



Setting the global standard for investment professionals

Board of Governors Meeting Summary Notes – May 2010

- Planning Committee (PC) Report
 - Summary
 - Objectives and Milestones are on target.
 - Discussed building innovation into the CFA Institute strategy and how to balance/manage associated risk. The first draft of Guiding Principles for Risk Management, Reporting, and Strategy was prepared and to be finalized by July.
 - Overseeing the organization's budget development process and will be looking at the current financial status and the major drivers for the FY2011 budget.
 - Action Items
 - Reviewed and endorsed the Latin America Strategy for approval by the Board.
 - Reviewed and endorsed the first version of the Strategic Dashboard prepared by management with the understanding that it was a living document and would evolve over time. This dashboard will provide management with another tool for tracking the progress of key strategic objectives.
- Latin America Strategy (approved by the Board)
 - Summary
 - Goal: CFA Institute to establish a meaningful presence in Latin America.
 - Mission: Help to raise standards in the capital markets and play a significant role in the development of the Latin American economies.
 - Current market penetration in the region is negligible for CFA Institute members, significantly behind North America, EMEA, or APAC in terms of penetration in the financial industry.
 - Focus on outreach to bring more candidates into the CFA Program in order to establish a meaningful presence in the region.
 - Creation of a small regional office in Buenos Aires, Argentina, based on:
 - ✓ Proximity to the rest of the region
 - ✓ Safety
 - ✓ Cost
 - Initial areas of coordinated outreach:
 - ✓ Regulatory
 - ✓ Industry
 - ✓ University
 - Outreach efforts will be facilitated by the following activities:
 - ✓ Media Relations
 - ✓ Global Investment Research Challenge
 - ✓ Society Development
 - ✓ Educational Activities
 - ✓ Prep Course and Study Group Development

- Efforts in Latin America will focus on six countries:
 - ✓ Brazil
 - ✓ Mexico
 - ✓ Argentina
 - ✓ Chile
 - ✓ Peru
 - ✓ Colombia
- The proposed five-year budget for this plan seeks an additional spending of \$16.1 million over the \$6.2 million that is estimated to be spent in the absence of a coordinated Latin American strategy.
- Noted that if the Latin American strategy is either more or less successful than expectations, it can be adjusted mid-stream. As a result, the Board does not have to commit to the entire incremental amount over the next five years. The Board will review each year the success of the program and consider each year's budget request.
- Comments
 - Important that the regional office engage local societies as partners in this strategy and have an open line of communication.
 - Outreach activities in a non English speaking country can be difficult, important to have the appropriate staff in place.
- Continuing Professional Development (CPD) in the UK
 - Will Goodhart (Chief Executive of CFA Society of the UK) and George Spentzos, CFA (Chair of the Board, CFA Society of the UK) discuss recent developments in regulation of retail financial advisors in the United Kingdom.
 - Summary
 - The Financial Services Authority's Retail Distribution Review (RDR) is making a number of recommendations regarding the regulation of retail financial advisors. One goal of the RDR is to increase the professional standards of investment financial advisors. One standard being considered by the FSA is imposing a mandatory CPD requirement on all retail financial advisors.
 - Highlighted the trend towards mandatory CPD in the UK from both the regulatory and employer perspective.
 - Discussed the challenges and issues facing CFA UK and CFA Institute.
- CEO Report
 - Summary
 - Registrations for the June CFA exams have come in above the conservative budget; however, essentially flat compared to 2009. Estimate a positive operating margin for the current fiscal year that ends in August of about \$5.5 million.
 - Continue in the current budget year to operate under a relatively austere budget. Have achieved considerable cost savings even beyond the budget in this current year, primarily through fairly aggressive procurement policies and increase use of electronic solutions where traditionally would have used print.
 - Work plans are on target with the exception of the HR plan, which is due purely to the timing of the hiring of the new HR Managing Director.
 - Successful launch of My CFA that required a significant amount of time and effort. My CFA won an award right out of the box from SharePoint for one of the best SharePoint sites. In the process of developing the next releases of My CFA.

