

Board of Governors Meeting

Open Session Minutes

22-23 July 2015
Calgary

Board of Governors Present:

Giuseppe Balocchi, CFA	Robert Jenkins, FSIP	Paul Smith, CFA
Heather Brilliant, CFA	Frederic Lebel, CFA	Lynn Stout
Beth Hamilton-Keen, CFA	Aaron Low, CFA (Meeting Chair)	Michael Trotsky, CFA
James Jones, CFA	Colin McLean, FSIP	Charles Yang, CFA
Attila Koksál, CFA	Sunil Singhania, CFA 🗳️	Hua Yu, CFA

Incoming Board of Governors Present:

Daniel Gamba, CFA	George Spentzos, CFA, FSIP	Zouheir Tamim El Jarkass, CFA
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Presidents Council Representatives Present:

Lamees Al-Baharna, CFA	Daniel Fasciano, CFA	Kathy O'Connor, CFA
Leah Bennett, CFA	Christian Heuer, CFA	Ken Yee, CFA
Aaron Brown, CFA	Leyla Kassem, CFA	
Sharon Craggs, CFA	Anne-Katrin Scherer, CFA	

Incoming Presidents Council Representatives Present:

James Bailey, CFA	Steven Gattuso, CFA	Philip Graham, CFA
Simon Cawdery, CFA		

Leadership Team Members Present:

John Bowman, CFA	Sheri Littlefield-Moreno	Kurt Schacht, CFA
Elaine Cheng	Donna Marshall	Paul Smith, CFA
Raymond DeAngelo	Timothy McLaughlin, CFA	
Stephen Horan, CFA	Nitin Mehta, CFA	

Others Present:

Matthew Andrade, CFA	Emily Dunbar	Joseph Lange (Meeting Secretary)
Joe Clift	Stephanie Ennaco	Craig Lindqvist
Nancy Dudley	Leilani Hall, CFA	Guy Williams

Materials Provided

Primary Meeting Pack	Reference Meeting Pack
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WEDNESDAY, 22 JULY
9:00 A.M. TO 11:30 A.M.

WELCOME

Presenter: Aaron Low, Board of Governors Chair

Everyone was welcomed to the Board meeting in Calgary.

The three incoming governors – Mr. Zouheir Tamim El Jarkass, CFA; Mr. George Spentzos, CFA, FSIP; and, Mr. Daniel Gamba, CFA, – as well as the four incoming PCRs – Mr. Steven Gattuso, CFA (Eastern US); Mr. James Bailey, CFA (Midwestern US); Mr. Philip Graham, CFA (Asia Pacific North and Oceania); and, Mr. Simon Cawdery, CFA, (Atlantic Islands and Latin America) – were introduced.

A summary of the day's agenda was briefly provided to the group.

CEO REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

The President and CEO outlined CFA Institute's future direction and focus, explaining that the new organizing framework would rest on three strategic functions: credentialing, member value, and standards and advocacy. As a member organization offering a series of credentials, CFA Institute aspired to lead the investment management profession and would aim to do so by way of this innovative restructuring.

The new organizing framework was intended to break down silos and increase collaboration between the regional offices and the capabilities of all three strategic functions. It was clarified that sub-mission statements and impact measures had been developed for each function. These were in line with and guided by the overall mission of the organization. The objective was to tie the three strategic functions to each other and to the central mission, thereby giving CFA Institute the means to serve its members and to greatly influence the environment for investors and practitioners over time.

It was announced that the reorganization was launched in 22 June and would have a fully staffed leadership team by February 2016. Recruiting internally and externally for several senior level positions was also underway. The President and CEO reminded the governors and PCRs that they were welcome to communicate freely with members of the leadership team and staff at any time.

In FY2016, the leadership team would work with the Planning Committee, who had conducted a thorough strategic review process in FY2015, toward developing a new three-year strategic plan to present to the Board by March 2016. It was noted that the CEO report included some aspirational outcomes and initial thoughts on the direction of the organization to help guide the planning process going forward.

As part of the new framework, the formation of the Americas region would be a challenging task. Though most of the organization's employees resided in the U.S., the American societies were arguably not treated in the same manner as their counterparts in EMEA and APAC, largely due to the absence of a formal structure. U.S. employees were often tasked with global and local responsibilities, which had reduced the proper focus and the resources available to support the particular needs in the Americas region. The formation was expected to take place over several years with great strides to be made in FY2016. The organization envisioned the American societies would feel the benefit of the improved structure in the coming year.

The organization had recently established two departments, the relationship management division and services delivery division. While the former would focus on delivering services to the organization's external stakeholders, such as societies, employers, and universities, the latter would provide candidate services and ensure the multimedia, marketing, and communications initiatives were aligned and effectively servicing CFA Institute's stakeholders. It was noted that with the retirement of Mr. Jan Squires, CFA, there was an opportunity for the leadership team to review the current state of the service delivery division. It was acknowledged that some components might need to change in the future.

The budgets would be drawn up with two views, a regional view and a functional view. By doing so, the strategic functional heads and regional heads would be held accountable for their respective budgets. This financial restructure would aim to address the perception that there was a lack of accountability at the leadership team level.

To further socialize the new framework, an overview of the three strategic functions was presented.

The credentialing strategic function would account for approximately 55% of total expenses and provide the Board and leadership team a way to increase their focus on the driving force of the organization – the CFA Program. The purpose was to enhance Board oversight and enable staff to think about constructive, exciting, and strategic ways to continue to develop and maintain the relevance of the gold standard. As the CIPM and Claritas programs had been less successful from the financial perspective, the organization would be reviewing these initiatives and creating formal business plans for each, starting with Claritas. It was noted that these assessments would align with CFA Institute's timeline to have a new three-year strategy in place by March 2016.

The member value strategic function would account for approximately 35% of total expenses and concentrate on improving the value of both CFA Institute and society membership. The organization would endeavor to bridge the gap between the funds spent on members vs. the subsequent value perceived by members. Successive annual surveys had informed CFA Institute that members wanted a community of investment professionals (affiliation), an increasing awareness of the CFA charter (recognition), continuing professional development (education), and career development support and resources. The member value team would therefore focus on addressing these needs; success would be measured by trends in member satisfaction, member retention, membership growth, and the level of brand awareness over time. Furthermore, the new society funding model, operational funding model, and brand campaign ideas would positively impact the membership going forward. There was a strong desire for CFA Institute and society memberships to be valued equally.

The standards and advocacy strategic function would account for approximately 10% of total expenses and act as the centerpiece for CFA Institute's thought leadership agenda going forward. It would include the Future of Finance (FoF), the Research Foundation, as well as the organization's traditional activities with the codes and standards and advocacy work with regulators. There was an opportunity for CFA Institute to be more aggressive in promoting the Asset Manager Code (AMC) and the Global Investment Performance Standards (GIPS); these were significant tools for engaging with businesses worldwide and for penetrating developing markets. Institutional Partnerships (IPart) would also need to improve in this area. Furthermore, the organization had a branding issue and needed to establish a coherent strategy behind its product portfolio (i.e. CFA Program, CIPM Program, Claritas, *Financial Analysts Journal*, AMC, GIPS, etc.). It would be important to present CFA Institute's offerings in such a way that people more readily connected these programs and initiatives back to the organization.

The new Chief Legal Officer (CLO), Ms. Sheri Littlefield-Moreno, JD, was introduced to the group. It was noted that this role would report to both the President and CEO and the Board. While the CLO would be a member of the leadership team, it would be in a non-voting capacity to reinforce the idea that this position should be an advisory one at all levels within CFA Institute. In addition, the organization was close to hiring a Head of Compliance, Risk and Ethics to monitor internal ethics and values as well as business ethics.

It was mentioned that the organization's cultural values had been consolidated into four major categories: partnership mindset, ethical leadership, leadership courage, and servant leadership. These concepts had been simplified in order to separate out the desirable behaviors vs. the work being done. There was also a renewed focus on staff engagement due to the results of an internal survey conducted in April 2015. The responses showed that many directors and heads felt that all decisions and risk-taking took place at the leadership team level, thereby reducing their initiative to create and implement change. The organization was therefore endeavoring to promote new behaviors, to push decision-making down, to reduce people's fear of failure, and to make accountability a lot clearer going forward. It was hoped that the next internal survey in April 2016 would indicate some measurable improvements.

The FY2016 Budget contained four major priorities: the strategic functions and organizational realignment, society partnership (funding and technology, etc.), brand awareness, and the digital core transformation. In many ways, the proposed budget was a radical departure from the past as the organization sought to funnel more of its resources through the societies, either through direct funding or brand campaigning. It was clarified that the organizational realignment was a prerequisite to accomplish these priorities, and the digital core transformation was an enormous initiative to enable the three strategic functions. In addition, the branding costs had been stripped out of the budget, leaving a solid block of funds for a brand campaign, which was still under development. The plan would eventually be socialized with the leadership team, Society Branding Council, and the full Board. The goal was to promote CFA Institute and its many offerings with an emphasis on the CFA credential as the mark of excellence in the investment profession. The brand campaign would be powerful and involve three main elements – global branding, significant market branding, and society led branding (i.e. providing societies with a marketing toolkit and funding to execute localized branding campaigns around the global one). The organization aimed to be live in the market place by the end of October 2015. However, since the brand campaign had not been finalized yet, the Board was being asked to approve \$8M in funding through January 2016. Based on the organization's progress and outcomes, the Board would be asked to approve the second \$8M at that time.

It was recognized that the CEO report was very full at the moment. The organization was working to accomplish many initiatives and believed the Board would start to see the benefits over the next six to nine months.

Questions, Comments and Resulting Discussions from the Board:

It was clarified that the new Society Funding Model would protect previous funding levels, meaning that no society would receive less going forward. The primary purpose of linking society funding to the number of CFA, CIPM, and Claritas candidates was to align interests and ultimately strengthen the partnership between CFA Institute and the societies. The new structure created a more positive relationship, in which the organization's financial success was tied to the societies' success. Furthermore, CFA Institute was increasing society funding by 50% overall in FY2016. It was noted that resources would be directed more proportionately to the larger societies, the XL ones receiving a bigger percentage than the smaller ones.

