

**Board of Governors Meeting  
Open Session Minutes**5 May 2012  
Chicago**Board of Governors Present:**

Saeed M. Al-Hajeri, CFA	Attila Koksál, CFA	John D. Rogers, CFA
Giuseppe Balloccchi, CFA	Frederic P. Lebel, CFA	Matthew H. Scanlan, CFA
Pierre Cardon, CFA	Jeffrey D. Lorenzen, CFA	Jane Shao, CFA
Margaret E. Franklin, CFA	Aaron Low, CFA	Roger Urwin
Beth Hamilton-Keen, CFA	Daniel S. Meader, CFA (Meeting Chair)	Charles J. Yang, CFA
James G. Jones, CFA	Alan M. Meder, CFA	

**Incoming Board of Governors Present:**

Colin W. McLean, FSIP	Mark J. Lazberger, CFA
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**PCR Representatives Present:**

Jason Bell, CFA	Marla L. Harkness, CFA	Mohammad Shoaib, CFA
Sharon L. Criswell, CFA	Tom Joski, CFA	Arthur Thompson, CFA
Daniel J. Fasciano, CFA	Leyla G. Kassem, CFA	Bradford S.J. Young, CFA
Janine C.K. Guenther, CFA	Nanci Morris, CFA	

**Leadership Team Members Present:**

Jeannie Anderson	Timothy G. McLaughlin, CFA	Jan Squires, CFA
Elaine Cheng	Nitin Mehta, CFA	Ashvin Vibhakar, CFA
Raymond J. DeAngelo	Thomas R. Robinson, CFA	
Donna Marshall	Kurt Schacht, CFA	

**Others Present:**

Carl Bacon, CIPM	Nancy Dudley	Barbara Higgins
Jonathan Boersma, CFA	Emily Dunbar	Rahul Keshap
John Bowman, CFA	Stephanie Ennaco (Meeting Secretary)	Joseph P. Lange (Meeting Secretary)

**Materials Provided:**

Travel/Scheduling Information	Reference Meeting Pack	Revised Consent/Reference
Primary Meeting Pack	Revised Meeting Agenda	Items Resolutions

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**SATURDAY, 5 MAY 2012**

**11:15 A.M. TO 5:00 P.M.**

**OPENING REMARKS**

*Presenter: Mr. Dan Meader, Board of Governors Chair*

Everyone was welcomed to Chicago and housekeeping matters were highlighted.

**CEO REPORT & STRATEGIC WORK PLAN**

*Presenters: Mr. John Rogers, President and CEO of CFA Institute*

*Mr. Tim McLaughlin, Chief Administrative Officer and Chief Financial Officer of CFA Institute*

*Ms. Jeannie Anderson, General Counsel of CFA Institute*

*Mr. Tom Robinson, Managing Director of Education at CFA Institute*

A high level summary of the CEO Report and Strategic Work Plan was presented to the group.

It was announced that the litigation between CFA Institute and regulators in India had finally reached a successful resolution. The matter began when the All India Council for Technical Education (AICTE), India's education regulator, ordered CFA Institute to cease all operations of the CFA Program in 2007. This matter was subsequently moved to the Delhi high court; and recently the AICTE announced to the Delhi high court that it did not need to regulate the CFA Program in India, and the matter was closed. It was noted that the educational regulatory landscape in India was very fluid, with the Prime Minister and his Minister of Education advocating reforms to open up the country to foreign education providers. The importance of a continued monitoring of the situation was therefore emphasized. It was also reported that the trademark litigation with the Institute of Chartered Financial Analysts of India (ICFAI) was still ongoing and remained a hurdle to the CFA Program in the region.

It was stated that the organization had made great progress on the Strategic Plan with the intent of connecting the Global Operating Model to its future strategy. The Leadership Team specifically discussed approaching its meetings at a more strategic level.

Regarding the financial update, it was explained that the developer for the organization's new facility in Charlottesville was unable to secure financing for the project. As a result, the Facilities Team and the Executive Committee agreed to reconvene the consulting group that assisted with the initial project planning to evaluate the situation. It was determined that the project's outcome would be the same and the risk within the parameters of what was originally authorized by CFA Institute purchasing the old Martha Jefferson facility from the developer now and completing the project directly with the contractors and city/state officials. The organization therefore has executed a new purchase sale agreement (PSA) with the developer. Management expressed confidence in negotiating the same guaranteed maximum price as what the developer had with the contractors; otherwise, CFA Institute would not be moving forward with the contract. The closing PSA was based on this contingency and expected to be signed on June 30<sup>th</sup>. It was noted that the developer, despite

removing himself from the project, has remained a supporter of its success with no monetary or contractual obligation.

