

Board of Governors Meeting

Open Session Minutes

23 October 2014
Istanbul

Board of Governors Present:

Giuseppe Balocchi, CFA
Heather Brilliant, CFA
Dwight Churchill, CFA
Beth Hamilton-Keen, CFA
James Jones, CFA ☎
Attila Koksai, CFA

Robert Jenkins, FSIP
Mark Lazberger, CFA ☎
Frederic Lebel, CFA
Aaron Low, CFA (Meeting Chair)
Colin McLean, FSIP
Scott Proctor, CFA

Sunil Singhanian, CFA ☎
Michael Trotsky, CFA
Charles Yang, CFA
Hua Yu, CFA

Presidents Council Representatives Present:

Lamees Al-Baharna, CFA
Leah Bennett, CFA
Aaron Brown, CFA
Sharon Craggs, CFA

Daniel Fasciano, CFA
Christian Heuer, CFA
Leyla Kassem, CFA
Anne-Katrin Scherer, CFA

Kathy O'Connor, CFA
Ken Yee, CFA

Leadership Team Members Present:

John Bowman, CFA
Elaine Cheng
Raymond DeAngelo
Stephen Horan, CFA

Donna Marshall
Timothy McLaughlin, CFA ☎
Nitin Mehta, CFA
Thomas Robinson, CFA

Kurt Schacht, CFA
Randy Shepard

Leadership Team Members Absent:

Paul Smith, CFA

Jan Squires, CFA

Others Present:

Joe Clift
Nancy Dudley
Rahul Keshap

Joseph Lange (Meeting Secretary)
Craig Lindqvist

Roger Urwin ☎
Guy Williams

Materials Provided

Primary Meeting Pack

Reference Meeting Pack

THURSDAY, 23 OCTOBER
10:30 A.M. TO 4:30 P.M.

OPENING REMARKS

Presenter: Aaron Low, Board of Governors Chair

Everyone was welcomed to the meeting in Istanbul along with a special thanks to Mr. Attila Koksai, CFA, for his onsite support. The organization was eager for the opportunity to engage with the region as Turkey was an emerging market for CFA Institute.

The new governors – Mr. Hua Yu, CFA; Mr. Michael Trotsky, CFA; Ms. Lynn Stout; and Mr. Scott Proctor, CFA – were introduced to the group as well as the new PCR, Ms. Lamees Al-Baharna, CFA.

STRATEGIC REVIEW AND BREAKOUT SESSIONS

Presenters: Aaron Low, Board of Governors Chair

Robert Jenkins, Planning Committee Chair

Craig Lindqvist, Head of Global Planning and Reporting at CFA Institute

Beginning with the breakout sessions in Istanbul, it was announced that more of the Board's attention would be devoted to strategy in FY2015. The Planning Committee (PC) chair, in collaboration with the Leadership Team and PCRs, had developed a strategic review for the rest of year, which would encompass four key steps: an environmental scan, a competitive analysis, a SWOT (strengths, weaknesses, opportunities, and threats) analysis, and ultimately a concluding assessment of the values and guiding principles right for the organization.

It was stated that the breakout sessions in Istanbul would cover the first step in the process, and help the PC to achieve some consensus on the most significant environmental trends in the financial services industry as they related to CFA Institute's mission and vision. There were four groups, each with approximately five trends to discuss and each led by a member of the PC. During the time allotted, the teams were asked to consider and prioritize the trends provided, to determine the impact of these trends on the future of CFA Institute, and to identify any missing items from the list.

The purpose of the breakout sessions was not to draw immediate conclusions from the outcomes and arrive at a strategy for the organization, but rather to advise the PC as to which trends were overlooked and which should be kept in mind throughout the strategy review process going forward. In the end, the PC would use the Board's aggregate feedback from all four steps to determine whether or not the organization was pursuing an appropriate path or if it needed to change direction in the coming years.

At the conclusion of the morning sessions, staff members would organize all ideas into a comprehensive summary for the team leaders to present in the afternoon. Each team would have the opportunity to share their findings and engage the full group in an interactive remote polling session to obtain a final priority list of trends for the organization.

The group was thanked in advance for their participation.

CEO REPORT AND FY2015 INITIATIVES

Presenters: Dwight Churchill, President and CEO at CFA Institute.

Tom Robinson, Managing Director of the Americas at CFA Institute

The CEO Report provided the Board with a detailed overview of the five major components of the organization's current strategy.

China and India

With the construction and furnishing of the China and India offices underway, the organization was set to officially open both sites by the December 2014 to January 2015 time frame. It was reported that each location was adjacent to its local member society, namely CFA Society Beijing and the Indian Association of Investment Professionals. In FY2015, the organization would continue to collaborate with these societies to deliver member value, increase brand visibility and employer awareness, and increase advocacy efforts.