Expenses for the standards and advocacy strategic function would increase from 10% to 20% over the next three years. While these funds would come from the credentialing budget, it would not reduce the quality or

standard of this strategic function. The idea was to shift resources toward the standards and advocacy function through operational efficiencies. Moreover, the three strategic functions would be reviewed and reallocated financially during the three-year planning cycle. This approach was admittedly less aggressive than that of the Society Funding Model, but it was challenging to find a way for CFA Institute to elevate its presence as a thought leader within the industry in a shorter time frame.

The CEO was thanked for a comprehensive and refreshing report. With regards to low staff engagement, the group was reminded that the risk appetite statement, which was approved by the Board last year, should be considered the enabler of the appropriate risk behavior within the organization. Additionally, decision-making authorities from the Board downwards would be reviewed thoroughly. Improvements to the current state were expected to occur almost immediately with more observable changes appearing in the next few years. While there were no specific metrics at this stage, there would be external signs that indicated progress along with the outcomes of future engagement surveys. The organization wanted its employees to make a thoughtful effort when trying new initiatives and to do so without a fear of failure. High risk taking should mean focusing more on what's important to CFA Institute and having the right culture to empower positive change.

The leadership team was commended for including the societies at the strategic level (i.e. five key projects, Society Technology Council, Society Branding Council, etc.) and bringing the society partnership concept to life in FY2015.

It was clarified that none of the organization's cultural values had been removed, but rather consolidated in order to better assess staff members at their yearend reviews. These aspects were still central to CFA Institute's business and annual performance evaluations.

PERFORMANCE REPORT

Presenter: Tim McLaughlin, Chief Administrative Officer and Chief Financial Officer at CFA Institute

With approximately a month remaining in the fiscal year, the July financials indicated an important juncture for the organization. The performance report showed that CFA Institute was in a good position to determine its FY2015 success with regards to its milestone and strategic priorities. It was highlighted that the Board materials included the performance report, work plan update, strategy scorecard and strategic priority update, and China and India project implementation priority update for further detail. Overall, the figures showed a very good year financially – with another \$14M to \$15M in revenue projected by year's end – and operationally, and represented the foundation upon which the FY2016 budget had been built.

There had been 226,000 candidate registrations for the CFA Program, a record number for the organization that corresponded to approximately 87% of its total revenue in FY2015. It was emphasized that 90,000 of these registrations represented New Level I candidates. The program totals were also on target, with Claritas and CIPM projected to meet, Claritas to potentially exceed, budget expectations.

Although expenses had come in considerably under budget, the organization had still accomplished about 70% of its 100+ milestones for the year and achieved on many of its strategic priorities – the China and India offices, the Future of Finance, and the relationship management aspect with industry relations and society partnership. Several reasons were provided for the lower than anticipated figures, including CFA Institute's deliberate decision to reserve some branding funds for FY2016, when there would be an agreed upon strategy (\$4M impacted); effort to curb travel expenses overall, such as hotels, meals, and transportation, while still meeting the company's objectives (\$5M impacted); and, internal procurement target to save \$1.5M (\$3M

actually impacted). It was noted that these types of savings in the credentialing strategic function could be put toward the standards and advocacy strategic function to help move it from 10% to 20% of the total spend. The organization was finding ways to deliver the gold standard effectively and more efficiently from a cost perspective.

The performance report also discussed CFA Institute's reserves. There had been unrealized losses in FY2015; however, these were more than offset by the interest, dividends, and additional cash flow received on the year. Overall, the reserves had increased by several million dollars in FY2015.

The projected yearend results showed a positive operating margin of about \$15M, a substantial surplus to close out FY2015. The change in net assets and cash flow would also be favorable, positioning CFA Institute well for its final report on 31 August 2015 and increasing its confidence in the FY2016 budget proposal.

Questions, Comments and Resulting Discussions from the Board:

In the past, there had been an internally staffed Investment Committee to establish the Investment Policy Statement reviewed and approved by the Board. During this period, the reserves were placed more into risk assets than they probably should have been. This was likely due to the fact that the reserves had always been viewed as contingency reserves to support the organization during financially challenging times. Additionally, CFA Institute had once been able to obtain insurance policies specifically designed for its business model, perhaps making it a little less risk adverse. Under the guidance of the Audit and Risk Committee, the Investment Committee would now include Board members to exercise the appropriate level of oversight. It was recognized that staff members fully supported the involvement of the governors in this suggested model.

STRATEGIC KEY RISK INDICATORS

Presenters: Aaron Low, Board of Governors Chair

Colin McLean, Audit and Risk Committee Chair

The Board was reminded that key risk indicators (KRIs) had been the first topic discussed in the strategic review process. The organization felt it needed a more comprehensive view on risk and where risk could arise from both a current and forward looking perspective. It was stated that KRIs would be covered over the next few meetings, starting with the introductory presentation in Calgary, which would include a brief polling session to gauge the governors' opinions.

The Board needed to understand and take full ownership of the operational and strategic risks within CFA Institute and the related KRIs. It was proposed that roughly 20 items should be selected to keep within the Board's purview. The aim was to create a useful dashboard, one that was not too difficult to monitor and that captured a combination of medium and long term indicators. Ideally, this tool would portray objective, raw data with a bottom-up approach for operational risks and a top-down approach for industry and strategic risks.

It was stated that KRIs should be comprised of risks that could have a very high business impact. There was a danger in trying to observe or define too many risk indicators. Creating an exhaustive list could lead to a lack of focus overall and risk management resources could be unnecessarily diverted to less important issues. There was also a danger in neglecting items that were difficult to measure, but still should be proactively assessed (i.e. reputational risk to CFA Institute).

The KRIs would ultimately need to be embedded into the risk appetite statement, which was adopted by the Board one year ago as best practice. It was understood that this statement was fluid and would require review on a regular basis. The group was encouraged to think of KRIs as a set of relationships, including those with

vendors and other key stakeholders. While some of these relationships were managed formally by contract, others were much more informal, and it would be important to readily observe the signs of strain within and outside the organization (i.e. indications of stress for staff vs. indications of stress with other employers in the industry).

When considering the Board's previous discussion on key competitors, it was recognized that there could be some key indicators of a potential disruption, such as changes in the behavior of partners (i.e. Bloomberg) or signs of increasing localization of standards. CFA Institute's relationships with universities and vendors could be incorporated as well.

The Board was asked not to look for success factors, but rather for warnings that business items were moving in unexpected or adverse ways.

An overview of the KRIs listed in the survey was provided. These included risks to renewals and engagement from currency factors; issues of ethics and bad press; staff turnover; cyber-attacks; revenue and reserves; spend on technology and brand; health of the financial sector; health of societies and volunteer complaints; and, an aggregation of general complaints. The group was then asked to prioritize the most relevant factors pertaining to CFA Institute's risk assessment. The idea was to distill these down into a coherent and valuable risk dashboard.

The polling results showed that the top three environmental factors were industry employment, relative growth of competitors, and regulator strategic actions; the top three client factors were new candidate growth, new member conversions or activations, and member penetration (followed closely by member retention); the top three stakeholder factors were society satisfaction, employer member dues support, and regulator program or charter recognition (followed closely by employer of the CFA Program); and, the top three reputation and operational factors were brand awareness, media presence on ethics, and financial reserve levels and stability.

Questions, Comments and Resulting Discussions from the Board:

It seemed apparent that a huge part of CFA Institute's objective should pertain to market penetration, brand awareness, membership growth, all of which were consistent with the Board's previous discussions on strategy.

There was a concern that 20 KRIs may be too many to monitor effectively. It was recommended that the target number be reduced to 10 or 12 at most. It was also noted that obtaining good data was challenging and could take some time. The importance of tracking topics supported by quality metrics was emphasized.

The KRIs needed to be viewed from a risk rather than goal perspective. Furthermore, since several of these items would change little over time, it might be more valuable to measure the rate of change. If levels began to accelerate, it could be very telling and prevent the risk of waiting too long to take action.

There seemed to be a few factors that were assumed to be risks, yet were currently being prioritized differently. Revenue diversification, pass rates, and candidate complaints, for example, had preoccupied the organization for quite some time; however, it was argued that they no longer had the same degree of impact, and it might be more appropriate to focus on other risks at the moment.

It was suggested that the organization could customize a few of its own indicators. For instance, CFA Institute could poll the major employers of charterholders, specifically their respective human resources divisions, to

help track the relevance and attractiveness of the CFA designation. The organization could even ask these firms to provide ratings to determine whether or not a charterholder was considered more valuable than a typical employee. It would be important to know if CFA Institute was delivering the product it purported to produce.

While 41% of the organization's revenues were coming from APAC, the region had only received 8% of expenses in FY2015. This nominal spend was directly correlated with competitors and new candidates, and should be reviewed and rebalanced going forward to ensure CFA Institute understood both the source and pattern of growth in Asia. Similarly, it was mentioned that none of the proposed indicators captured the potential for any country or regional related risks. The ability to anticipate issues with total candidate numbers or new candidate growth in a particular location would be very beneficial.

The definition of "regulator program or charter recognition" was explained. CFA Institute wanted to be able to identify withdrawals from any of its relationships and to know if/when a localization of regulations or credentials was occurring. It was remarked that university withdrawals did not seem to be a major risk, especially considering the organization's continued growth in this area. However, it might be worthwhile to confirm that CFA Institute's university partners were teaching 70% of the curriculum as required and therefore deserving of the CFA brand.

It was reported that members of the Disciplinary Review Committee and Professional Conduct Program had also been polled on the subject of KRIs. There was a desire for some lower level indicators to gauge stress and prevent a single, major failure. A high profile charterholder receiving negative attention from the press, for example, could potentially impact CFA Institute's image; and, while reputations took time to build up, they could easily be brought down by such a situation. It was suggested that the organization gather data on complaints from clients and disciplinary hearings to address this concern.

Technology was highlighted as an extremely important and complex area of risk. It would be a tough but necessary exercise to develop KRIs to capture the most prominent threats associated with this topic.

