

**Board of Governors Meeting
Open Session Minutes**20-22 July 2016
Santa Monica**Board of Governors Present:**

Giuseppe Ballocchi, CFA	Attila Koksai, CFA	Paul Smith, CFA
Heather Brilliant, CFA	Frederic Lebel, CFA	George Spentzos, CFA, FSIP
Daniel Gamba, CFA	Mark Lazberger, CFA	Lynn Stout
Beth Hamilton-Keen, CFA (Meeting Chair)	Aaron Low, CFA	Zouheir Tamim El Jarkass, CFA
Robert Jenkins, FSIP	Colin McLean, FSIP	Michael Trotsky, CFA
James Jones, CFA	Scott Proctor, CFA	Yu Hua, CFA

Incoming Board of Governors Present:

Elizabeth Corley, CBE

Board of Governors Absent:

Sunil Singhanian, CFA

Presidents Council Representatives Present:

Lamees Al-Baharna, CFA	Simon Cawdery, CFA	Philip Graham, CFA
James Bailey, CFA	Sharon Craggs, CFA	Christian Heuer, CFA
Leah Bennett, CFA	Daniel Fasciano, CFA	Anne-Katrin Scherer, CFA
Aaron Brown, CFA	Steven Gattuso, CFA	Ken Yee, CFA

Incoming Presidents Council Representatives Present:

BD Deora, CFA	Clayton Gail, CFA	Susan Williams, CFA
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Leadership Team Members Present:

John Bowman, CFA	Darin Goodwiler	Nitin Mehta, CFA
Elaine Cheng	Stephen Horan, CFA	Nick Pollard, CFA
Michael Collins	Sheri Littlefield-Moreno	Kurt Schacht, CFA
Bjorn Forfang	Donna Marshall	

Others Present:

Melissa Carroll 🗳️	Craig Giventer, CFA	Craig Lindqvist
Joe Clift 🗳️	Emily Grymes	Kim Maynard
Jack Dwyer, CFA, CAIA (Mercer)	Rahul Keshap	Sandy Peters, CPA, CFA
Stephanie Ennaco	Joseph Lange (Meeting Secretary)	Roger Urwin, FSIP
Rebecca Fender, CFA		

Materials Provided:

Primary Meeting Pack	Briefing Materials Pack
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WEDNESDAY, 20 JULY
13:00 TO 16:50

INTRODUCTION AND WELCOME

Presenter: Beth Hamilton-Keen, Board of Governors Chair

The Board meeting was called to order, and everyone was welcomed to Santa Monica. The governors were recognized for their contributions and efforts leading up to the meeting. An overview of the materials was then provided, with a note on the estimated number of hours required to prepare for the discussions. In addition, the group was reminded that there would be 12 ½ hours of open session time and four hours of executive session time. The governors were encouraged to offer their feedback in the next few days on how to make further improvements to the materials and meeting setup.

It was asked if anyone had any conflicts of interest, as they pertained to the agenda, to disclose. None were reported.

CEO REPORT

Presenter: Paul Smith, President and CEO at CFA Institute

There were several items highlighted from the CEO Report.

It was emphasized that CFA Institute had had a great year from an income and expense control perspective. The Leadership Team was openly thanked for their performance in FY2016.

The newest members of the Leadership Team were introduced to the group. Bjorn Forfang, the Managing Director of Relationship Management, and Nick Pollard, the Managing Director of APAC. The governors were encouraged to speak with Bjorn and Nick if they had not already done so. There were still two remaining open positions on the Leadership Team, one for the Chief Financial Officer, which was temporarily being filled by Sandy Peters, CFA, and the other for the Managing Director of EMEA. It was stated that the Leadership Team dynamic had been changing in a very positive manner over the past 15 months.

Management had been thinking more about the way the organization should spend money, such as considering how to make the organization more thrifty and what to do with the money saved. It was stated that every cent saved should be used to promote direct membership benefits, and management had been working hard to incorporate this concept into the budgetary process.

The organization had also been taking a closer look at big countries with only one society, such as Brazil, India, and Russia. It was recognized that the funding model for these countries might need to be adjusted as one set of operational funding and one set of people to send to the Society Leadership Conference had been leading to poor outcomes at the society level. Furthermore, the organization had been trying to formalize its interactions with the XL societies, moving to two official meetings a year, one in September and one in January, to gauge their progress and seek their input on everything being done at the CFA Institute level.

The second wave of the advertising campaign had just launched and was going exceptionally well. In terms of brand architecture, the Managing Director of Services Delivery had been working hard to rethink the brand to incorporate a much stronger link between CFA Institute and its portfolio of products (i.e. FAJ, GIPS, AMC, Claritas, etc.). This item would eventually make its way to the Board for consideration.

An overview of the budget overrun of the Digital Core Transformation was also discussed. It was highlighted that this was not an issue of scope creep, and management did not intend to change the previously communicated deliverables or the timelines. The organization had underestimated the dollars required to execute the project and would explain this to the Board in more detail at the meeting in Santa Monica. The Board was informed that there would be 18 test centers, 17 of which had been located in the US and Canada, closing in order to make room for new, global test centers without increasing the organization's human resource needs for that activity. While there had been an effort to talk to all of the societies about the change and explain the reasoning behind it, it was noted that the governors and PCRs might hear some pushback. There were many members in other countries who had to cross borders to take the exam, leading the organization to shift resources into these developing markets to alleviate the issue.

Management had also been leading up a project to look at the way the membership was being charged for member dues. Currently, there was a separate society membership fee and a separate CFA Institute membership fee. There had been considerable society support for having these combined into one mandatory fee that would vary in amount from one society to the next. Management had been looking into the matter and the legal implications as well, and hoped to come to the Board with some ideas at the October meeting. It was noted that Board approval would be needed for any modifications to the dues structure.

Lastly, the CEO had outlined 11 main concerns at the end of his written report for the Board's consideration.

Questions, Comments and Resulting Discussions from the Board:

Management was commended for the great progress in filling many of the open positions on the Leadership Team in the past year, but there was a question on the ongoing strategy for finding the right candidate for the Managing Director of EMEA. It was explained that the organization's consultant, Spencer Stuart, had exhausted their candidate pool of over 200+ individuals in this regard. There was still one candidate the organization had been considering, with heavy input from the new Managing Director of Relationship Management, who would ultimately have oversight of the three regional heads. If the decision was made not to move forward with this individual, then the organization would likely need to use a different search firm. The main challenge had been finding a diverse pool of candidates with multi-lingual abilities to adequately represent the diversity within the region. It was important for this role to enhance the Leadership Team dynamic.

Management had thought about hiring the Managing Director of EMEA out of the Brussels office, but ultimately decided that this individual would be better utilized out of the London office, where most of the EMEA staff members operated.

With regards to the Gallup Survey, which was conducted every two years, it was noted that the feedback had been slightly more negative than the last time around. The main themes from the engagement survey had been accountability, transparency, and communication. To address the survey results, management had been planning a coordinated response across the organization with the support of the Staff Engagement Council, which was comprised of staff members only and under the guidance of the Chief Legal Officer. The Council was responsible for helping management develop and execute multi-divisional staff engagement plans. It was also mentioned that each Leadership Team member had goals associated with moving his or her particular scores up in the engagement survey for FY2017 and FY2018.

The CEO was commended for the quality and candor of his report. Of the 11 concerns articulated within the report, it was asked which ones were really top of mind and requiring Board input. It was explained that while all 11 were significant, perhaps the most pressing matter had been management's response to the staff engagement survey. The results had posed the biggest challenge to and biggest opportunity for the

organization. Approximately 1/3 of staff were engaged, 1/3 were somewhere in the middle, and 1/3 were disengaged. The goal would be to liberate the considerable amount of talent within the organization, with particular attention to those in the middle, and raise the overall engagement level to about 60%.

The CEO recognized that his first 18 months had been primarily outward facing to connect with key stakeholders. However, with the Managing Director of Relationship Management now in place, the CEO's attention could now shift to more of an internal focus.

It was clarified that engagement had been of particular issue at the director and senior manager level within the organization. Many staff felt that the Leadership Team had been communicating well, but the next two to three layers down had not been. By the time the message reached these levels, there seemed to be a detachment and confusion about it. In response, the Managing Director of Services Delivery had been working on some internal communications projects to help staff understand where they fit within the strategy and how to contribute to the most important items over the next 12 months. It was emphasized that this subject had been taken very seriously at the Leadership Team level.

Management also noted that there was a lack of basic walking the floors to talk to junior staff members, some of which could be due to the physical configuration of the office space in Charlottesville. It would be important to change this behavior to a more open and accessible approach. There had also been some discussions about redistributing the bonus pool towards the higher performers in the organization to further incentivize staff. Lastly, the emphasis on accountability needed to be better communicated to all employees, so that the message had the right, positive focus.

Management had been working to correct the recent IT issue, in which sites had been crashing for CFA Program candidates. Some of the third party vendors that supported CFA Institute in this regard would likely be changed going forward. It was also mentioned that this issue had been reported in the incident register handled by the Audit and Risk Committee Chair. The purpose was to create an atmosphere of transparency and accountability, and to spur the Leadership Team to action.

The regionalization of the organization's profits and loss statement (P&L) had been very hard to allocate. There was a physical problem with the regional P&L's that had been difficult to overcome. Furthermore, the organization had two main cultures, one was defined by the Credentialing function, which was dominant, consistent and comprised of 85% of total revenue, and the other was defined by the rest of the organization, which had to be tactically agile on the front end. The accountability and responsibility needed to shift from the center to those operating at the front end, which had been a challenging endeavor. In addition, staff had struggled with the idea of matrix management as many had never worked within one before.