Future of Finance

The process of assimilating the Future of Finance (FoF) initiative into the framework of the organization had begun. There was a dedicated, cross-functional team in place developing the work plan for FY2015, which included mention of the FoF in the areas of education, ethics, and engagement. The team was also focused on establishing processes to support the integration of FoF, on creating a team charter, and on prioritizing impending CFA Institute content.

With regards to the FoF Advisory Council, its terms of reference had been updated for the External Relations and Volunteer Involvement Committee's review, and they reportedly planned to hold two meetings in FY2015. The Board was encouraged to participate in these discussions or to interact with the council members, if at all possible, in the coming months.

CFA Institute Brand Awareness

In FY2014, the brand was promoted amongst a core audience of the professional investment community and messaging was consolidated in support of the Future of Finance, utilizing the "It Starts with You" communications platform. This same approach, amplified by awareness campaigns to build the overall brand, would continue in FY2015 with special attention to establishing awareness amongst employers in China and India. Furthermore, the organization planned to move forward with the capability enhancements to its marketing and communications team, and to eventually confirm a new advertising, media, and communications agency partner to improve its communications planning, content management, and digital media disciplines.

Business to Business

Management planned to maintain an open dialogue with the Board as it developed and analyzed the various opportunities in the business to business (B2B) market for CFA Institute. In reference to Claritas, it was remarked that several meaningful deals had been concluded in FY2014 and that these engagements had improved the organization's understanding of how to apply and adapt existing resources to company clients in FY2015.

Partnership with Societies

CFA Society Liechtenstein had been approved by the External Relations and Volunteer Involvement Committee and a new emerging society, the Georgian (Caucasus) Society of Investment Professionals, had submitted their strategic and action plans with governance outlines for consideration.

In the Asia Pacific region, the organization was supporting volunteer applications to establish new societies in Vietnam and Shanghai. While progress had been made in submitting the set up documents for a Shanghai society by the end of the year, further legal consultation was needed for the proposed Vietnam society.

Looking ahead, the society relations team planned to explore strategic options for society funding, propose ideas for greater flexibility within the defined society framework, and assess the possibility of creating a single, unified definition of affiliate membership. Emphasis would also be placed on improving technology and examining the training needs of society leaders.

Organizational Infrastructure

The CEO Report also contained an update on the four E's: education, engagement, ethics, and enablers. In terms of enablers, the human resources perspective, management wanted to ensure the organization's infrastructure kept pace with its rate of growth. In the last several years, CFA Institute had expanded greatly and taken on a number of new activities, including the bolder voice, bigger community, and broader mission initiatives, and it would be important to invest in an infrastructure to support the long term objectives of the organization.

Mandatory Continuing Education

In addition to the CEO report, management was asked to review the organization's history regarding mandatory continuing education.

Approximately 15 years ago, CFA Institute's proposal for a mandatory continuing education (CE) program was met with resistance from its membership and ultimately not endorsed. A voluntary program was created in its place to allow individuals to sign up for CE opportunities. In 2007 and 2008, the topic was revisited to make the voluntary program as easy as possible to complete, record, and sign off on CE activities, such as integrating the latter into the member dues process. Finally, just a couple of years ago, the organization conducted listening tours around the world to reassess the climate for mandatory CE and found no change in opinion. The idea was therefore tabled once again for future consideration.

It was noted that by implementing an effective voluntary program, the percentage of members signing off on CE activities had risen from roughly 20% to 60% year-to-date. As the organization moved toward a critical number, it could develop a very powerful statement to advocate for mandatory CE. 95% of members completing, recording, and signing off on voluntary CE, for example, could potentially persuade them to accept mandatory CE at some point.

Over the years, CFA Institute had tried a number of different ways to make mandatory CE a more palatable idea and faced many challenges in the process. Even though conditions had continued to improve, including the strengthened relationship between CFA Institute and its member societies, it seemed unlikely that a mandatory program would be accepted today. The organization fully supported

the concept, but felt it should wait until a higher percentage of individuals were completing the voluntary program to before reopening the subject for discussion.

Questions, Comments and Resulting Discussions from the Board:

With regards to Claritas, it was stated that the right perception had been established for the exam and process. Success was no longer based on the preliminary projections, but rather a new understanding that a strong foundation was needed for these types of business to business (B2B) relationships. Though Claritas was a terrific and robust product, its initial growth had been slower than anticipated mainly due to the fact that the organization was still learning how best to position it in the market place. There was recognition that Claritas was only part of the larger strategic discussion around building a better B2B component within CFA Institute, a topic to be examined in depth at the New York meeting. At that time, staff planned to present the Board with options on how the organization could interact with institutions going forward, with particular note of the potential investment required and value received. It was understood that the ultimate goal would be to implement a strategy consistent with the direction approved by the Board and management.