China and India represented the biggest source of growth and therefore the biggest source of risk for the organization. Though many different factors had been discussed, none seemed to pertain to these two very significant countries. There were huge legal and regulatory risks to consider, such as a government suddenly refusing to recognize a professional qualification from overseas (i.e. banning the CFA exam from taking place within a particular country). It was agreed that geopolitical risks were relevant to the conversation as they had the potential to impact global operations. Furthermore, the currency of the dollar could place stress on membership renewals in other markets.

The organization was advised to pay attention to how the new generation of candidates preferred to learn. If the curriculum did not evolve to cater to these individuals' expectations, it could lead to fewer people pursuing the CFA designation and subsequently a negative impact on the enrollment figures overall. It would be necessary to create a specific KRI for this particular item, because it could be muted by other metrics.

The Board was once again encouraged to prioritize the KRIs rather than think of more risks to monitor. There would be some factors the organization could anticipate and others it would have to react to in the moment.

It was suggested that the KRIs could be organized into four categories: 1) program and credentialing, which pertained to the financials, how people were renewing, where candidates were coming from, and how they were learning; 2) the health of the societies, which pertained to member renewals, brand awareness, and

charter pending conversions; 3) regulator relationships, which pertained to growth in China and India, geopolitical risks, legal and regulatory concerns, and promoting key partnerships to shape the future of the APAC region; and, 4) enablers, which pertained to information technology, cyber security, and other methods associated with accomplishing CFA Institute's objectives.

CYBER SECURITY

Presenters: Colin McLean, Audit and Risk Committee Chair

Elaine Cheng, Managing Director and Chief Information Officer at CFA Institute

Cyber security had emerged as a major issue for all organizations with data or intellectual capital to protect. A portion of this responsibility had been delegated to the Audit and Risk Committee, who had discussed the topic and made several recommendations to the leadership team. These included reviewing the management structure for handling cyber risk, establishing internal metrics for reporting current IT situations; benchmarking IT expenses with regard to cyber security; developing processes with external independent consultants to combat, monitor, and control ongoing cyber security risks.

The goal was to safeguard the high profile of CFA Institute and to empower the Board to take ownership of the cyber security risk. A formal plan would be crafted over several months and eventually presented to the Board. This introductory presentation was meant to inform the governors of CFA Institute's information security program and to hear their initial thoughts, questions, and concerns.

Questions, Comments and Resulting Discussions from the Board:

Stolen log-in credentials presented one of the biggest potential risks to the organization. While it was not possible to completely safeguard CFA Institute against this threat, there needed to be a vigorous focus on quickly detecting and stopping any information leaks as fast as possible. Furthermore, the organization did require staff members to change their passwords on a regular basis and had a two-step authentication process for certain administrative log-in credentials.

Cyber security was certainly a huge concern given its operational and reputational implications, as well as the legal liability issues that could arise. However, the leadership team was cautioned against creating a stifling work environment for its employees. It was recognized that establishing a balance between staff productivity and data protection would always be a challenge. Data classification was one tool used by the organization to categorize, differentiate, and treat the various types of information appropriately. In addition, CFA Institute had been aggressively eliminating data that was no longer needed and merely creating undue restrictions (i.e. credit card and passport details) from its systems. There were also new technology initiatives underway that would enhance security measures, such as the digital core transformation, which would allow access to data without the need to download it from a system. The goal was to provide societies with the right technology, permitting them to analyze and use candidate and member information without taking it off of the company's protected digital platform.

CFA Institute would be working with an external consultant to look at the pressures on its own systems and to understand the increasing number of threats happening to similar organizations. An update on information security would be shared with the full Board at the next meeting.

In the event that CFA Institute's information was hacked, the organization would be very forthcoming and communicate the incident to the members and anyone else impacted by it. There was also an incident response team, which included staff members from the marketing group, in place to help manage these types of situations. In terms of reputational risk, it was noted that firms often fared better when they were candid

and forthright about their data breaches. Moreover, the CLO position was there to navigate the organization through any legal implications that might materialize after the fact. Whether the damage was considered major or minor, it would be important for the organization to provide forthright explanations to those potentially affected.

THURSDAY, 23 JULY
1:00 P.M. TO 5:30 P.M.

STRATEGIC REVIEW STATUS REPORT

Presenters: Robert Jenkins, Planning Committee Chair

John Bowman, Managing Director of the Americas at CFA Institute

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

One year ago, the Board decided it would be worthwhile to revisit the assumptions, objectives, values, and strategy that underlie the CFA Institute mission. A strategic review process had not been conducted in quite some time, and there was a desire for a moratorium on new initiatives, many of which had been launched in the past three years, in order to give the Planning Committee (PC) an opportunity to focus on the longer term. Furthermore, given the leadership transition period and the Board turnover from the previous cycle, it was felt that a strategic review process would elevate both the incoming CEO and the governors to a similar level of understanding about CFA Institute's identity and future direction. Finally, the Board had expressed a desire to discuss more substantive issues, rather than informational items, at its meetings.

The PC had endorsed a fairly standard, multi-step strategic review process that would guide the Board through a series of exercises over the course of FY2015, including an environmental scan, competitor assessment, strengths, weaknesses, opportunities, and threats (SWOT) analysis, evaluation of industry trends, and ultimately a consideration of the values and principles that should guide the organization. At the end of the process, the Board would need to compare the findings to the original mission statement and strategy, and determine if these items were still valid or if it was necessary to alter course or simply execute more effectively going forward.

It was emphasized that while the PC had been the facilitator of the strategic review, all key conversations had occurred at the Board level with welcome participation from the PCRs and members of the leadership team. The SWOT analysis was the one exception as it had been held in Frankfurt just prior to the Annual Conference. Fortunately, this session had been well attended by the governors, PCRs, and leadership team.

The group was reminded that each governor had been asked to define CFA Institute in just two or three sentences at the very beginning. From that exercise, it became very clear that different constituents had different descriptions, whether it was an emphasis on education, ethics, advocacy, or professional membership. These aspects were undeniably important and relevant to the organization's identity, but very few individuals had incorporated all of them into their explanations. As a result, the PC felt there was a need for CFA Institute to more clearly define and communicate its identity

The first step was an environmental scan, in which the Board was asked to pinpoint the key trends impacting the educational and advocacy space in which CFA Institute operated, and the membership challenges that might lie ahead. Being the first breakout session, many participants were understandably eager to move beyond merely identifying the trends to discussing the strengths, weaknesses, opportunities, and threats, with

some even jumping ahead to solve the problem. Regarding the environmental trends, there was a strong consensus around the following points:

- 1) There was a generational shift in attitudes towards learning, with growing import to digitally delivered, responsive, and personalized experiences;
- 2) Social media and interactive technology were becoming key to remaining connected and leveraging networks for membership organizations;
- 3) Private wealth management appeared to be a major source of industry growth for the foreseeable future;
- 4) Passive approaches to money management appeared likely to continue to grow in size and variety;
- 5) Regulators were increasingly active in promoting and requiring minimum qualifications for industry professionals to operate locally; and,
- 6) Demand for specialized training and knowledge was both a fact of life and potential trend.

The discussion also resulted in several significant questions, including:

- 1) Could an educational institution remain relevant without changing its delivery and curriculum model?
- 2) Did the fact that Harvard, Darden, MIT and other organizations were experimenting with massive open online courses (MOOCs) hold implications for CFA Institute?
- 3) Were local regulatory exams and licensed requirements a new phenomenon or merely one that had existed for years in the major centers and just now being embraced in more jurisdictions?
- 4) Did the inevitable specialization confronting the professional make a generalist qualification more or less relevant?

The second step was the competitor analysis, in which the Board was asked to consider its competitors and, even more generally, the competitive pressures facing the organization. There was a strong consensus around the following points:

- 1) There really was no single competitor to CFA Institute as it was currently structured, whether it was the gold standard qualification, ethics leader, investment management body, or membership organization aspect;
- 2) There was an ever growing number of easier to obtain qualifications relating to elements of the investment profession, and some had been experiencing success in the growing private wealth management market; and,
- 3) Technology could be an industry disruptor or source of new competition for the Charter, but it was not exactly clear how to the participants.

The discussion would lead to a common theme over the next several months – a fear for the continued relevance of the charter – and resulted in several significant questions, including:

- 1) Did the proliferation of easier to obtain qualifications detract from or enhance the attractiveness of the Charter?
- 2) Should the private wealth trend be addressed in a separate and distinct educational effort, or through an increased attention within the current curriculum, or perhaps through continuing education efforts?
- 3) If the Charter and supporting program were under such diverse and competitive pressures, why did the candidate pipeline remain so healthy?

- 4) To what extent was the concern one of brand and visibility vs. content and substance with regards to the organization's core offering?

The third step was the SWOT analysis, in which the Board was asked to categorize CFA Institute's strengths, weaknesses, opportunities, and threats. It was felt that this session was the most focused, perhaps due to the nature of the exercise and the group's familiarity with the approach. There was a strong consensus around the following points:

- 1) Strengths included the quality, educational content, and global appeal of the Charter; the commitment to ethics; the tradition of membership volunteers; and, the global membership fraternity.
- 2) Weaknesses included the lack of brand awareness beyond the investment profession; the challenged membership value proposition; the financial dependence on a single source of revenue; and, an organizational tendency toward silos.
- 3) Opportunities included raising the brand profile; building or leveraging partnerships with employers; and, engaging more with emerging markets.
- 4) Threats included competing localized credentials backed by regulatory requirements (could be a threat or opportunity); losing the relevancy, distinctiveness, and value of the Charter; and, technology related disruptors or an antiquated delivery approach.

The discussion also resulted in several significant questions, including:

- 1) How could CFA Institute reconcile the universally held belief that the Charter was the highest quality generalist and globally respected credential with the fear that it was losing relevance? Were these concerns based on actual threats or the classification of a threat based on an understandable fear?
- 2) Was the brand not recognized as widely because its offerings were weak or because it had not specifically invested in brand building?
- 3) Did local and easier to obtain certifications/licenses compete with and detract from the Charter or merely coexist with it naturally?
- 4) Did the fact that technology was not mentioned as key strength mean it was actually considered a weakness?

