



Setting the global standard for investment professionals

Board of Governors Meeting Summary Notes – July 2010

- Opening Remarks
 - Incoming new Board of Governors (BOG): Giuseppe Ballocchi, CFA; Beth Hamilton-Keen, CFA; Jim Jones, CFA; and Aaron Low, CFA.
 - Incoming new President Council Representatives (PCR): Marla Harkness, CFA (PCR Chair); and Arthur Thompson, CFA.
- Planning Committee (PC) Report
 - Summary
 - Productive year tackling a number of projects focused on strategy and planning for the future. Initiatives included Guiding Principles for Key Strategic Initiatives (Member Revenue Model and Additional Educational Designations and Designations), and the Latin America regional strategic plan.
 - Continued its role in providing high level oversight of the strategic plan and development of strategic metrics. Previously endorsed the first complete version of the Strategic Dashboard with the understanding that it was a living document and would continue to evolve.
 - Progress on the FY2010 Strategic Work Plan was reviewed throughout the year. Received regular updates on the financial projections and additional investments in initiatives were endorsed by the Committee.
 - Action Items
 - Approved Guiding Principles for Risk Management, Reporting, and Strategy that will go to the Executive Committee for final review and approval. The purpose of these principles was to refine the role of the PC in encouraging the organization to take appropriate risks to advance its strategy.
 - Approved final version of the budget that went to the Board for approval. The Committee was engaged in monitoring the budget development process for FY2011:
 - ✓ Reviewed the main budget drivers and the candidate forecasts for the coming year.
 - ✓ Reviewed the initial plan and development process for the FY2011 strategy and budget.
 - ✓ Previewed the key strategic priorities for the coming year and how the assessment of risk and return of potential initiatives were incorporated into the budget development process.
- FY2011 Strategy and Budget (approved by the Board)
 - Strategy and budget for FY2011 advances the mission through the strengths of the strategic objectives set forth in Vision 2012 coupled with the financial success of the organization.
 - Created utilizing a strong planning process with new assessment tools. FY2011 will be a year of continued focus and significant strategic investments.



- Prominent FY2011 strategic initiatives:
 - Initiate additional educational certifications.
 - Ensure that My CFA web resource provides sufficient quality and quantity of relevant and timely content.
 - Strengthen Global HR service delivery model.
 - Advance global service through regional offices.
 - Expand technology capabilities to meet goals for strength and flexibility.
- Revenue drivers:
 - New CFA Program Level I registration volumes appear to have stabilized.
 - The Asia Pacific region is the largest contributor of candidates while the largest proportion of members is from North America.
- FY2011 same store revenue increases are partially offset by volume driven expenses and expansions of programs needed to maintain expected service levels.
- Some savings realized from transition to electronic content distribution results in current activity (with savings) operating margin of \$17.5 million.
- The strategic and operating plan for FY2011 contains a change portfolio of mission focused initiatives that require an investment of \$19.8 million. All but \$2.1 million is funded by FY2011 operations. Cash flow is sufficient to cover the expected operating margin loss as well as capital investment of \$10.4 million. There is no expected draw on reserves.
- CEO Report and Summary of FY2010 Strategic Work Plan Progress
 - Summary
 - With the approach of the end of the fiscal year, the organization has made some important progress. Created a budget and plan for the year under considerable uncertainty in terms of the operating environment.
 - The Strategic Work Plan included 56 implementation initiatives. Of these, 55 were on target for completion (41 on target, 14 completed, and 1 delayed).
 - Successful CFA exam administration of the December and June exams. New candidates for 2010 were 75,400 with total candidate registrations at 200,700.
 - Net operating revenue (excluding investment earnings and gains) were projected to be \$193.2 million with an operating margin projected at \$7.7 million.
 - My CFA launched in April 2010 with approximately 43 percent of the members logging into this new feature.
 - Comments
 - Management working to evolve CFA Institute into a high performance organization. Established a work plan that was aligned with the organization's strategic objectives and business plan, measures progress through time, addresses how to handle risk, and award participants.
 - Management embracing a culture of leadership:
 - ✓ Behave as fully invested partner in the organization.
 - ✓ Leadership Courage
 - ✓ Servant Hood

