



Setting the global standard for investment professionals

Board of Governors Meeting Summary Notes – July 2011

- FY12 Strategy and Budget (Approved by the Board)
 - The FY12 budget advances the mission by matching the strategic objectives set for in Vision 2012 with appropriate funding for high priority strategic initiatives. This year's plan reflects another significant investment in strategy including a focus on four priority areas:
 - "Everest" fundamentals of investment certificate program
 - Ongoing assessment of continuing education
 - Re-examining the global operating model
 - Planning process for the next long-term strategic plan
 - Core Strategic Commitments - Strategic priorities include the continuation of many multi-year strategic initiatives which are critical to advancing the long-term plan.
 - *Enhance Certification and Certificate Programs (formerly Enhance the CFA Program)*
 - Advance exam security
 - Ensure a quality CFA exam process
 - Advance the Body of Knowledge and curriculum
 - Enhance awareness of the program and designation
 - Continue to address strategic planning and risk mitigation
 - Develop expansion plan for the Certificate in Investment Performance Measurement Program
 - *Lifelong Learning for Members*
 - Generate new products and content for My CFA and member products
 - *Connect through Technology*
 - Ensure a robust IT environment for My CFA and organizational needs
 - *Advocate for Members and Ethical Markets*
 - Advance legislative and regulatory outreach
 - Improve global society and member engagement in advocacy
 - Improve promotion and enhance awareness of Standards and Financial Market Integrity initiatives
 - Create thought leadership projects
 - *Solidify and Extend Global Capabilities*
 - Advance university relations and the global Investment Research Challenge
 - Continue to implement the Asia Pacific; Europe, Middle East, and Africa; and Latin America global strategies
 - Continue to advance industry relations strategy
 - *Ongoing investment in strategy enablers*
 - Continue to build strong enablers for strategy: financial strength; great people; operational excellence; and effective societies
 - Expanded and New Strategic Initiatives - New and expanded initiatives have been identified to advance the strategy for the future.

- *Enhance Certification and Certificate Programs (formerly Enhance the CFA Program)*
 - Develop the Everest fundamentals of investments certificate program
 - Continue with exam security enhancements
 - Prepare to in-source CFA curriculum production process
- *Lifelong Learning for Members*
 - Explore opportunities to enhance continuing professional development
 - Develop curation model for sourcing content
- *Connect through Technology*
 - Expand social media/mobile tools
 - Enhance technology to meet goals for capabilities, performance and stability
- *Advocate for Members and Ethical Markets*
 - Advance ethics strategy and ethics training
- *Solidify and Extend Global Capabilities*
 - Enhance CFA Institute Global Brand
 - Develop the CFA Program Associates group for Universities
- *Great People*
 - Continue to advance global HR strategic initiatives
- *Operational Excellence*
 - Define the corporate global operating model
 - Develop the next 2015 Strategic Plan, with a view to 2022
- FY12 will be investment year for the organization with expected revenues of \$229 million partially offsetting total expenses of \$239.5 million resulting in an operating margin of \$(10.5) million. Impact on reserve levels from the operating plan is expected to be minimal and, given significant anticipated savings in operations, the organization is well positioned to continue to make new mission investments in the future.
 - Operating Expenses
 - Total same store expenses increase of \$14.5 million is a 7 percent increase over FY11 which is equal to the expected growth rate of total revenues for FY12.
 - ✓ Same store changes are driven by candidate and member volumes, inflationary cost increases such as health care premiums, full year staffing costs for those new positions filled in FY11, and capacity expansions needed to maintain service standards. Scale and efficiency savings as well as reduced costs associated with the transition of some content to electronic distribution are also included in the same store category.
 - Expanded and new initiatives represent a further 7 percent increase (\$14.3 million) in total expenses.
 - Staffing and Capital Investments
 - New proposed positions represent 7 percent growth over current filled and vacant positions. Total labor and related expenses constitute 27 percent of the FY12 operating budget. This portion to total expenses has remained relatively constant over the last decade.

