



Board of Governors Meeting
Open Session Minutes
12 January 2013
Mumbai, India

Board of Governors Present:

Saeed M. Al-Hajeri, CFA
Giuseppe Balocchi, CFA
Beth Hamilton-Keen, CFA
James G. Jones, CFA
Attila Koksai, CFA
Mark J. Lazberger, CFA (Phone)

Frederic P. Lebel, CFA
Jeffrey D. Lorenzen, CFA
Aaron Low, CFA
Colin W. McLean, FSIP
Daniel S. Meader, CFA
Alan M. Meder, CFA (Meeting Chair)

John D. Rogers, CFA
Matthew H. Scanlan, CFA
Jane Shao, CFA
Roger Urwin
Charles J. Yang, CFA

PCR Representatives Present:

Jason Bell, CFA
Leah Bennett, CFA
Aaron Brown, CFA
Daniel J. Fasciano, CFA

Sharon Craggs, CFA
Marla L. Harkness, CFA
Leyla G. Kassem, CFA

Barry Sine, CFA, CMT
Arthur Thompson, CFA
Bradford S.J. Young, CFA

PCR Representatives Absent:

Tom Joski, CFA

Leadership Team Members Present:

Jeannie Anderson
Raymond J. DeAngelo
Timothy G. McLaughlin, CFA

Nitin Mehta, CFA
Thomas R. Robinson, CFA
Kurt Schacht, CFA

Paul Smith, CFA
Jan Squires, CFA
Ashvin Vibhakar, CFA

Leadership Team Members Absent:

Elaine Cheng

Donna Marshall

Kurt Schacht, CFA

Others Present:

John Bowman, CFA
Nancy Dudley (Phone)
Emily Dunbar
Stephan Horan, CFA

Rahul Keshap
Joseph P. Lange (Meeting Secretary)
C.K. Lee
Craig Lindqvist

Devvya Sharma
Tony Tan, CFA
Steve Wellard

Materials Provided:

Primary Meeting Pack
Reference Meeting Pack

Claritas Employer
Sales Pack

Nominating Committee
Governors Slate

SATURDAY, 12 JANUARY 2013
10:30 A.M. TO 3:20 P.M.

WELCOME

Presenter: Mr. Alan Meder, Board of Governors Chair

Everyone was welcomed to the meeting in Mumbai.

A list of major initiatives requiring Board attention was presented, and the group was asked to share any edits or recommendations with the Chair.

CEO REPORT AND STRATEGIC WORK PLAN

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

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

Mr. Craig Lindqvist, Head of Business Planning and Reporting at CFA Institute

Mr. Paul Smith, Managing Director of Asia Pacific at CFA Institute

Mr. Ashvin Vibhakar, Managing Director, Senior Advisor at CFA Institute

Mr. Len Costa, Head of Innovation and Emerging Media at CFA Institute

CEO Report and Strategic Work Plan

It was reported that the organization had made excellent progress with respect to its strategic work plan, which included new initiatives, such as the Future of Finance, Americas Operating Platform and the Claritas Investment Certificate, as well as ongoing initiatives, such as developing and administering the CFA exams, working with societies on a daily basis, advocacy efforts and rolling out the broader mission, bolder voice, and bigger community (3B's) initiatives.

There were no areas of concerns in terms of the organization's ability to execute the strategic plan in FY2013. However, it was recognized that the financial services industry continued to experience challenges with lost trust and recent layoffs, particularly among large banks and brokerage firms in the Europe, the United States and the United Kingdom.

Financial Summary Report

CFA Institute's financial summary over the past three months was presented. It was highlighted that the operating cycle was performing as usual, with much of the organization's revenue being received in December and much its expenses scheduled to be spent later in the year. It was explained that this type of operating cycle gave management the ability to adjust spending midyear in order to align with the actual revenue stream results.

It was reported that candidate counts were about 5% under budget; according to the January 7th figures, the organization had over 200,000 registrations in contrast to the budgeted figure of about 210,000 registrations at this point in time. If the current trajectory continued to the end of the year, the overall operating margin loss would increase by an additional \$5M. However, it was noted the CFA Institute was under-spending by about 11% on expenses so far in FY2013 while still being able to meet all of its milestones, and would endeavor to stay on target for an operating margin loss of \$5M.

APAC Presentation

It was explained that the APAC office had a tactical implementation plan of the organization's global strategy in order to focus its resources, including a staff of 43, on the region's challenging dimensions, such as its huge population, demographic youth and geographic area. To combat these challenges and do an effective job, APAC planned to work in partnership with and invest in strong societies.

