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**BOARD OF GOVERNORS  
MEETING MINUTES  
1 October 2009  
National Harbor, Maryland**

Notice: 25 September 2009

Governors Present:

Saeed Al-Hajeri, CFA	Daniel S. Meader, CFA
Mark J.P. Anson, CFA	Alan M. Meder, CFA
Kay Ryan Booth	John D. Rogers, CFA
Pierre Cardon, CFA	Jane Shao, CFA
Margaret E. Franklin, CFA	Brian D. Singer, CFA
Samuel B. Jones, Jr., CFA	Roger Urwin
Stanley G. Lee, CFA	Thomas B. Welch, CFA (Chair)
Jeffrey D. Lorenzen, CFA	Charles J. Yang, CFA

Presidents Council  
Representatives

Present:

Jason T. Bell, CFA	Ralph Lehman, CFA
Richard A. Clemens, CFA	Todd Parker Lowe, CFA (Chair)
Sharon Criswell, CFA	John Robert Pugh, Jr., CFA
Janine Guenther, CFA	Nanci Morris, CFA
Thomas Joski, CFA	Mohammad Shoaib, CFA
Attila Koksál, CFA	

Also Present:

C. Jeannie Anderson, 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, Stakeholder Services, Marketing and Communications, CFA Institute  
Barbara L. Higgins, Chief Planning Officer and Head, Registration and Event, CFA Institute  
Robert R. Johnson, CFA, Senior Managing Director, CFA Institute  
Joseph P. Lange, Corporate Secretary, Office of General Counsel, CFA Institute  
Christopher Loop, CFA, Chair of the Standards of Practice Council, 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 Institute

\* Present for Part of Meeting

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

Jan R. Squires, CFA, Managing Director, Interactive and External Relations,  
CFA Institute  
David Stevens, CFA, Chair of the Disciplinary Review Committee,  
CFA Institute\*  
Peter Verrengia, CCW, Consultant\*  
Ashvin P. Vibhakar, CFA, Managing Director, Asia Pacific Operations,  
CFA Institute

Materials

Distributed

Prior to Meeting:

CFA Institute Board Binder  
Revised Notice of Meeting  
Revised Meeting Agenda  
Travel Guidance for Senior Volunteers  
Memo: Revised DRC Charter  
DRC Charter  
Overview of the SPC for the Board of Governors  
Executive Committee Report to the Board  
Executive Committee Objectives and Milestones  
Board Performance Evaluation FY2008  
Volunteer Committee Chair Selection Process Policy  
Resolutions for Action Items Board Open Session  
CFA Exam Development – Key Dates

Materials

Distributed

at the Meeting:

Background for February Seoul Meeting

Meeting Chair:

Thomas B. Welch, CFA

Meeting Secretary:

Joseph P. Lange

**Planning Committee Report / Strategic Plan Update**

The chair of the Planning Committee (PC), Jeff Lorenzen, CFA, provided an overview of recent activities:

- Approved PC's objectives and milestones.
- Provided feedback to management on prioritization of future funding.
- Made progress on the strategic scorecard.
- Reviewed items that PC will focus on in terms of strategic initiatives for the fiscal year.

Lorenzen spent time with management in Charlottesville reviewing the budget to make sure it aligned properly with Vision 2012. He addressed budget cutting measures and prioritizing strategic issues as candidate counts improve.

The president and CEO, John Rogers, CFA, discussed the following themes reflected in the work plan for 2010:

- Focus
- Leadership
- Relevance

Management cut the size of the work plan down from 20 pages to 10 and the number of milestones was down 30 percent over last year. Efforts were being taken to effectively communicate the contents of the work plan to all CFA Institute staff through a series of short five minute videos, which will be posted to the Board extranet for the governors to view. The objective was to tie the organization's mission, Vision 2012, and annual work plan into a virtual circle to reflect the way staff is compensated and compensation is determined.

The vice chair of the Board, Marg Franklin, CFA, inquired if there was a plan should the rollout of My CFA not go as expected. The managing director of Interactive and External Relations, Jan Squires, CFA, provided an update on the project's status and explained that the appropriate risk management framework was in place.

The chair of the Board, Tom Welch, CFA, asked if My CFA had to be pulled back what kind of impact would that have on the strategic plan. Lorenzen commented that it would have minimal effect on the organization meeting its strategic targets.

Franklin requested feedback on the budget cutbacks that were implemented this year. The CEO provided a brief overview of the various projects affected.

The Board discussed and commented on specific items noted in the work plan.