Between now and the March meeting, the PC suggested that the Board conduct a brainstorming session to address some of these high level questions. In the meantime, however, the next step was to review the guiding principles and values that steered the organization, as these would have an important impact on the new three-year strategy.

Towards that end, the Education Working Group had started to articulate the Education Guiding Principles, which had been formulated as a way to provide a common sense of purpose for educational efforts at CFA Institute. They were intended as broad, long-lasting, overarching statements that interpreted the organization's mission and vision in education, and not as a specific strategy. Per the proposed principles, CFA Institute would focus its educational efforts on the core investment management profession and strive to lead it to the highest standards of practice, shaping the long-term future of the profession in accordance with CFA Institute values by: promoting both technical competencies, and fiduciary values and ethics; ensuring that educational content is both theoretically sound and practically relevant; and, delivering educational offerings in an effective and engaging fashion.

It was noted that these newly created principles were formulated from the bottom up and had very little operational influence. In addition, the Education Working Group had reviewed the existing guidelines

concerning education and felt they needed an in-depth assessment by the Compensation and Governance Committee.

The Education Working Principles had been endorsed by the PCRs and several society leaders, and the PC felt that they fairly represented the outcomes of the strategic review, with perhaps one exception. It was acknowledged that the strategic review status report seemed to suggest CFA Institute was an educational institution, a point that still remained to be discussed. The description mentioned in the CEO report was highlighted instead for reference: CFA Institute was a membership body with a qualification that conferred membership and education as supporting and core to its purpose. Regardless, the PC was comfortable with the Education Guiding Principles in their current form.

The goal leading up to the Board meeting in Hong Kong was to ensure there were proposed principles in place for the organization as a whole. The governors would need to look at the SWOT analysis in conjunction with the environmental and competitor trends. It was argued that the best strategy should be one that combined an organization's strengths and opportunities – the weaknesses were not relevant unless they were germane to a specific objective. In that framework, CFA Institute was a global organization with strengths in ethics and advocacy and with opportunities to enhance employer relationships, engage with emerging markets, and build a well-recognized brand. While weaknesses and threats did not need to be at the center of the organization's focus, their potential to intervene with and disrupt the overall vision should be understood.

The Board was reminded that the purpose of the strategic review process was not necessarily to change the mission, but to verify that it was still valid and the strategy made sense.

Questions, Comments and Resulting Discussions from the Board:

The second and third steps in the strategic review process were also supported by society feedback surveys initiated and engineered by Mr. Daniel Fasciano, CFA, and Ms. Kathy O'Connor, CFA. The Board Chair had also carved out time at the in person meetings to hear presentations from a series of guest speakers on topics pertinent to the exercise.

During the strategic review, it became clear that people did not always mean the same thing when using the same terminology. Profession, professional body, and advocacy were just a few examples of words that needed clear and concise definitions. It was recommended that the organization choose English words that were more frequently used and understood from the global perspective. The Education Working Group had encountered a similar issue, further exemplifying the difficulty in understanding one another on the same level around the world.

It was clarified that the core investment management profession included private wealth management. There was a glossary provided in the meeting materials that defined several key terms, and more words could be added as needed. The organization knew it had to be very careful with its language, and had deliberated long and hard before picking the best phrase. While it was impossible to have universal terms, it was possible to establish clear definitions for each one selected and communicated by CFA Institute.

SOCIETY FUNDING MODEL

*Presenters: Nitin Mehta, Managing Director of Member Value at CFA Institute
Daniel Fasciano, Presidents Council Chair*

After the 2014 Society Leadership Conference in London, there was a joint session with the leadership team, PCRs, and key staff members to begin outlining the societies' strategic priorities for the coming year. One of the projects endorsed pertained to reviewing and improving the society funding model.

There were three main elements that would ultimately drive the conversation forward: the need to deliver the CFA Institute mission jointly and globally with the societies, the insight to apply resources efficiently across the 'CFA System,' and the foresight to align economic models between CFA Institute and the societies. It would also be beneficial to create a more simplified model to increase transparency. With these concepts in mind, the team crafted a proposal and presented it to the External Relations and Volunteer Involvement Committee.

A new society funding model was necessitated by the growing interdependence between CFA Institute and the societies, and further reinforced by the Principles of Partnership and Operating Framework. The partnership values, which included code of ethics, trustworthy brands, good governance, frequent communication, and mutual respect, were complemented by the vision for society relations, which included common purpose, aligned strategy, joint decision making, pooled resources, and integrated operations. These elements would continue to inform the strategy going forward as well as the five major projects: funding, technology, training, membership, and structure.

There were two budgetary components to the new society funding model – operational funding and partnership funding. The proposed budget was presented and referenced past and future expenditures. In FY2015, for instance, CFA Institute spent roughly \$4M on the operational side and \$2.2M on the partnership side. The organization would increase these figures to \$6.4M and \$2.8M respectively in FY2016 and to \$8M and \$8M respectively by FY2020. Based on these numbers, CFA Institute wanted to significantly raise the amount of funding provided to societies from a total of \$6.2M to \$9.2M in FY2016. Initially, much of this financial expansion would occur on the operational side, with plans to equalize operational and partnership funding by FY2020, moving to a total budget of \$16M. It was stated that the new model would ultimately have a significant impact on the societies' capabilities.

A more in-depth look at the operational funding component was shared with the group. At present, the organization provided approximately \$11K per society, a variable amount per member, and had no per candidate element. The changes were based on the size of the society, meaning the larger the society, the smaller the variable amount per member – this was intended to prevent smaller societies from ending up with insignificant amounts. In the new model, the organization would provide approximately \$15K per society, \$30 per member, and \$5 per candidate, representing an overall cleaner and simpler approach. This would recognize that the societies do provide value to candidates and also allow the organization to tie local candidate growth to the funding received by societies.

A visual graphic showed the current society funding vs. the additional society funding planned for FY2016. It was clear that every single society would benefit from the new model. Moreover, while funding was more proportional due to the candidate component, there was still a favorable tilt toward the smaller societies.

A second visual graphic showed the current operational funding per member vs. the additional funding per member planned for FY2016. Again, it was clear that the smaller societies would benefit more per member than the larger societies. Presently, there were many societies that received more value from the per member

benefit than the dues they collected. From FY2016 to FY2020, the number of societies that fell into this category would greatly increase.

The partnership funding was largely variable and would be project-based, regionalized, evaluated locally, and coordinated globally. Having the regional teams assess society project proposals would be a significant and sensible aspect of the new model.

Finally, to measure the impact of the new society funding model, the organization would review member satisfaction with the societies, member engagement with the societies, member growth, and society activity. It was stated that the proposed model represented a real opportunity to bind CFA Institute and the societies even closer together.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve the New Society Funding Model substantially in the form presented.

Questions, Comments and Resulting Discussions from the Board:

It was explained that the criterion for allocating the partnership funding would be very similar going forward with a welcome reduction in some of the bureaucratic processes (i.e. paperwork, applications, etc.). These society projects would still need to advance the CFA Institute mission, align with the regional strategy or that of the organization in general, and make sense from a synergistic perspective.

The new society funding model would match up candidates with societies based on their home addresses. While there were many transit candidates, especially in the APAC region, the data showed that most were domestic and sat for exams at centers close to their homes.

DIGITAL CORE TRANSFORMATION

Presenter: Elaine Cheng, Managing Director and Chief Information Officer at CFA Institute

The digital core transformation initiative would cost approximately \$10.7M (with 30% variability) and occur over the next three years. The project sought to replace the old legacy platforms currently in place (Siebel and SharePoint) as they were becoming increasingly expensive to maintain. New features and functionality were no longer working with the old legacy technology, making it very challenging and cost prohibitive for CFA Institute to keep these systems up and running. The goal was to reduce unnecessary expenditures and improve capabilities, which would ultimately translate to enhanced technology services for the organization's members, candidates, and societies.

The digital core transformation was schedule to take place over a three-year cycle with the bulk of the work being done in FY2016 and FY2017. The initiative had been broken down into 15 sub-projects or "epics" as they were referred to internally, and these would be completed iteratively to ensure each piece was closely tracked. Every release would give the organization a chance to gauge results early, address issues quicker, and monitor progress overall.

It was stated that very clear outcomes had been established to measure the success of the digital core transformation's primary objectives.

The first objective was to modernize technology. This would enable digital platforms that protected data and opened content for maximum impact to the investment management profession. The resulting outcomes

would be standardizing data definitions, increasing automated data exchange using standardized programmatic interfaces, decreasing ad-hoc manual data sharing, scaling resources quickly to adapt to business activity, and leveraging global compliance standards, industry leading measures, and privacy controls to protect data. The organization's current IT infrastructure, for example, supported traffic seen about six days out of the year even though new technologies could offer CFA Institute a "pay as you go" model for these specific types of functions.

The second objective was to simplify processes. This would allow CFA Institute to eliminate waste and prepare for future innovation. The resulting outcomes would be reducing the operations workload, removing the top manual processes, shortening the time between content creation and publishing, expediting the launch of new products, and improving data access and usage. The organization's current Siebel system, for example, did not have the technology to record deferrals, requiring staff members to manually input hundreds of records on a yearly basis.

The third object was to improve the customer experience, which would ultimately strengthen the brand. The resulting outcomes would be increasing candidate success and satisfaction, offering easier member renewals, creating a B2B payment and process, tightening integration with societies, and increasing content access, relevance, and "findability."

The digital core transformation was a huge initiative and would certainly require a risk management plan to control the scope. It was recognized that separating the three-year timeline into 15 components had already made it much more difficult to add scope and therefore helped protect the integrity of the project. An overview of the proposed structure was presented and showed how elements of risk would be monitored throughout the digital core transformation. It was also stated that the Board would receive a quarterly status report, and the program teams and leadership team would receive weekly updates.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve the Digital Core Transformation funding request substantially in the form presented.