In terms of country focus, the APAC office planned to devote most of its resources to China and India, and then to concentrate on a second tier of six other countries. In terms of industry focus within these eight identified countries, the APAC office wanted to focus on asset owners and asset managers.

It was noted that the term, "Asia Pacific," was not particularly effective since there were four main buckets in Asia: China, India, Emerging Asia, and Emerged Asia (Japan, Australia, Hong Kong, Singapore). It was emphasized that important information tended to be lost by aggregating these countries, especially with regards to the organization's survey analysis.

Asian candidates were reportedly younger, more career focused and less interested in the research and continuing professional education aspect of membership. As these candidates mainly obtained the Charter with ambitions of immediate career advancement, the organization would have to work harder to deliver on its promise that the Charter was valuable and relevant in the East.

It was observed that CFA Institute products were received differently in each regional "bucket," appealing to countries based on their respective stage of development. For example, while CIPM delivery was successful in the less developed markets, such as the Philippines and Thailand, the same delivery was more difficult in developed countries with a closed regulatory infrastructure like India.

It was reported that given CFA Institute's low industry profile in APAC, there was a need for a local marketing and communications strategy as well as an increase in attention to industry outreach efforts. It was also mentioned that there were few links between business and academia in the region, and that the organization had the potential to fill this gap and ultimately drive the mission forward. Asian content was stated to be globally important and a relevant addition to the organization's publications.

In line with the bolder voice initiative, there was an opportunity for CFA Institute to play a leading role in ethics development and professional training in China and India. In line with the bigger community initiative, there were some challenges due to Asian protectionism measures, and the organization would need to discuss ways to better focus resources on China, one of the two major world economic powers, for next year's planning. There was an opportunity for the organization to aid in developing the financial services industry in China, and it was noted that Chinese regulators valued the Charter and standards, and actively sought CFA Institute's help. The organization was encouraged to become fully involved in the country as soon as possible, especially with the new addition of the Beijing society in March 2013.

With lower member satisfaction levels as well as low employer recognition and support in China, the organization was encouraged to improve its industry outreach, regulatory outreach and member value proposition in the region. It was mentioned that Asia, in general, had a higher charter pending and lapsed member rate than the rest of the world.

Future of Finance Presentation

The Future of Finance work plan showed that the project was currently somewhere between the discovery and launch phase of the timeline. The group had held a number of salon sessions, leveraged internal expertise, and received direction from key stakeholders in order to develop a list of approximately 40 project themes to be further refined and narrowed in focus.

Since November, the Future of Finance team had developed its mission and vision statement, “to shape a trustworthy, forward-thinking financial industry that better serves society,” to help keep its project on target. The group had also examined what success would look like, emphasizing creation and curation as well as action orientation to make sure the organization’s products and deliverables had a strong audience focus to put the right tools in the right hands to yield the maximum impact.

The long list of project themes was reduced by mapping these topics on a matrix analyzing their ability to make an impact versus their return on mission. Among these core areas of focus were fiduciary responsibility, financial education, retirement reform, transparency, regulation and enforcement, and systemic risk. The Future of Finance team had also mapped out its audiences on a visual framework, termed a “financial ecosystem,” to help determine exactly whom it sought to influence.

It was explained that a litmus test, consisting of a series of high priority questions, had been created and applied to all project deliverables in order to properly evaluate them and filter down the list.

The project timing and milestones were broken into four categories: 1) short-term wins by the time of launch (targeting February/March), such as an investor bill of rights and quantifying lack of trust; 2) medium-term projects (6-8 months), such as targeted thought leadership and survey analysis; 3) longer-term projects (to be completed by end of FY2014 and beyond), such as policy and regulatory proposals; and, 4) ongoing projects.

The Future of Finance project planned to launch in late February or early March 2013 with an announcement to include the project’s strong belief statement, financial ecosystem, themes and advisory council members. The project would also have a presence on the CFA Institute Enterprise website to focus on the depth of content for Future of Finance themes, act as a repository for project deliverables and drive public engagement and sharing. The web presence would be integrated with CFAInstitute.org and be the centerpiece of a global, integrated marketing campaign with the tagline, “It Starts With You.” A few examples of how these Future of Finance pages would look were presented to the group. The ultimate goal would be to package these topics in a way that resonated with a wide variety of constituencies beyond the organization’s core community of investment professionals and members.

