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## **Board of Governors Meeting Summary Notes – May 2011**

- **Audit and Risk Committee (ARC) Report**
  - The ARC Chair supplemented the written report with the following comments:
    - During review of the Enterprise Risk Management metrics, the Committee suggested that management might consider adding to their report the possible risk that the lack of continuing professional development (CPD) may pose to the organization.
  
- **External Relations and Volunteer Involvement Committee (ERVIC) Report**
  - The ERVIC Chair supplemented the written report with the following comments:
    - Since the Buenos Aires in person meeting the Committee held two teleconferences that focused on the society member service standards and forms of association, which were also discussed during the society leader sessions in Edinburgh. The common thread/objective for both items is to better help societies serve their members and foster a positive volunteer experience.
    - Currently, 30-35 percent of the societies have achieved 100 percent of the society member service standards with the remainder of the societies having achieved 80-85 percent of the service standards. With the new service standards going into effect 1 September 2011, there will be a linkage between society funding and achievement of the standards to incentivize the process.
    - With regards to forms of association it was noted that the proposed Affinity Group category would enable engagement of members and/or Charterholders in geographic areas that lacked a society and connect those with similar interests in a virtual atmosphere.
  
- **Planning Committee (PC) Report**
  - The PC Chair supplemented the written report with the following comments:
    - The Committee has been working on business as usual and supporting the Board in establishing the new strategic plan to follow Vision 2012.
    - Management continues to track its goals and milestones effectively so the Committee has been able to focus its attention to the task of developing the next mission and vision.
    - Geopolitical changes and the new financial terrain are critical to take into account when formulating the new strategic plan over the next 12 months. The objective is to proceed forward with developing a 3 year vision and identifying 10 year outcomes for the organization. During a recent salon style gathering of governors, the following subject areas were identified as potential focus points for the next strategic plan:
      - ✓ Advocacy
      - ✓ Education
      - ✓ Ethics
      - ✓ Restoring Trust

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

- Executive Committee (EC) Report
  - The EC Chair supplemented the written report with the following comments:
    - The Board has started using a new concept of small salon groups to conduct informal discussions to help gather input on various topics. Such groups do not have decision making authority or the formality/structure of committees and working groups.
    - With regards to the proposed bylaw changes presented to the membership, the objective is to post shortly to the CFA Institute website the guiding principles for setting the minimum passing score and member revenue model, along with the acceptable professional work experience definition for public access.
    - The Committee spent a significant amount of time planning the Board agendas and logistics for the Edinburgh meetings. Preparations have begun for the July Board meetings with an anticipated focus on strategic planning to take place.
  
- Presidents Council Representatives (PCR) Report
  - The PCR Chair supplemented the written report with the following comments:
    - The governors acknowledged the PCRs for all their hard work in coordinating the society leadership retreat meetings in Edinburgh. Likewise, the PCRs thanked the governors for their participation in those meetings.
    - The PCR elections have concluded and as soon as the appropriate election audits have been completed the incoming slate will be announced.
    - It was noted that society leaders are eager to receive details on the linking of funding to the society member service standards and what form CPD could conceivably take and when could it potentially come before the membership.
    - Questions were raised with regards to identifying who is responsible for advertising and brand building initiatives in the various regions.
    - Society leaders inquired about the status and details of the Everest Project. The Board noted that it has approved the project to move forward and provided significant input to management.
    - Few comments received on the forms of association at this early stage of the discussion. The Canadian region is forming a committee to discuss this matter further and will be looking at how to potentially standardize the society affiliate member definition across that region.
  
- CEO Report
  - The CEO supplemented the written report with the following comments:
    - The CFA exam staff has developed a series of operating principles to address potential exam related events and manage risk.
    - Soft launch of a customer contact center located Asia Pacific is set for June. This will provide members and candidates with 24 hours a day 5 days a week customer support coverage.
    - Gradually shifting content development of educational resources from a model of creating it by CFA Institute to where we curate a majority of the materials. It is believed that the organization's strength and resources are better utilized in this regards.