Questions, Comments and Resulting Discussions from the Board:

The Planning Committee (PC) had reviewed the digital core transformation on two separate occasions and found the need to address technology consistent with the findings of the strategic review process. The PC members unanimously endorsed the initiative and recognized that unlike other projects; this one could not be stopped once started. The Board should therefore be prepared to support the digital core transformation over the next three years.

The Audit and Risk Committee (ARC) had also reviewed the digital core transformation and the associated risks, and would monitor its implementation closely. The ARC members understood that more clarity around the future state was forthcoming along with a set of budget items around the "epics" to make them easier to monitor. In addition, the 30% variability would decrease as the project scope narrowed over time, reducing the risks related to this initial figure. Perhaps the biggest yet unstated risk was for the organization to continue its effort to maintain the legacy systems. This would ultimately lead to massive costs and security threats. It was highlighted that the organization would be diverting about 20% of its existing IT staff capacity, namely senior leaders and technologist most familiar with CFA Institute processes, to manage the digital core transformation and the external vendor supplementing the workload. The remaining 80% would continue to focus on new technology initiatives to enhance business operations for the three strategic functions.

The outcomes would help control scope and establish a clear vision for the project. Dividing the work into “epics” would mean the organization could better track progress, able to show the goals vs. the actual results and the budget vs. the actual spend. It was emphasized that status reports would be generated regularly and could be provided specifically to the PC, ARC, and the Board as frequently as required.

There were many processes involved in the digital core transformation that needed to be reengineered, an effort that had the full support of the leadership team. Management also realized that several items had dependencies outside of the control of the information technology division, ones that would impact other areas within the organization.

While there was a fear that the digital core transformation would disrupt daily transactions, the risks here were very low. The new digital platforms would be built alongside the old systems, which would not be removed until the new technologies were tested and fully operational.

In terms of tracking efficiencies, the organization was currently identifying the top processes to be impacted and would be working closely with the operations team to baseline those particular items, making it possible to measure progress up until the day the old systems were shut down. This had been done with other IT projects, and there was a good methodology behind it.

There was little concern that staff members would resist the removal of the old legacy systems. Many employees had expressed dissatisfaction with the current IT infrastructure and its manual processes, and looked forward to having more time to complete valuable tasks on behalf of CFA Institute’s members and candidates. Furthermore, the leadership team fully supported these changes and would promote them within their respective departments.

FY2016 PROPOSED OPERATING PLAN

Presenters: Paul Smith, President and CEO at CFA Institute

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

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

The Planning Committee (PC) had considered the FY2016 operating plan on two separate occasions. The budget had a business as usual base with the addition of three major expenditure initiatives: the new society funding model, digital core transformation, and brand awareness campaign. These items were deemed consistent with the findings of the strategic review process and acceptable to pursue in the coming year. In terms of risk projections, the society and brand spending was variable and could be measured after a preliminary period and stopped if necessary. By contrast, the digital core transformation was a three-year commitment that could not be shut down at any point. The PC members had acknowledged these risks and endorsed the expenditures outlined the FY2016 operating plan.

In previous years, there had been a propensity or cultural trait within the organization to assume that any surplus should be spent as opposed to triggering a search for savings elsewhere. Moreover, it seemed that all new initiatives required a new headcount and a new expenditure. The CEO had been the first to recognize this pattern and was determined to change the way CFA Institute viewed headcount, expenditure, surplus, and deficit.

The planning process for FY2016 had begun in March 2015, with an initial look at the organization’s trajectories and priorities. The PC then entered the discussions and regularly worked with staff to help create a detailed proposal to present to the Board.

Based on a business as usual model with operations continuing as projected into the following year, the organization saw that it would end up with a pool of approximately \$30M in discretionary funds. With that funding in mind, staff and PC members brainstormed possibilities and ultimately agreed on the three strategic priorities. The new society funding model and the digital core transformation, both of which had been approved by the Board, amounted to about \$10M, leaving roughly \$20M in the FY2016 operating base budget. These funds offered CFA Institute a chance to fulfill a common request from the membership – to increase brand awareness of the Charter around the world.

The organization was looking at the brand building initiative from a three-year perspective although the Board was currently not being asked to approve a three-year branding budget. Management supported a campaign with three distinct elements: global brand building executed by CFA Institute; focused regional and local brand building in key financial centers (i.e. New York, London, and Mumbai) executed by CFA Institute; and, local brand building executed via collateral and additional financial support from the societies. It was noted that the details of this three-year brand awareness campaign were still being finalized. Management would socialize this plan with the Board in the coming weeks and, if accepted, launch the initiative at the end of October 2015.

Toward that end, the Board was presently being asked to approve \$8M in brand spending for the first five months of the fiscal year, with the option to approve a second \$8M in January 2016 given the organization received the anticipated results and the Board endorsed the continuation of this effort. It was emphasized that the proposed funding was discretionary and could be increased or decreased based on the outcomes. Furthermore, in the event of a downturn, the \$15M operating margin from FY2015 and CFA Institute's sufficient reserves were just a couple of resources identified to push this project forward into FY2017 and FY2018.

Management was also working to create a baseline and set of objectives for brand awareness in several key markets. This would ensure the organization had enough data and information collected to inform the Board's decision on the second \$8M in January 2016. It would also allow CFA Institute to extend its market range and provide some funding to the societies to help them execute the brand initiative at the local level.

While the brand building proposal was a step in the right direction, increasing funding from approximately \$6M in FY2015 to \$16M in FY2016, the organization felt its total brand budget was rather small, especially in relation to other, similar institutions. The Certified Financial Planner Board, for example, had recently spent about \$30M on branding in the U.S. alone. Though it would take time, it was suggested that an effective brand awareness campaign for CFA Institute should eventually amount to around \$50-60M a year.

A detailed financial view of figures for FY2014 Actual vs. FY2015 Forecast vs. FY2016 Budget was provided along with the long-term funding intentions for the three major projects. By mid-FY2016, a multi-year budgeting format would be in place and presented to the Board. Managements believed there was a strong momentum heading into FY2016, driven by healthy program growth and member retention. From a financial perspective, FY2016 was expected to see a 7.5% or \$19.3M increase in operating revenues to \$275.2M million, and expenditures resulting in a positive operating margin of approximately \$4.6M (pending the approval of the brand building proposal).

The headcount summary showed that there were currently 597 positions with 623 proposed for FY2016. It was stated that management had spent a great deal of time deliberating on new heads and making sure existing head positions were as efficient as they should be.

The capital investment recommendations were primarily for the digital core transformation, addressing continued IT operations, and there were a few smaller items for curriculum development, the Brussels office, and building improvements.

The key assumptions incorporated into the FY2016 operating plan included a 6% increase in both New Level I and total CFA Program administrations; a 3% average adjustment to CFA Program pricing for the 2016 exam year, which was part of the ongoing pricing strategy to create more pricing separations between registration deadlines; modest growth in Claritas and CIPM administrations; and, a 5% increase in CFA Institute member revenue with no change in the member dues rate.

It was noted that these assumptions also represented the organization's most critical risks. The organization remained dependent on the CFA Program, the New Level I candidates in particular, to generate over 80% of revenues. The volatility in demand for the CFA Program would likely have the largest financial impact on the organization. A 10% decline in New Level I candidates would reduce revenue by \$9M, for instance, and a 20% decline in total exam administrations would reduce revenue by \$45M.

Reducing the uncertainty around demand and registration was the fact that no significant changes had been made to the CFA Program or curriculum options. Improving industry conditions appeared to be driving candidates to register earlier in the cycle, which was a desirable behavior but one that lowered realized revenues. In more positive news, as of 6 June 2015, New Level I registrations for the December 2015 exam were 27% higher and total Level I registrations were 26% higher than they had been at the same time last year. Looking ahead, the organization had used a conservation approach to incorporate current registration observations. There were also ample financial reserves to protect against demand shocks, exam cancellations, or other disruptions to the program.

On the membership side of the business, it was reported that member dues revenue had constituted 13% of total revenues in FY2015. The year-to-date member renewals for the coming member year were comparable to prior years and over 80% of members had renewed before the beginning of the fiscal year, giving the organization a reliable basis for forecasting the total member dues revenue for FY2016.

In terms of timing, more than 50% of revenues would be collected by the first month of FY2016, and over 90% by the second quarter, which would allow management some flexibility to adjust spending levels in response to the actual business conditions.

Overall, management had largely viewed FY2016 as a bridging year with a focus on internal alignment and society engagement to improve execution while the Board completed the strategic review process. The main priorities were to complete implementation of the organizing framework with client-focused strategic functions and an emphasis on regional execution; to extend society partnership to better empower local execution and delivery of value to the members; and, to modernize our technology infrastructure and prepare organizational "tracks" for the future through a digital core transformation initiative. Lastly, the expected operating results presented an opportunity for CFA Institute to further invest in a longstanding ask from the membership: to execute a significant brand awareness campaign with global, regional, and local aspects to increase the professional recognition of the members.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve the fiscal year 2016 CFA Institute Operating Plan substantially in the form presented.

Next, the Board acknowledged and endorsed the organizing framework that had been previously circulated to the governors prior to the Calgary meetings with the following resolution approved unanimously:

RESOLVED, that the Board of Governors accept and approve the organizing framework substantially in the form presented.

Lastly, the Board affirmed that the External Relations and Volunteer Involvement Committee would be responsible for providing oversight and monitoring of CFA Institute's branding initiative.

Questions, Comments and Resulting Discussions from the Board:

There was discussion on the 3% average adjustment to CFA Program pricing for the 2016 exam year. The organization was trying to make a larger distinction between the early registration deadline and the other two registration deadlines, and had budgeted to realize the bulk of that 3%. It was stated that there would be no pricing increase associated with the early registration deadline, and a minor pricing increase for the other two registration deadlines. The organization recognized that there was a need to move away from a model that relied on inflation increases to a more thoughtful framework for pricing the CFA exam.