It was clarified that the main objective of the interim CEO was to continue to move forward on existing initiatives and to identify any gaps or areas of concern for the new CEO. The emphasis was to learn rather than to act during this transition period. The organization planned to use this opportunity to step back and reassess its overall vision and strategy and provide a list of areas, such as infrastructure enhancements and staffing resources, for the new CEO to address.

While it certainly mattered how the organization marketed its reasons for instituting mandatory CE, it largely depended on the extent to which its audience was receptive to the idea in the first place. The results of the last vote on mandatory CE, which had a turnout of 70%, showed two-thirds of the membership was against the proposal. Based on the most recent listening tours, it seemed that the general opinion had not changed even with the inclusion of the sign off process into the member dues statement.

In terms of the next steps for mandatory CE, the organization would continue to provide ample CE opportunities for members to complete and record in the system, and thereby increase the sign off percentage. As the organization approached 80-90%, it would consider whether or not conducting another listening tour made sense from a purely strategic standpoint. At present, however, it seemed clear that environment was not ripe for another vote on mandatory CE as many members felt the market already held them to a standard, and they preferred to maintain it in their own specific way.

It was noted that there had been an increase in the regulatory push for verifying CE, which could potentially accelerate members' acceptance of a mandatory program as they looked to CFA Institute to make it easier to record and report this information.

FUTURE OF FINANCE REPORT

Presenters: Tom Robinson, Managing Director of the Americas at CFA Institute

Kurt Schacht, Managing Director of Standards and Financial Market Integrity at CFA Institute

The Future of Finance (FoF) exemplified the organization's extensive work in ethics and standards over the last 60 years to create a better future of finance on an ongoing basis. From a broader perspective, it was noted that the FoF could be the banner flying over everything done by CFA Institute. Although the

FoF had initially been a two-year project, there was now a cross functional team in place to carry the initiative forward on a more permanent basis and merge it with the overall mission of CFA Institute. In looking at the short term strategy, however, the team planned to focus on a few items each year, particularly those with the maximum impact for the organization so as not to dilute the message of the FoF.

While there had been many different types of content generated for the FoF in the past year, it was argued that the *Statement of Investor Rights* had been the most significant one. This tool had enabled CFA Institute to reach a bigger community with a bolder voice about what all practitioners should be doing for their clients every day. The goal was to generate a demand from the investor side, to eventually have everyone know the *Statement of Investor Rights* and require their advisors to comply with its standards.

The FoF initiative had been very successful at the local society level. Beyond the 60 societies that had participated in *Investors First Month* or distributed the *Statement of Investor Rights* to clients attending their forecast events, there was a wide variety of societies involved in FoF activities. There was also an ongoing focus on providing societies with the training and tools needed to leverage the FoF in their respective environments. At the Society Leadership Conference in London, for instance, the most highly rated sessions pertained to FoF engagement tools, including brochures and more specific direction on how to participate in *Investors First Month* or how to use the *Statement of Investor Rights*. The main objective for FoF this year was to not only identify the type of content needed for the biggest impact, but also help societies implement the overall initiative in their specific regions.

Now in the second phase of developing the FoF, the organization endeavored to shape the initiative's infrastructure to be more fully integrated into the operating life and existing functions of CFA Institute. In order to do so, it would be necessary to streamline the definition of the FoF, to determine the processes and staff resources needed to succeed, and to eventually implement the selected plan.

The FoF was perhaps best defined as the "how" in the context of the organization's mission to shape a more trustworthy, forward thinking financial industry for the ultimate benefit of society. The initiative aimed to develop more fair and client-focused services and products, and was the organizing platform and operating framework for executing on CFA Institute's mission. In simplified form, the FoF would create and share tools and content for practitioners to use and act upon to demonstrate professionalism and integrity in the industry.

Although there were certain flagship items, such as the Asset Manager Code and *Statement of Investor Rights*, for the marketing and communications team to use when promoting the FoF message, there were other pieces of content that needed to be addressed. However, it was also understood that resources were limited and should be strategically managed. The FoF team was therefore tasked with establishing and overseeing a prioritization process, in which existing content options were ranked. In the initial screening, members had determined which options could change industry behavior and elevate awareness of the CFA Institute brand. These results had been the basis for a second screening, in which members had ranked each item on a ten point scale, with ten being the highest priority.

Once there was a numerical score for every content option, the team would be able to finalize its approach by looking at the relevance, timeliness, media potential, member and society interest, and

feasibility of the FoF project with special attention to the human and financial resource requirements. It was noted that the prioritization list would be shared with the Board.

It was stated that the marketing and communications group was involved and would identify how best to promote the resulting selections. There were a variety of tactics, including press releases and launch events, which could be used to elevate the different content options.