- On the property front, noted that the London office recently moved into new space located more appropriately in the financial center of the city. The new Charlottesville office acquisition is moving into the final rounds of negotiations. The economics have improved with the internal rate of return and comparison to the rental market looking very favorable. There is also the potential for the rent tail from the current property landlord may be forgiven.
- The Leadership Team (LT) has approved a new request for proposal (RFP) process with regards to the exam curriculum that physically takes all of the information and puts it into eBook and printed formats. The decision is to unbundle that process from a single vendor and in sourcing part and RFP the rest of the process to realize a significant cost savings for the organization.
- The LT met in Edinburgh to discuss and identified its three priorities for next year:
  - ✓ Implement the Everest Project
  - ✓ Continue study of CPD
  - ✓ Review the operating model of CFA Institute
- The managing director of Human Resources provided the following comments:
  - Overall recruiting efforts for the fiscal year have resulted in the hiring of 65 employees with the process of filling the remaining 23 open positions well under way.
  - Talent development efforts are into phase 3.
    - ✓ Completed formal managing directors succession planning.
      - Identified short-term, long-term, and emergency successors.
    - ✓ Well positioned to begin development of the framework for the CEO succession plan.
    - ✓ Board will be updated on the managing directors succession plans and discuss the CEO succession plan at the July meetings.
- The managing director of Information Technology provided the following comments:
  - Elaine Cheng (new managing director of Information Technology) provided a brief overview of her background.
  - First 45 days focus:
    - ✓ Learning the CFA business and how technology is perceived.
    - ✓ Learning about the technology team and work plan.
  - Solid technology platforms exist with which to build upon.
  - Continue building on improved communication and collaboration of the technology team with the organization.
  - Technology opportunities over the next 12-18 months:
    - ✓ Architecture – Improved user experience, plan for the future.
    - ✓ Performance – Availability, response time, strengthen network and security.
    - ✓ Projects – Project governance and planning to ensure the right projects are getting done.
    - ✓ People – Build talent, strengthen skills and organization, and engage commitment for success.

- The Board noted having the technology team embrace process innovation, difficulty with searching for content on the CFA Institute website, managing members' technology expectations, and how the organization is intersecting with social media.
- Europe, Middle East, Africa (EMEA) Regional Report
  - The managing director of EMEA presented the following report:
    - The continued story for the EMEA region is expansion.
    - New office with more space obtained in London along with the plan to establish an interim office in the Middle East at the American University in Sharjah, UAE.
    - Public relations (PR) and media exposure, using PR agencies in the Middle East, Switzerland, Germany, Russia, France, and Spain.
    - Using member surveys to generate media interests.
    - Education activities highlighted:
      - ✓ Regional Conferences
      - ✓ Traveling Conferences
      - ✓ Executive Education
      - ✓ CFA Program Partners
    - Society relations include providing support to staffing society offices in Switzerland, Germany, and soon the Netherlands.
    - Advocacy activities highlighted:
      - ✓ Research
      - ✓ Survey
      - ✓ Policy
      - ✓ Outreach
    - Some EMEA challenges noted:
      - ✓ Raising Awareness
      - ✓ Strengthening Societies
      - ✓ Educating Members
      - ✓ Promoting Integrity
      - ✓ Building Capabilities
    - Board discussion followed.
  - We live in a multi-platform, web 2.0 world.
  - CFA Institute presence on the big three social networks:
    - Facebook
      - ✓ 37,000+ Fans
      - ✓ 24,000+ Monthly Active Users
    - Twitter
      - ✓ 7,000 + Followers
    - LinkedIn
      - ✓ 3,700+ Followers
      - ✓ 13,000+ Members
      - ✓ 25,000+ Candidates
  - Goals for external social media:
    - Raise profile of CFA Charterholders

- Listen to our Constituents
- Create Community, Loyalty and Affinity
- Build Doorways to My CFA
- New initiatives into the emerging media strategy:
  - Reuters Insider Video Platform
  - WillowTree App
- Supporting societies' foray into social media by creating a toolkit and policies on how to stay relevant.
- Launched topical communities of practice to leverage learning content and drive engagement.
- Professional social networking is at the early stage of developing an enhanced member directory to connect members through our own domain.
- Social media coverage of CFA Institute live events utilizes a hub-and-spoke model through conference blogging. New at this year's annual conference will be the use of video blogging.
- The online reach and impact of providing access to conferences through social media channels was highlighted.
- Board discussion followed.
- Public Relations/Advertising Update
  - Global Communications encompasses:
    - Advertising
    - Communications
    - Investor Education
    - PR
  - PR strategies and tactics:
    - Strategies
      - ✓ Proactive media outreach to highlight the CFA designation and CFA institute positions in advancing investors interests.
      - ✓ Reactive media handling of issues that may potentially harm the reputation of CFA institute.
    - Tactics
      - ✓ Leverage Research Challenge and University Partnership Program initiatives.
      - ✓ Build presence in emerging markets such as in Latin America, Middle East, and Russia.
      - ✓ Maintain advocacy/thought leadership share of voice and explore Public Affairs opportunities.
      - ✓ Enhance internal issues/crisis preparedness, develop communications protocol, and provide media training for spokespersons.
      - ✓ Ongoing media monitoring; interval measurement and perception audit.
  - Advertising strategies and tactics:
    - Strategies
      - ✓ CFA Program enrollment/exam registration objective driven based on market strategies.
      - ✓ CFA designation equity building/maintenance targeting members' employers and clients.