### **Role of Research at CFA Institute**

Consultant with CCW, Peter Verrengia, presented its report. CCW conducted internal and external research and analysis on the role of research and research products for CFA Institute. Findings were intended to assist the organization's leadership in confirming, coordinating, or revising its strategy for research. CCW interviewed over the past several months 14 people within the organization and five trustees of the Research Foundation. They also conducted peer comparison benchmarking interviews with five specific organizations that have relevance as peers, and several others they examined the output of and the public visibility of research efforts. He proceeded to explain CCW's information gathering process, provided their top-line findings, and recommendations.

Welch commented that this presentation was just to tie up initial findings from the work that had been done by the consultant. He requested that Mark Anson, CFA, Sam Jones, CFA, and Charles Yang, CFA, digest the report and work with all parties to come back to the Board in Seoul with recommendations on this matter. The Board was asked to provide feedback and thoughts on the information presented and send it directly to Anson who would be heading up the work group.

### **CFA Institute Centre Strategic Issues**

The managing director of the CFA Institute Centre, Kurt Schacht, CFA, began the discussion by explaining how he initially became involved with the organization. The purpose of the presentation today was to review the founding principles and some of the new challenges facing the Centre categorized as follows:

- Organization and governance of the Centre
- The process for setting the Centre's agenda
- The voice of the Centre
- Strategic planning refinements
- Legislative outreach

Schacht explained the Board's oversight of the Centre:

- Control and allocation of budget resources
- Approval of all volunteer committee members
- Annual review and approval of strategic objectives
- Two Board members directly involved

Next, Schacht discussed in detail the organization and governance of the Centre:

- Role of the Board
- Management of the Centre
- CFA Centre as a distinct entity
- Engaging members in Advocacy
- Metrics of success

Roger Urwin inquired as to whether the project selection process was global. Schacht explained that a lot has been done to globalize advocacy activities and noted that seven of the eight members that currently serve on the Centre's Advisory Council were non-U.S. In addition, a majority of the members that serve on the Centre's volunteer committees were non-U.S. Three of the five projects recently approved by the Advisory Council were for non-U.S. based products.

Dan Meader, CFA, commented on the advocacy process from a global perspective and asked if CFA Institute had the appropriate messengers outside of North America to present the organization's position. Schacht responded they did; however, a lot more could be done with better engagement of local society leaders.

Welch requested the Board's opinion as to the appropriateness of individual Board members offering guidance to Schacht versus the Board as a whole. Saeed Al-Hajeri, CFA, offered that the collective input on an issue by the Board should be respected by the Centre or management. The past chair of the Board, Brian Singer, CFA, noted that he saw the Board member slot on the Centre's Advisory Council as an ambassadorial role. Welch added he viewed the Board slot on the Council as a fully participating member.

Meader introduced the work group that was focused on the matter of the voice of the Centre. He discussed the issue of influence and explained that the genesis for the Centre in 2003 was born out of the need for the organization to get in front of issues as opposed to addressing them after they have occurred.

Meader suggested that the history of CFA Institute confirms the need to not just create a position and stay neutral. Initial concerns with establishing the Centre was that it would disenfranchise our members and/or our position with regulators, which turned out not to be the case. He offered that the greatest risk now was one from a brand perspective as opposed to alienating ourselves from either our members or our constituencies.

Jane Shao, CFA, highlighted current and projected candidate and member demographics. She emphasized the challenge of having one global voice representing the diversity of the membership.

Pierre Cardon, CFA, discussed globalization and the desire to have a global voice. He processed to highlight the different paths CFA Institute could take to achieve that global voice. The challenge was to organize and balance the Centre in a way that focused on the global voice and then leveraged local societies and/or regional offices to address regional issues.

Cardon noted that the current strategy map states that the Centre speaks for the members. However, he was not convinced that there was consensus among the Board that was the best way to present to the outside world.

The Board discussed the matter and Welch noted next steps. Further debate would take place in ERVIC and at the full Board meetings either in Seoul or Boston.

Schacht provided an overview of the Centre's approach to legislative outreach. He noted the distinction between apolitical legislative outreach and lobbying with the do's and don'ts the Centre follows:

Do's

- Educate legislators and staff
- Provide expert testimony
- Coordinate with regulator strategy
- Promote awareness of the CFA designation

Don'ts

- Participate in fundraising
- Engage in campaign activities
- Donate money or establish a PAC
- Devote significant time

The Board inquired into specific examples and distinctions of activities the Centre was involved, which Schacht provided.

### **Audit and Risk Committee**

The chair of the Audit and Risk Committee (ARC), Kay Booth, provided an overview of recent activities:

- External auditor update: Fieldwork was now complete.
- Information security audit update: Several issues have been successfully completed, others still in process but received assurance expediting to complete.
- Annual external legal counsel presentation by Hunton and Williams.