Questions, Comments and Resulting Discussions from the Board:

It was suggested that the FoF Advisory Council could communicate the FoF message and thereby give it more visibility in the financial industry.

Since the FoF had different meanings for different people, it made sense for the organization to narrow down the list of priorities to create a more focused and cohesive message. The Board was looking forward to seeing the results of the prioritization process and recommended reacting and adjusting on an annual basis or as needed over time.

There was agreement that the local societies were valuable partners and should be involved in narrowing down the list of content. It was noted that the organization had not been providing them with the right kind of guidance. While the FoF mission had been aggressive from the internal perspective, the communications to the societies had been rather ambiguous. The organization now understood that the societies wanted a handful of ideas and opportunities to act upon under the direction and support of CFA Institute. Since engagement at the local level was essential to the success of the FoF, it would be important to listen to the societies and apply their ideas to the prioritization process.

The Board was glad to see the organization thinking about the content in a multifaceted way and emphasized the importance of having the data to support these concepts. The FoF team was encouraged, for example, to repurpose preexisting content in various ways, perhaps in rewritten or simplified form, to speak to the general public about complex topics while still retaining the depth behind the content.

The societies' request for specific, actionable ideas to implement at the local level had been heard. Instead of a broad suggestion to hold an FoF event, for instance, the organization would now give societies an explicit way to participate in a particular category, such as creating a seminar template to follow at the time of the 70th anniversary issue of the *Financial Analyst Journal* on retirement security. Engaging societies in this manner would be vital to sustaining momentum. Furthermore, the organization realized that the FoF initiative depended not so much on producing different content or topics, but rather on training the right people to present and speak on these issues at the local level.

It was reported that CFA Institute created partnerships with other like-minded organizations on a fairly regular basis, either by convening an event of its own or attending one as the content expert on a variety of topics. Going forward, the marketing and communications team would consider how and when the organization should collaborate with interested stakeholders to maximize the promotional potential of the FoF message.

The organization realized the significance of sustaining the momentum of the FoF and hoped to have more than 60 societies participate in the initiative in FY2015. There would be a push to submit ideas to

and receive feedback from the societies to ensure they remained engaged every step of the way. In addition, the organization needed to bolster publicity around the FoF message of financial market integrity, which seemed to resonate well with the investment community. Practitioners were interested in the FoF, because they wanted to discuss the future of the industry and how to make it a more ethical and professional place. If momentum slowed regardless, it would likely be due to a lack of interest in the initiative, making it difficult for the organization to carry it forward.

BOARD COMMITTEE REPORTS

Presenters: Colin McLean, Audit and Risk Committee Chair

Attila Koksál, External Relations and Volunteer Involvement Committee Chair

Robert Jenkins, Planning Committee Chair

Giuseppe Balocchi, Education Work Group Chair

Charles Yang, Nominating Committee Chair

Aaron Low, Executive Committee Chair

Audit and Risk Committee

After listening to a presentation from the auditor, the Audit and Risk Committee (ARC) had considered the consolidated financial statements for CFA Institute and the Research Foundation and found no items of concern. ARC was satisfied with the audit process and believed the statements exemplified the work conducted and goals reached in FY2014. As shown by the various reports, the organization had experienced a very good year in terms of financial results. PricewaterhouseCoopers (PwC) had given CFA Institute an unqualified opinion, citing that there were no disagreements with management as well as no material issues or control points to report.

It was also mentioned that in FY2014, a brand new audit partner and audit manager from PwC had been assigned to CFA Institute. While it was unusual to have both positions replaced simultaneously, it had further proved that the organization's financials, controls, and processes were as efficient as ever.

The organization continued to add efficiencies every year and always tried to emulate the international accounting standards as well as those set down by the State Corporate Commission (SCC). It was noted that the SCC had recently changed its reporting deadline from 90 to 60 day and that CFA Institute, due to its effective approach, had successfully published its financial statements within that time frame.

ARC then outlined its priorities for FY2015.

The committee had established two ad-hoc subcommittees, one to review the management of the organization's assets and to bring a fresh perspective to the overall oversight and governance of the Investment Committee, and the other to review ARC's current terms of reference and act as the basis for regular assessments to be made in the future. The latter would ensure that the committee was in line with best practices every year. It was noted that the revised terms of reference would ultimately be brought to the Board for approval.

ARC would also be looking at ways to benchmark CFA Institute's efficiency and effectiveness against other comparable organizations. The committee planned to work with management to determine appropriate reference points, which would help identify the organization's strengths and weakness and inform its discussions on risks and strategy.

The risk appetite statement would continue to be a significant topic in the coming year as ARC would make certain that current and newly discovered risks were managed on a systematic basis. While there were no specific concerns at the moment, ARC would remain vigilant and elevate issues to the Board's attention as needed.

