give his version of events in that speech and to single out specific individuals to both praise and criticize.

### **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)

- Gabriele Montalbetti, CFA, CIPM, notified the Board of his decision to withdraw his acceptance of the nomination to serve as governor. The Board in fiscal year 2010 will be composed of 16 governors, including 15 elected governors and the President and CEO.
- Sam Jones, CFA, has been designated to serve a mentor to incoming governor Charles Yang, CFA.

#### Audit and Risk Committee (ARC)/Marg Franklin, CFA (Committee Chair)

- Reviewed and discussed status report on internal audits.
- Noted outside consultant, Accenture, presented their report on information technology. The Managing Director of Information Technology, Mike Dalton, scheduled to present management's report to ARC in June/July with a presentation to the full Board in July.

#### External Relations and Volunteer Involvement Committee (ERVIC)/T.K. Yap, CFA (Committee Member)

- Updated on progress of the volunteer development and management project. The first phase of the project is scheduled to be completed in July.
- Managed status update provided on societies.
- Approved the methodology for proactively supporting the formation of new societies.

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

- Financial update primarily reviewing the impact of candidate counts as the organization moves forward and how that might apply to strategic plans.
- Reviewed and discussed the Asia-Pacific strategic plan.
- Updated on the CFA Program Partnership initiative.
- Reviewed and discussed the CFA Institute strategy map and metrics that came out of the sessions held in Dubai.

### **Presidents Council Representatives Report**

The Chair of the Presidents Council Representatives (PCRs), Todd Lowe, CFA, thanked Carole Cox, CFA, for her service on the Board Nominating Committee and noted that Helmut Henschel has been appointed to fill that slot for a two year term beginning 1 September.

## CEO Report

The Chief Executive Officer (CEO), John Rogers, CFA, introduced and welcomed Bud Haslett, CFA, long-time volunteer who joined CFA Institute staff as Head of Risk Management and Alternative Investments in Professional Education Content.

He provided an overview of advancing Vision 2012 with a new strategy map and balanced scorecard. These will enhance the approach to strategy discussions with management and the Board by clarifying the highest level of strategy and clearly identifying measures of progress so meetings and reporting tools can be succinct and focused. Next steps in the process will be to fully populate the scorecard and align meeting structures and discussions. The Board noted that in addition to identifying hard measures it is important not to lose track of softer measures that are more cultural.

The following updates were highlighted:

- The Managing Directors of both the CFA Institute Centre and Education Divisions will report to Bob Johnson, CFA, Senior Managing Director. Mr. Johnson will also oversee the America's region and seek opportunities to extend the organization's capabilities in Latin America.
- Ray DeAngelo, Managing Director Members and Society, Marketing and Communications Division, is moving ahead with developing plans for marketing and communications that will be presented to the Board in July.
- Progress has been made with regards to the India litigation.
- Regarding the technology platform, significant system implementation has been completed over the past two/three months with Siebel.

### Financial Report

The Chief Financial Officer (CFO), Tim McLaughlin, CFA, stated that CFA Institute is seeing new December level I registrations down by approximately 28 percent from where they were last year. Total candidate counts reached 200,000 in fiscal year 2009; however, budgeted for 221,000. CFA Institute is expecting 173,000 candidates in fiscal year 2010, approximately the same number of candidates as in fiscal year 2008.

The Board was provided different turnaround scenarios (fast, slow, and moderate) with regards to candidate growth. The fast scenario has the organization back to the fiscal year 2009 point of 200,000 candidates in about five years and the moderate scenario in about ten years. It was explained that with the business model, surplus comes on the candidate side with benefits and services for members exceeding dues cost. Management is projecting a negative draw on the reserve funds for the next several years.

It was noted that management will present with this year's budget a preliminary five year plan that looks at revenue (current and possible new source, including pricing from both a dues and fee standpoint in the CFA Program) and expenses. Projections have Vision 2012 kept intact with the objective to make contribution of reserves turn positive in the next three to five years.

The CFO provided an overview of the contingency reserve and business opportunity reserve funds. It was noted that the Board's opinion in the past was to have an indexed or passive investment strategy.

CFA Institute had \$175 million in reserves at the end of last fiscal year. Currently, there is approximately \$150 million in reserves. The Chair of the Board, Brian Singer, CFA, requested that the performance and benchmarking information for both funds be posted to the Board extranet.

With regards to the budget, Marg Franklin, CFA, inquired if management has enough flexibility to be nimble in addressing considerable market volatility both on the candidate side and the investment side. The CEO explained that management does have the flexibility to respond accordingly.