It was announced that the upcoming June exam would have a record number of candidates, with this year marking the first time the organization would have more Level III candidates from the APAC region than the US as a whole. Furthermore, it was observed that this would be the first time the new passport-only ID policy would be implemented for a June exam. The organization had launched an aggressive communication campaign to ensure candidate awareness of the new policy, but made preparations to receive about 1% or more of candidates bringing questionable or unacceptable ID's.

The financial summary also showed that the organization was 1% below FY 2012 budget expectations for candidate registrations, but up 5% from last year's figures. It was reported that there were a record number of total candidate registrations, amounting to 220K, as well as a record number of new Level I candidates, amounting to 87K. Revenue and expenses were each expected to be about \$10M below the forecast for FY 2012. Candidates chose more electronic means of receiving the curriculum and therefore reduced the organization's revenue stream. The operating margin was expected to be at or better than the budgeted amount, with more rigorous estimates of yearend costs pending and scheduled to be brought to the Board in July. Lastly, with favorable gains on investments and favorable interest in dividends, the change in net assets and cash flow were expected to be a bit better than budget forecasts.

It was reported that a cross-divisional group of staff had reviewed the CIPM Program in order to increase registration numbers. The group talked to certificate holders and employers, attended a number of conferences about performance measurement, and held focus groups. The process revealed that more application of skills was desired, such as how to determine performance, and select and evaluate managers. While GIPS and ethics would remain core components, the CIPM Program would be expanded to performance measurement/appraisal and manager selection. The new curriculum would be less about memorizing the rules, and more about applying skills as a performance analyst. Current CIPM Program figures showed 1,200 registrations annually with a need for 2,200 registrations to break even. The priority would be to launch the new curriculum by April 2013 with the backing of a targeted marketing campaign. The expectation would be a 20% increase in candidate counts each year, meaning CFA Institute would break even in 3-4 years. There were remarks about the success and value of the Research Challenge in bringing great awareness to over 700 universities, who now knew CFA Institute much better and promoted the Charter to its students. In addition, there were over 700 volunteers who acted as mentors to these individuals at the society level.

The concluding message emphasized the importance of removing the barrier to CFA Institute's wealth of information and services as this would increase membership and interest in the CFA Program.

#### **Questions, Comments and Resulting Discussions:**

The June 12<sup>th</sup> meeting in New York to discuss advocacy (cited on page 4 of the CEO Report) was called into question, specifically if this would be a one-off meeting or combined with the Advocacy Advisory Council's work. It was explained that over the past few months, as it became increasingly clear the organization was

headed for a bolder voice, broader mission and bigger community mantra, staff from all divisions came together with the purpose of furthering CFA Institute's ethical mission. One outcome was the idea of convening industry leaders and "up-and-comers" for a series of conversations centered on the importance of restoring trust and making CFA Institute a catalyst for change. The June 12<sup>th</sup> meeting, moderated by Mr. Rogers, would be a 2-3 hour conversation with 14 leaders from the investment industry and a couple academics specializing in business ethics. The hope would be to create a growing awareness of the organization's commitment to restoring trust and desire to genuinely work with industry leaders to effect positive change. If the meeting was successful, the plan would be to conduct the same types of discussions in APAC and EMEA, ultimately leading up to a more public conference about the issue of trust, perhaps a few months from now. It was noted that the organization would encourage participants to be forthcoming without the fear of repercussions in the media, with the main goal of identifying core ideas and issues from the meeting to share on a broader level.

The organization's resource strain in managing the development of its own property was called into question. It was explained that the developer originally engaged was still involved and tracking the project's status and a separate non-employee project manager had already been engaged to take on the bulk of the project's work. In addition, Mr. Guy Williams, Head of Finance and Risk Management at CFA Institute, brought a wealth of knowledge and experience with regards to development and historical tax credits. Strain on CFA Institute staff had been subsequently relieved, and the organization had full confidence in its ability to manage the project efficiently and successfully going forward.

There was a request for more information on the development of the University Partners Program. It was explained that there was an agreement to limit CFA Institute to 150 formal partnerships. As a result, the organization started a new university program with an abbreviated application process, which had similar criteria without the formal partnership and ability to use the new logo, but with the ability to say that they were recognized by CFA Institute. These universities could have the opportunity to join the formal Partnership Program in the future as resources became available.