- Capital investments (\$7.9 million) are concentrated in basic infrastructure demands to satisfy resulting organizational growth.
 - ✓ Everest
 - ✓ Routine IT equipment and upgrades
 - ✓ New York, London, Hong Kong, Buenos Aires fit-out/upgrades
 - ✓ Ongoing curriculum development
 - ✓ Product strategy investments
 - ✓ Charlottesville office upgrades
 - ✓ Other multimedia, scanning, HR software projects
- Revenue Drivers
 - Strong demand for new level I candidates.
 - Asia Pacific region is the largest contributor of candidates while the largest proportion of members is from North America.
 - \$16 million in additional revenues, 7 percent increase over FY11.
 - ✓ \$15 million from the CFA Program
 - ✓ \$1 million from membership growth
 - ❖ No member dues increase in FY12
- Operating Results
 - Projecting 112,000 members, 100,000 charterholders, and 222,000 total CFA Program exam registrations.
 - FY12 same store revenue increases are partially offset by volume driven expenses and expansions of programs needed to maintain service levels.
 - Strategic and operating plan contains a change portfolio of mission focused initiatives that requires a net investment of \$13.9 million. All but \$1.9 million of increased activity is funded by FY12 operations resulting in a minimal impact on reserves.
- Planning Session
 - Building on the strategic discussions of the Board and Planning Committee throughout the year, the goal for this session was to focus on four leading topics:
 - Advocacy
 - Trust
 - Fiduciary capitalism
 - Growth markets
 - Topics were selected because of their strategic relevance to our organization and potential opportunities for future strategy. Using a series of provocative questions and an audience response system, opinions were sought from the Board, PCR's and Leadership Team about the investment industry environment, strategic opportunities, and the potential for impact. These topics serve to refine the elements of the straw man mission/vision narrative. This inclusive and iterative approach was utilized to gauge and summarize thoughts about future strategy to start the FY12 planning process with a strong platform of assumptions.
- Brand Identity Project
 - Purpose
 - CFA Institute's transition from a North American credentialing association to a global professional organization.

- A need to update the brand while remaining true to the core values and reputation of CFA Institute.
- A desire to become a truly global brand.
- A necessity for a brand architecture that acknowledges the present structure while still allowing the opportunity to incorporate future products and services.
- Objectives
 - Tell a story for global growth that firmly embraces the mission and vision.
 - Create an effective brand architecture system that rationalizes products and services.
 - Create a vibrant visual expression for CFA Institute to enrich experiences and deepen relationships.
 - Develop clear global guidelines to facilitate brand launch and implementation.
- Findings and Recommendations
 - Brand Pillars
 - Professional excellence to raise standards in industry.
 - Champion for ethical behavior in investment markets.
 - Respected source of knowledge in investment markets.
 - Strong community of investment professionals.
 - Opportunities
 - Create a new visual expression that reflects who we want to be.
 - ✓ Transparent
 - ✓ Vibrant
 - ✓ Engaging
 - ✓ Global
 - ✓ Dynamic
 - ✓ Cohesive
 - ✓ Accessible
 - Brand Positioning
 - Broadens understanding of who we are (i.e., distinguish CFA Institute from the Charter).
 - Underscores the impact of what we do.
 - Moves us closer to achieving the mission and vision.
 - Supports leadership role.
 - Resonates around the world.
 - Tone of Voice
 - Insightful - We look at things from different perspectives and offer a fresh point of view.
 - Approachable - We invite dialogue and speak with clarity and accessible language.
 - Premium - We hold ourselves to the highest standards -- paying attention to nuances, choosing words with the right tone and refined imagery.
 - Vibrant - It informs our lively points-of-view. Active words engage our audiences, explaining the impact of what we do.
 - Brand Architecture Recommendations