- Received quarterly compliance report.
- Approved ARC's objectives and milestones.

Booth noted that ARC had reviewed and made minor edits to the proposed travel guidance for senior volunteers and recommended Board adoption. The following resolution was approved unanimously.

RESOLVED, that the Board of Governors accept and approve the Travel Guidance for Senior Volunteers substantially in the form presented.

### **External Relations and Volunteer Involvement Committee Report**

The chair of the External Relations and Volunteer Involvement Committee (ERVIC), Alan Meder, CFA, provided an overview of recent activities:

- Managed status
  - Letters signed to be sent to seven societies. The purpose of the letters was to provide a status report on their respective membership counts and to notify each society that there would be a 10 percent hold-back in their funding.
  - Staff working diligently on having a proactive array of tactics that can be applied for members in case their societies do not achieve their member target.
- Discussed ERVIC's role with CFA Institute Centre matters.
- Approved the Volunteer Committee Chair Selection Process Policy.
- Approved Aaron Low, CFA, as chair of the Capital Markets Policy Council.

### **Disciplinary Review Committee Report**

The chair of the Disciplinary Review Committee (DRC), David Stevens, CFA, presented its report. He emphasized that the members of the DRC were very passionate about ethics and fairness. The group was focused on maintaining the integrity of the CFA charter as the gold standard of the organization. Current DRC activities were noted as follows:

- Develop a training program for the Hearing Panel Pool members and new DRC members
- Revise the DRC charter.
- Revise the Rules of Procedures.

Stevens explained his desire to see more international members recruited to serve on the DRC. Several thoughts on sourcing future members were noted to the Board.

The DRC's role as it relates to Vision 2012 was stated as follows:

- Enhancing the CFA Program.
  - Enforcement of the Code and Standards
  - Enforcement of exam rules and policies
- Advocating ethical markets.

Welch inquired as to what the Board should focus on with regards to the DRC's role in CFA Institute. Stevens commented that the DRC does not receive many industry cases; however, the Professional Conduct Program (PCP) has taken steps and should be bringing more cases forward that will result in an increased case-load to handle.

With regards to scalability, Jones asked that with candidate and member growth globally can the PCP based in North America effectively handle such cases. Stevens replied that it had not been discussed and has not been an issue to date.

Singer inquired as to the DRC's case-load mix between candidate and industry cases. Stevens estimated the group sees approximately five percent industry cases and 95 percent candidate cases.

Stan Lee, CFA, asked how many cases the DRC handles in a year. The managing director of Stakeholder Services, Marketing and Communications, Ray DeAngelo stated 71 cases were brought before the group this past calendar year.

The Board was presented the revised DRC charter for adoption. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors accept and approve the revised charter for the Disciplinary Review Committee substantially in the form presented.

### **Standards of Practice Council Chair Report**

The chair of the Standards of Practice Council (SPC), Chris Loop, CFA, began the report by noting that the SPC was one of only two volunteer standing committees explicitly established and described in the CFA Institute Bylaws. The purpose of the SPC is to:

- Safeguard and promote the Code and Standards.
- Review and revise the Standards of Practice Handbook.
- Promote ethics and professional conduct across the membership and profession.

The group was composed of 12 members, all of which were charterholders that provide reasonably good representation of the global body. The SPC's impact on Vision 2012 was identified as follows:

- Projects to expand the principles of the Code and Standards.
  - Asset Manager Code, 2<sup>nd</sup> edition, 2009
  - Standards of Practice Handbook, 10<sup>th</sup> edition, 2010
  - Endowment Code of Conduct (expected 2010)
- Effective communication and advocacy of ethical principles.
  - CFA publications and board media article
  - Participation in conferences and events
- The SPC's global composition reflects the importance of understanding global markets and extending the organization's global reach.

Currently, the most important goal of the SPC was to complete its work on the tenth edition of the handbook. It was anticipated that it would be ready in time for the 2011 CFA candidate curriculum. Jones noted that the Board would be presented with changes to the standards for approval around December.

Lee inquired as to the need for a new edition to the handbook. Loop explained the reasoning for the new handbook and highlighted the major revisions incorporated.

Yang stated that the last time a new edition of the handbook was released a PowerPoint presentation was made available to societies to compare changes. Rogers commented that management would be looking into utilizing PR opportunities to promote the new handbook.

Welch noted the Board's appreciation for the SPC with regards to the excellent work they were doing.