The organization believed there was still a huge amount of candidate and membership growth potential in China, but had tended to focus more on the risk rather than the opportunity in that regard. CFA Institute had had a tremendous amount of support from the central government and seen an increasing member base. The foreign NGO laws and increasing nationalism within China had been the main items of concern as it could impact the way societies operated in country. However, there had been an inclination to manage these risk factors and think of China as more of an opportunity than anything else.

FINANCIAL REPORT / LINE OF CREDIT

Presenters: Sandy Peters, Interim Chief Financial Officer at CFA Institute

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

Financial Report

The financials showed that CFA Institute had had a great year. Since last year, member registrations had increased by 10%, revenue had increased by 10% (3% over budget), and member registrations had increased by 7% (1% over budget). In addition, expenses were currently 4% less than what had been originally forecasted, mainly due to credentialing, relationship management, and standards and advocacy coming in a little under budget. These functions were expected to align with their original budgets towards the end of the fiscal year.

As of May 2016, the contingency reserve balances were at \$294 million, an increase of \$13 million since 31 August 2015. Furthermore, as of last week, the reserves were up another \$10 million due to market performance, making the most current total \$302 million.

By the end of the fiscal year, expenses were expected to be about 1% over budget. There would be heavy exam expenses in the month of June as well as expenses from IT, taxes from India and China, and the Public Company Standards project.

Looking ahead, CFA Program registrations for the December exam were currently tracking 13% higher than last year and 5% over the proposed FY2017 budgeted levels.

It was also noted that a headcount summary, which included information from last year, had been provided in the materials. In addition to finance's report, there had been input from the Human Resources group to show the number of people waiting to be hired. Furthermore, a brief description of CFA Institute staff, staff planning, strategic review, and the projects underway had been included to indicate how people were being connected to the organizations' objectives.

In terms of allocation, finance had been endeavoring to present a full suite of product line reports, mainly for internal purposes, but for the Board as well. The work completed thus far had focused on pulling the information together; and, by the end of the fiscal year, there would be a full view of the organization. Finance would discuss the next steps with the Planning Committee and ask which elements would be useful to provide to the Board on an ongoing basis.

Line of Credit

The establishment of a revolving line of credit would provide the Treasury with the flexibility to appropriately manage cyclical cash flows, and also mitigate numerous risks related to ensuring that CFA Institute had the appropriate cash available to meet its obligations.

Based on the organization's understanding, the Board was not required to approve the execution of an unsecured line of credit; however, the Board would need to approve any borrowings against property and the opening of a new bank account. Furthermore, the bank could ask to see evidence that the Board had approved the established line of credit. The resolution set forth was substantially an approval of a delegation of authority for management to enter into a \$35 million line of credit.

It was highlighted that the Brexit conversation had moved management to come before the Board on this request sooner rather than later. While the organization had a contingency reserve to address any potential decreases in revenue, it might be better to have an additional layer of protection. Establishing a line of credit would accomplish four things: provide financial flexibility at a minimal cost; provide time to determine the best approach to liquidating contingency reserves, if needed due to a business continuity event; enhance cash management flexibility; and, allow movement of short-term funds to higher yielding, long-term assets. It was

stated that the best time to ask for a line of credit was when you did not need it, and CFA Institute was currently at that point with a strong financial position.

The organization would be seeking an unsecured, committed facility at a higher level of \$30-\$35 million, and would likely go with JP Morgan as the provider. Management was currently waiting for JP Morgan's pricing, but had also asked PNC and HSBC. While not all of the details had been finalized, management wanted to put this item in front of the Board for consideration as soon as possible, and was prepared to revisit the subject in October if necessary.

The following resolution was approved with a noted abstention from Robert Jenkins, FSIP:

RESOLVED that the Board of Governors accepts and approves that any two officers listed below are hereby authorized to (i) negotiate, procure, amend, modify, renew or extend a line of credit of up to \$35 million, (iii) sign and deliver to the bank any necessary agreements for the above transactions, and (iv) designate additional or alternate individuals as being authorized to request the establishment of and the operation of a line of credit.

FURTHER RESOLVED that the Board of Governors accepts and approves that any two of the officers listed below are hereby authorized on behalf of the Company to sign and deliver any document necessary or desirable to be executed in connection with such line of credit.

**Paul H. Smith, President and CEO
Sandra J. Peters, Chief Financial Officer
Guy P. Williams, Head, Finance and Operations
Kimball E. Maynard, Treasurer**

The Board agreed to remove the following item from the original resolution as there was not enough information provided for discussion:

(ii) mortgage, pledge, transfer, endorse, hypothecate, encumber and deliver to the bank any real or personal property belonging to CFA Institute as security for the payment of any line of credit

Questions, Comments and Resulting Discussions from the Board:

It was agreed that it would be a good idea to provide the Board with a snapshot of the balance sheet as well as the period over period change.

The group was reminded that the Audit and Risk Committee had listened to a request for a line of credit in 2014 and ultimately asked for more information. The Board was now appreciative of receiving more detail.

Irrespective of cash management, there certainly seemed to be an opportunity to move a greater amount into the long-term process.

The organization would have to reapply and be reapproved for the line of credit every two years.

In terms of the geographic distribution of expenses, about 91% of CFA Institute's FY2015 disbursements were in USD, and the remainder was around \$12 million in GBP.

With regards to item (ii) in the proposed resolution (mortgage, pledge, transfer, endorse, hypothecate, encumber and deliver to the bank any real or personal property belonging to CFA Institute as security for the payment of any line of credit), the Board felt that this had not been adequately discussed. Management clarified that the detailed analysis had not been done yet in this area and would have more by October.

It was explained that management was looking for a bit of both liquidity and flexibility, and better returns on the organization's reserves. While management was not looking to move over everything possible to optimize returns, they wanted to move some over to increase returns and keep the same or slightly better liquidity.

It was stated that the liquidity in reserves was very high and should not be an issue. The Investment Policy Statement (IPS), which would be reviewed with the Board in Santa Monica, stated that daily liquid funds should be at least 90% of the prior year's operating expenses.

There was a comment that this topic should have been preempted before coming to the Board for approval, whether that was through one of the committees or in some other manner. It seemed to a rather complex issue to bring to the Board to work through and resolve in a short time frame.

The main purpose of the line of credit would be to enable CFA Institute to have flexibility of operation, and it would cost approximately \$45 thousand in annual expenses. Irrespective of the returns conversation, it was argued that increased flexibility was worth having from a purely business and operating standpoint.

BRAND CAMPAIGN AND TRACKER AND RESULTS, THREE YEAR PLAN FOR AWARENESS AND ADVERTISING

Presenters: Michael Collins, Managing Director of Services Delivery at CFA Institute

Joe Clift, Chief Brand Marketing Officer at CFA Institute

Melissa Carroll, Director Customer Insight and Market Intelligence at CFA Institute

An overview of the results of the first wave of the Brand Campaign, which had launched at the start of the calendar year, was provided to the Board.

It was explained that the organization had relied on two tools to measure brand health and advertising efforts, both of which had been managed by external research partners experienced in brand and campaign measurement techniques. The first one, which would be conducted every few years, was the brand tracker. This study had been run in the organization's key strategic markets for each region among investment professional as well as high net worth individuals (HNWIs) in North America. The key purpose of the brand tracker was to measure and understand underlying brand health and perceptions over time. The second tool, which was the focus of the presentation in Santa Monica, was the advertising campaign tracker. This study was more targeted than the brand tracker, both in terms of audience and market, and would be conducted more frequently (a couple times a year). The key purpose of the advertising campaign tracker was to measure the more immediate impact of the campaign on brand funnel metrics and campaign effectiveness.

Before the Brand Campaign launched in late February 2016, the organization had surveyed an audience of investment professionals, institutions, and HNWIs to obtain baseline levels of awareness and other brand health metrics, including advertising awareness, advertising recall, and related metrics. When the campaign concluded in late April 2016, the organization had surveyed again to measure the change in assessed advertising strengths and weaknesses.

One of the key performance metrics discussed and monitored had been the brand "funnel," which was a traditional measurement framework based on the concept that people progress through a series of stages with a brand before buying or using the brand. It was explained that "upper-funnel" metrics referred to the early stages of one's interaction with a brand, such as becoming aware of and familiar with a brand (unaided awareness vs. aided awareness) and having a positive impression of the brand (favorability). "Lower-funnel" metrics referred to the later stages of one's interaction with a brand, where an individual might contemplate using a brand (consideration), prefer a brand (preference) and then, ultimately, refer or advocate for the

benefits of the brand to friends and family (recommend). It was remarked that the advertising tracker would enable CFA Institute to gather baselines and set targets for the lower-funnel metrics over the next three years.

The gross media allocation of the first and second waves were shown to the group. The first wave, which had gone from 29 February to 1 May 2016 and been in five markets (US, Canada, UK, India, and China), had cost approximately \$4 million. Of the \$4 million, only \$400 thousand had been spent against the HNWI audience. By contrast, CFP had spent \$6-\$10 million a year on its affluent audience. The second wave, which would go from 23 May to 31 August 2016 and add six new markets (Germany, Brazil, Mexico, Hong Kong, Singapore, and Australia), would cost approximately \$5 million.