The leadership team had carefully reviewed and crafted the headcount summary for the coming year. There were currently 550 employees and 47 vacancies with 26 new positions being proposed for FY2016. It was clarified that the organization carried about an 8% turnover rate, meaning at any one time, there were 30-50 open positions. The goal was to fill all 73 roles in FY2016; however, there would inevitably be a number of vacancies due to natural staff attrition. The 4% headcount growth was fairly moderate, and the 26 new positions could be attributed to specific functions. Lastly, it was reported that a Chief Operating Officer (COO) role was still under consideration, but nothing would change over the next 12 months until the CEO was firmly situated and had time to think about the various COO models.

Brand spending only worked over an extended period of time, which is why the organization supported a three-year program starting with the baseline of \$16M for FY2016. It was hoped that the budget would grow from one year to the next as CFA Institute shifted away from client and student acquisition toward brand building on the demand side. The organization would no longer nurture prospecting expenses. Instead, the campaign would strengthen the brand with employers and subsequently attract more people to the CFA, Claritas, and CIPM programs and convert them into candidates. A measurable impact within a short space of time was anticipated. It was also stated that the organization would be purposefully moving 100% of its branding expenses from the credentialing strategic function and to the member value strategic function.

Before launching a major public campaign, the organization was encouraged to create uniform branding for its full educational portfolio. While the offerings all displayed the same branding, it was not as well done as it could be. There would be an internal review of the CFA product family, which would be built out over FY2016. However, it was emphasized the brand awareness campaign to be launched at the end of October 2015 would solely revolve around the CFA Program.

It was acknowledge that branding took many different forms, and other projects, ones distinct from the main campaign, would continue to come forward within the organization (i.e. Future of Finance). CFA Institute had also considered selling its curriculum and was currently looking at modularizing or licensing Claritas, for instance.

Management recognized that 40% of revenue had come from the APAC region while expenses were only 8%. There would be an effort to improve that ratio over time. Of the \$16M in brand spending, \$4-5M would be spent in APAC, where there was more of a revenue impact on the organization. Looking ahead, CFA Institute

would consider where to invest the brand dollars based on a hierarchy of need and income generation. The organization would not look to spend money in oversaturated markets, but rather where it would have the greatest influence. There were numerous audiences to cultivate, and it was unclear which ones would reap the highest benefit at this point. CFA Institute therefore planned to make informed decisions and calibrate as needed along the way.

DISCIPLINARY REVIEW COMMITTEE (DRC) AND PROFESSIONAL CONDUCT PROGRAM (PCP) UPDATE

*Presenters: Matthew Andrade, Disciplinary Review Committee Chair
Leilani Hall, Head of Professional Conduct at CFA Institute*

Disciplinary Review Committee Update

The DRC was responsible for fulfilling a very valuable process for CFA Institute. The DRC was the adjudicatory body that ruled on the investigations brought forward by the PCP. As a point of procedural clarity, the DRC had been working to define its processes over the past two years. This was an effort to increase transparency and explain the reasoning behind their methods, which would help protect the DRC should their processes be challenged at any point in the future.

It was important for everyone involved in the hearings to understand the procedure from start to finish. The DRC's increased transparency and consistency would inevitably lead to more robust outcomes and reduce the commercial risk facing the organization as a whole. The DRC was committed to continuous improvement in three central areas: membership and training, variance in outcomes between hearing panels and PCP determinations, and value stream mapping for sustainability.

In terms of membership, the DRC was composed of 30 charterholder members who were elected for annual terms that were renewable up to a maximum of six years. Currently, the geographic dispersion of the DRC members, while generally in line with our membership, was slightly skewed toward North America. Looking at the DRC members from 2013-2015, 59% were from the Americas, 31% from EMEA, and 10% from APAC. Over the next three years, the turnover of committee members would create an excellent opportunity to increase not only the DRC's geographic but also its practice diversity. On average, DRC members devoted 350-400 volunteer hours to the organization every year.

In terms of training, a DRC Training Council had been established to create a curriculum, and to set the training agenda and direct content to ensure relevance and continuity. The DRC was transitory and having a six-year curriculum provided at regular intervals ensured that each member received the necessary training and that the process was maintained over time.

In terms of variance in outcomes between hearing panels and PCP determinations, the variance between sanctions from industry panels and PCP determinations from 2014 showed that there was very little variation. The data further reinforced the consistency of the DRC's methods as similar cases were receiving similar sanctions. When looking at the variance between sanctions from exam panels and PCP determinations from 2014, there was an even smaller variance, largely because the exam had a rules-based approach (i.e. writing past the exam or using the wrong calculator). The other influencer was the introduction of a similarity analysis, which used a mathematical algorithm to determine the likelihood of whether or not an individual had received assistance from another candidate. Rather than just relying on proctors to catch examples of cheating, the similarity analysis offered an independent verification.

The DRC, in conjunction with the PCP, had conducted a value stream mapping exercise to determine value, eliminate waste, mitigate risk, protect the CFA brand, and identify improvements that would enable the DRC

and PCP to collectively to meet their global mandates in a sustainable manner. There were several key advancements identified and incorporated into the DRC's future state plan: expanding the definition of "covered person" in the Bylaws and Rules of Procedure to include charter pendings and lapsed members; implementing a sanction for lapsed members who have violated the Code and Standards; eliminating in-person hearings for non-charterholders; conducting in-person hearings only when the recommended sanction was greater than a censure; and, implementing an expedited industry process.

At present, the only way to deal with a lapsed member was through a trademark infringement. It was preferable to have these individuals within the scope of CFA Institute's the Bylaws and Rules of Procedure to ensure the gold standard and CFA brand were protected.

The DRC chair did his best to manage expenses while still making important investments for the organization. For instance, the last DRC meeting held in Hong Kong was admittedly expensive, but it resulted in valuable connections with local regulators, individuals who could help enforce the PCP's investigation process and who were interested in CFA Institute's ethics module and educational materials.

Professional Conduct Program Update

The PCP protected and promoted the integrity of CFA Institute along with its membership and examination programs. The PCP enforced the CFA Institute Code of Ethics and Standards of Professional Conduct on a global level through a commitment to innovation, diversity, and continuous process improvement.

The PCP was focused on three areas of continuous improvement: value stream mapping for sustainability, creating an annual focus on its implementation plan, and becoming more forward thinking.

The value stream mapping for sustainability sought to address the exam matters problem statement, which referred to increasing caseloads leading to extended resolution periods. These cycles could sometimes take 18 months or more, depending on the particular case. The PCP was facing to major challenges: the rising caseload and the rising backlog, which amounted to around 1,200 cases. The target was to clear out the backlog and reduce the resolution cycle to six months or less, so that the organization was not technically sanctioning someone from taking the next exam due to an internal process problem. Based on the value stream mapping for the exam matters, the PCP would look to incorporate an expedited process for cases involving basic alleged exam rule violations, to allow for routine electronic delivery, and to affirm the value of similarity analysis.

The value stream mapping for sustainability also sought to address the industry matters problem statement, which referred to limited productivity and identifying gaps in oversight. The productivity issue was due to the fact that 20% of cases were currently over three years old. There were even some around the seven to nine year mark. The goal was reduce the average resolution cycle to 18 months or less. The gaps in oversight could mainly be attributed to the PCP's limited ability to monitor non-English language sources. This was creating an imbalance between the membership and where cases were being opened. The target was to source cases more equitably per the organization's growing global membership. Based on the value stream mapping for the industry matters, the PCP would look to station a professional conduct staff in APAC (already approved by the leadership team), address gaps impacting jurisdiction, and correctly align resources to core business requirements.

The PCP had started work on an implementation plan with an evolving annual focus. In FY2016, the PCP would seek to realign functions and staff capabilities with the mission objectives, improve the efficiencies and effectiveness of processes, expand monitoring and oversight capabilities, and establish resources in the APAC region. In FY2017, the PCP would seek to enhance direct working relationships with societies and the general membership, expand monitoring and sourcing of cases from global networks and regulators, and build and

supply communication and messaging outlets. Lastly, in FY2018, the PCP would seek expand global reach to EMEA, build working relationships with regulators and industry groups, and reevaluate processes to determine continued value to the program

In terms of the next steps, the PCP would implement the business plan, establish and monitor target metrics, gauge risks, refine its external identity and role, solidify an internal culture of continuous improvement, ensure consistent messaging, and continue to ask the hard questions.

Questions, Comments and Resulting Discussions from the Board:

It was stated that the DRC and PCP would present the proposed rule changes to the Board at the October meeting in Hong Kong.

There was discussion on the PCP resources needed to address the heavier case volume that would presumably result from expanding the definition of “covered persons” to include charter pendings and lapsed members. It was remarked that the caseload was anticipated to be relatively small, and would be further supported by the group’s additional headcount for FY2016.

The value stream mapping helped to inform the PCP’s decision to expand the definition of “covered persons.” There needed to be a process in place to address the behavior of charter pendings and lapsed members to protect against potential threats to the existing membership. It was clarified that this behavior would have to be severe, possibly damaging to the organization, and rise to a meaningful level for a case to be brought against them. The PCP had considered exactly what type of sanction would be appropriate for charter pendings and lapsed members, and put forward around 17 recommendations with constructive input from the DRC. The final proposal would eventually be presented to the full Board.

The industry and exam cases would both grow with the membership and candidate figures respectively. It was therefore commendable that the PCP and DRC had been able to streamline processes and propose new ways to increase efficiencies. There were always risks associated with not following through or delaying a sanction. The PCP and DRC were essential to protecting the gold standard and supporting the brand awareness campaign. It was recognized that one, bad charterholder could negatively impact CFA Institute’s reputation.

The PCP monitored the news media, regulator sites, blogs, and relied heavily on self-reporting. At the moment, the PCP was lacking a strong diversity of non-English language capabilities, and would be working to enhance this area going forward.

It might be possible to benchmark CFA Institute exam cases against similar organizations, such as the Certified Financial Planner or the Certified Public Accountant programs.

At the beginning of FY2015, a minor change to the DRC Charter gave the committee some slightly larger responsibilities to ensure it was maintaining the gold standard in an equitable way. Individuals were being fairly caught and fairly sanctioned in each region; however, these good results often led to no recognition. The process was successful, and needed to be more widely publicized and engrained into the member value component. Very few people knew that all cases were on the CFA Institute website, for example, a fact that should be communicated to further show the organization’s commitment to protecting the CFA brand. The more readily CFA Institute showed it was sanctioning unethical behaviors, the more it would be recognized as a professional membership organization.