It was clarified that the organization had initiated the leadership transition in APAC to find a replacement for Mr. Ashvin Vibhakar's role as Managing Director of Asia Pacific Operations.

#### **INVESTMENT FUNDAMENTALS CERTIFICATE UPDATE**

*Presenters: Mr. John Bowman, Head of the Investment Fundamentals Program at CFA Institute  
Mr. Rahul Keshap, Head of Education Special Projects at CFA Institute*

The Investment Fundamentals Certificate update began with the remark that the development of the program would be transitioning from the planning stage to the implementation stage. The focus of the discussion was on two major milestones – the launch timeline and the process that led the organization to the newly named, Claritas Investment Certificate. It was noted that the real anchors of the entire project were the January 7<sup>th</sup> launch date as well as the cross-divisional team of over 40 people from around the world. The program was entering a robust pre-launch period, in which the team would work with a staff prototype group and employer

pilot group to assess the Claritas Investment Certificate's reception in the marketplace and provide systematic feedback. The public launch would be staggered with registrations opening up in May and the first test scheduling option in July of 2013.

The program's three-stage process was highlighted. The first phase was the Marketing Intelligence Stage, which consisted of FutureBrand's London affiliate interviewing 70 stakeholders over the phone and reexamining all its brand development work for CFA Institute. The second phase was the Positioning Stage, which, after much discussion, consisted of grounding the program around the theme of clarity. The third phase was the Naming Stage, in which word association workshops generated a list of names and ultimately decided upon, "Claritas," the Latin word for "clarity."

The aim of the Claritas Investment Certificate would ensure firms could establish a minimum standard of knowledge across their employee base. In addition, participants would understand how their specific roles fit into the larger investment profession and how each role interrelates.

**Questions, Comments and Resulting Discussions:**

It was remarked that the Planning Committee had reviewed the timeline and provided constructive feedback on risk and pricing points prior to today's meeting.

There was a concern about the new name, "Claritas," being associated with other names already in existence. It was explained that the legal team had conducted research and ensured the organization there would be minimal trademark issues. The newly selected name had also been tested across a variety of 18 languages and cultures for pronunciation difficulties and different types of connotations. FutureBrand found that while most languages presented little or no issues, the Korean and Chinese speakers were the most challenged in pronouncing the new certificate name.

There was a concern that local communities with similar programs might interpret the Claritas Investment Certificate as a direct threat. It was noted that two regional competitors were identified early on in the process – the IOC Certificate from a UK based organization and the EIC Certificate from the IMCA in the US. However, most of the competition was a locally based group of offerings.

It was asked whether or not CFA Institute had considered that some competitive markets with close ties to their country regulators could potentially oppose the program in their region. The response was that the organization would be thoughtful from a regulatory and competitive perspective, especially with the larger markets, such as China and India. However, it was remarked that while there was risk involved, there was also great opportunity in these markets. The organization expected CFA Institute societies to embrace the Claritas Investment Certificate, and the work by all 40 staff members was much appreciated.

**EMEA REGION / STRENGTHENING SOCIETIES UPDATE**

*Presenters: Mr. Nitin Mehta, Managing Director of Europe, Middle East & Africa Operations at CFA Institute  
Ms. Emily Dunbar, Director of Europe, Middle East & Africa Society Relations at CFA Institute*

A brief history of the origin of the EMEA plan, which began in 2008, to strengthen its societies was provided. The concept at the time was to closely partner with the CFA Society of the United Kingdom to invest in and better support the EMEA societies. An analysis of the plan's results was then presented.

The progress made in strengthening the EMEA societies was exemplified by improved membership satisfaction survey results, increased media coverage, dramatic participation growth in the Research Challenge, and enhanced collaborations between the societies to deliver more high quality continuing education to members in the region. In addition, through multimedia means, the organization and societies were able to improve their sharing and distribution content. Four-day conferences, such as the ones held in Romania, Ukraine, Russia and South Africa, had varying levels of involvement, but had the benefit of reaffirming the EMEA office's confidence in its societies.

It was reported that the EMEA region also experienced implementation challenges, including scarce resources, ability to catalyze and persuade change, capacity to measure impact, and modes of communication and innovation. It was also quite a transition for the EMEA office to move from a purely volunteer led society to a small business. It proved hard to create a sense of community, innovation and entrepreneurship to encourage the sharing of ideas and build a key partnership of trust. The importance of having joint initiatives, in-person meetings, and an open and transparent relationship with their societies was emphasized.