The results of the first wave, as indicated by the advertising campaign tracker, were displayed. Globally, the organization had achieved significant overall increases in unaided brand awareness, from 24% to 31%. The increases in the UK, India, and China had been particularly strong while the US had experienced a brand health decline among HNWI. The little impact on brand attributes at this stage had suggested the need for higher proportionate spend allocation and more specific HWNI messaging.

The organization had worked with its advertising agency, Lowe, to develop a model based on market size and audience to set global targets for the brand funnel metrics through FY2019. In FY2017, the goal would be to move beyond awareness and make some improvements in favorability. By the end of FY2019, the objective would be to target all funnel metrics.

The current data had been informing the organization that it needed to have more focus in its messaging against its audiences. The first wave had three audiences – investment professionals, institutional employers, and HNWI – which had made it difficult to address the specific differences that mattered for each. The recommendation in working with Lowe had been to focus messaging on two audiences, the HNWI in North America and institutions globally, as this same advertising would still impact many investment professionals. It was also mentioned that activity would increase on the public relations front to support this endeavor. Furthermore, brand funds had been given out or were in the process of being given out to 73 out of the 147 societies in just three months' time. These dollars would be implemented outside of the core 11 markets currently being targeted.

In terms of other changes, the original creative layout would be modified to improve impact as it had been misunderstood in some markets. Additionally, the Society Brand Council had provided helpful feedback about what CFA Institute was trying to say about both sides, being a charterholder vs. not. The organization also planned to leverage the upcoming Private Wealth Study to gain additional HNWI insights, to continually sharpen its messaging through tracker inputs, and to develop more specific "Differences that Matter" to resonate with institutions and HWNI audiences.

The Board was being asked to consider and approve the targets outlined in the report for increasing brand awareness from advertising investment for the FY2017 – FY2019 period. Updates on the organization's progress would be provided at each Board meeting.

The organization was set to spend a total of \$63 million on the Brand Campaign over the next three years. This would allow CFA Institute to pace its expenses based on seasonality rather than using it all on the front end. It was also remarked that the strategic plan goals as they related to the Brand Campaign had changed since the Board's approval and were now much more ambitious.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the defined Advertising-Driven Campaign result targets for the end of FY2019.

Questions, Comments and Resulting Discussions from the Board:

The Board wanted to see how the Brand Campaign was progressing in terms of dollars spent as compared to the CFP, especially on HNWIs. Management stated that they could certainly do that, but reminded the Board that the CFP's job was much easier as they had members located in one country as opposed to CFA Institute's global membership base. The organization's media spend would not come close to that of the CFP.

It was stated that despite the CFP spending roughly \$40 million so far on their media campaign, their membership rates had been declining at a fairly significant rate. There was a question on the link between increasing unaided brand awareness and promoting member value. It was explained that unaided brand awareness and the other funnel measurements would help raise the awareness of the Charter and explain the specific differences that matter. In terms of member value, while these efforts might not drive increased membership in the short term, it would likely help with retention rates as members could see that half of their dues were going toward the Brand Campaign.

It was added that member value and satisfaction would be addressed differently in different markets. Outside of the Americas region, the organization's focus would be on ensuring charterholder value was recognized by employers. In the Americas region, the organization's focus would be on differentiating the Charter from the CFP and having charterholders hired by HNWIs. It seemed clear that members felt good when they saw the advertisements.

It was clarified that the target percentages were based on the entire target audience.

Unlike the CFP, CFA Institute was not charging members an additional fee for the Brand Campaign. This was coming out of the \$275/year that they were already paying. The total cost of \$63 million, in fact, distributed among the membership came to about \$120/year per member.

The Presidents Council Chair stated that the Chief Brand Marketing Officer had been regularly attending the Presidents Council Representatives' calls to provide updates, solicit feedback, and hear observations from societies with regards to the Brand Campaign. In general, societies had been pleased with the effort and were looking for ways to get behind it. The organization should continue to partner with the societies to help them localize and extend the Brand Campaign work.

In North America and specifically in the US, because awareness of the Charter had been higher at the onset, it would have behooved the organization to have more specific messaging from the very beginning. Going forward, the Managing Director of Services Delivery would be arranging a call with the Managing Director of Relationship Management and his regional leads, the advertising agency, and CFA Institute's top 20 institutions to discuss ways to tailor the organization's messaging to them.

CFA Institute had met with the CFP a couple weeks ago and did not get the sense that they planned to pull back from their brand campaign. It was suggested, however, that if they were pulling back, it was likely due to the additional charge to their members to support this effort. While the organization had started its own campaign later on, there was an opportunity to establish a multi-year, sustainable campaign that would put pressure on the CFP. It would be important to keep advertising efforts going to ensure the organization did not lose momentum.

If employers in China started to believe in the value of the Charter, it could change the political dynamic. Logically, increased employer recognition in China should mean increased protection for the organization. It was noted that only 6% of Chinese employers had paid membership dues to date whereas that figure was 50-60% in the US. This had been one of the main reasons behind CFA Institute's lapsed membership rates, which was why the Brand Campaign would seek to enhance employer buy-in in China.

It was highlighted that CFA Institute had created ads for the first time in other languages, including German, Portuguese, and Chinese.

CLARITAS PROGRAM BUSINESS PLAN

Presenters: Stephen Horan, Managing Director of Credentialing at CFA Institute

Rahul Keshap, Head of the Claritas Program at CFA Institute

The Claritas Business Plan had been predicated on the notion that the program delivered value to members and value to the industry. Members could work more effectively alongside practitioners who had taken the Claritas exam and now understood the financial ecosystem in which they worked. Furthermore, the investment industry would benefit by ensuring that every industry participant recognized and appreciated the ethical precepts associated with investment management.

The goal of the updated business plan had been to set a new minimum standard for industry knowledge and ethical awareness. Claritas had aimed to create a new standard for a new audience that would lead to benefits for members, employers, and candidates in the process. The organization was endeavoring to position the program such that it could more credibly seek 100% market penetration among the targeted audience.

At a high level, the program design changes in addition to broader adoption would result in Claritas becoming an accepted industry standard. There were five crucial elements to position the program for 100% market penetration: fixing the program's bloated and opaque cost structure; simplifying and reducing the program price from around \$550 to \$250 for individuals and \$200 for employers; aligning the program closely with the CFA Institute brand; focusing on the top firms as a primary driver of global program adoption; and, creating a distribution network of societies, prep providers, and universities for outreach to audiences outside of the top firms.

Over last few years, the organization had laid out aggressive targets for the program that had not been achieved. Since the launch in FY2013, Claritas had hovered around 3,000 to 4,000 candidates, and it was felt that the program needed to attain a critical mass to start reaching firms by word of mouth. Moving forward with the updated business plan, the organization aimed to have 14,500 candidates by FY2019.

It was highlighted that the business plan had also provided a list of alternatives, including a shutdown, shell program, spin-off strategy, society funding model, or MOOC (Massive Open Online Course Strategy). The direct cost, indirect cost, total revenue, and net cost of each option had been indicated in the materials.

The CEO stated that he fully supported the updated business plan for Claritas. Furthermore, the CEO wanted the newly hired Managing Director of Relationship Management to have an opportunity to look at the business-to-business (B2B) aspect of the selling process and consider improvements or changes to the distribution strategy. It was stated that the governors were not being asked for a multi-year commitment and would receive regular updates on the progress of the program. The Board could change the direction at any time. Additionally, the Board was asked to think of Claritas as an investment in the CFA Institute mission; for FY2017, this would mean an \$8-\$9 million investment. If the organization was unable to move the registration

figures more aggressively, then the mission element would become highly debatable and need to be reconsidered by the Board.

The Board Chair indicated that the governors need more time to discuss the proposed Claritas Business Plan in executive session. **The resolutions proposed in the meeting materials were not acted on.**

Questions, Comments and Resulting Discussions from the Board:

The Board appreciated the element of control in reviewing the Claritas program annually.

It was stated that the first proposed resolution had already been passed by the Board years ago; the only difference this time around was the removal of the monetary value. There had been agreement that Claritas was a mission-driven program. Furthermore, it seemed that several of the items proposed, such as aligning Claritas more closely with the CFA Institute brand, had previously been rejected by management. If there was not a positive change in the numbers during the three-year progression of the plan, it was suggested that the Board repurpose these costs to a viable alternative.

The Claritas product was undeniably of excellent quality. However, the challenge had been partly the distribution channel for the program and partly not knowing whether the market actually wanted it or not. Year over year, it had been very difficult to move companies to adopt Claritas as part of their annual training programs. It was argued that price had been an issue, which was addressed in the business plan, and that associating Claritas more closely with the CFA Institute brand in a positive way would be essential going forward. The re-branding effort would be part of the Brand Campaign spend and help build name awareness for the organization. It was recognized that there was a risk associated with doing so, especially if there was a decision to shut down Claritas in the future. However, it was argued that if the organization was confident in the quality of the product, it should not be afraid of any reputational damage associated with linking it to the CFA Institute brand.

The society perspective had changed over time as well. Concerns that Claritas would negatively impact and confuse the brand proposition of the CFA Program had diminished significantly. The Presidents Council added that there seemed to be some confusion around the benefit of Claritas and how to take it from a strategic outline to execution. Societies had been interested from the joint mission perspective and eager to help, but did not know quite how to do that. The governors and staff members were encouraged to talk to a PCR in their region to learn more and figure out ways for societies to advance adoption at the local level.