In terms of internal communications, the Future of Finance team would begin regular updates to the Board and staff, providing them with talking points, and would also post a Future of Finance theme on the “Big Idea” section of the organization’s internal intranet to gather additional employee input.

Questions, Comments and Resulting Discussions from the Board:

APAC Presentation

It was explained that CFA Institute would focus on asset owners in Asia, mainly because they were the biggest employers of the organization's charterholders.

Most societies in the APAC region were open to partnerships with the organization and acted within a good, cooperative framework. The organization wanted to continue to assist societies in employing executive directors and full time staff, and to think of new ways to improve its industry outreach model.

A brief summary of the Indian Association for Investment Professionals' presentation was provided.

It was clarified that since APAC societies had a wider range of activities to handle, they could be perceived as less successful than their counterparts in other regions. However, it was important to note these societies were trusted and competent at completing a large workload.

It was recommended that CFA Institute make its products more relevant to people in Asia and to also research more topics on Asia that are relevant to the overall organization.

Future of Finance

It was explained that the promise of anonymity was a large part of the Future of Finance's success in procuring high caliber participants at its salon meetings and maintaining an open, ongoing dialogue. While these briefings were off the record, the Future of Finance team was taking diligent notes and developing internal documents for staff and others involved in the project.

The next phase would be to crystalize the Future of Finance themes into specific projects and to present them to the Board at the May meeting in Singapore. It was clarified that once the project themes became actual, executable projects, the team would then consider if there was a need to identify and include appropriate partners around the world.

There was agreement that given the limited contact between academia and business in Asia, the Future of Finance project could be a great enabler, in Asia and other jurisdictions, between these two entities. It was noted that the team had been working with the universities on the history of finance project.

The importance of isolating the project's key constituents and creating an initial call to action was emphasized. The Board felt this would help them identify early wins, manage their expectations and show progress over time.

BOLDER VOICE

Presenter: Mr. John Rogers, President and CEO at CFA Institute

Mr. Ray DeAngelo, Managing Director of Stakeholder Services, Marketing and Communications at CFA Institute

A high level overview of the organization's a bolder voice initiative, which included a media and communications strategy, was presented to the group.

With regards to ethics, CFA Institute aspired to be a recognized and globally relevant leader in ethics delivery via a bold, inspirational and impactful voice in the financial services environment.

A bolder voice spectrum was displayed, showing four categories from left to right: 1) basic/safe – for a better investment profession; 2) active – shaping ethical financial markets; 3) high impact – financial integrity beginning with CFA Institute; and, 4) visionary – industry leadership and personal accountability for the social good. It was explained that the organization had long been at the basic/safe end of the spectrum, promoting standards but not seeking to make a significant impact with a bolder voice. Moving forward, CFA Institute would strive toward the other end of the spectrum to advocate a higher impact, more visible and inspirational message. Beyond developing new standards and content, it was clarified that the bolder voice initiative was more about enhancing the organization's delivery.

Some examples of CFA Institute's bolder voice initiative were presented.

In terms of ethics voice, the Integrity List was serving as a launch pad for a more assertive, proactive and integrated CFA Institute voice. In addition, the organization had just completed an online advertising campaign around the idea of restoring trust, a main theme exhibited in the annual report. Digital ads had run in *Bloomberg Businessweek*, *The Economist* and *The Financial Times* and subsequently generated 3 million impressions, appearing in the APAC markets and many other relevant sectors. It was reported that about 30% of people clicked on the ads in order to be redirected to the CFA Institute website and spend a few minutes perusing the site. The online advertising campaign also led to numerous social media impressions, with more than 2 million on Facebook and nearly 3 million on Twitter. As a result of these social media displays, 33,000 individuals clicked through to the CFA Institute website and about 25% of them also liked, shared or commented on a post found after arriving there.

It was noted that the bolder voice initiative would work closely with the Future of Finance team to push out content previously handled by the Standards of Financial Market Integrity group. Information would be shared through several blogs, some specific to the conferences and others generated on an ongoing basis.

With 7,000 to 8,000 new members joining CFA Institute every year, a New Member Welcome Kit was created to more effectively communicate to members in a bold, impactful and meaningful way. The purpose of the welcome pack was to let members know they were part of something important and that their participation was central to advancing and upholding the organization's values.

