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## Board of Governors Meeting Summary Notes – January 2011

- New Strategy and Planning Process/Planning Committee (PC) Report
  - Provided an overview of the new framework for a more dynamic annual process to generate new strategic leadership and regularly assess long-term strategy. The framework aligns the annual Board planning process to that of the CEO and Leadership Team to ensure that new ideas can be effectively integrated into the strategy, budget, and work plan cycle.
  - Planning Session
    - Goals: Encourage a dynamic strategy discussion of the Board, PCRs, and Leadership Team to assess progress toward Vision 2012; identify timely strategic adjustments to inform planning for the coming year; and begin to explore and define strategic themes for the next long-term strategic plan.
      - ✓ Strategic Theme Breakout Groups
        - Four strategic themes were defined by the Planning and Executive Committees for the Board breakout discussions. These themes each define a topic area for input and development to determine how these may shape future strategy. Breakout groups were provided with a brief summary of the strategic theme, background readings, and questions for the group to shape the definition of this topic area for potential inclusion in future strategy.
          - ❖ *Group 1* – Ethics Leadership and Advocacy
          - ❖ *Group 2* – The “New Normal/New Reality” and CFA Institute: Strategic Implications and Responses
          - ❖ *Group 3* – Bringing Value to the Member Experience: Key Strategic Objectives
          - ❖ *Group 4* – Financial Education, Future Certificate or Certification Programs
- Audit and Risk Committee (ARC) Report
  - The ARC Chair supplemented the written report with the following update:
    - Presented for approval: Guiding Principles-Use of debt or other forms of borrowing (approved by the Board)
      - ✓ The Guiding Principles provide a framework for CFA Institute management to evaluate strategic asset acquisitions or other major project initiatives for which debt or other forms of borrowing may be used to realize demonstrable benefit to the members of the organization. Management decisions and activities involving debt / borrowing are to be in accord with these principles. The Audit and Risk Committee will provide oversight pertaining to the use of debt by the organization.
      - ✓ Adopted by the Board with one modification.

- External Relations and Volunteer Involvement Committee (ERVIC) Report
  - The ERVIC Chair supplemented the written report with the following updates:
    - Received and update on the society fund model.
    - Rethinking Member Affiliation Models
      - ✓ In early conceptual stage and to discuss with society leaders in Edinburgh for feedback.
      - ✓ CFA Institute continues to evolve into a global organization serving constituencies in more than 130 countries. CFA Institute Member Societies also are increasingly diverse in their mission, needs, size and relationship with CFA Institute. Some are self-sustaining entities offering a wide variety of products and services not just to CFA Institute members but the local investment community at large; others are small networking communities of CFA charterholders and candidates.
      - ✓ Investigate whether the current one-size-fits-all model of member and society affiliation could be broadened to include additional forms of member networks.
      - ✓ Envision a model of member networks that can meet the needs of all members, both geographically and by interest. Ideally, member affiliation networks would be relevant and engaging, high performing and adaptive to local conditions.
- Work Experience Process (approved by the Board)
  - ERVIC was last tasked with reviewing work experience guidelines in 2007, and is now reviewing the process in 2011. In 2007, no changes were made to the bylaw definition; however, the operational definition which is applied during the review process was broadened to include positions which support the investment decision-making process.
  - In 2011, statistical research points to the need to again broaden the operational definition of work experience. CFA Institute staff is requesting approval to adopt a “career path” approach to reviewing positions of candidates who are currently working in acceptable jobs and have experience in positions that support the decision making process because it shows the applicant is a serious investment professional.
  - The recommendation was adopted by the Board.
- Executive Committee (EC) Report
  - The EC Chair supplemented the written report with the following updates:
    - Highlighted the EC mandate as outlined in the CFA Institute Bylaws and Terms of Reference.
    - Spent significant amount of time providing input on developing the Board meeting agenda.
    - Nothing to report on the Disciplinary Review Committee or litigation matters.
- Presidents Council Representatives (PCR) Report
  - The PCRs have completed a set of goals for the 2010 – 2011 period. The PCRs believe these goals, which accompany this report, are relevant to both societies and the overall CFA Institute mission. The PCRs also believe that these goals continue to build on strengthening our societies and improving communication between the PCRs and societies, staff and the Board.
  - Societies were notified 8 December 2010 about the society Level 2 funding awards. This year, awards totaled \$839,000 and were made to 99 societies by CFA Institute. Proposals totaling \$943,000 were submitted by 107 of 135 societies. Funding was distributed as

follows: Americas, 62%, EMEA, 22%, and Asia Pacific, 16%. This roughly mirrors society distribution in these areas. Funding recommendations were segmented as Outreach and Awareness, 38%; Member Engagement, 35%; Capacity Building, 26%; and Other, 1%.