- Keep existing name of CFA Institute.
 - Elevate CFA Institute master brand.
 - Present us in a way that addresses the needs of all our stakeholders.
 - Create a consistent way to show the relationship of Member Societies to CFA Institute.
 - Develop a consistent endorsement system.
 - Next Steps
 - Present proposed new visual icon to the Board in October.
- Continuing Professional Development
 - Listening Tour Update
 - Sessions have been conducted in:
 - UK (Edinburgh)
 - Philadelphia
 - Frankfurt
 - Zurich
 - Hong Kong
 - Exam Grading (Charlottesville)
 - New York
 - San Francisco
 - Los Angeles
 - Sessions to be scheduled:
 - Toronto
 - Boston
 - Chicago
 - Singapore
 - Montreal
 - Shanghai
 - Washington D.C.
 - Each listening tour is conducted in a similar manner and seeks feedback in the following areas:
 - What constitutes continuing professional development?
 - ✓ What do you do
 - ✓ How can CFA Institute help
 - Mandatory vs. voluntary programs?
 - ✓ Your perception of mandatory
 - ✓ Market forces
 - Support for a mandatory CFA Institute continuing professional development program?
 - Feedback gathered will be discussed by the Board in October.
- Audit and Risk Committee (ARC) Report
 - The ARC Chair supplemented the written report with the following comments:
 - Preparing for the transition to the incoming ARC members at the beginning of the fiscal year.

- Discussed best practice matters, presentation made with regards to governance and reviewed a blue ribbon report published by the National Association of Corporate Directors from the perspective of audit committees.
- External Relations and Volunteer Involvement Committee (ERVIC) Report
 - The ERVIC Chair supplemented the written report with the following comments:
 - Discussed improvements to the Board guidance on the volunteer committee nomination process.
- Planning Committee (PC) Report
 - The PC Chair supplemented the written report with the following comments:
 - Business as usual and in addition the focus has been on budget and strategy.
- Executive Committee (EC) Report
 - The EC Chair supplemented the written report with the following comments:
 - Reviewed governance projects for the upcoming fiscal year.
 - Oversight committee structure evaluation
 - Review of board policies, guiding principles, practices, and processes
 - Received annual report from the Retirement Investment Policy Committee.
 - General Counsel provided an India litigation update.
 - Drafted guidance for the Nominating Committee that will be circulated to the full Board for feedback.
 - Oversight committee members were identified for FY12.
 - *Audit and Risk Committee (ARC)*
 - ✓ Charles Yang, CFA (Committee Chair)
 - ✓ Attila Koksai, CFA
 - ✓ Beth Hamilton-Keen, CFA
 - ✓ Jane Shao, CFA
 - ✓ Pierre Cardon, CFA
 - *External Relations and Volunteer Involvement Committee (ERVIC)*
 - ✓ Aaron Low, CFA (Committee Chair)
 - ✓ John Rogers, CFA
 - ✓ Frederic Lebel, CFA
 - ✓ Jeff Lorenzen, CFA
 - ✓ Mark Anson, CFA
 - ✓ Matt Scanlan, CFA
 - *Planning Committee (PC)*
 - ✓ Roger Urwin (Committee Chair)
 - ✓ John Rogers, CFA
 - ✓ Dan Meader, CFA
 - ✓ Alan Meder, CFA
 - ✓ Marg Franklin, CFA
 - ✓ Giuseppe Ballocchi, CFA
 - ✓ Jim Jones, CFA
 - ✓ Saeed Al-Hajeri, CFA
 - Kay Booth has been appointed to serve a two year term on the Nominating Committee and members were identified for FY12.
 - Marg Franklin, CFA (Committee Chair)...Past Board Chair
 - Dan Meader, CFA...Board Chair

- Aaron Low, CFA...Governor Appointment (2nd year of term)
 - Kay Ryan Booth...Governor Appointment (1st year of term)
 - Emilio Gonzalez, CFA...PCR Appointment (2nd year of term)
 - Janine Guenther, CFA...PCR Appointment (1st year of term)
 - George Spentzos, CFA...CFA Program Committee Appointment (2nd year of term)
- Executive Committee members recommended for FY12. (Approved by the Board)
 - Dan Meader, CFA (Committee Chair)
 - Alan Meder, CFA
 - Marg Franklin, CFA
 - John Rogers, CFA
 - Charles Yang, CFA
 - Aaron Low, CFA
 - Roger Urwin
- Presidents Council Representatives (PCR) Report
 - The PCR Chair supplemented the written report with the following comments:
 - Governors invited to attend the Society Leadership Conference to be held in Los Angeles this September.
 - PCRs are conducting planning sessions to update the definition of their role that will be presented to the Board before the end of the fiscal year.
 - The PCRs have drafted their terms of reference that the Board will review in October.
- CEO Report
 - The CEO supplemented the written report with the following comments:
 - Since the Edinburgh meetings successfully administered the CFA exams and 560 charterholders came to Charlottesville to participate in grading.
 - Focus has been on preparing the next budget and strategic work plan. Have achieved all of this year's milestones except for one or two.
 - The CFO provided the following comments:
 - Focused on risk review and enhancing tax and payroll compliance.
 - Signed the purchased sale agreement for the new office space in Charlottesville, which has received positive staff and community response.
 - The managing director of Human Resources provided the following comments:
 - Of the new staff positions budgeted in FY11, 69 have been filled and 10 remain open and are actively being recruited.
 - Significant progress has been made on the global acquisition model.
 - Implemented the framework for managing director succession planning efforts.
 - Formalized the framework around talent development focused on managing directors and head level positions.
 - The managing director of Information Technology provided the following comments:
 - Progress has been made on the priorities outlined in May.
 - Enterprise architecture program has been launched.
 - The technology staff is embracing the one team management concept.
 - Plan on executing 50 projects in FY12 focused on 23 business development, 10 maintenance, and 17 operational.