### **Presidents Council Representatives Report**

The chair of the Presidents Council Representatives (PCRs), Todd Lowe, CFA, provided an update on the Society Leadership Council (SLC) meeting schedule. He raised the issue that the PCRs' role was frequently not clearly defined from year to year. The group went through a strategic planning session after the July Board meetings and reiterated their purpose of being liaisons between the board and societies, then identified the following five visions of success:

- Optimize relationships between the board, societies, and staff.
- Healthy vibrant societies.
- Increase cooperation between societies.
- Synchronize the interest of CFA Institute and societies.
- Work closely with society leaders to ensure their success.

Lowe emphasized that the overarching goal for the PCRs this year was to maintain and enhance their relevance as an asset and resource to the Board and staff of CFA Institute. It was noted that many times the PCRs are the first to hear and know the pulse of the organization. Welch stated that the Board and PCRs are in close agreement on several issues and share many common interests. It was incumbent on both groups to continue to look for areas where they could work together.

Franklin asked how the PCRs envision pursuing their goal and how it would differ from current practice. Lowe commented that relationships have improved dramatically over the last several years and sees governors and PCRs growing comfort level with one another to having open dialog without expectations. Meader gave examples on how to encourage and further communications between the parties. Governors and PCRs in the same geographical location should touch base to develop a regional connection and PCRs should be encouraged to interact and participate during Board oversight meetings.

### **CEO Report**

Rogers highlighted the following operational issues:

- Increasing the strength and size of the Professional Conduct Program. The number of cases has continued to grow resulting in a case backlog to reappear. A detailed analysis concluded that with four additional staff members, three full-time and one on a consultant basis would bring the program to full strength and enable them to work through the case backlog and handle future growth in new cases.
- Work continues on developing a Latin American strategy. Recent meetings on the topic have revealed some misconceptions in South America and within the societies as to the objective of CFA Institute, which is to extend the CFA Program into that part of the world.
- Announcement was recently circulated that an internal candidate in the Hong Kong office has been appointed to fill a very senior position in communications and public relations and will relocate to the New York office. This sends a very positive message to staff that talented and



qualified individuals regardless of their current regional office affiliation may assume more global roles within the organization.

### **Executive Committee Report**

Welch provided an overview of the Executive Committee's objectives and milestones. It was explained that some of the committee's responsibilities are detailed by the CFA Institute Bylaws and others are designated by or on behalf of the Board.

This year the number of members serving on the committee was less because the organization had a smaller Board. The chairs of the three oversight committees were invited to attend the first in-person committee meeting to review their objectives and milestones for the fiscal year. The committee is responsible for evaluating the work of the oversight committees and will give midyear feedback to their chairs at the Seoul meeting.

Welch commented on the feedback he received from various Board members with regards to agenda item suggestions for the year. His objective was not to solicit agenda items before each meeting but rather to have the year planned accordingly. Additional matter would be added to the agenda as they developed through the Board, oversight committees, or management.

The committee will be working on revising the format of the Board performance evaluations, which will be conducted around or shortly after the Boston meetings. Meader suggested that a larger rating scale be used for the evaluations.

### **Volunteer Committee Chair Selection Process Policy**

Welch introduced the proposed chair selection policy and discussed the importance of having consistency in the process with how the Board selects chairs for the volunteer committees. A lot of consistency has evolved over time; however, the proposed policy would establish a simple and transparent nomination process for the various committees. The following resolution was approved unanimously.

RESOLVED, that the Board of governors accept and approve the Volunteer Committee Chair Selection Policy substantially in the form presented.

### **Capital Markets Policy Council Chair**

Welch submitted to the Board the following resolution that was approved unanimously.

RESOLVED, that the Board of Governors accept and approve the appointment of Aaron Low, CFA, as chair of the Capital Markets Policy Council for a one-year term beginning 1 September 2009 and ending 31 August 2010, or until a successor has been duly selected and qualified.

### **Director Education Programs/Conferences**

Welch explained that the objective was to have several Board members attend different director programs and to report back on whether they found the program informative and any key concepts learned.

Cardon gave a summary overview of the key takeaways from the IMD program he attended on the subject of high performance boards.

### **CFA Exam Development**

Shao discussed her impressions and experience attending the CFA Program Global Review held in Beijing.

### **Board Meeting Schedule**

The next Board meeting was scheduled for 4-6 February 2010 to be held in Seoul, Korea.

Welch informed the group that the July 2010 Board meeting was being moved out of Charlottesville to Europe. The exact location was to be determined.

In addition, next year the fall Board meeting will not be held in conjunction with the SLC and will be scheduled to take place the first week of November in Charlottesville. Governors will continue to be encouraged to attend the SLC accordingly.

At this time, the meeting was adjourned.

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary

BOG Meeting Minutes 1 October 09.doc