The organization had done well in developing a body of knowledge and an assessment to measure that in producing Claritas. Many firms had provided positive feedback in that regard. In addition, the candidate experience had been favorable and would be further enhanced by the learning ecosystem, which would make the program much more accessible to these non-charterholder candidates. In terms of shortcomings, staff believed that the organization's B2B proposition had been a weak point from the onset. Moreover, the business-to-business-to-client dynamic had been left out as well. Often, there would be a deal signed with a major firm only to realize that they had 30 offices in 15 other countries around the world and no plan on how to have their own employees take the program. Staff now realized that signing the contract was the starting point rather than the finish line.

It was explained that the organization's marketing efforts had targeted firms thus far, and there had been traction on the funds services side. Citco Fund Services, for example, had been Claritas' best client worldwide, bringing approximately 1,500 entry level employees through the program. It had been a challenge for the organization to target countries or markets as often a sale would be made in one country and candidates

would show up for the exam in another. The proposed business plan had indicated four markets – the US, the UK, China, and India – but would be much more firm specific going forward.

The Board struggled with the fact that even by achieving its targeted registration figures for FY2019, the organization was still forecasted to lose around \$5 million. This reality made it very difficult for the governors to assess whether there was an appropriate return on mission in the future. Furthermore, the organization had already spent roughly \$60 million on Claritas and received about \$10 million in revenue. These figures certainly compounded the issue. In one year, it was argued that the Board would be asking the same questions, because the positioning of the program was not expected to change much in that time frame. Looking at the big picture, the Claritas journey had also called into question CFA Institute's tolerance level of potential costs associated with any future initiatives.

It was stated that if the organization could get the loss down to \$5/year per member, it would be money well spent. The program had helped enormously with CFA Institute's B2B engagement and raised the organization's profile with its corporate clients. There was agreement that the program costs needed to be trimmed substantially over the next few years and would be per the proposed business plan. At present, management agreed that they could not justify any new product venture with the same support costs as Claritas. It was noted that there were no new product plans at this time.

Three reflections were offered to the group. First, it was agreed that Claritas did support the mission of CFA Institute. As such, the organization should go bold and link the program to the CFA Institute brand very closely. In the end, this would help with the argument that if you did spend \$5 million in losses, it would ultimately be brand spend. Second, management needed to establish who was in charge of Claritas. This individual would need to figure out the B2B and business-to-business-to-client approach and present status updates to the Board on a regular basis. Third, it was recommended that the organization be clear on the sensitivity of the pricing as this would facilitate commercial success and the broad adoption of the product.

The point on business ownership was noted. Management had been discussing this topic and realized that there was a challenge across the organization in terms of who owned which products. The Managing Director of Relationship Management had been asked to look into this with the Managing Director of Credentialing as well as the Managing Director of Standards and Advocacy.

There were likely two factors preventing the uptake of the Claritas program: the organization's inexperience with B2B, and the possibility that the industry was not interested in a uniform standard of excellence in the industry for all participants. There was agreement that it had been challenging to influence the industry to step up and do what was necessary to become a profession.

The business plan's target to double registration numbers in one year seemed to be unfounded, rather aggressive, and potentially setting up the program for failure. It was explained that the candidate targets had been largely based on uptake from employers and individuals with a smaller contribution from third party networks. While there were no hard figures to highlight, the organization had been talking to firms, such as State Street and BlackRock, about simplifying its product pricing and received positive feedback. Specifically, these firms had indicated that adoption could be more systematic with this change. Universities and prep providers had also shown an interest in bundling the program. Management had been very mindful of how hard it was to predict the future and had carefully considered the candidate targets through FY2019. The intent had certainly not been to set the program up for failure.

There had been many lessons learned from Claritas, such as the need to experiment more before launching a new initiative. The global launch of the program, for instance, was not the best approach. When it was first

presented, the Board was very enthusiastic. Now, looking at the numbers, the Board was asking whether the program was linked to the mission, whether it created any value, whether the organization could make it work, and whether management had provided some good answers in this regard. The link to member value going forward would be key, especially since CFA Institute's perspective had shifted from an education organization to a membership organization over the years.

It was clarified that the cost calculation had included IT expenditures.

It was asked whether or not the organization felt it could defend Claritas in a downturn as this could help inform the Board's decision on the proposed business plan. There was a response that this might not be the best way to approach the issue as many organizations had products that were more important than others.

The three-year plan had provided detail on the elements that would be completed in each fiscal year. The Board should expect to see a trajectory of progress rather than quick results.

It was felt that entry level employees could sustain the Claritas program very well.

There was concern that the third party vendors would not have a strong profit motivation to support Claritas. For instance, there was no evidence to suggest that societies would gravitate toward becoming third party distributors. However, there were some XL societies that had run fairly efficient and sensible operations around prep provision and had their own programs in place. It was added that some universities had already done this as well, just not under the third party umbrella. The Claritas framework had been partially informed by experience in this regard, but management admitted there was much more to learn.

There seemed to be a huge strategic question in the room – whether or not Claritas should be adopted through the lens of the Charter or “gold standard.” If the Board felt it was sufficient to fulfill the mission with a single purpose, that being the high quality, global standard provided by the CFA Program, then Claritas could be defined as a distraction and an expensive one at that. If the Board felt that the CFA Program was not sufficient to rebuild trust in the industry and that an expanded curriculum was needed, then it was a big decision to walk away from Claritas at a time when society, public interest, and regulators were increasing their scrutiny on values and ethics in the investment management industry. If the Board decided that the program was indeed strategically relevant, then the operational question of how to do this became paramount. There were several items that would need to be considered: creating relevance by client type and by region, making an annuity business out of Claritas should the price elasticity testing go well; establishing an aggressive, holistic view on the philosophy of cost; and, determining a strong go-to-market strategy with brand impact and accountability top of mind. The plan should be mission-driven for people's roles and not done in a half-hearted, incremental manner.

There was disagreement that the goals for Claritas were too aggressive. The objective was to try new things to increase the numbers. It would be seen whether or not reducing the price had an impact, for example. Staff had made a careful assessment and would obtain valuable information in the coming year. It was stated that Claritas seemed to provide direct industry value and indirect member value, which could be challenging when discussing the topic with members.

Over the next two or three years, large pieces of Claritas would need to be modularized and others turned into MOOCs in order to hit more targets and offer more options for the program.

FY2017 BUDGET AND THREE-YEAR OPERATING PLAN / DIGITAL CORE TRANSFORMATION

*Presenters: Elaine, Managing Director of Information Technology and Chief Information Officer at CFA Institute
Craig Lindqvist, Head of Global Planning and Reporting at CFA Institute*

Digital Core Transformation (DCT)

The discussion initiated with an overview of the DCT request for increased funding. It was emphasized that the project scope had been moving along as planned, and the organization was still on target to complete 30% by the end of the fiscal year. There had been a strong focus on outcomes associated with efficiencies for the processes as well as with benefits in user experience.

The Board was being asked to approve an additional \$9.2 million increase in DCT funding. \$6.2 million would be purposed to the project budget and the additional \$3 million would be placed into a chairman's fund that would be available to the project if needed, specifically to address any unanticipated risks.

As promised at the start of this project, management was being very transparent about what was happening with the DCT and coming to the Board early with this issue. It was explained that it had taken more time, more hours to implement the technology than originally budgeted. The technology was new and staff had been coming up to speed, but the initial assumptions on the amount of work and level of skillsets needed had been incorrect. The variability factored into the budget at the beginning had not been enough, and management admitted that they had been overly optimistic with their high level estimates.

Management emphasized that they were very confident in this reforecast. They had gone through the detailed definition and design, and identified about 72% of the project, leaving approximately 28% of unknown risk going forward. It was restated that the chairman's fund would be set up to manage these potential risks.

With the budget increase, the business case for IT would become marginally negative in the short term, but did not take into consideration the non-monetary benefits associated with the project itself, such as members' enhanced experience with the renewal process and access to content, and the performance of the new technology as compared to the older systems. Management felt that the business case was still very strong in this regard, especially since these technologies would need to be replaced at some point in the future anyway.

The CEO took ownership of the miscalculation and apologized to the Board for the error. He expressed his full confidence in the Managing Director of Information Technology and her team, and stated that the reforecast had been thoughtfully developed.

The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves an additional forecasted \$9.2 million for the Digital Core Transformation project (\$6.2 million increase for project budget and \$3 million in Chairman's reserve for remaining unexpected issues).

FY2017 Budget and Three-Year Operating Plan

The organization had strived to look at expenses in a segmented way to show the direct member and candidate expenditures. This funding had been meant to provide direct benefits to members and candidates without growing the organization, and could be divided into three categories: brand awareness, society funding and other grants, and program scholarships, all three of which would increase by 35% in FY2017.

The FY2017 budget had also endeavored to improve the organization's efficiency ratios for the first time. Management had been engaged in several efficiency initiatives, including staffing alignment with strategic opportunities, the Strategic Design initiative, fully-costed product-line income statements, and procurement

function support of major vendor engagements. The core component of the FY2017 budget would be to have expenses growing less than income.

In terms of headcount, management had achieved the maximum 637 headcount and would remain committed to that figure while alignment activities continued. FY2017 would be the first year that the organization started and ended with the same FTE.

Another piece of the budget had addressed risk and contingency planning, also for the first time. While early indications had been strong, there were concerns about political developments, such as Brexit and the changing NGO laws in China. The group was reminded that the CFA Program contributed 84% of total revenues. To prepare an orderly response to a business model shock or change, management would prepare a Plan B response to a 5% decline in projected revenue and a more severe Plan C response to a 10% or higher decline in revenue. Together, these contingency budgets would reduce expenses by approximately \$20-\$25 million, if needed. It was stated that management would bring these plans for Board review at the October meeting.