- The managing director of Education provided the following comments:
 - Completed acquisition of rights for the Everest fundamentals of investment certificate program and in the process of identifying all the touch points in the organization.
 - Staffing is under way and the program has not been named, in the process of branding.
- Asia Pacific Regional Report
 - The managing director of the Asia Pacific Region presented the following report:
 - Asia Pacific FY09-12 Strategic Objectives
 - *Education*
 - ✓ Localize education
 - ✓ Implement regional conference
 - ✓ University relations
 - ✓ Add regional staff
 - *Engagement*
 - ✓ Hub-and-spoke offices
 - ✓ Industry and government relations
 - ✓ Regulatory outreach, research, and training
 - ✓ Add regional staff
 - *Societies*
 - ✓ Strategy planning
 - ✓ Collaboration with 4-largest
 - ✓ Foster self-sufficiency
 - ✓ Resource for small societies
 - ✓ Volunteers
 - *Marketing and Brand Protection*
 - ✓ Add regional staff
 - ✓ Localize marketing
 - ✓ CFA Program promotion
 - ✓ Brand awareness
 - *Beyond the Outpost*
 - ✓ Add regional staff
 - ✓ Accelerate IRAP
 - ✓ Technological and operations
 - ✓ Integration
 - Education Achievements
 - Localize Education
 - ✓ Country conferences in Singapore, India, China, and Australia
 - ✓ Take 15s from Asia Pacific
 - ✓ Traveling conferences and live events
 - Regional Conference
 - ✓ FY12 objective already in development
 - University Relations
 - ✓ Program partner growth - FY09 = 16 FY11 = 33

- ✓ New program partners in Hong Kong, China, Korea, Australia, Thailand, and Taiwan
- Engagement Achievements
 - New Industry Relations Function
 - Government and Regulatory Outreach
 - ✓ Policy Research: Mis-selling, INED (Independent Non-Executive Directors), REITS, Related Party Transactions, Shareholder Activism
 - ✓ Industry speaking engagements
 - ✓ Waiver programs in Korea, Malaysia
 - ✓ Collaborative scholarship programs
 - ✓ MoU with SEBI/NISM
 - ✓ Advocacy workshops
- Society Relations Achievements
 - Society strategic planning and governance enhancements
 - Collaboration with Career Day Events, Employer Luncheons, Networking Events, and Career Guide development
 - Enhanced Society Administrator Training and Regional Society Leadership Development
 - New staff to support small and non-society areas
 - Volunteer initiative in-progress
- Marketing Achievements
 - Revamped Marketing Team
 - ✓ Functions include advertising, communications, graphics design, and social media including media management
 - Localized Marketing
 - ✓ Microsite development
 - ❖ Increased activity to enterprise site
 - ✓ APex newsletter launched
 - ❖ Increased engagement with members
 - Career Guide Asia Pacific
 - ✓ Increased exposure to over 50,000 candidates and new members
 - CFA Program Awareness Advertising Campaigns
 - ✓ China
 - ❖ 89% growth in activity on FY10
 - ✓ India
 - ❖ 15% growth in activity on FY10
 - ✓ Brand awareness reinforcement in Hong Kong
 - ❖ The Hong Kong Institute of Bankers
 - ❖ 50,000 potential candidates
- Beyond the Outpost Achievements
 - Add Regional Staff
 - ✓ Development of full-time information technology staff support
 - Accelerate IRAP