The group was reminded that the DRC reported to the Audit and Risk Committee, and the PCP reported to the Chief Administrative Officer and Chief Financial Officer. It was necessary for the DRC to operate independently from the leadership team and management.

In 2014, there were about 1,400 cases opened and 220,000 candidates, meaning that the level of misconduct was far less than 1%. The caseload might seem large, because the DRC and PCP relatively small in comparison, but there were currently no major issues to report. It was noted that the key risk indicator process would help the DRC and PCP better identify escalating situations. The Board was cautioned against comparing the membership conduct to the general industry conduct. Individuals signing up for the CFA exam, after all, were essentially signing up to be an ethical person, which did lower the overall misconduct figures. Moreover, there were many non-charterholders with transgressions worse than those of charterholders, yet they could not be sanctioned for these bad behaviors.

It was difficult to identify cases through the news media due to the high level of censorship, particularly in emerging markets. The PCP had therefore been thinking about developing a PCP liaison within each society to participate in the “grapevine” network. In addition, the new PCP director in APAC was tasked with building key relationships and becoming a part of the communication network in the region. It was acknowledged that different techniques worked in different regions, and the PCP intended to be responsive to those differences, finding every opportunity to permeate networks and ascertain valuable information. The PCP also planned to be increasingly sensitive to complaints as these typically did not reach the regulators.

With the new headcounts, the PCP would have 14 staff members on the exam side and eight on the industry side. Approximately half of the exam cases were rules violations, which were minor and fairly straightforward, while the other half were cheating violations, which were more complex and time consuming. It was suggested the organization should rebalance resources and spend more time on policing industry behaviors. The PCP group would continue to ask these types of questions as it moved into the implementation phase, being careful to monitor success and identify areas of improvement.

It was clarified that the 18-month resolution cycle pertained to the data forensic cases, which usually prohibited individuals from the CFA Program. Regarding the 6-month resolution cycle, the simpler cases could be resolved within a month while the more complicated cases could extend out to a maximum of six months.

SOCIETY LEADERSHIP CONFERENCE

*Presenters: Nitin Mehta, Managing Director of Member Value at CFA Institute
Daniel Fasciano, Presidents Council Chair*

The August 2011 decision to globalize the rotation of the SLC around the regions in a three -year cycle had resulted in a significant increase in the overall event cost when held outside the Americas. While the increase was expected, ERVIC had requested a review and update on the globalization costs of hosting the SLC versus more funding to societies. However, ERVIC felt that the ultimate decision of whether or not to move the SLC should reside with the Board.

The Society Leadership Conference (SLC) and three society regional meetings had become major activities over the years from both a budget and time investment perspective. An individual would require at least three to four days to attend each event. Furthermore, the Annual Conference followed the regional meetings in May, making it very difficult for society leaders to participate.

The External Relations and Volunteer Involvement Committee (ERVIC) had reviewed the SLC costs, noting that the organization had spent \$1.5M in 2013 (Washington, DC), \$2.2M in 2014 (London), and \$2.3M 2015 SLC (Hong Kong). The society leaders had greatly appreciated these well-organized events, but it was important to review the costs, time investment, and huge resource allocation to ensure they were being used as wisely as possible. The travel and event management and society relations teams had been tasked with outlining alternative scenarios to reduce expenditures, increase efficiencies, and provide significant benefit to the societies.

In the current state, the SLC took place in September or October and rotated through the three regions on an annual basis (i.e. Y1: AMER/Y2: EMEA/Y3: APAC) with an average cost of \$2.1M. In the first alternative state, the SLC would still take place in September or October, but rotate through the Americas region twice in a four-year cycle (i.e. Y1: AMER/Y2: EMEA/Y3: AMER/Y4: APAC), leading to a slightly lower average cost of \$2.0M. In the second alternative state, which was being recommended to the Board, the SLC would take place in May with the Annual Conference and rotate through the Americas region twice in a four-year cycle (i.e. Y1: AMER/Y2: EMEA/Y3: AMER/Y4: APAC), resulting in an average cost of \$1.6M. The latter option provided the greatest opportunity for cost savings, approximately \$450K per annum, and was preferred from the logistical standpoint. Despite the focus on cost savings, it was stated that the decision was more about the impact of the investment.

Looking at the pros and cons, it was remarked that the current state had the advantage of continuity and regional balance with the disadvantage of being expensive and creating multiple trips for key stakeholders. The recommended state had the potential advantage of convenience (i.e. two meetings at once), efficiency, lower cost, and creating greater synergies (i.e. travel, staff, attendees, and logistics), and the potential disadvantage of combined time away, stress, not occurring at the start of the fiscal year, and not having the event attended well by incoming society presidents.

The Board was asked to adopt the recommended model, which would move the SLC to May and benefit the organization's partnership with the societies.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve changing the timing of the Society Leadership Conference and regional meetings commencing in fiscal year 2017 substantially in the form presented.

Questions, Comments and Resulting Discussions from the Board:

It was stated that moving the SLC to May would not negatively impact or disrupt the Presidents Council meeting. The PC chair saw an opportunity to sync up with members attending the Annual Conference, and to improve the timing of the PCR and PC chair elections, which would now take place later in the fiscal year. To address voting concerns with regards to incoming vs. outgoing society president attendance, it was recognized that a proxy could be sent to the SLC to cast a vote.

It was not long ago that the SLC had been separated from the Annual Conference. However, it had become increasingly clear with time that the society leaders preferred the previous scenario. It was emphasized that this approval item had originated from the society leaders and not staff. The society presidents had expressed a desire to participate in the Annual Conference activities and found it much easier to do so in conjunction with the SLC. A formal poll had revealed similar results. In an effort of partnership

PRESIDENTS COUNCIL REPORT

Presenter: Daniel Fasciano, Presidents Council Chair

The Presidents Council (PC) Chair specifically thanked Mr. Nitin Mehta, CFA, and Ms. Emily Dunbar for all of their work in FY2015. Efforts to increase partnership had helped to create an exceptional year of growth and change.

In terms of governance, the PCR Governance Committee chaired by Ms. Leah Bennett, CFA, had started to evaluate the PC Chair election process to ensure it continued to serve as a democratic process for all societies while maintaining best practices. It was noted that expansion and diversity of society numbers and geography had elevated three issues in the most recent elections: challenges meeting quorum requirements; a perceived reliance by society leaders on their PCRs for guidance on whom to elect; and whether the process continued to be in line with best practices at comparable organizations. This was currently a work in progress, and the PCR Governance Committee would be developing a number of key recommendations to bring to the SLC in Hong Kong. The Board would be updated accordingly as well.

In terms of society funding, the Board's approval of the new model would initiate a series of activities in FY2016. Namely, the PCRs would begin to work with society leaders between now and the SLC in Hong Kong, with particular attention to how this decision would impact their respective budgets. In addition, subsequent to the Calgary meeting, the PCRs would develop specific action plan to facilitate the implementation and rollout with the societies.

In terms of society membership, the organization seemed to be moving toward a state where societies viewed charter pendings and candidates, and perhaps even covered persons, as members locally. The PCRs had shared their opinions on the matter in a memo to the society leaders and executive directors. It was estimated that there were approximately 50 different membership categories across the globe, an issue that had resulted in many redundancies. When considering the branding initiative and digital core transformation, having 50 different cohorts of members would ultimately hinder the uniformity and strength of CFA Institute's message. While a more solid and paralleled effort was needed, it would be difficult and take many years to accomplish as modifying or reducing membership categories would require changes to 114 sets of society bylaws. The PCRs had started the process and would continue to communicate the same vernacular around the membership categories to the societies.

Lastly, the PC Chair was working to establish an East to West report on the activities happening within each region. It was emphasized that several related to the Future of Finance, and the governors were encouraged to learn more about the events occurring in their area.

The two outgoing PCRs, Ms. Leyla Kassem, CFA, of the Midwestern US region and Ms. Kathy O'Connor, CFA, of the Eastern US Region were recognized for their dedicated years of service.

Questions, Comments and Resulting Discussions from the Board:

As the organization largely depended on the society volunteers to execute the member value strategic function, it was suggested that there be an increased focus on acknowledging and supporting these individuals. Members of the Board and leadership team, for example, could emphasize to employers the value of the Charter and volunteering for CFA Institute, especially for those considered relatively junior in the investment profession. Since it could be challenging for people to receive time off from their day jobs to become involved, it would be important for employers to understand that being a society volunteer meant exposure to and development of key leadership skills.

AUDIT AND RISK COMMITTEE AND INVESTMENT SUBCOMMITTEE

*Presenters: Colin McLean, Audit and Risk Committee Chair
James Jones, Board of Governors Member*

In FY2015, the Investment Subcommittee was composed of Mr. James Jones, CFA, Mr. Michael Trotsky, CFA, Ms. Leyla Kassem, CFA, and Ms. Sharon Craggs, CFA. While there had been no concerns in the past, the subcommittee was created to ensure that the organization's \$280M in reserves was being managed appropriately. The reserves had grown to become such a huge part of the organization that they were now considered strategic rather than just operational resources. The subcommittee members had reviewed many relevant materials, and guided by best practices, had found that Board oversight was consistently recommended. This was not due to a lack of expertise, but primarily to address the need for engagement at all levels with the organization to assess the proper risk tolerance of CFA Institute's investments and thereby protect everyone involved in the process.

The new framework was somewhat flexible, such as the specific number of governors who needed to be involved in the Investment Committee going forward. It was also noted that key finance staff members were in favor of this change.

The Investment Subcommittee participants were thanked for their work in FY2015.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accept and approve the Investment Sub-Committee report and recommendations substantially in the form presented.