An overview of the primary business drivers and revenues was provided. The organization was forecasting 263,000 administrations for the CFA Program for FY2017 based on a reliable model that had been used for a number of years. The CIPM and Claritas volumes were much lower and expected to bring in a combined total of \$3 million in revenue. Lastly, it was anticipated that global membership would increase by 10% or \$309 million in revenue.

A summary of the expenses by function was also provided. It was highlighted that the Credentialing was expected to increase by 6% or \$5 million while funding on the Member Value side would remain fairly flat. The Standards and Advocacy function was expected to increase slightly due to support for regional advocacy efforts with societies as well as increased funding for Future of Finance activities. Looking at Relationship Management, there was a substantial increase for society relations, B2B, IPart and other activities. Similarly, Services Delivery would see a significant increase of about \$10 million, with half going toward the Brand Campaign and the other half going toward regional and product line marketing efforts. The Enablers function was expected to experience the biggest increase, mainly due to the Strategic Design initiative, which would have a positive financial and effectiveness impact on the organization over time. Lastly, Internal Controls would continue to grow to support the compliance, ethics, and risk management activities.

Overall, a positive operating margin of \$2 million was anticipated for FY2017. In addition, the change in net assets was expected to increase by \$7 million, and capital investments, which were largely driven by the DCT, were expected to increase by \$12 million.

The major investments in the FY2017 budget had included increasing brand awareness spending from \$16 million to \$22 million, increasing society funding and direct support from \$10 million to \$14 million, and had assumed Board approval of the Claritas and DCT proposals. Other considerations included variable costs to service 8% of candidate growth of approximately \$3 million, an increase in employee-related costs of \$6 million, an organizational efficiency investment of \$3 million in Strategic Design, and further investment in internal controls of \$2 million for the expanded compliance, risk, and ethics function.

Based on the discussions of the previous agenda item, the Board Chair asked that the Claritas budget be removed from consideration pending further dialogue amongst the governors. With that caveat noted, the following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the Proposed FY2017 Budget and Three-Year Operating Plan substantially in the form submitted.

Questions, Comments and Resulting Discussions from the Board:

It was explained that consultants had helped the organization with the original DCT budget. In fact, their estimate had been significantly lower than what was initially recommended by management. In defense of the consultants, however, it was noted that the amount work associated with the underlying processes had not been considered by either party. It was clarified that while the work was primarily being done by a contractor, key staff had had complete oversight of the project management team, technical leads, and the architecture. Some of the development teams brought on board by this contractor had not fared well, and this turnover had negatively impacted the project. Though the turnover was likely not the primary reason the estimate had gone up, it was likely the primary reason it took management a while to figure out. Additionally, the cost increase had not risen fast enough for staff to see what was happening in real time, whether it had been a lack of skills, a lack of staff, or simply the need for more time to execute.

The Managing Director of Information Technology was commended for her transparency and accountability. It was stated that Scott Proctor, CFA, had spent a lot of time with the Managing Director of Information Technology and believed that she and her team had done a very good job in assessing the current state and future budgetary needs for the DCT. The recommendation going forward would be to track expectations, focus on the outcomes, and continue to escalate any issues to the Board as early as possible.

It was stated that progress from the user experience had been great, and there were no anticipated changes to the DCT's goals of 80% satisfaction with the digital experience, increased efficiency in the back office, and enhanced integration with the societies.

The DCT team had been fully empowered to bring issues forward without any negative repercussions. The group met regularly to discuss risks and figure out ways to openly work through these issues.

The Board would see examples of the changes occurring with the DCT in the coming months. The content was far along, but not far along to show to the governors just yet.

Money had been set aside in the chairman's fund to ensure that these dollars were there in case of unanticipated issues with the DCT. This fund was controlled by the CEO and the Board Chair, and a request would have to be made to release any of these funds. The main purpose was to provide a confidence level with the Board and prevent the need to come back for additional funds.

It was remarked that the Planning Committee had devoted its most recent meeting to review of the budget, and had found the summary very fair and comprehensive. The committee had applauded the clarity that the new format brought to the budgeting process. The emphasis on measuring efficiencies had gone up, and the Board looked forward to tracking these efficiencies going forward. It was noted that, if approved, the budget would increase expenses by 30% over the next two years.

The concept of directly redeploying cash to member value and candidates was appreciated.

With a flat headcount and in order to address the growth coming from China, the organization would need to become much more creative about how it might cut costs in one area and accomplish its strategic initiatives in another. There was agreement that a flat headcount was a good exercise for CFA Institute to make the organization think about where to position staff in three years' time.

With regards to the Gallup Survey, the CEO was advised to pay close attention to the shape of the organization to ensure that the top levels were ensuring staff could flourish and succeed. CFA Institute was aware that CFA Institute had many heads and directors and not as many people supporting these levels.

It was stated that budget resources had been organized well. The contingency plans were briefly described, but it was highlighted that these would be more clearly defined by October.

At present, there was no incentive for staff to spend below their budget as this would likely result in a reduced budget for the following year. In order to motivate employees to save money and be more efficient, the organization had been looking to move every cent saved to benefit the membership. This “pass-through” concept would give staff a reason to save money. Every dollar saved and earned needed to be spent wisely, and input from the governors was welcomed.

THURSDAY, 21 JULY
11:00 TO 12:30

INVESTMENT COMMITTEE

*Presenters: Michael Trotsky, Board of Governors Member and Investment Committee Chair
Jack Dwyer, Principal at Mercer*

The work of the Investment Committee (IC), which had included revisions to the IPS, review of asset allocation decisions made in the spring, and discussions on the future committee activities in FY2017, was presented to the group.

The IC had been comprised of Michael Trotsky, CFA (Chair); James Jones, CFA; Tony Tan, CFA; Bob Dannhauser, CFA; Simon Cawdery, CFA; and, two ex-officio members – Sandra Peters, CPA, CFA, and Kim Maynard. These individuals were thanked for their efforts in the past year. Looking ahead, Mr. Jones had volunteered to explore options to replace or supplement CFA Institute’s commodities exposure in the fund, and Mr. Dannhauser and Mr. Tan had offered to conduct an in-depth analysis of the history of the organization’s ESG policy. In the coming year, the IC would ensure that the ESG goals were reflected in the reserve’s investment policy.

Jack Dwyer, a principal from Mercer, was briefly introduced to the Board. It was explained that Mr. Dwyer had been consulting with and advising the IC in FY2016. With his assistance, the IC would review the purpose of the reserves, the strategic goals of the reserves, and the asset allocation decisions that had been made, which had largely been kept to a 60/40 mix.

It was stated that the asset allocation decisions up for Board approval would all slightly reduce portfolio risk while slightly increasing the expected return of the fund. In addition, these decisions would save the organization about \$65 thousand a year in fees. The IC had also held discussions on investing only in passively managed products; this would be a 100% passively managed or index type of reserve account. The IC still wanted more time to review this possibility before bringing it to the Board for input.

An overview of past and future IC activities was provided. The group was reminded that the IC had been created not because the reserves were being managed incorrectly by staff, but because the asset base had grown so large that both parties, the Board and staff, wanted to ensure that these funds were being managed in line with best practices. Once established, the IC had then gone through the process of evaluating investment consultants and ultimately selected Mercer, and then proceeded to go through processes of approached timing portfolio objectives. The IC had agreed to continue with the assumption that the reserves were primarily a target of one year’s operating expense. The IC had also conducted a survey on risk and return, revisited the investment policy decisions, drafted revisions, and had now come back to the Board with these

outcomes for discussion and approval. Specifically, the Board would need to vote on the three governing documents included in the materials: the IPS, terms of Reference, and reserves operating guidelines for the IC.

As stated during the FY2017 budget report, the reserves had reached over \$300 million, which was an increase of 5.1% or \$7.8 million in added value since the beginning of the fiscal year. At present and pending further approval from the Board, the IC had been operating under the assumption that the net contingency reserve balance should be 100% plus or minus 20% of one year's operating expense.

Based on Mercer's review, CFA Institute's IPS had been in good shape and required relatively minor changes, mostly to add specificity to the document. The return goals, for instance, now defined a particular return objective, a long-term target of the Consumer Price Index plus or minus 3.5%. The inflation target over the next 10 years was expected to be 2.2%, which, in the current environment, would result in an estimated 5.7% target return over the next 10 years. Furthermore, the IC had added a broad benchmark of 60% MSCI All Country World Index / 40% Barclays Aggregate for the Total Fund to provide another level of comparison.

Another item in the statement that required more definition was liquidity. The reserves now needed to be able to support the organization's business needs in the event of a shortfall in cash inflows over cash outflows. To meet this goal, the revised IPS stated that at least 90% of the prior year's operating budget must be held in daily liquid vehicles. In the new IPS, there would be no allocation to commodities. The statement would allow for some flexibility, but ensure that the reserve could serve its primary objective of providing liquidity in the event it was needed. In addition, there was now language included that insurance policies were to be used only as replenishment of funds, and not as a source of liquidity.

With regards to asset allocation, as previously stated, the 65% risk assets / 35% safe assets had been adjusted to a 60% / 40% split, with the allocation to safe assets redefined as low volatility assets. The concept of an "opportunity fund" had been eliminated. While investments in that realm could still be made, they would be categorized in their specific asset class (i.e. high yield bonds). The Investment Committee had viewed this as an implementation decision rather than a policy decision. It was stated that the new allocation would anticipate a continued lower inflation environment – maintaining the tips allocation but lowering the real asset allocation from 16% to 6%.