The Board asked for some elaboration on the corporate learning pass noted in the CEO's report under product strategy. The Head of Product Strategy, John Bowman, CFA, explained that an employer will be able to arrange to obtain access for all their employees across an organization to all our products through one platform, such as My CFA.

### **Follow up from the Dubai Planning Strategy Session**

The Chair of the Planning Committee, Jeff Lorenzen, CFA, commented that typically there are specific actions that come out of a planning retreat; however, that was not the case with this session. There were a number of key suggestions and ideas that were identified that the PC wants to embrace. In order to bring some closure to the subject the Board was provided with a session summary that gives some additional direction within Vision 2012 regarding how to move forward in terms of global strategy and performance metrics.

Stan Lee, CFA, inquired given the change in candidate counts and the potential change going forward does this change the planning that the Board has already done. Mr. Lorenzen stated that management is tasked with determining whether there needs to be reprioritization of some resources and to bring such matters before the Board as appropriate.

Roger Urwin explained his thoughts surrounding the new reality given the current financial crisis and how the Board should address the strategic implications of recent events and the role of the organization's vision statement. How can or should CFA Institute address this current crisis and be outward looking? Ms. Franklin concurred that the session summary did not convey a sense of urgency given the current crisis. The Board Chair stated that this topic would be included on the agenda for the July meeting. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accepts and approves the advisory report and recommendations for global strategy as informed by the Board discussions in February 2009 and as set forth by the Planning Committee substantially in the form presented.

### **Asia Pacific Strategy 2012**

The Managing Director of Asia Pacific Operations, Ashvin P. Vibhakar, CFA, provided some background on the steps taken and timeline to develop the Asia Pacific strategic plan. The following strategic priorities were identified and recommended course of actions noted.

- Education: Increase member value through improved lifelong learning and CFA Program outreach.
  - *Recommendations*: More live education; localized education; and university relations.

- Engagement: Improve outreach to employers, governmental authorities, and other industry participants.
  - *Recommendations*: Hub-and-spoke model; increased outreach effort; and add outreach staff.
- Societies: Strengthen societies and work closely with them to carry out a common mission.
  - *Recommendations*: Strategic planning; tailored strategies; and governance and mentorship.
- Marketing & Brand Protection: Incorporate effective market research into strategy and operating plans and build and defend the CFA brand.
  - *Recommendations*: Market research; localized strategies; and promote brand awareness.
- Beyond the Outpost: Reshape regional service model so that stakeholders view regional office as CFA Institute in Asia Pacific.
  - *Recommendations*: Improve infrastructure; accelerate rotation program; and add empower regional staff.

Mr. Urwin commented favorably on the report noting the detail provided was what the Board needed. He challenged management to think more about target markets.

Ms. Franklin identified education and employer awareness as the two main takeaways. Mr. Vibhakar agreed and viewed education as focused on candidates and lifelong learning to charterholders.

The Board inquired into the issue of competing organizations. Mr. Charles Yang, CFA, noted with regards to Japan the organization should consider focusing on younger individuals and targeting people moving into the industry. Additionally, the organization's strategy should be tailored to fit the needs of each country.

T.K. Yap, CFA, offered his thoughts on the strategic plan which adopted work done on the previous Asian hub and spoke approach. From reviewing the regional SWOT analysis, the following observations were made:

- Asia Pacific contains seven of the top ten candidate registration markets.
- Young members who lack influence in the industry.
- Charter is valued and regulators are supportive.
- Underdeveloped society governance and a lack of active volunteers.
- Electronic delivery of educational materials a good potential revenue stream.

The Board discussed how societies are different across the region and the issue of leadership cultivation. The PCR Chair was asked to review and report back to the Board on the issue of society term limits. It was emphasized that it was not necessary to duplicate the organization's North American structure in the Asian region.

The Past Chair of the Board, Emilio Gonzalez, CFA, discussed the business model with regards of how to bring members to the organization and regional marketing needs.

The Board Chair noted the usefulness for both the current chair and vice chair of the Board to visit the region annually to meet with key constituencies.

The Board concluded their discussions and were supportive of the strategic plan.

### **CIPM Program Report**

The head of CIPM Programs, Philip Lawton, CFA, CIPM, provided a few brief remarks. The program is well regarded; however, growth was interrupted in the latest exam window. The average passing rates to date for Principles is 55.9 percent and Expert at 50.2 percent. A new word-of-mouth marketing campaign leverages existing proponents, notably including certificants, to be ambassadors for the CIPM program. The effort directly targets those influencers who are already spreading the word about the program, and includes an updated logo, new printed materials, and updated web content. The inaugural issue of the Investment Performance Measurement Newsletter appeared in February and Wiley published *Investment Performance Measurement: Evaluating and Presenting Results* in the CFA Institute Investment perspectives series in April.