- ✓ 14 IRAP from Americas and EMEA offices
 - ✓ 3 IRAP from Asia Pacific to Americas
 - ✓ Business trips from board, executives, and CFA Institute staff
 - Technological and Operations Integration
 - ✓ Phone and information technology hardware infrastructure upgrades
 - ✓ Asia Pacific call center
 - Enhancements to the Asia Pacific Strategy
 - New
 - ✓ Asia Pacific call center
 - ✓ Industry relations function
 - Revised
 - ✓ Hub-and-spoke sub-regional offices delayed
 - Expanded
 - ✓ My CFA in education initiatives
 - ✓ Advocacy build-out (GIPS and policy positions)
 - ✓ Journalist training initiatives
 - ✓ Social media initiatives
 - Challenges
 - Serving disparate geographies - China, India, and Australia
 - Legal challenges in India
 - Regional Office operational challenges - China and Vietnam
 - Charter pending numbers
 - Member and candidate change and growth – External
 - Staff change and growth – Internal
- Professional Conduct Program Reports
 - The chair of the Disciplinary Review Committee and Designated Officer presented the following report:
 - Strengthening the Disciplinary Process
 - Disciplinary Review Committee Accomplishments
 - ✓ Structural Changes
 - ❖ Eliminate Hearing Panel Pool
 - ❖ DRC members must hold CFA Charter
 - ✓ Strengthen Management
 - ❖ Established Deputy Chair
 - ❖ Established Executive Team
 - ✓ Establish Expectations
 - ❖ Clear and communicated through – Bylaws, Rules of Procedure, Committee Charter, meetings
 - ✓ Volunteer Commitment
 - ❖ Increase in Hearings
 - ❖ Serving 12 days / year
 - Professional Conduct Program Accomplishments
 - ✓ Increased Transparency
 - ❖ Currently Under Sanction web page

- ❖ Dedicated space in CFA Magazine
- ❖ More information on nature of violations
- ❖ History of all industry sanctions available to public
- ✓ Enhanced Sourcing
 - ❖ Surveillance system
 - ❖ Data forensics
 - ❖ Integration with Societies
 - ❖ Relationship with employers
- ✓ Responsible Investigative Process
 - ❖ Elimination of backlog cases and dramatic reduction in aged cases
 - ❖ More robust industry-related investigations
 - ❖ Use of Subject Matter Experts in exam and industry case work
- ✓ Divisional/Regional Collaboration
 - ❖ Exam Administration and Exam Security
 - ❖ Society Relations
 - ❖ Marketing/Communications
 - ❖ Information Technology
 - ❖ Office of General Counsel
- ✓ Effective Operations
 - ❖ Bifurcated exam and industry matter work
 - ❖ Implementation of case management system
 - ❖ Triage approach to industry cases
 - ❖ Team approach to exam and industry investigations
 - ❖ Developing a professional team
- ✓ Raised Service Standards
 - ❖ Shortened case life
 - ❖ Increased response times
 - ❖ Providing PC testimonials for regulatory purposes
 - ❖ Responding to public enquiries
- ✓ Increasing Awareness and Visibility
 - ❖ *Ethics Forum* section in CFA Magazine
- ✓ Exploring and Developing Relationships with Regulators
- Professional Conduct Program and Disciplinary Review Committee Combined Efforts
 - ✓ Updated Rules of Procedure
 - ✓ Substantive Training
 - ❖ Leadership
 - ❖ Process
 - ❖ Context
 - ❖ Data forensics
 - ✓ Policy Development
 - ✓ Electronic Hearing Materials
- Disciplinary Process Looking Forward