- The PCR's have several work groups operating currently. One group is presently working closely with staff to determine which of the current society member service standards will be made requisite, that is, required of all societies, and which will be aspirational. Another group is working on a closely-related project, that is, proposed alterations to the current society funding model. ERVIC has received periodic updates on these two initiatives, and final recommendations for modifications to the standards and funding models will be forthcoming shortly for implementation in fiscal 2012.
- The PCR Chair supplemented the written report with the following update:
  - Encouraged governor participation at the regional meetings.
- CEO Report
  - With a third of FY2011 complete, making good progress with objectives for the year. The strategic work plan calls for significant expansion in human resources, even as work continues to strengthen the HR function itself. On track with both quantity and quality of new hires, and a significant milestone has been reached with the talent review process, now complete for the Head level (40 employees) at CFA Institute. In final interviews for the head of IT, and have completed key leadership hires in the HR department. Exam registrations are trending toward our budgeted numbers. Educational programs, particularly conferences and the Take 15 videos have been particularly well received so far this year. Have devoted significant time to preparing a new society funding model, bylaws revisions, the Everest project, and outreach to regulators and universities. The Industry Relations program is ready implementation, and pilot projects with two major employers are promising in this area.
  - The CEO supplemented the written report with the following updates:
    - Provided an update on HR initiatives and talent development program.
    - Announced internal management reporting structure changes.
- Awards Committee (AC) Report and Recommendations (approved by the Board)
  - AC members: Thomas B. Welch, CFA (Committee Chair); Saeed M. Al-Hajeri, CFA; Pierre Cardon, CFA; Margaret E. Franklin, CFA; and John D. Rogers, CFA.
  - The Board endorsed the following award recipients:
    - Award for Professional Excellence – Keith P. Ambachtsheer
    - Daniel J. Forrestal III Leadership Award for Professional Ethics and Standards of Investment Practice – John C. Stannard, CFA, FSIP
    - Alfred C. "Pete" Morley Distinguished Service Award – Philippe A. Sarasin, CFA
    - Thomas L. Hansberger Award for Leadership in the Global Investment Profession – Alan J. Brown, FSIP
    - C. Stewart Sheppard Award – Jean L.P. Brunel, CFA
    - Special Service Award – Denise M. Farkas, CFA
- Nominating Committee (NC) Report and Recommendations (approved by the Board)
  - NC members: Thomas B. Welch, CFA (Committee Chair); Margaret E. Franklin, CFA; Samuel B. Jones, CFA; Aaron Low, CFA; Helmut Henschel; Emilio Gonzalez, CFA; and George Spentzos, CFA.

- The Board accepted and recommended the following slate be submitted for election by a member vote for terms commencing 1 September 2011:

Officers – One Year Term

- Daniel S. Meader, CFA (Board Chair)
- Alan M. Meder, CFA (Board Vice Chair)

Governors – Three Year Term

- Saeed M. Al-Hajeri, CFA...Second Term
- Attila Koksál, CFA
- Frederic P. Lebel, CFA
- Alan M. Meder, CFA...Second Term
- Matthew H. Scanlan, CFA
- Jane Shao, CFA...Second Term
- Roger Urwin...Second Term

- Articles of Incorporation and Bylaws Revision Project (approved by the Board)

- The Articles of Incorporation and Bylaws are the primary governing documents of CFA Institute. They establish the CFA Institute governance structure and membership categories as well as membership rights and responsibilities. The Articles and Bylaws have been periodically reviewed over the years; the last major review in 2006 focused on the transparency and operation of the Board of Governors. It is important to review the governing documents regularly to ensure they are still providing an appropriate framework for governance and membership.
- Identified areas in the current Articles and Bylaws that were in need of review:
  - Board responsibilities in the Bylaws that could be shifted to management and/or board policy.
  - Unnecessary detail in the Professional Conduct sections that should be shifted to committee charters and the recently revised Rules of Procedure.
  - Legacy governance and membership issues that should be revisited.
- Changes were recommended and accepted by the Board with the goal to ensure that CFA Institutes governance documents reflect current best practice for a global organization.
- The Board endorsed a two-stage process to enact the changes.

- Stage one: The following changes were adopted by the Board.

Topic Area	Specific Articles and Changes (all sections refer to Bylaws except where noted)	Approval Process
Professional Conduct	All changes in Article 11 Removal of Designated Officer definition in Article 2.10	Board in Buenos Aires
Miscellaneous Governance Edits	Clarifying notice requirements in Article 5.6 Clarifying committee appointments in Article 7.4	Board in Buenos Aires

- Stage two: The following changes were recommended by the Board for approval by a member vote.

Topic Area	Specific Articles and Changes (all sections refer to Bylaws except where noted)	Approval Process
Board Composition	Removing cure provision in Article 5 of <i>Articles</i>  Removing cure provision in Article 5.2(a)	Member Vote in Proxy
MPS Responsibility	Removing clauses on MPS determination in Articles 5.7 and 5.8(c)  Removing reference to Article 5.8 (c) in Article 3.4	Member Vote in Proxy
Dues	Removing Board mention in Article 3.7  Inserting "CFA Institute "in Article 10.2	Member Vote in Proxy
Work Experience Definition	Removing detail from Article 2.1 and allowing Board to establish definition	Member Vote in Proxy
Retired Status Members	Removing excusal of PCS in Articles 3.5(b) and 11.2(b)	Member Vote in Proxy
Indemnification and Liability	Clarifying and expanding legal protections in Article 7 of the <i>Articles</i>	Member Vote in Proxy
Miscellaneous Governance Edits	Removing definition of Research Foundation in Article 2.18  Clarifying CFO appointment in Article 9.1	Member Vote in Proxy

- Annual Meeting of Members (approved by the Board)
  - The Board adopted the following:
    - Proposed proxy ballot and statement.
    - Date and location of the Annual Meeting of Members (8 May 2011/Edinburgh, Scotland).
    - The “Record Date” for determining voter eligibility (28 February 2011).
    - The “Mail Date” for mailing the package (on or about 10 March 2011).
    - The “Deadline Date” for tabulating proxies received by internet, facsimile, or mail (6 May 2011).
    - Secretary authorization to file restated Articles of Incorporation with the Virginia State Corporation Commission incorporating the amendments approved by the membership.



- Consent Agenda (approved by the Board)
  - Charlottesville Long-Term Facility
    - Purchase (conditioned on milestones being met) and adaptive renovation of an existing facility in Charlottesville, Virginia, to serve as the operations center for CFA Institute.
  - Power of Attorney for Trademark and Copyright Matters
    - Grant authority to Lisa F. Andress, Esq., CFA Institute Associate General Counsel.
- Next In-Person Board Meeting
  - Date: 6-8 May 2011
  - Location: Edinburgh, Scotland