- Europe, Middle East, Africa (EMEA) Regional Report
 - EMEA strategy plan (Glocalisation): Achieve regional leadership by delivering more member value locally.
 - ✓ Raise Awareness
 - ✓ Educate Members
 - ✓ Strengthen Societies
 - ✓ Promote Integrity
 - ✓ Build Capabilities
- FY2011 Priorities
 - Staff: add 11 new roles.
 - Offices: locate new offices in London to accommodate expansion over 5 years; establish local presence in the Middle East.
 - Advertising: execute regional advertising campaign.
 - Education content: ramp up sourcing of localized educational content for My CFA.
 - Society support: raise society capabilities.
 - Advocacy: expand Brussels team; add to financial reporting team.
- Charlottesville Office Proposal
 - Summary
 - At the May meeting, 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.
 - The demand for more office space is being driven by the growth in the CFA Program as well as the continued increase in services provided to members, candidates, and societies. The ultimate criteria used to determine the best-possible facility will be one that has the potential to enhance performance and fulfillment of the organization's mission as well as meeting a portfolio of business objectives.
 - Management hopes to execute a non-binding letter of intent on a selected site in the coming weeks. Upon completion of due diligence, management will seek Board approval to execute a purchase contract. This is expected to occur over the next several months.
- Audit and Risk Committee (ARC) Report
 - Summary
 - ARC is responsible for monitoring the financial reporting of CFA Institute and assisting the Board of Governors in fulfilling its oversight responsibilities. ARC reviews and provides oversight of CFA Institute financial reporting processes, its system of internal controls, the internal and external audit processes, risk management, and the organization's process for monitoring compliance with laws and regulations and the Code of Conduct. Much of ARC's oversight is at an operational level and the Committee refers to a set of guidelines that lists these responsibilities along with a suggested calendar for completion of each activity.
 - Met with PwC to review FY2009 IRS information returns for CFA Institute and the Research Foundation. Advised of significant changes in Form 990 and what the IRS imposes on organizations like CFA Institute.
 - PwC provided their scope presentation for this year's external audit.

- External Relations and Volunteer Involvement Committee (ERVIC) Report
 - Summary
 - ERVIC continued to move forward on meeting its three primary objectives and completing its milestones:
 - ✓ Relationship with Member Stakeholders
 - Managed Status program has concluded. Five of the affected societies successfully emerged from the program. The Knoxville Society successfully merged with the Chattanooga Society. The Toledo Society did not reach its member threshold and is no longer recognized by CFA Institute.
 - CFA Institute and CFA UK are jointly monitoring the evolving regulatory environment in the United Kingdom concerning retail investment advisors.
 - Approved realignment of the Annual Conference Committee and the Financial Analysts Seminar Board of Regents as advisory groups.
 - CFA Institute staff and volunteers are working on a grass roots effort to identify best practices for society governance.
 - ✓ Relationships with Non-members Stakeholders
 - Updated on the organization's University Relations efforts.
 - Updated on the organization's Industry Relations efforts.
 - ✓ Relationships with SFMI Division, Public Representatives, and the Media
 - Updated on the organization's global advertising efforts.
- Presidents Council Representatives (PCR) Report
 - Update on the PC Chair and PCR election results.
 - Overview of the recently held leadership meetings and upcoming meeting schedule for FY2011.
 - Summary and outcomes of FY2010 PCR goals:
 - Maintain and enhance the PC Chair and PCR relevance as an asset and resource to the Board and staff.
 - Ensure that societies are prepared to collaborate and benefit from My CFA.
 - Promote collaboration and interaction between societies.
- Professional Conduct Program
 - Disciplinary Review Committee (DRC) Restructuring Proposal
 - Approved proposal to restructure the DRC. Restructuring will eliminate the Hearing Panel Pool (HPP), expand the DRC membership, institute a leadership group within the DRC, and make training a primary focus of committee meetings. The ultimate goal was to provide a disciplinary process that delivers fair and consistent findings to members and candidates.
 - Rules of Procedure
 - Approved the revised Rules that are the key component for enforcing the Code and Standards and other governing documents, rules and regulations established by CFA Institute. Overall, the Rules have been reorganized to be more user-friendly, tone and language modified to minimize legal language, and to consider global and cultural interpretations.