- ✓ Growth in existing membership / programs, new products
- ✓ Right staff / right size to support quality process
- ✓ Deepen global expertise and presence
- ✓ Integration with Societies
- ✓ Working with global regulators, employers
- ✓ Transparency and awareness
- ✓ Support CFA Institute in ethics leadership
- Member Survey Overview
 - The managing director of Stakeholder Services, Marketing, and Communications presented the following overview.
 - How satisfied are members?
 - Member value by region is consistently high and consistent over time with some variation noted by specific countries.
 - ✓ CFA Charter
 - ✓ CFA Institute Membership
 - ✓ Local Society Membership
 - ✓ CFA Institute Products and Services
 - 45 percent of the membership responded that CFA Institute is implementing its mission very effectively and the remainder noted somewhat effectively.
 - Good satisfaction on how well the organization is pursuing its strategic objectives and value of importance.
 - Members' top priorities
 - Promoting the value/increasing awareness of the CFA charter.
 - Promoting ethics and developing standards for investment professionals and firms.
 - Providing education/professional development content to members.
 - Providing career development services and resources for members.
 - ✓ Satisfaction levels do vary by country.
 - How do members perceive us?
 - High brand perception.
 - ✓ Setting high standards of professional excellence.
 - ✓ Organization that you respect.
 - Perception that was off the high mark.
 - ✓ Thought-leader regarding global capital markets.
 - ✓ Stewart of financial markets.
 - ✓ Approachable
 - Current member engagement
 - What defines an active member?
 - ✓ Less Active Members
 - ❖ Receive from CFA Institute but do not give back.
 - ❖ Only pay their dues.
 - ❖ Have geographical constraints—because the opportunities are not available.

- ❖ CFA is not a priority with personal and professional conflicts.
- ❖ May even be willing, but don't know how to engage.
- ✓ Active Members
 - ❖ Go beyond simply paying dues and reading publications.
 - ❖ Spend time keeping up to date, attending events, and interacting with other members.
 - ❖ Regularly participate in activities and use the resources provided.
 - ❖ Volunteer, organize, and develop materials for the organization and societies.
- To members, connection means:
 - ✓ Participation
 - ✓ Two-way contact
 - ✓ Feeling a link to CFA Institute through local societies
 - ✓ Sharing CFA Institute values
- Next Steps
 - Collecting and amplifying the member voice going forward.
- Consent Agenda (Approved by the Board)
 - Signature Authority for Trademark and Copyright Matters=Jeannie Anderson
 - Annual Volunteer Committee Chair Appointments
 - Council of Examiners-Chair=Gregory M. Noronha, CFA
 - Education Advisory Committee-Chair=Andrew J. Abouchar, CFA
 - Corporate Disclosure Policy Council-Chair=Gerald I. White, CFA
 - Capital Markets Policy Council-Chair=Yasuhiro Oshima, CFA
 - Standards of Practice Council-Chair=Christopher C. Loop, CFA
 - Disciplinary Review Committee-Chair=David Stevens, CFA
 - Disciplinary Review Committee-Deputy Chair= Matthew Andrade, CFA
 - Retirement Investment Policy Committee-Chair=Robert W. Dannhauser, CFA
 - Disciplinary Review Committee Member Appointments=David Stevens, CFA (Committee Chair); Matthew Andrade, CFA (Committee Deputy Chair); James Arens, CFA; Kimberly Bingle, CFA; Emille Boullineau, CFA; Harold Chaffee, CFA; Carole Cox, CFA; Biharilal Deora, CFA; Robert Dubé, CFA; Ruth Fialko, CFA; Cassaundra Frost, CFA; Ru Huey Fung, CFA; Craig Giventer, CFA; Sajal Heda, CFA; Barbara Insley, CFA; Geeta Kapadia, CFA; Sloan Kimball, CFA; Asjeet Lamba, CFA; Ellie Li, CFA; Lynn Mander, CFA; Janet Miller, CFA; Cary Raditz, CFA; Suresh Raghavan, CFA; Ian Roberston, CFA; Gerald Rothstein, CFA; Catherine Roy-Heaton, CFA; Toshihiko Saito, CFA; Kanna Sriskanthan, CFA; Iqbal Tejpar, CFA; and Anthony Wilkins, CFA
 - Recognition of Retiring Governors=Kay Booth; Stan Lee, CFA; and Tom Welch, CFA
 - Recognition of Retiring Presidents Council Representatives=Rick Clemens, CFA; Ralph Lehman, CFA; and Bob Pugh, Jr., CFA
- Next In-Person Board Meeting
 - Date: 30 October-1 November 2011
 - Location: Paris, France