- ✓ Ethical standards promotion targeting industry players.
- Tactics
  - ✓ Continue with China and India ad campaigns; new France campaign planned; new target markets under exploration.
  - ✓ Continue with new charterholder recognition ad campaign.
  - ✓ Continue with PWM ad campaign.
  - ✓ New ethics based ad campaigns featuring AMC.
  - ✓ New employer ad campaign planned.
  - ✓ Build advertising capability in APAC and EMEA.
  - ✓ Pre-campaign directional research and post-campaign result/cost-effectiveness analysis.
- Summary results of the following were noted:
  - CFA Program Awareness in China and India
  - Private Wealth Management in US and Canada
  - New Charterholder Recognition
- New Branding Initiative
  - What makes a future brand:
    - ✓ Makes people's lives better.
    - ✓ A unique point of view on the future.
    - ✓ Drives the category forward.
    - ✓ Strong emotional connection.
    - ✓ Engaging experiences at every touch point.
  - Today the CFA Institute brand is primarily associated with tough test-taking.
  - Feedback on the current organizational logo is that it looks and feels US centric.
  - Ultimately this study is designed to bring together a story of growth as to who we are and stand for in creating the right brand architecture.
  - Board discussion followed.
- Continuing Professional Development Discussion
  - The Board initially identified a group of governors to start the discussion and listening process on the concept of continuing professional development (CPD). CFA Institute then formed an internal group to facilitate and perform research both internally and externally on what is known about continuing education. A high level overview of the research done to date was presented to the Board.
  - Recently the financial industry experienced the worst financial crisis in over 70 years. The profession's reputation and that of its practitioners remains badly damaged. Regulators are applying additional scrutiny and in recent years mandated CPD requirements in certain countries.
  - Board discussion followed.
  - It was emphasized that this is just the beginning of many conversations to be on the Board docket for the foreseeable future. In addition, over the course of the next few months approximately 15 salon style listening sessions will be held with societies across regions to gather insight and feedback on the matter.

- Consent Agenda (approved by the Board)
  - FY2012 Board Oversight Committee Chair Appointments:
    - Audit and Risk Committee (ARC) – Charles Yang, CFA
    - External Relations and Volunteer Involvement Committee (ERVIC) – Aaron Low, CFA
    - Planning Committee (PC) – Roger Urwin
  - FY2012 CFO and Secretary Appointments:
    - CFO – Tim McLaughlin, CFA
    - Secretary – Joe Lange
  - Asset Manager Code Advisory Committee (AMCAC) Chair Appointment – Chuck Tschampion, CFA
  - Retention of External Financial Auditor for Year Ending 31 August 2010 – PricewaterhouseCoopers
  - Operational Definition of Acceptable Professional Work Experience:
    - “Acceptable Professional Work Experience” as it relates to applicants seeking to become Charterholder Members, Regular Members, or Affiliate Members, includes activities that consist to a majority extent of:
      - (a) evaluating or applying financial, economic and/or statistical data as part of the Investment Decision-Making Process involving securities or similar investments, which includes, but is not limited to, publicly traded and privately placed stocks, bonds, and mortgages and their derivatives; commodity-based derivatives and mutual funds; and other investment assets, such as real estate and commodities, if these other investment assets are held as part of a diversified, securities-oriented investment portfolio; or
      - (b) supervising, directly or indirectly, persons who practice such activities; or
      - (c) teaching such activities.
  - Add Signatory for Buenos Aires Bank Account – Claudia Peir, Project Administrator, CFA Institute
- Next In-Person Board Meeting
  - Date: 20-22 July 2011
  - Location: Los Angeles, California