In terms of ethics recognition in the media, the public relations team was implementing new language around CFA Institute's message, trying to show that the organization had suggestions to help the financial industry and

to restore trust globally. In addition, member surveys were being employed to ground the organization's own thinking and to affirm its outward statements and positions. The recent Global Market Sentiment Survey, for example, generated a response from about 7,000 members, thereby providing important aggregate data as well as information broken down at the regional level.

In term of ethics delivery, the organization's first Global Advocacy Summit acted as a springboard for the unified CFA Institute message to be disseminated by multiple voices. In accordance with the organization's mission to build a bigger community, the summit included members from other professional associations with values and goals similar to those of CFA Institute, and created a platform for collaboration on restoring trust and other advocacy issues. It was also reported that the summit promoted increased synergy among the volunteer participants, who were enthusiastic to learn of CFA Institute's advocacy plans.

By way of an integrated approach, the global marketing and communications team and Future of Finance teams were working on the "It Starts With You" campaign. An advertising and public relations strategy would direct users to the "It Starts With You" content hub on the CFA Institute website; and, as the site capacity developed and increased, there would be a more a real-time, interactive conversation with people within and beyond the industry who cared about restoring trust. The hub would act as a centralized place for input and feedback for individuals to reframe the conversation, engage and innovate. The main campaign objectives were to: 1) voice the organization's ethics message to the world; 2) gain broader recognition as an ethical leader; 3) share and show how that leadership impacts society; and, 4) inspire stakeholders to make a difference.

Questions, Comments and Resulting Discussions from the Board:

It was clarified that the "It Starts With You" campaign took a very practical approach in helping people improve the ethical culture in their personal and professional lives.

CLARITAS INVESTMENT CERTIFICATE

Presenters: Mr. John Bowman, Head of the Claritas Investment Certificate at CFA Institute

Ms. Devvya Sharma, Program Manager of the Claritas Investment Certificate at CFA Institute

The meeting attendees received hard copies of the Claritas employer sales packet and internal playbook for their reference.

It was announced that the Claritas Investment Certificate had formally launched its campaign, releasing its website on January 1st as well as starting its marketing and coordinated communications activities. The registration platform, candidate and employer dashboards, e-book and practice exams were reportedly up and running. In addition, out of the 98 CFA Institute employees enrolled for the project prototype, 91 were able to successfully register and 80 were able to use the Pearson VUE scheduling system to sign up for their exams without any major issues. There were several more technology enhancements underway and expected to be ready before the global launch.

In terms of curriculum development, Version 1.2 (Pilot Edition) was complete and Version 1.3, which would further improve instructional and visual design, would be available to all those who registered after the global launch. A Learning Needs Analysis Plan, which covered a broader product view and was the Claritas equivalent

of the Practice Analysis for the CFA and CIPM programs, was in place and slated for continuous improvement. The team had conducted some Learning Needs Analysis sessions in London in December, a few more recently in Mumbai, and had plans to continue these sessions elsewhere in the months to come.

In terms of exam development and administration, exam forms had been finalized for the pilot with around 400 questions ready for testing, and a Standard Setting meeting would take place in early May 2013 to determine the recommended cut score. It was also reported that the Pearson VUE relationship and test center planning was on schedule.

In terms of marketing, the Claritas employer sales pack was complete and being deployed to prospective partners, the customer journey communications were being finalized, and the marketing video was finished. Furthermore, with Fleishman Hilliard hired as the project's global agency launch coordinator, events and tactics for this initiative were underway.

For the employer pilot, 3,431 vouchers had been purchased by 68 pilot firms based in 17 countries spanning 10 industries. It was noted that Claritas seemed to be encapsulating a broader and more diverse community with 48% of pilot partners from the Americas Region, 25% from the EMEA region, and 27% from the APAC region. The industry distribution revealed the number of pilot partners in each industry as well as the proportion of total purchased vouchers in each industry. The data highlighted the fact that CFA Institute was offering tangible products to organizations it had not previously engaged. A visual graphic was then presented to show the number of purchased vouchers from each pilot partner. It was noted that information on the organization's pilot partners was considered confidential.

The Claritas marketing strategy included four approaches each with a targeted and tailored series of activities to effectively reach the right constituents. The Claritas communications trajectory had four phases: 1) to build the Claritas story through messaging and content; 2) to prime the market; 3) to launch Claritas; and, 4) to keep Claritas at the forefront. The project was currently at the second stage of development with launch events completed in Mumbai and planned for Hong Kong, New York, Toronto and London.