With offices now staffed in Switzerland, Germany, Russia and the Netherlands, all with executive directors, premises and administrators, the EMEA office could finally work with its societies to build up capacity and achieve joint objectives in the region. In addition, the EMEA office provided direct administrative support to a small number of societies, including France, which successfully built a bridge from CFA Institute and strengthened partnerships in those markets. The EMEA office also worked with societies to conduct regular staff reviews in order to allocate funds accordingly, thereby making the organization and societies jointly accountable for the success of the project. A dashboard with key performance indicators was created to track and measure progress.

It was reported that the EMEA office added a significant number of staff, thereby gaining new expertise in a multitude of areas. Despite an increase in size, the EMEA office saw itself as a support center for societies.

It was remarked that the EMEA office had strengthened its communication plan via in-person, online and printed venues. This included improving the regional meetings to share best practices and training opportunities, establishing an executive director group to meet on a regular basis, and enhancing training and orientation of new leaders and staff working at societies. Lastly, the EMEA regional website was recently launched and would become part of the society leader resource center.

Through this process, the EMEA office learned that partnerships were crucial to enabling CFA Institute to achieve its mission in the region, that trust was essential to building productive relationships and open communication pathways, that targeted CFA Institute resources were a catalyst for positive change, that local societies' knowledge and networks were indispensable, that operational integration unlocked synergies, and that societies had more potential yet to be harnessed.

**Questions, Comments and Resulting Discussions:**

There was a request for an example of a project funded by the EMEA region. A successful project in Spain was described, which showed how a little funding allowed the society to build on its ideas and reach the industry via multimedia means.

It was asked whether or not the EMEA region's model could be used in other parts of the world. Very few cons were reported, and the pilot appeared to be an effective approach to increasing the level of society activity. It was noted that the organization would need to consider a scalable model.

It was remarked that the EMEA societies felt that they and CFA Institute were one and the same. It was explained that the EMEA societies were very young, country-based and instilled with a different culture around volunteerism. However, there were situations reported in which particular societies felt they were not being represented well by the organization. The EMEA office would then listen and try to work through the problems.

The final note was that many of these concepts and lessons learned were included in the Society Partnership Work Group discussions.

**2015/2022 Strategic Plan**

*Presenters: Mr. Roger Urwin, Planning Committee Chair*

*Ms. Barbara Higgins, Chief Planning Officer at CFA Institute*

An overview of the 2015/2022 Strategic Plan and the progression of its construction were provided. There were three pieces to be presented for Board approval – the mission and vision narrative, shift chart and strategy map. The idea was that with investor trust diminished, CFA Institute had a unique strategic opportunity to exercise a bolder voice and broader presence in educating the financial industry beyond its membership.

The proposed mission statement was: *To lead the investment profession globally by promoting the highest standard of ethics, education and professional excellence to the ultimate benefit of society*. The updated mission would encompass the bolder voice, broader mission and bigger community (the "3 B's") mantra as well as the education, engagement, ethics and enablers (the "4 E's") mindset. In addition, the shift chart was simplified in order to better communicate CFA Institutes' story to its constituents. The intent was to prioritize the most important initiatives of the organization, especially in looking at the three, five and ten year plan.

The education shifts were discussed. The areas of focus would move toward product integrity, product range and relevance and professional resources. The Future State would become a Gold Standard of Education Programs, not limited just to the CFA Program, and a Strategic Portfolio and a primary marketplace for knowledge and tools in an open access community to help firms share and improve their practices. It was also noted that the term, “Gold Standard,” would need to be better defined as high quality, relevant, recognized and secure. The three year plan would emphasize the Gold Standard of CFA, CIPM and the Claritas Investment Certificate. In addition, it would focus on securing an operating environment by leveraging technology effectively, increasing participation of members and societies, gap analysis of current educational products and industry educational needs, open access and education resources for all individuals seeking knowledge in the investment community, and becoming the or one of the primary marketplace for knowledge and tools. With these objectives in mind, the three year plan would ultimately increase interest in CFA Institute’s offerings.