Finally, it was reported that oversight responsibilities of the Professional Conduct Program (PCP) and Disciplinary Review Committee (DRC) had been moved from the Executive Committee to ARC. This transition would elevate the Board's level of engagement with the DRC and address the PCP's challenge to manage a growing caseload with its existing resources. ARC recognized the profound work being conducted by these two groups and looked forward to supporting their efforts in FY2015.

External Relations and Volunteer Involvement Committee

The External Relations and Volunteer Involvement Committee (ERVIC) endeavored to align its oversight priorities with those of management as depicted in the work plan and budget. There were five areas of focus for the organization in FY2015: opening offices in China and India, improving institutional relationships and business-to-business (B2B) services, the society partnership initiative, integrating the Future of Finance into CFA Institute's business model, and increasing brand awareness of the CFA designation.

It was highlighted that with the help of the regional offices, PCR's, volunteers, and staff, the society partnership initiative seemed to be producing positive results. The atmosphere had improved noticeably in the last two years, leading to healthier relationships between the PCR's, staff, and the Board. Furthermore, surveys indicated that society leaders and volunteers were generally more satisfied in the current environment.

ERVIC also wanted to focus more on broadening member engagement in CFA Institute activities. This objective would be heavily supported by the FoF, which was becoming a more tangible tool for societies to approach and attract their local investment community.

Planning Committee

As discussed at the beginning of the meeting, the Planning Committee (PC) ventured to conduct a complete strategic review of the organization in FY2015, starting with the environmental trends analysis at the Istanbul meeting. From there, the PC would facilitate a competitive analysis at the New York meeting (March 2015), a SWOT analysis at the Frankfurt meeting (April 2015), and ultimately confirm a set of values and guiding principles by or before the Calgary meeting (July 2015).

It was emphasized that this process was neither the beginning nor end of the effort and was meant to reach beyond the feedback provided by the Board. The PCR's, for example, had solicited input on three strategic questions from 142 societies, the results of which would contribute to the first step in the review timeline.

Education Working Group

The Education Working Group had been created to conduct a strategic review and analysis of the current state of CFA Institute's portfolio of educational offerings. The group would provide an education-specific focus and deep assessment of the SWOT analysis to be conducted by the Planning Committee in FY2015 and contribute to championing a Board-wide strategic reflection on education.

The group had held its first meeting and discussed the challenge of framing its focus such that it supported the strategic work of the PC and the Board as it related to education in concert with the strategic work of management. The issues addressed by the working group would not overlap with the PC, but rather complement its efforts, including input on the strategy sessions.

The group also encouraged others to come forward if they were interested in shaping the education strategy. This activity was not intended for a small set of individuals, and there would be a rotation scheme calling on different people to contribute throughout the year. Furthermore, feedback on how to improve the structure of the Education Working Group was welcomed.

Compensation and Governance Committee

The Compensation and Governance Committee (CGC) had reviewed and discussed the results of the Board evaluation survey distributed to the governors at the conclusion of the Charlottesville meeting in July. The group was reminded that while the last Board evaluation survey was conducted by Russell Reynolds Associates in 2011, this one had been created internally with the purpose of obtaining feedback on an annual basis. The CGC believed the survey was a valuable tool for evaluating the Board's progress and enhancing governance best practices over time.

In terms of positive comments, it was remarked that the Board had maintained a strong level of commitment to the organization, sustaining its 4.8 out 5.0 rating from four years ago. Conversely, the CGC sought to improve upon three items: to provide adequate feedback to governors on their contributions to the organization, to hold more strategy discussion, and to improve communications between the Board and management. It was stated that these topics would be considered at the next meeting.

Nominating Committee

It was reported that all members of the Nominating Committee (NC) had been able to attend the meeting in Istanbul.

The group was reminded that five governors rolled off the Board at the end of FY2014 and four joined on 1 September 2014. At the end of FY2015, there would be one governor rolling off and potentially two governors elected to serve second terms. Per the guidance from the Executive Committee, the NC planned to add three governors in the next cycle, bringing the Board to a maximum total of 19 members as permitted by the organization's bylaws. It was remarked that based on the most recent departures, the NC was interested in volunteers with education backgrounds.

The NC was pleased to report that many names had been submitted right up until the deadline. There were an ample number of candidates to discuss this year, and the NC would be very mindful of whom to contact.

Executive Committee

The Executive Committee (EC) was composed of the chair, vice chair, past chair, oversight committee chairs, and the CEO, all of whom had been focused on the CEO search and corporate governance. With regards to the latter, the EC had continued to populate the CGC agenda with various items, to look at the current Board structure, to consider the design of the Education Working Group, and to discuss the Board evaluation survey.