Through various goals and metrics, the Claritas project would quantify its success over time. For employer and regulatory engagement, a successful kickoff would achieve 1000 pilot partner registrations from 30+ organizations by 15 November 2012 and traction with CFA Institute's global and regional targets based in the US, Canada, UK, India, Hong Kong and Singapore. Of the 27 largest employers of members and candidates, 12 were signed up as pilot partners; and, of the 100 largest employers of members and candidates, 25 were signed up as pilot partners. For influence and awareness, success would mean media coverage in priority markets within top tier media around the launch and regulator awareness in London, Hong Kong, New York, Singapore and Mumbai. For candidate registrations, success would mean 10,000 registrations for the first full fiscal year of operation (FY2014), a minimum of 7,500 registrations through employer vouchers, and the development of a revised, multi-year forecast.

The revisions to the original May 2011 forecast were highlighted and compared to the updated January 2013 forecast. It was noted that a graduated price schedule would be implemented and that significant upfront IT capital with immaterial ongoing dedicated IT expenses would be added. The forecast still included an anticipated breakeven date of FY2016, but at a lower candidate count.

Questions, Comments and Resulting Discussions from the Board:

It was explained that the organization worked with consultants for months before deciding on the new registration fee, and that a tremendous database on employer training budgets helped benchmark the Claritas curriculum cost. The fee was determined to be a realistic reach for the majority of places. The program would offer a universal rate for the first two years of operation, and then perhaps consider multiple price offerings.

It was noted that societies were extremely helpful in signing up pilot partners and expressed much excitement about the program. While the organization did not want to impose just one model of Claritas on its societies, it did seek to coordinate, define and crystalize models for societies to choose given their current situation. The upcoming regional meetings would be used as an opportunity to discuss and build out these models with society input.

The additional IT expenses were largely due to the use of outside consultants for programming and design. Much of the online infrastructure, including the registration platform, interactive piece, Pearson Vue scheduling, and e-book hosting, was established to create a seamless user experience.

It was clarified that there were no current plans for an alternative language release of Claritas; however, the organization remained open-minded about pursuing additional languages in the future.

The organization stood behind the quality and relevance of the Claritas program, and would now focus on its delivery and execution to ensure it primarily answered the needs of employers.

AMERICAS OPERATING PLATFORM

*Presenters: Tim McLaughlin, Chief Administrative Officer and Chief Financial Officer at CFA Institute
Steve Horan, Head of University Relations and Private Wealth at CFA Institute*

The Planning Committee had reviewed the Americas Operating Platform (AOP) proposal and declared it a thoughtful and well-researched project, in which the AOP team had logically identified the alignment and execution risks to the organization. Implementing the right people would be key given the design structure required a partnership mindset, servant leadership and leadership courage culture. The Planning Committee echoed the organization's confidence in and endorsement of the AOP plan.

It was explained that the AOP team was established to recommend an organizational design and operating structure for an Americas region predicated on the Global Operating Model (GLOM) principles presented in FY2012. The goal was to create an Americas region with an internal and external identity that helped distinguish global enterprise-level functions and resources from regional implementation functions and resources in the Americas. In doing so, the organization would highlight the global resources available to the EMEA and AP regions and allow colleagues there to identify their functional counterpart in the Americas.

In the initial weeks of project development, the AOP team agreed on items to consider at the start and items to consider at a later time. Being so wide in scope, the AOP project was ultimately approached in two phases – the first one focusing on design and the second one addressing implementation. It was important to show that the plan could be executed and its progress quantified over time.

The AOP proposal envisioned a small, core cross-functional team, much like those created for the Claritas program and Future of Finance project, to focus on engagement functions led and supported by a new Americas Team Leader to serve stakeholders in the Americas to implement global strategy in the region, develop and manage stakeholder relationships, and reflect back local intelligence. This team would be called, the Americas Engagement Team, and include members from existing resources with backgrounds in advocacy, society services, client services, university programs, and employer relations. The team structure would be light and efficient so as not to outweigh the other regions, and would be united by one, common goal related to the work plan for the Americas region. It was clarified that there would be no particular location labeled as “the regional office” and no new office would be opened in the region at this time.

The AOP team’s work plan was stakeholder-centric, based on deeply engaging staff and gathering intelligence from societies. It specifically sought to identify business functions or processes in the Americas that had strong enough regional or local components to require a regionally-focused resource. The team discovered meaningful distinctions between globally integrated enablers, regional enablers, and regional engagement and therefore designed an Americas Regional Engagement team around the latter.