The engagement shifts were discussed. The areas of focus would move toward brand understanding, membership, societies, industry relationships and a bigger community. The Future State would be an organization with broader meaning, broader recognition and global identity. In addition, it would be an organization with more valuable member relationships, with stronger partnerships for member value and impactful advocacy, with broader and deeper relationships extending beyond members, and with a full range of affiliation opportunities (physical and virtual). CFA Institute would focus on strengthening its relationships with its membership and 136 societies. In addition, it would be important to engage a bigger community, most likely via social media or other technological outlets. The three year plan would include a brand proposition roll out, achieve an organizational consensus around a bigger community, and create a similar global experience for all members. In addition, the plan would generate a tighter integration and synergy among the personalized electronic experience (i.e. My CFA, content curation and social media), foster deeper/more effective partnerships with societies, and a fully rolled out employer value proposition.

The ethics shifts were discussed. The areas of focus would move toward ethics recognition, ethics voice, ethics delivery/distribution and ethics enforcement. With trust currently lacking in the industry, CFA Institute has a unique opportunity to be a bolder leader in one of its core strengths, ethics. The future state would ensure CFA Institute was a recognized and globally relevant leader with a bold, inspirational, impactful and recognized voice. In addition, CFA Institute would shift to an organization driven by the community, and one with global reach, scalable structures and sustainable processes. The three year plan would establish a bolder (more visible) voice, advance leading standards and other ethical products, add public awareness fostered by all CFA Institute divisions, engage societies in an effective delivery model, and provide a global framework for enforcing professional conduct. The key focus would be to engage everyone, from staff to volunteers, to act as messengers of ethics.

The enabler shifts were discussed. The area of focus would move toward financial strength, global talent, and operational excellence in terms of both the Global Operating Model and technology. The future state would have a fully integrated global financial structure and sustainable business model; a human resource global strategic business partner helping to execute business strategy; an integrated global operating model; and a business enabled by agile, usable, useful, secure and reliable technology solutions. It was noted that the



organization had been able to attract very talented individuals, but would strive to be more strategic and systematic about recruiting and talent development.

The next strategy steps involved a Board discussion on the strategy toolset, a conversation about incremental risks and a Board vote to endorse 2015/2022 Strategy.

There was a concern about successfully executing the strategy with the organization's current resources, and whether or not there would be a balance between member revenue and expenses. It was recommended that the strategy include a net operating loss margin

The difference between the Mission and Vision Narrative and Strategy Map was clarified. It was explained that the documents should be interpreted as a cohesive and coherent guideline to execute strategy and inspire one another. It was suggested there be a strong communication plan around the new strategy.

The incremental risks relevant to the 2015/2022 Strategy were discussed. The included: losing focus on the mission, implementation risk, overall visibility, a community of spokespeople, the potential to alienate some members, the likelihood that other organizations in the industry might take principle-based comments personally, variances in global messages to developing markets, affiliation risk and social media risk. The main idea would be to protect CFA Institute's reputation at the global level.

**Questions, Comments and Resulting Discussions:**

It was observed that as the organization's business model expands, so does its risk potential. The Planning Committee and the Audit and Risk Committee, where appropriate, would provide guidance on the strategy materials going forward. The Board agreed it would need to assess these risks and determine if they're worth taking, but also emphasized that it would ultimately be management's task to handle these risks.

**The following resolution was approved unanimously:**

*RESOLVED, that the Board of Governors accept and approve the 2015/2022 Strategic Plan as set forth in the Mission and Vision Narrative, Strategy Map, and Shift Chart.*

**GLOBAL OPERATING MODEL**

*Presenters: Ms. Jeannie Anderson, General Counsel at CFA Institute*

*Ms. Nancy Dudley, Head of Key Stakeholder Services at CFA Institute*

A presentation on the Global Operating Model was given, starting with the current state of affairs. Over the past 20 years, the organization's expansion was driven by both demand and its desire to achieve a global mission. In contrast, the path to the future would involve a proactive expansion, a model that brought the organization's growth together more efficiently, especially with regards to limited resources. By purposefully implementing a Global Operating Model, CFA Institute could become an integrated, global enterprise executing the organization's mission and vision across a worldwide footprint. The role of an Operating Model

was defined as how business units work together, how the choice of a model should be deliberate, and how future planning and growth should be built upon the principles of the model.

It was noted that the model presented was a true operational model of how CFA Institute organized its divisions, which explained the absence of the governance and society structures.

The appropriate model would include collaborative business functions that share customers and data, unify support functions and processes, create one global strategy and brand, and create global programs and services. The operating principles to implement this model would be to deploy our resources broadly, have one strategy as a global team, create a significant presence in the world's three regions (Americas, EMEA, APAC), offer globally relevant programs and services, and serve our mission and shareholders first.