The Board was reminded of the responsibilities transitioning away from the EC, which included oversight of the CFA Program moving to the PC along with input from the newly formed Education Working Group, and oversight of the DRC moving to ARC. It was noted that these were the last two reporting lines that needed to be changed to ensure the EC was not operating on behalf of the Board. All decisions could now be made at the Board and committee meetings without having the EC in the middle. The main idea was to strengthen the oversight of the organization's various programs as reflected by the updated terms of reference for these committees.

PRESIDENTS COUNCIL REPRESENTATIVES REPORT

Presenter: Daniel Fasciano, Presidents Council Chair

The Presidents Council Representatives (PCR) report provided the Board with an update on their activities in every region of the world.

The PCRs aspired to be the trusted advisors to society leaders, the Leadership Team, the Board, and staff. It was stated that the Presidents Council chair had partnered with key staff members and spoke with them over the phone on a weekly basis to address functional and operational areas of concern.

The Board members were thanked for their participation in the Society Leadership Conference in London. It was noted that their involvement had strengthened the message of partnership and energized the society leaders, many of whom were beginning their first terms. The timing of the conference also helped align the mission of the societies with that of the Board and the organization overall.

The Presidents Council session at the conference proved to be a productive and open forum for the society leaders. It was mentioned that with the support of the Board, PCRs, and staff, great progress had been made to improve the agenda and introduce thoughtful rules and best practices into the conversation. The PCRs were finding ways to inspire society leaders by speaking with one voice and promoting the same message. It was also stated that the Presidents Council meeting had been streamed live, with various questions and comments received in real time.

Moreover, while in London, the Planning Committee chair had asked the PCRs to solicit responses from the 142 societies on three key questions, which had resulted in an abundance of data. The PCRs thanked the Planning Committee and staff for the opportunity to add value to the organization's strategic process.

With the Board's approval of the measure, the Asia Pacific (APAC) region would be holding elections in the spring to appoint a second PCR. The complex process of dividing the APAC region into two territories was underway, with particular attention to making sure the right people (i.e. staff, volunteers, key stakeholders, etc.) were part of the conversation.

Last year, the needs of societies in Mexico and South America were evaluated with respect to the strategic direction of the organization, and there was agreement that, without asking for additional resources, one PCR should be allocated directly to these regions. Planning efforts were currently in progress and, similar to the APAC region, there would be an election in the spring.

It was restated that societies had fully endorsed the FoF initiative and were eager for more engagement tools to use in their local markets. The PCRs encouraged the organization to conduct the work of selecting the topics as well as resourcing and building the template presentations to enhance the FoF message. Furthermore, instead of over engineering the idea, it was suggested that the organization resource it and allow societies to take it in different directions. The FoF had exemplified partnership between the societies and the organization by fostering a meaningful alignment of missions and activities.

CONSENT ITEMS

Consent items consist of recurring and procedural matters that come before the Board. These matters require Board action. A single request for approving all the consent items was provided to the Board for ease of handling.

The following resolutions were approved unanimously:

FY14 PwC Audit / Financial Statements for CFA Institute and CFA Institute Research Foundation

RESOLVED, that the Board of Governors approve the audited financial statements for fiscal year ending 31 August 2014.

Power of Attorney for Trademark and Copyright Matters

RESOLVED, that the CFA Institute Board of Governors hereby authorizes Andrew D. Rome, Esq., CFA Institute Associate General Counsel, to make, sign, execute, verify, affirm and file caveats, complaints, affidavits, applications, petitions, or written statements, replies, objections, appeals, cross-appeals, warrants of attorney, tabular statements, or any other documents and papers expedient or necessary in her or his opinion to be made, signed, executed, verified, presented or filed on behalf of CFA Institute with regard to all intellectual property disputes and registration matters; and

FURTHER RESOLVED, that the proper officers of CFA Institute be and they hereby are authorized, empowered, and directed to take such action as necessary to implement the resolve of the Board, including the preparation of documentation, if so required, to affirm that the Board has on this date authorized the action set forth in the above resolution.

Corporate Disclosure Policy Council / Chair Appointment

RESOLVED, that the Board of Governors reappoint Tony Sondhi to serve as Chair of the Corporate Disclosure Policy Council to a term ending 31 August 2015 and until his successor is chosen and qualified.

Bio

Ashwinpaul “Tony” C. Sondhi is currently a member of the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB). He has been a member of the Global Financial Reporting Advocacy Committee of the CFA Institute; the Accounting Standards Executive Committee (AcSEC) of the AICPA and the Planning Subcommittee of the AcSEC; the Financial Accounting Policy Committee of CFA Institute; the FASB Task Force on Accounting for Impairments of Long-lived Assets; and the Statement of Cash Flows Steering Committee of the International Accounting Standards Committee. Tony was also an advisor to the FASB on its’ project comparing U.S. and International Financial Reporting Standards.