BOARD COMMITTEE REPORTS

*Presenters: Colin McLean, Audit and Risk Committee Chair
Attila Koksai, External Relations and Volunteer Involvement Committee Chair
Robert Jenkins, Planning Committee Chair
Giuseppe Balocchi, Education Working Group Chair
Charles Yang, Compensation and Governance Committee Chair
Aaron Low, Executive Committee Chair*

Audit and Risk Committee

The Audit and Risk Committee (ARC) had extended the audit calendar, bringing it forward by a month to allow for more time to prepare and review feedback on the backend. The committee members would also be taking a closer look at the evaluations and projections underlying the audit calendar. In addition, ARC had set up an effective independent review session to manage some of the relationships reporting into it.

Working with management, ARC had developed a plan to separate out risk responsibility, which would be very helpful over the coming year, and to embed the risk appetite statement into the risk dashboard.

ARC had set an instant register that would give the committee a higher level of oversight on many items in FY2016, and had addressed issues of escalation protocols to ensure that the right items, both positive and negative, were being brought to the Board's attention.

ARC had proposed updates to its terms of reference and brought the Investment Subcommittee's work to a sound conclusion. Furthermore, the reporting hotline, which currently covered employees and graders, had been implemented in FY2015. There was an idea to add volunteers and societies to the scope as well.

ARC had conducted a formal review of its own work in terms of effectiveness and performance in FY2015. The results had been translated into a memo for the Compensation and Governance Committee, and highlighted the desire for a better onboarding program for new committee members.

Going forward, ARC would be considering benchmarking, transparency disclosure, conflicts and maintaining a register (with the new Chief Compliance, Risk and Ethics Officer), creating a risk dashboard, vendor management, and procurement in joint ventures. There would be a need for ARC to also think about cyber security risks as they related to the digital core transformation.

External Relations and Volunteer Involvement Committee

The External Relations and Volunteer Involvement Committee (ERVIC) had focused on implementing the five ongoing strategic projects for the societies (membership, funding, technology, structure, and leadership training), completing the cost analysis of the SLC, and developing the committee's objectives and milestones for FY2016. It was noted that the society membership presentation would occur at the October meeting in Hong Kong.

The society relations team and PCRs had been collaborating closely with the societies over the course the year to improve upon three areas rated poorly on the satisfaction survey: employer outreach, technology, and brand awareness. To affect change in these categories, the Society Technology Council and Society Brand Council had been established to work on solutions to these challenges. As a result, the FY2015 satisfaction survey had shown a significant increase in society partnership, growing from 69% to 88% in just one year.

It was reported that the societies had been very active with regards to Future of Finance activities, and the organization needed to create more products and tools for them. Putting Investors First month, for example, experienced an impressive level of participation, 83% to be exact, from the societies.

In FY2016, it was recommended that ERVIC review its terms of reference and streamline its operations. Furthermore, the Executive Committee was encouraged to review all of the terms of reference, and objectives and milestones, to avoid a duplication of efforts.

Planning Committee

The Planning Committee (PC) goals had been to facilitate phase one of a long-term strategy review, to monitor the execution of the FY2015 strategic priorities, to monitor the overall FY2015 operating plan execution, and to oversee the development of the FY2016 operating plan.

Looking ahead, the PC would assist the Board with the completion of the strategy exercise, and participate in and help guide the organization in the three-year planning effort.

The committee chair thanked the PC members, society leaders, and leadership team for their involvement in FY2015.

Compensation and Governance Committee

The Compensation and Governance Committee (CGC) had conducted the CEO's performance review for FY2015 and discussed the FY2016 guidance to the Nominating Committee, which would include having a minimum of 30% women in three years or less.

Executive Committee

The Executive Committee (EC) had recently been working on one major item, to move the Retirement Investment Planning Committee (RIPC) oversight to the CGC. This was considered to be the more appropriate reporting line and would help the EC keep its focus on the oversight committees and meeting schedules.

Mr. Colin McLean, FSIP, Mr. Robert Jenkins, FSIP, and Mr. Attila Koksai, CFA, were individually thanked and recognized for their leadership in FY2015. There was also one outgoing Board member, Mr. Charles Yang, CFA, who was commended and acknowledged for his years of service and commitment to the organization.

CONSENT ITEMS

Presenter: Aaron Low, Board of Governors Chair

The following resolutions were unanimously approved:

FY2016 Board Oversight Committee Chair Appointments

RESOLVED, that the Board of Governors accept and approve the appointment of the following governors to serve as oversight committee chairs for a one year term commencing 1 September 2015 and until their successors are chosen and qualified:

Audit and Risk Committee

Chair: Colin McLean

External Relations and Volunteer Involvement Committee

Chair: Heather Brilliant

Planning Committee

Chair: Bob Jenkins

FY2016 Volunteer Committee Chair Appointments

RESOLVED, that the Board of Governors accept and approve the appointment of the following individuals to serve as volunteer committee chairs for a one year term commencing 1 September 2015 and until their successors are chosen and qualified:

Council of Examiners

Chair: Adam Thurgood, CFA

SFMI Advisory Council

Chair: Stuart H. Leckie

Standards of Practice Council

Chair: Edouard Senechal, CFA

Asset Manager Code Advisory Committee

Chair: Ron D. Peyton

U.S. Investment performance Committee

Chair: Justin S. Guthrie, CFA

FY2016 Research Foundation Board of Trustee Appointments

RESOLVED, that Aaron Low, CFA, is authorized to vote on the behalf of CFA Institute as the sole Voting Member of the Research Foundation at its annual meeting of members;

FURTHER RESOLVED, that Aaron Low, CFA, is authorized to vote for the approval of Joachim Klement, CFA, to serve as Vice Chair for a two year term commencing 1 September 2015;

FURTHER RESOLVED, that Aaron Low, CFA, is authorized to vote for the approval of Jason Hsu and Brian Singer, CFA, to serve as Elected Trustees for a three year term commencing 1 September 2015; and

FURTHER RESOLVED, that Aaron Low, CFA, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

Research Foundation Alternate Ex Officio Appointment – Board Past Chair

RESOLVED, that the Board of Governors appoint Aaron Low, CFA, to serve in place of the Chair of CFA Institute as an Ex Officio Trustee on the Research Foundation assuming all responsibilities and duties of that position through fiscal year 2016.

FY2016 CFO and Corporate Secretary Appointments

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Timothy G. McLaughlin, CFA, and Joseph P. Lange are elected CFO and Secretary, respectively, to each serve a one year term commencing 1 September 2015 and until their successors are chosen and qualified.

Corporate Entity Director Appointment – C’ville Operations Holdings, Inc.

RESOLVED, that the Board of Governors accept and approve the appointment of Sheri Littlefield-Moreno to serve as Director.

CEO Signing Authority to Bank and Investment Accounts

RESOLVED that Board of Governor accept and approve Paul Smith, in addition to the previously authorized signatories, be added as an authorized signatory to the following CFA Institute accounts:

JPMorgan Chase Bank	Main Operating Account
JPMorgan Chase Bank	Check Disbursement Account
JPMorgan Chase Bank	Payroll Account
JPMorgan Chase Bank	Receipts Account
JPMorgan Chase Bank	FedWire/ACH Account
JPMorgan Chase Bank	Rejected Enrollment Account
JPMorgan Chase Bank	Letters of Credit
JPMorgan Asset Management	Overnight Investment Sweep
JPMorgan Worldwide Securities	US Treasury Bills
The Vanguard Group	Mutual Funds-Deferred Comp (457)
The Vanguard Group	Mutual Funds - Reserves
BlackRock	Collective Trusts - Reserves
HSBC Bank Plc	Main Operating Account - London
Wells Fargo	Operating Account
Wells Fargo	Disbursement Account
SunTrust Bank	Local Deposit Account
SunTrust Bank	Imprest Account

FUTHER RESOLVED, that Paul Smith be granted the same authority as the previously authorized signatories on each account listed above.

Argentina Office Registration – Shutdown

RESOLVED, that the Board of Governors authorize: 1) to wind-up and cancel the registration of CFA INSTITUTE, Argentine permanent representation (the “Branch”) registered with the Public Registry of Commerce of the City of Buenos Aires, and with any other government entity or agency where necessary; 2) to approve the Branch’s cancellation special financial statements prepared to that effect; 3) to appoint Mr. Pedro Agote as the Branch’s liquidator, and grant in his favor a power of attorney so that he may have full powers to act on the winding up and cancellation of the Branch’s registrations in Argentina; 4) to appoint Mr. Pedro Agote of the City of Buenos Aires as custodian of the Branch’s corporate and accounting books

and records for the period required by law; 5) to delegate to the liquidator the capacity to determine the non-profit entity that will receive the remaining assets and funds of the Branch; and 6) to authorize Mr. Pedro Agote to grant a special power of attorney to Messrs. Adolfo Durañona, Guillermo José Cervio, Juan Albino Bazzanella, Estefanía Merbilhaa, César Verrier Rousseaux, Natalia Méndez, Salvador Paz Menéndez and Magalí Luciana Vilchez, Luciano Martín, Magdalena Podio, Martina Barbieri, Laura Saccone, Sofía Canavessi and Victoria Adra, so that any of them, acting either jointly or separately may, carry out any act that may be convenient or necessary to cancel the registration of the Branch with any government agency or entity, either national, provincial or municipal, including the Public Registry of Commerce, Superintendency of Corporations, the National Tax Authorities, the Social Security Authorities, the Tax Municipal Authorities of the City of Buenos Aires, the National Customs Administrations, the Ministry of Economy, and the Undersecretariat of Foreign Investments; to cancel any registration or filing of the Branch with any private or combined agency or entity, either national, provincial or municipal; to grant all documents and perform any acts or procedures necessary or convenient to cancel the registration of the Branch.

Recognition of Retiring BOG and PCR Members

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Charles J. Yang, CFA, for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as governors on the CFA Institute Board.

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Leyla G. Kassem, CFA, and Kathy O'Connor, CFA for outstanding leadership, significant sacrifice of time and effort, and exemplary spirit of dedication and purpose in advancing the profession during their terms as Presidents Council Representatives.

New York Meeting Minutes

RESOLVED, that the Board of Governors accept and approve the New York open session meeting minutes substantially in the form submitted