It was explained that a shift chart might be used to outline the implementation strategy for the Global Operating Model and Principles. The initial need would be to create plans and determine the priorities, such as establishing one cross-functional, global strategy and engaging staff in strategy and cultural elements. For future work beginning in 2013 and beyond, there would be a draft Americas Plan outlining a global purpose, an assessment of the global relevance of CFA Institute programs, and a stakeholders' focus analysis. At the three year point, the organization would assess progress and continue shifts, since the Global Operating Model would need to be adaptable and evolving with the business and/or environmental changes. The expectations at the end of 10 years were discussed and included a global impact on CFA Institute's mission, a collaborative and innovative environment, a worldwide balance of talent and capabilities, and stakeholder satisfaction.

#### **Questions, Comments and Resulting Discussions:**

It was noted that the learning outcomes from the Global Operating Model would be very valuable to the Board. It was added that while nothing was operationally broken at CFA Institute, the Global Operating Model would help the organization use resources in a purposeful way and establish a global strategy across the regions. While organizations rarely reach perfection, the group agreed it would be important for CFA Institute to learn from its mistakes and adapt to continue its growth in the global arena.

The Board discussed the organization's maturation over the years and how it had become increasingly global in a relatively reserved manner. The new model would take a more proactive stance in achieving CFA Institute's mission and speed up this process by emphasizing a common leadership, rather than a hierarchical structure, and the importance of establishing a simple, culture based approach. It was noted that the organization was already undergoing changes in empowerment to implement the Global Operating Model, such as the Leadership Team shifting decision rights down to the global teams and making sure they have the tools and resources to accomplish the organization's mission driven initiatives.

There were comments that the Global Operating Model was worth the risk, but that these risks would need to be brought to the Board for assessment. It was suggested that the biggest risk to the Global Operating Model was talent recruitment and the ability for these individuals to operate effectively in different regulatory environments. It would be a difficult task to either find these people or grow them from within the

organization, and have them share the same cultural strategy and vision. Consequently, there was a request for more input from the Human Resources department in the future.

#### **GLOBAL INVESTMENT PERFORMANCE STANDARDS REPORT**

*Presenters: Mr. Carl Bacon, Chairman of GIPS Executive Committee*

*Mr. Jonathan Boersma, Head of Investment Performance Standards at CFA Institute*

It was explained that the GIPS standards were ethical standards for the calculation and presentation of investment performance. These standards were accepted on a global scale with the mission of ensuring that the GIPS standards were the premier performance standard globally and continued to represent best practice for the calculation and presentation of investment performance information. The GIPS objectives were to ensure accurate and consistent data, obtain worldwide acceptance of standards for calculating and presenting performance, promote fair competition among investment firms globally, and promote industry self-regulation on a global basis. The benefits to investment managers and investors, including strengthened internal processes and an enhance ability to compare performance between firms and strategies, were reviewed. Based on these initiatives, CFA Institute was able to achieve global convergence and align many different standards into a single standard over five years.

The GIPS structure and history were outlined using a Venn diagram. In 2005, the Board approved the creation of the GIPS Executive Committee to oversee everything related to the GIPS standards. The division of elected and appointed positions was explained to the group. The GIPS standards were strongly engrained in the industry, more so in certain localities than others, with 34 total country sponsors and several more regions interested in adopting them, too. As part of the strategic plan, the GIPS team had targeted areas like the Middle East, China, India and Latin America. The GIPS standards provided a unique opportunity to partner with other firms who typically viewed CFA Institute as a competitor with regards to its program offerings. It was observed that the GIPS standards provided at least one area where organizations could unite for the benefit of the industry.

Recent developments and significant changes regarding GIPS standards were discussed and included the introduction of valuations based on a Fair Value framework, basic risk concepts, required disclosure of verification status, adherence to laws and regulations, and ensuring existence and ownership of client assets. The GIPS strategic plan encompassed the following areas: evolve, expand, engage, evaluate, extend and educate. The current initiatives included the GIPS Handbook, 3<sup>rd</sup> edition, guidance on alternative strategies and structures, guidance on risk, applying the GIPS standards to pension funds, applying the GIPS standard to pooled funds, ongoing governance review and engagement with asset owners.

In looking forward, it was asked if CFA Institute should explore the appropriateness of overseeing the verification industry; and, if firms should be required to notify CFA Institute when they claimed compliance.