In summary, the AOP plan sought to align, coordinate and leverage the organization’s existing resources and looked to learn more from the Global Operating Model implementation team’s work moving forward.

Questions, Comments and Resulting Discussions from the Board:

In terms of working with the societies, the Global Operating Model would make it clear who within CFA Institute was responsible for meeting a stakeholder’s need within a particular region, and it would also streamline communications and coordinating efforts between the two entities.

It was commented that the AOP plan was a great step forward with regards to the final recommendations of the Society Partnership Work Group to standardize and improve services to societies and members.

The biggest risk identified for the AOP plan was the potential breakdown of coordination between the regional team leader and the business unit leaders.

The Global Operating Model aimed to deliver the same global experience to the Americas, EMEA and AP regions, and would measure success through the GLOM shift chart, the AOP work plan, which was collaboratively developed between the region and the business unit, and a general assessment of the team’s overall effectiveness in generating ideas and executing decisions.

It was noted that Mr. Rafael Matallana’s work as the Manager of Latin America Relationships at CFA Institute represented a microcosm of the GLOM model, and that his efforts as the organization’s liaison for Latin American stakeholders had produced great results in the region.

It was clarified that the organization would manage expectations and clearly outline how the society leaders’ experience would differ within the GLOM model in the project’s second phase, the implementation phase of development. In addition, the organization had involved the PCRs and society leaders from the beginning and would continue to do so throughout the process. The Board encouraged management to provide an external-facing component to its next GLOM and/or AOP presentation.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and endorse the proposed organization design and operating structure for an Americas region substantially in the form presented.

SOCIETY MEMBERSHIP LANGUAGE

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

Mr. Ray DeAngelo, Managing Director of Stakeholder Services, Marketing and Communications at CFA Institute

Prior to the discussion, the Board was reminded that it represented the organization's values and beliefs, inspired its norms, and acted on behalf of all members as specified by the bylaws. The importance of transparency, honesty and good governance was emphasized as well.

Management presented recommendations to add additional society membership language that was based upon feedback from CFA society leaders through a listening tour that included over 50 societies and in consultation with PCR representatives. The transparency issue was evaluated seriously with the entire stakeholder community, both individual members and member societies alike, at the forefront of management's discussions. The Leadership Team had spent a great deal of time developing, debating and finalizing four recommendations to present before the Board: 1) to add the additional society membership language for the 2013/2014 dues cycle; 2) to actively promote CFA Society membership; 3) to maintain CFA Society dues revenues for FY2014; and, 4) to intensify collaboration with CFA Societies.

Behind these four recommendations were two principles: 1) the communication of CFA Institute's policy be both accurate and complete to provide full transparency to CFA Institute members; and, 2) CFA Institute's policies and procedures be communicated in a manner that strongly encouraged CFA Society membership because robust local member engagement was an essential element of the CFA Institute strategies.

The organization did not present any specific, additional language at the meeting, proposing instead to collaborate with societies over the next 60 days in order to craft language acceptable to both parties.

It was stated that the member dues structure would not be assessed until after the impact, if any, of the additional society membership language was known. Furthermore, the organization wanted enough time to adequately consider and provide well-informed recommendations on the member dues structure.

Each individual PCR was invited to present to the Board their society regional views and comments on the matter.

In summary, the society leaders agreed that the organization should be transparent and the society membership language revised, but were concerned about the unknown impact on membership and financial levels. It seemed clear, overall, that the smaller societies felt more confident in retaining members and desired to add the language at sooner date while the larger societies expressed concern in losing members and wished to add the language at a later date. Based on their society responses, the PCRs requested that the organization announce the disclosure to coincide in tandem with a strategic and structural response.

Questions, Comments and Resulting Discussions from the Board:

The PCRs were thanked for their presentations. It was stated that the societies' predictions in membership attrition were uncertain.

The Board acknowledged and discussed the PCR's request to delay moving forward with the additional society membership language and inquired further into the reasoning. The PCR Chair explained that the financial support offered to societies by CFA Institute though very much appreciated did not address the potential long term financial impact or member attrition concerns. In addition, it was emphasized that the loss of membership could impact volunteer resources and limit the societies' ability to engage in promoting the CFA Institute mission and vision.