Based on the expectations, the new IPS had similar risk characteristics to the old version. It slightly increased the expected return over the long-term, 10-year horizon, but maintained the current standard deviation and probability of a 10% loss. Other changes of note included the elimination of the requirement to hedge nominal non-US developed markets fixed income, the addition of a conflict of interest statement, and the roles and responsibilities of the IC Chair, Treasurer, and Investment Consultant.

The following was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves the proposed version of the investment policy statement for the reserve fund substantially in the form submitted.

Questions, Comments and Resulting Discussions from the Board:

To provide further clarification, the Board would be provided with a document that showed all of the merger's returns over the next 10 years as well as the capital markets assumptions.

It was noted that all of the investments were highly liquid, so that CFA Institute could get its money back quickly. Whether 90% liquidity was needed had yet to be determined and could be revisited again in the future. The IC had operated under the assumption that the organization would not have immediate access to

its insurance policies in the event of a catastrophe. It was also assumed that this catastrophe would cause some dislocation in the markets and cause the value of the reserve funds to fall anyway.

The IC would consider the appropriateness of the 60/40 asset allocation every year and based on market activity, evaluations, opportunities, and the needs of CFA Institute. The Board would also be surveyed to determine the governors' comfort level with risk return. The IC had done its best not to make any drastic changes before conducting this assessment.

The current portfolio size was close to the one-year operating budget. If there had been more of a surplus over that target, the IC might have been more comfortable taking risk in the portfolio.

The \$35 million line of credit would not impact how the organization invested, but would provide the opportunity to bring in more money from cash operations into the portfolio, where it had the chance to earn a positive real return instead of being zero in cash. It was emphasized that if additional cash was received, it would be invested in exactly the same asset allocation approved by the Board in Santa Monica. During the financial crisis, it had been very difficult to access lines of credit. With one in place going forward, it would reduce the finance team's requirements to hold onto cash in case of a downturn.

The biggest advantage in having a line of credit was that, if necessary, the organization could access funds in the short term period from this source rather than pulling money out of the portfolio. This would subsequently reduce any associated transaction costs or efforts.

Looking ahead, it was asked if the organization would have an operating or strategic reserve. The IC felt that this was beyond their scope. Should the reserve grow in excess, then it would require input from the Board and management on what to do with these funds.

It was asked that the Chief Compliance, Risk and Ethics Officer be included in the IC's future discussion on ESG policies. The Chief Compliance, Risk and Ethics Officer would also be circulating a working paper on the subject to the Board in the next day or so.

FELLOWS PROGRAM

*Presenters: Nitin Mehta, Managing Director of Member Value
Nancy Dudley, Head of Key Stakeholder Services at CFA Institute*

The Board Chair announced a change in the agenda, that the Fellows Program would be discussed at the Planning Committee level once more, specifically some of the terminology being proposed, before it was brought back to the full Board in October. **The resolution proposed in the meeting materials were not acted on.**

ADVOCACY WORKING GROUP REPORT

*Presenters: Fred Lebel, Board of Governors Vice Chair and Advocacy Working Group Chair
Kurt Schacht, Managing Director of Standards and Advocacy at CFA Institute*

The Standards and Advocacy (S&A) function had undergone many reflections, thoughts, and interrogations. The Advocacy Working Group (AWG) had been several times, always with the Managing Director of S&A, to think of how these activities could contribute to the membership and become more relevant to CFA Institute, the investment profession, and society overall.

The AWG had inspired discussions and ultimately changes to the S&A budget and work plan through FY2019. It was felt that the new approach would be more transparent, inclusive, and focus on member value.

There would be three major items discussed, including the three-year budget allocation and work plan for S&A, the metrics for member satisfaction, which had been a big discussion topic for the AWG, and the modified structure of the S&A group.

The total S&A budget for FY2016 had been \$40.6 million, or \$15.6 million of direct operating funds and about \$25 million of organizational overhead. This had represented approximately 15% of CFA Institute's overall budget spend. The breakdown of direct to member vs. indirect to member activities for FY2016 was provided. It was explained that direct to member was advocacy work focused specifically on the member as the primary audience and designed to deliver more of an immediate member awareness, appreciation, and satisfaction for the work. Indirect to member was advocacy work largely being conducted in the regulatory area to advance the awareness of CFA Institute's expertise on policy and so forth, and designed to deliver benefits to member value over the longer term. In the past year, the allocation had been 42% toward indirect and 58% toward direct, or \$16 million and \$23 million respectively.

The features of the AWG plan included member engagement in content selection and the regulatory agenda, additional resources to the Future of Finance to focus on key emerging issues, increased Board and society engagement through Sub-Regional Advisory Councils, attention to metrics that ensured members were aware of the work and satisfied, and changes to the S&A structure.

The member engagement piece was presented in more detail to the Board. While there had been a global advisory council to help the organization evaluate and consider ideas for advocacy, this would change going forward. CFA Institute would continue to cover the European Union as well as national regulatory issues in the US; however, there would now be two sub-regional advisory councils, one focused on each, so that content could be prioritized based on what the members wanted. It was recognized that there were many other societies and sub-regions to address. The S&A function was planning to provide additional support through better training and resourcing, and improved access to content expertise to elevate society engagement and awareness of the advocacy work. In FY2017, there would be a 36% increase to back society initiatives. Furthermore, the S&A function would be seeking member input on the regulatory agenda, both in Brussels and Washington, through the sub-regional advisory councils and surveying society leaders in the region.

There had been a separate strategic review conducted for the Future of Finance (FoF), and the following adjustments were recommended: additional research; additional staffing for content production and managing events, specifically Women in Investment Management and Putting Investors First; utilizing the FoF Advisory Council members more as ambassadors; increasing Board participation at the FoF Advisory Council meetings; and, providing regular FoF updates at the Board meetings going forward (at least twice a year).

In terms of Board engagement, the governors would be encouraged to be part of the sub-regional advisory councils, and would receive regular updates at the in-person Board meetings as well as a monthly newsletter detailing the top five or six items occurring in the S&A world. There had also been discussion on creating a dashboard. Lastly, S&A would be focusing more on the promotion of its content through a dedicated product manager in order to generate member awareness. The organization was looking at establishing a new advocacy digest to summarize S&A's yearly activities and potentially even adding language to the member dues statement.

Assuming implementation, the allocation of resources within the S&A function would change in FY2017. The total budget would increase by 15%-16%, with the spend on indirect to member activities decreasing to 31% and direct to member activities growing to 69%. The objective would be to improve the key metrics in the member satisfaction survey. The four targeted questions within the 2016 member satisfaction survey were

displayed for the group. The average of these four satisfaction scores, or 76%, would act as the baseline for S&A, which would seek to move that figure up to 80% by FY2019.

The new structure of the S&A function was presented. The former six departments had been consolidated into three major categories: Regulatory Engagement (included Capital Markets and Financial Reporting), Industry and Policy Research (included Future of Finance, Research Foundation, and ARX), and Professional Standards (included Code and Standards, GIPS, and AMC). It was stated that the realignment would be headcount neutral, and enhance collaboration, particularly in the thought leadership and research areas, and team focus. Supporting these three elements would be Society Advocacy Engagement, which would help with content delivery to and relationships with local societies. It was noted that a thorough communications plan would be needed to describe these structural changes occurring both internally and externally.

Questions, Comments and Resulting Discussions from the Board:

The changes and improvements to the S&A function were appreciated. At present, the regulatory issue with the biggest potential impact on members seemed to be compliance. There was a great opportunity for CFA Institute to help members understand the maze of regulations, especially in the global context.

Execution would be the challenge for the S&A group. Engaging societies early in the selection and ownership of the advocacy agenda would be a substantial effort and mean different things in different countries. Furthermore, S&A had been working in a silo within the organization, and the added layer of member buy-in and support would move the group to work across all of the functional pillars.

The Board wanted to see a coherence of content that brought the organization together across the strategic functions and the three regions. It would be great to see the Leadership Team and Board talking about the same things at the same time and in the same way on an annual basis. The ability for everyone to act as a spokesperson would be key.

The Managing Director of S&A as well as other members of the Leadership Team, and members of the Board were encouraged to join any of the regularly held PCR calls. This would provide PCRs with an opportunity to listen and contribute, whether in the form of ideas or actual execution of an effort.

In the coming years, the organization wanted to see the content choice coming out of a two-way conversation with the societies and members to increase the ownership factor among all parties.

LUNCH WITH STANDARDS AND ADVOCACY PRESENTATION

*Presenters: Roger Urwin, Consultant for the Future of Finance at CFA Institute
Rebecca Fender, Head of the Future of Finance at CFA Institute*

The group was reminded that the Future of Finance (FoF) had come about as a result of the Board strategy review in 2011/2012. The initiative had launched in March 2013 and was made evergreen in 2014.

It was explained that the leadership changes at CFA Institute had interrupted the smooth progression and expansion of FoF, which had led management to hire Roger Urwin, FSIP, as a consultant to act as the executive leader of the initiative. It was noted that Mr. Urwin had been an architect of the original initiative during his time as the Planning Committee Chair from 2010 to 2012, and currently sat on the FoF Advisory Council. Mr. Urwin's role would work through the Managing Director of Standards and Advocacy (S&A) to help the Leadership Team and the Board developed the FoF into a stronger value proposition for the organization.