Tony is a co-author of the 2006–2009 editions of the CCH *Revenue Recognition Guide*, and *The Analysis and Use of Financial Statements*, Third Edition, which was a recommended text for the Chartered Financial Analysts (CFA) program. Mr. Sondhi has also edited *Credit Analysis of Nontraditional Debt Securities*, co-authored *Impairments and Write-offs of Long-Lived Assets*, and co-edited *CFA Readings in Financial Statement Analysis, & Off-Balance Sheet Financing Techniques*.

Tony serves on the Board of Directors of an investment advisory services firm and one charitable foundation. He is also an advisor to several U.S. and foreign companies. His consulting activities include revenue recognition practices in the software and contracting industries, revenue arrangements with multiple deliverables, consolidation policy issues related to variable interest entities, financial reporting requirements for foreign operations, securitizations and transfers of financial assets, credit analysis, and the analysis of company-wide financial reporting decisions.

STRATEGY REVIEW AND BREAKOUT SESSIONS

Presenters: Aaron Low, Board of Governors Chair

Robert Jenkins, Planning Committee Chair

Craig Lindqvist, Head of Global Planning and Reporting at CFA Institute

Frederic Lebel, Board of Governors Member

Giuseppe Balocchi, Board of Governors Member

Heather Brilliant, Board of Governors Member

Beth Hamilton-Keen, Board of Governors Member

The team leaders were invited to summarize the results of their respective breakout session. The full group would then be asked to identify the top environmental trends using the voting technology provided onsite. In the end, the objective was to agree on a manageable list of trends to facilitate the next steps of the strategic planning process.

Education and Learning

The key trends and observations with regards to education and learning were:

1. The generational attitudes towards learning, including the use of technology, getting connected, and the desire for responsive and personalized learning (high impact trend). People were now learning in groups, working with mobile devices rather than books, and adopting other behaviors that would support the significance of this extensive, yet relatively new, trend.
2. The shift toward practical learning and professional relevance (high impact trend). It was recognized that individuals wanted to learn skills that could be applied immediately to their careers.
3. Education becoming increasingly subject to market forces (medium impact trend). It was noted that education was a market attracting interest from many different providers, nonprofit vs. for profit as well as more experienced and traditional vs. new and technologically driven entities, all of which were shaping the supply side of learning.
4. The appetite for specialized learning in the finance industry (medium impact). There were some people certainly interested in attaining specific skill sets quickly without receiving a broader education.

There was a concern that the trends in education and learning could lead to the quantity and quality of candidates decreasing over time.

The group voted, and it was found that the generational attitudes towards learning and the shift to practical and professional relevance were rated as the trends most relevant to CFA Institute's mission and business model over the next three to five years.

Regulation and Credentialing

The key trends and observations with regards to regulation and credentialing were:

1. The ability to obtain a credential in a condensed framework and at a low cost (low impact trend). It was remarked that employers valued the quality of the organization's products and offerings.
2. The demand for the CFA designation based on desirability rather than regulation (high impact trend).
3. Localization, fragmentation, and de-risking (high impact trend). With the localization, fragmentation, and de-risking of financial markets, including several prominent banks withdrawing from a number of countries, there was the potential for careers to become less global and for professionals to pursue local qualifications at the expense of the CFA designation.
4. The motivation of education (medium impact trend). It was essential for the organization to understand the power of self-improvement in emerging markets as well as regulator driven opportunities in developed markets.

The team leader shared the group's impact vs. timing graph, which showed the independent accreditation, recertification, micro-credentials, licensing, and localization trends for both the CFA Program and Claritas. While none were identified as having an immediate impact, the organization should continue to monitor them going forward.

The group voted, and it was found that ability to obtain a credential in a condensed framework and at a low cost and localization, fragmentation, and de-risking were rated as the trends most relevant to CFA Institute's mission and business model over the next three to five years.

Financial Services Industry

The key trends and observations with regards to the financial services industry were:

1. The shift to private wealth, particularly in emerging markets (high impact trend). The group discussed the varied distribution of high net worth across markets, the global change in fee structure, and the outsourcing of investment decisions. It was mentioned that if private wealth made it to the competitor analysis stage of the process, CFP would be very significant to the conversation.
2. Passive vs. active management (high impact trend). The industry was moving toward passive management in an increasingly complex way, which would ultimately put a downward pressure

on fees, and expand the need for education and knowledgeable financial professionals. It was fair to say that the trend toward passive was a relevant trend that might not be happening to the same extent everywhere.