The Planning Committee reported it had discussed the possibility of devising a complete member dues solution now and determined that it would not be possible. There were too many questions and issues to consider in such a short timeframe, and it was recognized the membership language disclosure would help clarify some of these unknown factors. The Planning Committee therefore concluded that it was more reasonable to ensure that societies were financially sound this year and to craft a comprehensive member dues structure over the next year or two, rather than to implement a piecemeal solution at this time. The committee therefore voted to approve and implement the proposed next steps from management.

The External Relations and Volunteer Involvement Committee (ERVIC) reported it had also discussed the additional society membership language and unanimously voted to approve and implement the proposed timeline from management. It was announced that the Board had tasked ERVIC with figuring out the exact nature of the solution to the dues restructuring and its accompanying issues, such as charter pending and forms of affiliation.

It was noted that the Board of Governors and management shared the societies' apprehension over the unknown reaction to the additional society membership language, but felt that delaying such a decision was not appropriate. Moreover, taking immediate action would help guide the organization in vetting and potentially redesigning the member dues structure.

The following resolution was approved with Giuseppe Balocchi abstaining from the vote:

RESOLVED, that the Board of Governors accept and approve the recommendation and timeline to modify the society membership language substantially in the form presented.

It was acknowledged that action on this matter would create a measure of short term uncertainty and possible society membership attrition. However, the Board, management and PCRs all expressed a desire to work together on a solution to the membership language disclosure issue and agreed that the upcoming regional meetings would be a good opportunity to collaborate with the societies.

COMMITTEE REPORTS

Presenters: Mr. Giuseppe Balocchi, Audit and Risk Committee Chair

Ms. Beth Hamilton-Keen, External Relations and Volunteer Involvement Committee Chair

Mr. Jim Jones, Planning Committee Chair

Mr. Alan Meder, Executive Committee Chair

Mr. Dan Meader, Nominating Committee Chair

The Audit and Risk Committee Report

ARC reported it had met with Ms. Ellen Odoner, external counsel to CFA Institute, and listened to an annual overview on Board duties, Governors' responsibilities on board and audit committees, Board composition, and other relevant topics. Based on feedback from its committee members, ARC decided to shift to a working mode of "risk beyond usual" with less of a scripted approach to its meetings.

With regards to the society membership language issue, ARC had a robust discussion and, with the Board's permission, requested to stay involved by monitoring and developing a crisis management plan.

In light of the revised Global Operating Model, ARC had started its objective of reviewing the principles and guidelines of oversight responsibility and identifying any gaps or improvement opportunities.

Planning Committee Report

The Planning Committee reported it had spent the majority of its time discussing the Americas Operating Model and the member dues structure. It was anticipated that by May 2014, the Planning Committee would have a comprehensive proposal to implement either in July 2014 or the following year.

The Planning Committee was also focused on creating new dashboard with updated metrics as well as conducting a strategic review of how CFA Institute conferences fit into the overall mission.

The External Relations and Volunteer Involvement Committee Report

While the membership language discussion was a large part of the ERVIC meeting, the group also reported it had approved the Principles of Partnership and Operating Framework document. In terms of next steps, ERVIC endeavored to add a few communications objectives to its strategy in order to focus on and implement the partnership agreement.

ERVIC reported that the creation of the Beijing Society had been approved.

Lastly, ERVIC received a semi-annual update on member engagement, which was shown to be positive.

Executive Committee Report

The Executive Committee reported it had received the final report from the chair of the Society Partnership Work Group and thanked all of its participants for their efforts.

Nominating Committee Report

The Nominating Committee consisted of the following individuals:

<i>S.V. (Bala) Balachander, CFA</i>	<i>Tom Joski, CFA</i>	<i>Alan Meder, CFA</i>
<i>Kay Booth, CFA</i>	<i>Dan Meader, CFA (NC Chair)</i>	<i>Roger Urwin</i>
<i>Janine Guenther, CFA</i>		

The group strove to produce a recommended slate consistent with the organization's 3B's and 4E's mission, and reexamined the process by which candidates were evaluated and ultimately chosen. Eager to learn more about the potential nominees, committee members were asked to conduct personal interviews with them. In addition, the Nominating Committee had engaged the services of Spencer Stuart, an executive recruitment firm, partially to help with the selection process and partly to broaden the list of potential candidates. In the end, the firm created a work product that contributed to the Nominating Committee's analysis.

The group considered how each person could contribute to the organization's success and how all seven individuals coalesced to appropriately represent the organization. Using this holistic and granular approach to the process, the committee was able to decide on seven nominees to present to the Board.