- Executive Committee (EC) Report
 - Summary
 - Tasked with responsibilities and duties outlined in the CFA Institute Bylaws and EC annual objectives and milestones.
 - Reviewed restructuring proposal to the Disciplinary Review Committee.
 - Overview of implementation of the revised Research Foundation Bylaws and recent trustee discussions with management.
 - Action Items
 - Approved FY2011 guidance to the Nominating Committee.
 - Approved FY2011 Oversight Committees assignments and Nominating Committee appointment.
 - Approved FY2011 member appointments to the Council of Examiners and Education Advisory Committee.
- FY2011 Governor Assignments/Appointment (*italics approved by the EC*)
 - Oversight Committee Members
 - ARC
 - ✓ Alan Meder, CFA (Committee Chair)
 - ✓ *Mark Anson, CFA*
 - ✓ *Giuseppe Ballocchi, CFA*
 - ✓ *Jeff Lorenzen, CFA*
 - ✓ *Jane Shao, CFA*
 - ✓ *Tom Welch, CFA*
 - PCR Liaisons: Tom Joski, CFA; and Sharon Criswell, CFA.
 - ERVIC
 - ✓ Charles Yang, CFA (Committee Chair)
 - ✓ *Saeed Al-Hajeri, CFA*
 - ✓ *Pierre Cardon, CFA*
 - ✓ *Jim Jones, CFA*
 - ✓ *Stan Lee, CFA*
 - ✓ *Dan Meader, CFA*
 - ✓ *John Rogers, CFA*
 - PCR Liaisons: Rick Clemens, CFA; Janine Guenther, CFA; Ralph Lehman, CFA; and Arthur Thompson, CFA.
 - PC
 - ✓ Roger Urwin (Committee Chair)
 - ✓ *Kay Booth*
 - ✓ *Marg Franklin, CFA*
 - ✓ *Beth Hamilton-Keen, CFA*
 - ✓ *Aaron Low, CFA*
 - ✓ *John Rogers, CFA*
 - PCR Liaisons: Jason Bell, CFA; Nanci Morris, CFA; Bob Pugh, CFA; and Mohammad Shoaib, CFA.

- Nominating Committee Members
 - Tom Welch, CFA (Committee Chair)...Past Board Chair
 - Marg Franklin, CFA...Board Chair
 - Aaron Low, CFA...Governor Appointment (1st year of term)
 - Sam Jones, CFA...Governor Appointment (2nd year of term)
 - Emilio Gonzalez, CFA...PCR Appointment (1st year of term)
 - Helmut Henschel...PCR Appointment (2nd year of term)
 - George Spentzos, CFA...CFA Program Committee Appointment (1st year of term)
- Incoming Board Chair Remarks
 - Focus/Thoughts for FY2011 and Beyond
 - Relevance of Members and the Investment Profession
 - ✓ Pursue ways to broaden our reach.
 - ✓ Become the clearinghouse of practitioner information.
 - ✓ My CFA must become a compelling and exciting place to visit and revisit.
 - ✓ More career development and support programs for members.
 - Leadership in our Profession
 - ✓ Employer Outreach
 - ✓ Ethic Leadership
 - More effective use of our talents
 - ✓ Volunteer Experience
 - ✓ Society Value Proposition
 - ✓ Board Engagement and Effectiveness
 - ✓ Follow/Measure Important Initiatives to Closure
 - ✓ Opportunities/Engagement for Former Board Members
- Recognition of Retiring Governors and PCRs
 - Governors: Sam Jones, CFA; and Brian Singer, CFA.
 - PCRs: Attila Koksál, CFA; and Todd Lowe, CFA.
- Approved Consent Agenda Matters
 - FY2011 Volunteer Committee Chair Appointments
 - Council of Examiners-Chair: Gregory Noronha, CFA
 - Education Advisory Committee-Chair: Andrew Abouchar, CFA
 - Corporate Disclosure Policy Council-Chair: Gerald White, CFA
 - Capital Markets Policy Council-Chair: Yasuhiro Oshima, CFA
 - Standards of Practice Council-Chair: Christopher Loop, CFA
 - Retirement Investment Policy Committee-Chair: Robert Dannhauser, CFA
 - Sole Voting Member of the Research Foundation Authorization
 - Tom Welch, CFA, authorized through 31 August 2010 to vote on behalf of CFA Institute as the Sole Voting Member of the Research Foundation at its annual meeting to appoint elected and emeritus trustees for terms commencing 1 September 2010.
 - Establish Registered Office in Buenos Aires Authorization
- Next In-Person Board Meeting
 - Date: 3-5 November 2010
 - Location: Charlottesville, VA