Following senior stakeholder discussions, consideration at the Advocacy Working Group, and Leadership Team engagement in late March, a rough outline of the FoF goals, strategy, and governance had been determined. It had been agreed that the FoF initiative ranked as a high priority near-term and long-term goal for CFA Institute, and that the new organizational structure had helped to enable that objective, with Mr. Urwin having overall leadership working with the Head of the Future of Finance, and the Managing Director of S&A providing direction and oversight. Increased resourcing would be required. In addition, there had been a consensus that the FoF should build effective engagement with the Board, especially since the governors had various strategic objectives tied to the FoF, including the desire to use the FoF to inform its own strategic thinking. There was also the idea that the FoF leadership should play a role in helping with the alignment of the interconnected parts of the organization's delivery content (i.e. S&A, Member Value), and that the FoF should be judged in reference to member satisfaction, awareness, recognition, and impact, specifically to the success of thought leadership. Lastly, it was felt that the FoF should be responsible for creating the vision for the State of the Investment Profession project and playing the leading part in its accomplishment. Management had committed to providing a high-level and engaged project sponsorship to help secure its ultimate success.

The Board was being asked to consider these elements and the high level issues facing the FoF. Staff was eager for the governors' input and guidance.

Questions, Comments and Resulting Discussions from the Board:

Focus and impact would be critical for the FoF to meet its goals.

The Board expected the best results to be derived from a highly targeted list of topics. Various ones were suggested, including: establishing greater trust; defending industry reputation; product design; retirement (contentious area) and lifetime saving; culture in the industry; the investment macro and low interest rate issues; financial literacy and putting investors first.

There was recognition that the need for attention did not map to the ability to impact. The focus had to extend to how thinking would be distributed, whether through societies, media, presentations, reports and/or tool-kits. This socializing element would be critical to thought leadership success, alongside the attributes of arresting and actionable content.

The positioning of the FoF against more traditional S&A content and activities was acknowledged. It was stated that the FoF and advocacy should always move in sync. The FoF had a natural priority in forward-thinking and change, particularly with investment firms, beliefs and principles. By contrast, the rest of S&A had a natural priority with the present, particularly with regulators and standards. The essence of the FoF would be to have a well-positioned and coherent belief system that could be utilized by any of CFA Institute's stakeholders.

The Board's diversity inevitably produced a range of perspectives, which was acceptable in that the Board represented a cross-section of the ecosystem that the FoF should be using to generate its ideas. However, in another respect, the differing opinions did create issue in that the FoF heard the desire for focus and then received an array of ideas for how that focus could be directed.

The FoF had faced many execution challenges thus far.

There had been an inherent difficulty in dealing with multiple geographies. The many perspectives of societies and others should not be overemphasized and would require strong mediation and focus.

The resourcing and leadership issues around the FoF had not been helpful to its implementation, but it was hoped that the organization was headed in a new and positive direction in this regard. The FoF initiative would continue to rely on precise focus, enlightened culture and leadership, tight execution, clear measurement, and accountability as its enablers for success.

Recent work by the FoF needed Board input.

The Putting Investors First initiative could use some re-focusing. The Board was encouraged to consider how the organization could embed this more into one of its core initiatives.

The Trust to Loyalty project had been well-directed and was expected to continue to draw attention to an area where CFA Institute had been supporting positive change.

The State of the Profession Initiative would represent a big challenge in terms of execution. The Board was asked to follow progress on this particular item as it related closely to the CFA Institute strategy, particularly Credentialing and Member Value. The internal steering committee had reflected on this as well.

There had been increasing opportunities to drive the content and agenda of the societies, who now had the funding and just needed advice on how to spend it well.

FoF and Board dialogue was appreciated and rewarding.

The dialogue between the FoF team and the Board had been valuable to both sides. It had helped the Board become closer to financial issues and sharpen its strategic focus while moving the FoF in the right direction. The FoF team would reflect on its focus and execution, vision and mission, edge, and seek future engagement with the Board.

FoF undertakings following Santa Monica were announced.

Staff would endeavor to refine the initiative's focus and check back in on FoF projects with the S&A liaisons (Bob Jenkins and Mike Trotsky) and with the Board when appropriate. In addition, the team would use the Board FoF survey results to inform FoF priorities, keep the Board apprised and engaged on the State of the Profession initiative, hold a similar session with the Board at a future in-person meeting, and be fully available to the Board as a strategic resource.

FRIDAY, 22 JULY
09:00 TO 12:00

PRESIDENTS COUNCIL CHAIR REPORT

Presenter: Daniel Fasciano, Presidents Council Chair

Since the increased society funding had been implemented, the PCRs had been working with their society leaders to document and share activities on how the additional funds were being invested. The governors were encouraged to review the regional reports.

The Managing Director of Services Delivery and his team had been keeping the PCRs updated on the Brand Campaign and offering ways on how to attract future stakeholders and extend the message locally. The PCRs were eager for more information from the marketing group in the coming year.

The Presidents Council (PC) Chair would be paying close attention to society activations and renewals now and into next year. The society relations team had created a data book, which showed the demographics, retention rates, and growth trajectory for each of the societies. This would help to more quickly orient the new society presidents and direct their focus to any potential problem areas.

It was noted that the Head of the Claritas Program had been engaging with the PCRs on Claritas. The PCRs would continue to partner with the organization and help wherever needed, and had been very much sensitive

to and mindful of the goals of the Board and Leadership Team. Having individuals from these groups join the regular PCR calls in between the in-person meetings was always welcome and was a great way to cascade ideas out to societies and obtain feedback, positive or negative.

It was announced that Anne-Katrin Scherer, CFA, would be the PC Vice Chair in FY2017. This had been approved by the PC's Executive Committee. Other appointments included Ken Yee, CFA, as a member of the Board's Nominating Committee and Phil Graham, CFA, as Chair of the PC Governance Committee.

As a reminder, the regional meetings would be taking place in the fall, and the Society Leadership Conference would be taking place near the Annual Conference. Board members were encouraged to attend these events.

Lastly, it was reported that Aaron Brown, CFA, had led the PCRs in a strategy session onsite in Santa Monica to ensure the group responded well to the imminent changes to the Board committee structure. The PCRs wanted to be prepared to help with the transition as needed.

Questions, Comments and Resulting Discussions from the Board:

It was asked what would be useful to small, medium, and large societies in terms of prepackaged content on the advocacy front. The PC Chair was a bit leery of prepackaged solutions, because he would not want the societies to feel limited in any way. The experts at the Board and Leadership Team level should consider attending the PCR calls to talk through these issues and hear the different regional perspectives to determine if the organization had the right products at the right price and if they were being positioned properly. It was agreed that size consideration would be important as well.

The PC Chair felt that technology and branding had been two successful areas thus far. There was still a great deal of work to do on both sides; and, as volunteers with day jobs, the organization would need to consider how to arm societies to have a real impact within their regions.

It was clarified that the PC Chair would like to see content built and open-sourced. The organization could offer societies a suite of products, but they still might need more guidance on which ones to use and the ability to tailor these products to address their needs locally.

All audiences were encouraged to be open to new solutions. There was an understanding that great ideas could filter down from CFA Institute as well as up from the societies, and that if one resonated well in multiple locations, it was likely worth exploring further.

With regards to society engagement, while the survey results continued to increase, there had been a number of different experiences reported anecdotally around the world. Staff had been very diligent about obtaining society feedback year after year. In the PC Chair's six years as a PCR and as Chair, the mood had never been better. The trajectory had been great, and there were measurable changes to point to due to the work of staff, volunteers, and the Board. The PC Chair would continue to move this effort forward, and advised the Board, Leadership Team, and PCRs not to take their relationship for granted.

The decline in membership activations had been a concern. The PC Chair would be traveling to Charlottesville soon to discuss this very topic with staff. The objective would be to learn how to interpret the data and consider solutions. It was stated that the idea of member dues bundling might be a viable solution, and the PC Chair would certainly be involved in that conversation.

BOARD COMMITTEE REPORTS

Presenters: Colin McLean, Audit and Risk Committee Chair

Heather Brilliant, External Relations and Volunteer Involvement Committee Chair

Robert Jenkins, Planning Committee Chair

Aaron Low, Compensation and Governance Committee Chair

Michael Trotsky, Investment Committee Chair

Beth Hamilton-Keen, Executive Committee Chair

Audit and Risk Committee (ARC)

One of the ARC's biggest topics for the year had been the arrival of the Chief Compliance, Risk and Ethics Officer and helping him to build out his team and establish a Conflict of Interest Policy and a risk management structure. The ARC had also held a review session with the Head of Internal Audit and was pleased to report there were no concerns had been reported during either the open or independent session. In addition, the DRC had provided an update to the ARC; and, again, no issues had been raised in that regard. As the fiscal year concluded, the ARC would be conducting a review of the committee's effectiveness and considering recommendations for future improvements. Lastly, it was noted that the ARC Chair would be helping his successor, Scott Proctor, CFA, with the transition for FY2017. A full summary of the committee's work had been provided in the materials.

External Relations and Volunteer Involvement Committee (ERVIC)

The ERVIC had been primarily been working on developing the Society Partnership Advisory Council (SPAC) Charter, which would be discussed in more detail later on in the meeting. It was also highlighted that the committee had discussed society funding and how to deploy it effectively, and heard a report from the society relations group on the three major areas that societies had been focused on, including infrastructure, engagement, and branding. In addition, there had been an update on the new membership model, which staff would be discussing with the societies in the near future. The objective, in the longer term, was to potentially replace the affiliate member with this local member class, one that would include candidates, particularly those who had passed Level II but were not yet eligible for full membership, and other professionals. A full summary of the committee's work had been provided in the materials.