The following nominations beginning 1 September 2013 were announced:

<i>Nominated for Chair:</i>	<i>Charles Yang, CFA</i>
<i>Nominated for Vice-Chair:</i>	<i>Aaron Low, CFA</i>
<i>Nominated to serve a second term as Board of Governor:</i>	<i>Giuseppe Ballocci, CFA</i> <i>Beth Hamilton-Keen, CFA</i> <i>James Jones, CFA</i> <i>Aaron Low, CFA</i>
<i>Nominated to serve a first term as Board of Governor:</i>	<i>Heather Brilliant, CFA</i> <i>Robert Jenkins, FSIP</i> <i>Sunil Singhanian, CFA</i>

Background information on the three new candidates was provided to the Board at the meeting.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve the slate for officers and governors as presented.

Awards Committee Update

The Awards Committee consisted of the following individuals:

<i>Aaron Low, CFA</i>	<i>Alan Meder, CFA</i>	<i>Matthew Scanlan, CFA</i>
<i>Dan Meader, CFA (AC Chair)</i>	<i>John Rogers, CFA</i>	

The committee reported that for the seven awards given out annually this year, the organization would solicit recommendations from its membership, a new initiative that would be highlighted at the upcoming society regional meetings. It was announced that the award nominations slate would be completed sometime

between now and the Annual Conference in May. Afterwards, the committee would work on improving and harmonizing the awards process in line with the organization's mission, and send its final suggestions to ERVIC for consideration.

PRESIDENTS COUNCIL REPRESENTATIVES REPORT

Presenter: Ms. Marla Harkness, Presidents Council Chair

The PCR report included information on the upcoming regional meetings in March 2013 and all Board members were encouraged to attend. Each society regional meeting would begin with an advocacy session as well as meetings for staff administrators and executives.

CONSENT / REFERENCE ITEMS

Presenter: Mr. Alan Meder, Board of Governors Chair

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

The following resolutions were approved unanimously:

Principles of Partnership and Operating Framework

Background

In 2005 CFA Institute and its Member Societies established a set of principles and operating framework to codify the nature and extent of their affiliation. Then, as now, there is recognition that a formal, written framework which identifies the separate and shared responsibilities of CFA Institute and Member Societies would be valuable.

In 2012, the CFA Institute Board of Governors formed the Society Partnership Work Group (SPWG), comprised of CFA Institute Governors, President Council Representatives (PCRs), Member Society Leaders, and CFA Institute staff. The SPWG updated the 2005 document to reflect, in particular, the 2015 and 2022 strategic plans of CFA Institute, which highlight a bolder organizational voice, broader mission, and bigger community of stakeholders.

The Principles of Partnership and Operating Framework was released to Member Societies for a 45-day comment period ending 15 November 2012. The pertinent comments received have been incorporated into the final draft document.

RESOLVED, the Board of Governors accept and approve the Principles of Partnership and Operating Framework substantially in the form presented.

Disciplinary Review Committee Member Appointment

Background

The Disciplinary Review Committee (DRC) Nominating Committee is commencing the process to recruit new members to serve on the DRC. The Nominating Committee of the DRC consists of the current DRC Chair, the DRC past chair, one DRC member selected by the DRC, the CFA Institute staff executive to the DRC, and one regular member designated by the Board.

RESOLVED, that the Board of Governors appoint Phil Graham, CFA, to serve on the Nominating Committee of the Disciplinary Review Committee for FY2013.

FBank Account – New Interest-Bearing OFAC Account with JPMorgan

Background

A segregated account is necessary to comply with requirements of the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury.

RESOLVED, that any one officer listed below is hereby authorized to (i) to open an Account and request for any Service(s) which they consider necessary or desirable for the Company for the purpose of its business, and execute documentation related thereto on behalf of the Company, (ii) to authorize the operation of the such Account by manual and electronic means including the use of the Services and (iii) to delegate authority to such persons as they consider appropriate to operate and act in relation to the Account/Services jointly or severally;

FURTHER RESOLVED, that any one of the officers listed below is hereby authorized on behalf of the Company to sign and deliver any document necessary or desirable to be executed in connection with such Account and Services.

**John D. Rogers, President and CEO
Timothy G. McLaughlin, Chief Financial Officer
Guy P. Williams, Head, Finance and Risk Management
Kimball E. Maynard, Treasurer**

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

Meeting adjourned