- The Global Investment Research Challenge has experienced phenomenal growth and in the process of regionalizing responsibility.
- CFA Program introduced a passport policy which will become effective with the exam cycle beginning December 2011.
- Additional resources provided to the Professional Conduct Program. Staff has been added to handle increased case loads.
- Expecting e-curriculum to become the mainstay for CFA Program candidates over time.
- Advocacy division is now fully integrated into the organization resulting in more collaboration.
- Hired a procurement officer and anticipate realizing at least a 5 percent savings out of what is spent on third party contract.
- With regards to overall level of IT resources, working to get on the curve instead of chasing the curve. Hired a director of operations and a director of security that will help raise the operating standards of IT.
- Providing support for adoption of uniform governance and leadership standards by societies. Pursuing the model of providing a higher level of administrative support to societies so volunteers can spend more of their time as leaders, doing value added activities as opposed to administration.
- Expecting a high level of take up in level II funding this year.
- Increasing the size/headcount in the regional offices due to pushing more responsibility to those regions.
- Charlottesville Office Space Options (approved by the Board)
 - Summary
 - Long-term strategic facilities plan for CFA Institute presented and discussed:
 - ✓ Strong global facilities demand is expected to continue.
 - ✓ Charlottesville is an attractive location for an operations hub based on cost and quality of labor.
 - ✓ One facility is more efficient than multiple facilities.
 - ✓ Owning real estate makes good financial sense.
 - ✓ There are several areas of risk related to owning real estate, including having a viable exit strategy. Management is confident the organization has a viable exit strategy.
 - The Board affirmed their commitment to maintain an operational hub in Charlottesville, VA, and gave management the green light to develop a proposal for building or acquiring a single facility of sufficient size to house all Charlottesville employees.
- Audit and Risk Committee (ARC) Report
 - Summary
 - Reviewed the following:
 - ✓ Emergency Response and Disaster Recovery Plan
 - ✓ IT Performance Reports
 - ✓ Internal Audit Quarterly Status Reports
 - ✓ Officer Prerequisites Policy
 - ✓ Employee Volunteer Travel Policy
 - ✓ Investment Committee Meeting Minutes

- ✓ Controls of CFA Institute for employee practices, employee relations, training and development
- External Relations and Volunteer Involvement Committee (ERVIC) Report
 - Summary/Action Items
 - Updated and approved the Oversight and Policy Guidelines for Advocacy Standards and Financial Market Integrity Division.
 - Bringing the 18 month Managed Status Program to a conclusion. Of the seven societies in managed status it is believed that only Toledo will not emerge successfully. Knoxville is merging with Chattanooga and both societies have approved that merger. ERVIC recommended that the Board adopt resolutions for the following societies and that they meet minimum membership counts as of 1 July 2010: (approved by the Board)
 - ✓ Barbados CFA Society
 - ✓ CFA Egypt
 - ✓ CFA Society of Idaho
 - ✓ Knoxville CFA Society
 - ✓ Society of Financial Analysts-Mauritius
 - ✓ CFA Society of Nevada
 - ✓ CFA Society of Toledo
- Presidents Council Representatives (PCR) Report
 - Summary
 - Noted concerns expressed by some society leaders with regards to CFA Institute dues increase over perceived lack of transparency and the impact on societies ability to raise their own dues.
 - Several societies recognized for excellence they accomplished over the year.
 - Four candidates running for the Presidents Council Chair position.
 - Attila Koksai, CFA, has completed two terms and was thanked for his service.
 - The society funding model is coming up on its three year sunset clause and the PCRs are looking forward to working with the Board and management on developing the future model. It was suggested that consideration be given to the administrative burdens place on societies in the process.
- Executive Committee (EC) Report
 - Summary
 - Downsizing of the EC this year to five members seemed effective while still maintaining the ability to have meaningful engagement with the oversight committee chairs.
 - Search continues for the appropriate facilitator to conduct the Board evaluation process.
 - EC guidance to the Nominating Committee will be finalized by July. The Board was requested to provide input on the criteria for the FY2011 election cycle.
- FY2011 Oversight Committee Chair Appointments (approved by the Board)
 - ARC Chair = Alan Meder, CFA
 - ERVIC Chair = Charles Yang, CFA
 - PC Chair = Roger Urwin



- FY2011 Executive Committee Members/Appointments (*italics approved by the Board*)
 - Marg Franklin, CFA (Committee Chair) ... pursuant to the CFA Institute Bylaws
 - Dan Meader, CFA ... pursuant to the CFA Institute Bylaws
 - Tom Welch, CFA ... pursuant to the CFA Institute Bylaws
 - *Jane Shao, CFA*
 - *John Rogers, CFA*
- Consent Agenda Matters (approved by the Board)
 - FY2011 Appointment as Corporate Secretary = Joe Lange
 - FY2011 Appointment as Chief Financial Officer = Tim McLaughlin, CFA
- Next In-Person Board Meetings
 - Date: 22-24 July 2010
 - Location: Barcelona, Spain