Ms. Franklin inquired into the pass rate which Mr. Lawton stated he was pleased with and provided some insight.

Mr. Gonzalez asked if the organization was doing enough to promote the program. Mr. Lawton noted the latest marketing activities were a good step. Mr. Yang inquired if societies should become more involved in promoting as well. Mr. Lawton agreed; however, has not exploited that avenue enough.

### **Education Advisory Committee Charter**

The Board was presented with revisions to the Education Advisory Committee (EAC) charter in order to create the position of vice chair and amend the composition of the nominating committee of the Executive Advisory Board (EAB). The Board approved the following resolution unanimously.

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

### **Governor Code of Conduct**

The General Council, Jeannie Anderson, briefly noted that in an effort to update and restructure policies the previous Governor Code of Conduct and Conflicts of Interest Policy were combined into one document. The changes consisted of language editing and formatting. No substantive changes were made to the policies or principles. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the revised Code of Conduct for CFA Institute Governors substantially in the form presented.

### **CFA Institute Employee Code of Conduct**

The General Council explained that Human Resources and the Office of General Counsel recently completed a review and revision of the Employee Code of Conduct. The purpose of the review was to simplify and streamline the language and eliminate inconsistencies and redundancies with policies already found in the Employee Handbook, Information Security Policy, and other policy documents. It

was noted that ARC reviewed and provided feedback on the revised code. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the revised CFA Institute Employee Code of Conduct substantially in the form presented.

### **Compensation Committee**

Internal audits on compensation and tax resulted in several recommendations to improve and clarify the Board's authority and governance structure over compensation matters. It recommended the creation of a separate Compensation Committee that is not under the direct auspices of the EC. Currently, there exists a Compensation Subcommittee of the EC. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the formation of a Compensation Committee along with its respective Terms of Reference substantially in the form presented;

FURTHER RESOLVED, approve the revised Terms of Reference for the Executive Committee substantially in the form presented; and

FURTHER RESOLVED, approve amended Article 6.4 and Article 7.2 of the CFA Institute Bylaws substantially in the form presented.

### **Consent Agenda**

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

#### FY10 Board Oversight Committee Chairs *(Approved with Pierre Cardon, CFA, Abstaining)*

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 2009 and until their successors are chosen and qualified:

Audit and Risk Committee	Chair: Kay Booth
External Relations and Volunteer Involvement Committee	Chair: Alan Meder, CFA
Planning Committee	Chair: Jeff Lorenzen, CFA

#### FY10 CFO and Secretary *(Unanimously Approved)*

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 2009 and until their successors are chosen and qualified.

#### Retention of External Auditor *(Unanimously Approved)*

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 2009.

Update Signatories on Hong Kong LLC and  
China Representative Offices Bank Accounts (*Unanimously Approved*)

RESOLVED, that the following individuals shall be authorized signatories on the Hong Kong LLC bank account:

John Rogers, CFA, President and CEO  
Timothy McLaughlin, CFA, Chief Financial Officer  
Ashvin Vibhakar, CFA, Managing Director, Asia Pacific Operations  
Rahul Keshap, Director, Strategy & Operations, Asia Pacific Operations  
Joanna Kwok, Director, Society Relations, Asia Pacific Operations

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

John Rogers, CFA, President and CEO  
Timothy McLaughlin, CFA, Chief Financial Officer  
Ashvin Vibhakar, CFA, Managing Director, Asia Pacific Operations  
Joey Chan, CFA, Director, Planning and Program Development, Asia Pacific Operations

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

Disciplinary Review Committee Chair (*Approved with Tom Welch, CFA, Abstaining*)

RESOLVED, that the Board of Governors accept and approve the appointment of David B. Stevens, CFA, as Chair of the Disciplinary Review Committee for a one-year term beginning 1 September 2009 and until his successor has been selected and qualified.

Waiver for Curriculum Author (*Unanimously Approved*)

RESOLVED, that the Board of Governors accept and approve the following Author's membership on a Committee or Board as defined in the CFA Program Conflict of Interest Policy #3: John J. Nagorniak, CFA.

### **Other Business**

The PCRs updated the Board the society probation matter. Of the 11 societies identified only two societies remain with discussions taking place with representatives during the course of these meetings.

The Board Vice Chair noted that Seoul, Korea, would be the location for the February 2010 Board meeting.

The Board Chair briefly reviewed agenda topics for the July Board meeting.



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

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary  
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