The risks facing the GIPS standards were discussed. These included the potential complacency among asset owners, which meant that the organization would need to continue to ensure that asset owners understand

the standards and their benefits. Another noted risk would be failure or fraud at a firm in compliance with the standards, or one independently verified as well, as this could damage the reputation of the GIPS standards. Lastly, there was the risk that the standards could become overly complex or expensive for asset managers to comply. The aim would be to have fair standards that respond to the changes in the market place without being too bureaucratic in nature.

**Questions, Comments and Resulting Discussions:**

It was clarified that attribution standards for hedge funds were not part of the GIPS standards; however, it could be provided as supplemental information.

It was explained that the GIPS Executive Committee made the ultimate decision in evaluating and selecting competing country sponsors. The preference would be to have competing sponsors join together to represent one, cohesive unit; however, the GIPS Executive Committee would also accept co-sponsors.

With private wealth arguably having the least regulatory constraints and therefore the most leeway for abuse in the system, it was asked if there were any aspirations for the GIPS standards to enter that part of the industry. The response was that a challenge existed in selling the benefits of the GIPS standards to private wealth companies as most were not familiar with the standards and did not demand compliance from their asset managers. The GIPS team found that asset managers who did comply with the GIPS standards reported that they ran their operation more efficiently, were quicker to discover errors, and established a framework of policies and procedures for situations previously undocumented.

It was noted that the GIPS team promotes the Asset Manager Code in conjunction with the GIPS standards as the two fit together well.

It was clarified that GIPS standards did not offer guidance on the size and number of composites. The standards were, however, transparent in indicating that defining your composite broadly resulted in fewer composites, and defining it narrowly resulted in many composites. It was emphasized that different managers approach composites differently, and it would be better to address these by full disclosure rather than facing the impossibility of standardizing every aspect of the process.

It was explained that the GIPS Executive Committee addressed controversial areas with Q&A's for specific issues and with guidance statements for broader issues.

It was recommended that the UCITS movement in Europe could be a way to address hedge funds as they are typically bought by institutions yet need alternative investments. The GIPS team agreed this was an interesting angle and relevant to their work with pool funds.

The continued expansion and advancement of GIPS would rely heavily on showing asset owners the risks and sending the message worldwide that asset managers should be held to the GIPS standards.

**COMMITTEE REPORTS**

*Presenters: Mr. Charles Yang, Audit and Risk Committee Chair*

*Mr. Aaron Low, External Relations and Volunteer Involvement Committee Chair*

*Mr. Attila Koksai, Society Partnership Work Group Chair*

*Mr. Roger Urwin, Planning Committee Chair*

*Mr. Dan Meader, Executive Committee Chair*

The ARC report indicated that there were no monthly calls in March or April. There were three main topics discussed– the revision to the investment policy statement, the historical tax credit issue with the Octagon partner, and the recent issue with exam security. It was reported that Mr. Tom Robinson, Managing Director of Education at CFA Institute, had provided exam security updates to ARC in Tokyo and Chicago, and would be presenting to the group again in July.

The ERVIC report indicated that there was not an April teleconference. At yesterday’s meeting, the committee accepted the final recommendations from the Charter Pending Work Group, which contained no significant changes from the presentation in Tokyo. It was noted that the implementation of these recommendations had begun at CFA Institute.

The Society Partnership Work Group (SPWG) was a cross functional group consisting of governors, PCR’s, society leaders and CFA staff established to offer recommendations for enhancing the operational relationship, communication and mission alignment among the CFA Institute Board, management, societies and members in light of the new strategic plan and the 3 B’s. There had been two in-person meetings so far with another scheduled in July. The group hoped to present a finalized document with actionable ideas by the fall, and suggested that this document be adaptable and updated on an ongoing basis.

The Planning Committee report indicated that it would be turning toward implementation issues with regards to the approved Strategy. The Global Operating Model was expected to be an important component of the Planning Committee’s future meetings.

The Executive Committee report indicated that they held two phone calls and met yesterday morning in Chicago. It was noted that the Compensation Committee met on Thursday afternoon and listened to a presentation given by Ms. Donna Marshall, Managing Director of Human Resources at CFA Institute, and her staff about the Organizational Achievement (OA) Multiplier. It was announced that all Board members would be granted access to the Compensation Committee folder on the BoardVantage Board Portal. There was a reminder that these materials are both educational and confidential. The Compensation Committee was scheduled to meet again in July.

**PRESIDENTS COUNCIL REPRESENTATIVES REPORT**

*Presenter: Ms. Marla Harkness, Presidents Council Chair*

It was announced that the PCR report disclosed all information in the Board Primary Meeting Pack. There were no resulting questions.