3. The shift from defined benefit to defined contribution retirement plans (high impact trend). It was acknowledged that there were not many countries besides the U.S. that had started to move in this direction.
4. The shift in demographics (high impact trend). In looking at the global population, it was stated that the proportion of individuals over 60 would double in the next 30 years, which could affect CFA Institute in various ways, from private wealth to the type of investment information required to how retirement was viewed in different economies around the world.
5. Indirect vs. direct portfolio planning (medium impact trend). The group discussed the movement toward increased specialization and fewer generalists operating in the market place.
6. Specialization or segmentation in asset management (medium impact trend).
7. Increasing complexity and reducing transparency by adding asset classes. There was a need for more different types of performance assessment as not everything was as easily benchmarked as it had been in the past (i.e. ESG, outcome based investing, risk and cost) (medium impact trend).
8. The growth of automated (robo) advising (medium impact trend). It was noted that internet financing was part of the group's discussion.
9. The increased need for soft skills (EQ) in the industry (medium impact trend).
10. ESG investing trends (medium impact trend). The group felt that this topic was the most ambiguous and subjective, and deciding how to categorize ESG would be consequential.

The group voted, and it was found that the shift to private wealth and passive vs. active management were rated as the trends most relevant to CFA Institute's mission and business model over the next three to five years.

Community and Affiliation

The group had experienced difficulty in neatly defining the term, engagement. It was an extension of membership and affiliation, and exemplified the words: passion, commitment and loyalty. The spectrum of engagement seemed to be a complex, quality-driven valuation of exchange (i.e. give and take).

The key trends and observations with regards to community and affiliation were:

1. The globalization of membership vs. English language products (high impact trend). The group felt it was important to think about the current changes seen in the organization's membership and candidate growth, and to also consider their unevenness from the economic, demographic, and geographic standpoint. Synthesizing this key trend into one issue would pose challenges for the organization.

2. Employer participation in CFA Institute (high impact trend). It was recognized that in many instances, employers influenced and supported the decision of an individual to become a member or engage with CFA Institute in some way.
3. The difficulty of leveraging technical expertise and influencer value in the global member network (high impact trend). Since there were many motivating factors, it would be challenging for CFA Institute to be the single provider of multiple forms of member engagement.
4. Local regulators exercising sovereign rights (medium impact trend). Whether members wanted to be part of the global vs. local network was considered. It was acknowledged that regulators were likely regionalizing and simulating one another as it was purposeful to them rather than just simulating the U.S. model.
5. The social media focus on content vs. channel (high impact trend). The group discussed CFA Institute's role in terms of delivering content, whether it was better served as a consolidator, a creator, or a curator of conversations, and of its impact on the membership value proposition.
6. Increasing the importance of content aggregation (medium impact trend).
7. Data ownership, transparency, and ethics of usage (high impact trend). There was a lot of discussion on this subject, and the group wondered if CFA Institute could be at the forefront of the best ethical treatment and exemplary use of data to support its members, societies, and other key stakeholders.
8. The global economic unevenness vs. pricing (high impact trend). The value proposition, or what members received in exchange for their dues and engagement, seemed to be influenced by economic unevenness and could affect the organization's growth potential in certain markets.
9. CFA Institute's agility to adapt to technology (high impact trend). It was noted that technology was redefining the term, community, and the way to access the membership experience.
10. Candidate growth and engagement geographically (high impact trend).

It was stated that the subject of trust was part of the discussion around data privacy and ownership as well as member affiliation and engagement.

The group voted, and it was found that globalization, employer participation, and CFA Institute's technology agility as well as data ownership, transparency and ethics of usage were rated as the trends most relevant to CFA Institute's mission and business model over the next three to five years.

Concluding Remarks

Globalization and fragmentation were both rated as significant trends, with the former pertaining more to membership and the latter to exam content. Adoption of the CFA designation was growing faster outside of the U.S., and the organization needed to ensure its content remained relevant to the regional or local markets.

Based on the breakout summaries, there seemed to be a clear recognition and reinforcement of CFA Institute's business model and offerings as dependent on global capital markets and portability. However, there was also a concern that the world was moving toward a more fragmented landscape with regulators and/or consumers driving localization and customization of learning. The Board and Leadership Team were encouraged to examine and reconcile these two separate aspects.

Technology, which represented a challenge and opportunity for CFA Institute, was a powerful trend connecting members and potential candidates, impacting generational attitudes, and reducing the cost of content delivery.

There was a strong debate on the current and future impact of localization and regionalization on regulators around the world.

In terms of the next steps, the Planning Committee would consolidate the list of selected trends, document input from these sessions, and conduct additional research and analysis as needed. The second phase of the strategy review would occur at the New York Meeting in March and focus on the competitive landscape and stakeholder perspective. However, in order to generate an appropriate list of competitors, there needed to be a very clear description of CFA Institute as a business. The Planning Committee Chair therefore asked every meeting participant to write down one sentence defining the organization. These were then collected for the committee's review.

OTHER BUSINESS

Presenter: Dwight D. Churchill, CFA

The entire organization was thanked for its efforts and high level of professionalism in FY2014 and beyond.

At this time the Board went into executive session.

Adjourn