**CONSENT / REFERENCE ITEMS**

*Presenters: Mr. Dan Meader, Board of Governors Chair  
Mr. Alan Meder, Board of Governors Vice Chair*

Consent items consist of reoccurring and procedural matters that come before the Board.

**The following resolutions were approved unanimously:****FY2013 Board Oversight Committee Chairs**

*RESOLVED, that the Board of Governors accept and approve the appointment of the following governors to serve as oversight committee chairs for a one year term commencing 1 September 2012 and until their successors are chosen and qualified:*

*Audit and Risk Committee Chair: Giuseppe Ballocchi, CFA*

*External Relations and Volunteer Involvement Committee Chair: Beth Hamilton-Keen, CFA*

*Planning Committee Chair: James G. Jones, CFA*

**FY2013 CFO and Secretary**

*RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Timothy G. McLaughlin, CFA, and Joseph P. Lange are elected CFO and Secretary, respectively, to each serve a one year term commencing 1 September 2012 and until their successors are chosen and qualified.*

**GIPS Executive Committee Member Appointment**

*RESOLVED, that the Board of Governors accept and approve the appointment Karyn Vincent, CFA, CIPM, to serve as a member of the GIPS Executive Committee and chair of the Verification/Practitioner Subcommittee for a term commencing on 1 September 2012 and until her successor is chosen and qualified.*

**IFc (Claritas) Advisory Committee Chair and Members Appointments**

*RESOLVED, that the Board of Governors accept and approve the appointment of the initial slate of members and chair to serve on the IFc (Claritas) Advisory Committee until their successors are chosen and qualified.*

**Members Appointments**

*Dean Junkans, CFA (Committee Chair)*

*Daniel Gamba, CFA*

*Kishore Gandhi*

*Nicolas Gross*

*James Hong, CFA*

*Jennifer Johnson*

**Society Affiliation**

*Minnesota*

*New York*

*N/A*

*N/A*

*Hong Kong*

*N/A*

*Colin McLean, FSIP*  
*Steven Major, CFA*  
*John Marsland, CFA*  
*Yin Yong, CFA*

*CFA UK*  
*CFA UK*  
*CFA UK*  
*CFA China*

Disciplinary Review Committee Chair Appointment

*RESOLVED, that the Board of Governors accept and approve the appointment Barbara Insley, CFA to serve as chair of the Disciplinary Review Committee for a one year term commencing on 1 September 2012 and until her successor is chosen and qualified.*

Disciplinary Review Committee Member Appointments

*RESOLVED, that the Board of Governors accept and approve the appointment of new incoming and continuing members to serve on the Disciplinary Review Committee for a one year term commencing on 1 September 2012 and until their successors are chosen and qualified.*

Members Appointments

*Matthew Andrade, CFA*  
*Jim Arens, CFA*  
*Kimberly Bingle, CFA*  
*Emile Boullineau, CFA*  
*Harry Chaffee, CFA*  
*Gabriela Clivio, CFA*  
*James Conversano, CFA*  
*Biharilal Deora, CFA*  
*Robert Dube, CFA*  
*Ruth Fialko, CFA*  
*Cassandra Frost, CFA*  
*Craig Giventer, CFA*  
*Darlene Halwas, CFA*  
*Sajal Heda, CFA*  
*Barbara Insley, CFA*  
*Geeta Kapadia, CFA*  
*Asjeet Lamba, CFA*  
*Wei Foong Lee, CFA*  
*Todd Lowe, CFA*  
*Lynn Mander, CFA*  
*Cary Raditz, CFA*  
*Ian Robertson, CFA*  
*Jerry Rothstein, CFA*  
*Catherine Roy-Heaton, CFA*  
*Toshi Saito, CFA*  
*Kanna Sriskanthan, CFA*  
*Wendy Werner, CFA*

Society Affiliation

*Calgary*  
*Oklahoma*  
*Columbus*  
*UK*  
*South Florida*  
*N/A*  
*Wash DC*  
*IAIP*  
*N/A*  
*NYSSA*  
*Dallas-FW*  
*NYSSA*  
*Calgary*  
*Arabia*  
*Vancouver*  
*Wash DC*  
*Melbourne*  
*CFA UK*  
*Louisville*  
*Philadelphia*  
*N/A*  
*Vancouver*  
*Retired*  
*Calgary*  
*Japan*  
*Bermuda*  
*N/A*

***The Board went into a scheduled Executive Session with and without the CEO.***

Meeting adjourned