Planning Committee (PC)

The PC had met twice in the month of July. The focus had been to review the FY2017 budget and the financials, an effort which the Board would head up going forward. The new, concise format would help the Board track performance relative to budget in the coming year. Committee and staff members had all contributed to its refinement, and governors were encouraged to offer their insights as well at any time. The PC members, PCR and staff liaisons were thanked for their efforts over the years.

Compensation and Governance Committee (CGC)

The CGC had met in Santa Monica and approved the termination of the current Long Term Incentive Plan (LTIP) for management and participating executives. The committee agreed that the LTIP was no longer effective and would be replaced with a lump sum payment. In addition, the CGC had talked about benchmarking and started the process of reviewing the CEO's performance, which would be completed near the end of FY2016.

Investment Committee (IC)

After yesterday's discussion with the Board, the IC would be holding an emergency session to consider tactical asset allocation moves away from the 60/40 split.

Executive Committee (EC)

The EC had been spending time on preparing for the upcoming Board meeting, laying out the year ahead, and planning for the imminent governance changes, such as reviewing the various Charters for the new committee structure. It was noted that a number of draft position descriptions had been included in the materials for the Board's review. These had been meant to provide clarity and transparency on the roles and responsibilities for the various positions. In addition, the EC would be discussing training and guidance for the Board liaison roles to the strategic functions.

GOVERNANCE PROJECT / PUBLIC COMPANY STANDARDS IMPLEMENTATION

Presenter: Sheri Littlefield, Chief Legal Officer at CFA Institute

The Board was reminded that there had been two main takeaways from the Brussels discussion on the Public Company Standards (PCS) project.

The first item had been for staff to provide the Board with a work plan that laid out the timeline and costs to implement all of the approved elements. This work plan had been provided in the materials and showed a total budget of \$1.5 million to make the requested changes over a three-year period. Great progress had already been made, and feedback from the governors was welcome.

The second item had been further discussion on the 302 and 404 compliance standards under Sarbanes-Oxley. The Board would be receiving a training session on the subject in Santa Monica and have time to consider several options for the organization going forward.

It was reported that the proxy statement gaps had been closed per the work conducted earlier in the year. In addition, the draft job descriptions for the Board Chair, Board Vice Chair, Board Past Chair, Board Members, Board Committee Chairs, and SPAC Co-Chair as well as the draft charters for the new committees had been made available to the governors for review and input.

It was emphasized that the SPAC Charter was the only one being presented to the Board for approval in Santa Monica. While the others would need to go through the current committees, the ERVIC members had already reviewed and revised the SPAC Charter. The changes had included a slight adjustment to the purpose statement, the Managing Directors of the strategic functions participating on a rotating basis, and more flexibility with regards to the meeting requirements (i.e. when, where, frequency, etc.).

With the Managing Director of Relationship Management taking ownership of the regional heads, the ERVIC had thought that it made sense to ensure the functional Managing Directors were uniformly represented as well. The committee had also been mindful of the composition and wanted to keep the council at seven voting members. There would be many opportunities for the governors, PCRs, and staff members to attend SPAC meetings and participate.

The Board was advised think of the current SPAC Charter as the first version for the group's first year in operation. The ERVIC felt that the Charter could be revisited and would be per the requirements stated within the Charter itself.

It was noted that the remaining Charters would be put through the existing committees for further feedback and put out for Board approval before the end of the fiscal year. The following resolution was approved unanimously:

RESOLVED, that the Board of Governors accepts and approves Society Partnership Advisory Council Charter substantially in the form presented.

The following resolution was tabled for a future meeting:

RESOLVED, that the Board of Governors accepts and approves the following Charters substantially in the form presented.

- 1) Executive Committee Charter**
- 2) Compensation Committee Charter**
- 3) Audit and Risk Committee Charter**
- 4) Nominations, Governance and Awards Charter**
- 5) Investment Committee Charter**

Questions, Comments and Resulting Discussions from the Board:

It was stated that there had been no concerns associated with the implementation plan; however, there had been some items that were time sensitive, such as the 10K work to be conducted by the finance team. Overall, everything had been moving forward as expected. The proposed timeline had been carefully considered in terms of what was manageable and achievable with regards to the staff and monetary resources required. The biggest remaining issue would be the Board's decision on 302 and 404.

The upcoming changes to the organization's Articles and Bylaws were briefly summarized. The reduction in the number of governors serving on the Board would be one; however, the majority would not be related to the PCS project. The articles, for example, would need to be revised to clarify the scope of CFA Institute's advocacy work. Many of these amendments would flow from the finalized Charters, as well as decisions on the Fellowship and society membership requirements. The Board would need to determine the extent of the changes to the Articles and Bylaws by October for a number of reasons. The organization would need time to develop appropriate communications plans to socialize the modifications, and to work on the necessary governance materials, such as the proxy statement.

The Board was reminded that the PCS work had already been explained to the members via the annual report, the proxy statement, and the speeches at the Annual General Meeting.

The CEO thanked the Chief Legal Officer and the rest of the Leadership Team for all of their efforts on the PCS project.

NOMINATING COMMITTEE REPORT

Presenters: Beth Hamilton-Keen, Board of Governors Chair

Aaron Low, Board of Governors Past Chair and Nominating Committee Chair

The Nominating Committee (NC) Chair started by commending his fellow committee members for their contributions in FY2016. An update on the NC's activities was then provided to the group.

The nominating process had been accelerated to address decisions on the Chair, Vice Chair, Governor Re-ups, and New Governors, with the last two being the most demanding for the committee. A snapshot of all the elements that needed to be in place before November, when the nominees would be notified, was articulated in the materials.

It was stated that the NC would have a challenging job next year in terms of Governor Re-ups to address the Board's decision to reduce the Board's size to a minimum of 15 by FY2018. Re-ups would no longer be a matter

of course over the next three years due to the future direction of the Board. The NC would continue to identify high quality, experienced Board members who could perform as soon as possible post-orientation.

The NC had been updated and refining its database, which currently had about 100 to 120 names. The short list would be reviewed to help the new NC expedite the decision-making process. This would be a regular occurrence going forward to improve continuity.

A Venn diagram was provided to show the outward facing guidance on governor nominations. The overarching link was the mission and value. The Board had a need for individuals who had the background or influence in the investment profession to advance CFA Institute's mission, strategies, and direction. Furthermore, the Board would seek members who knew the organization well and/or had specific experience in education-centric, non-profit, or member-serving global organizations. One layer down was the PCS perspective to recognize CFA Institute's leadership role in advocating for high standards of governance and reporting in the investment management profession. The third and final level down was the Board composition, which took into consideration experience, representation, diversity, and contribution. These metrics would give the NC a better idea of a candidate's qualifications and offer some transparency on the process to the Board.

The Board was reassured that candidates underwent a rigorous review, which was as objective as possible and fair. Furthermore, it was stated that the metrics and process, not the candidate short list, were the primary drivers.

There were several competencies that were critical to deciding on the Vice Chair and other nominations, including business judgment, interpersonal communication and style, cultural sensitivity, tone at the top, and passion for the CFA. These had been recommended by Spencer Stuart to better shape the NC's deliberations. It was acknowledged that the competencies needed at the Board level would change over time.

The current state of the Board, which showed those governors entering their first, second, or third year term, was overviewed. In addition, a chart visualizing the Board's size and gender diversity through FY2021 was discussed. The Board was on a path toward a maximum of 15 individuals and a minimum of 30% women. The guidance was overarching, but not too rigid for the NC to achieve these goals.

From a good governance aspect, the NC process could not be fully described, but it was reiterated that it each member had an equal vote, and the dialogue was fair, unbiased, and not driven by any one personality on the committee.

The Board evaluation process, which would include the annual Board Evaluation Survey and the results of Spencer Stuart's performance review, would help to inform the NC's decisions in FY2017. It was highlighted that the Leadership Team had also been surveyed and that their input would be provided to the NC as well. These three elements would be communicated to the NC, and a generic report would be circulated to the full Board at the end of August. It was added that each governor would have a 30-minute debriefing session with Spencer Stuart as part of the feedback process.

Questions, Comments and Resulting Discussions from the Board:

The NC's effort, organization, and transparency was commended. It was clarified that before considering candidates and the qualities needed, the committee would think about the future direction of CFA Institute, especially from the CEO's perspective. The governors were encouraged to bring specific ideas forward on how to improve the nominating process. The NC would particularly like to collaborate more with the Board on potential names for the database.

The committee had been discussing the creation of a formal mentoring process, by which a rolling list of high level candidates would be mentored by a few governors. The objective would be to involve these candidates in some capacity with the ultimate goal of bringing them onto the Board over a period time.

The NC would continue to use the matrix to see which diversity elements (i.e. professional experience, gender, geographic location, etc.) were currently on the Board and which ones were missing. At present, no specific gaps had been identified. It was noted that the diversity blend would evolve over time as the Board transitioned from 19 to 15 individuals, and the committee intended to look at any potential gaps over a three-year horizon rather than a twelve month period. The matrix would be shared with the governors to better inform their candidate recommendations.

As stated in the bylaws, the Board could have two non-regular members serve. The rest would need to be regular members. In addition, only charterholder members could vote on the MPS for the exams.

DISCIPLINARY REVIEW REPORT

*Presenters: Craig Giventer, Disciplinary Review Committee Chair
Sheri Littlefield, Chief Legal Officer at CFA Institute*

The Disciplinary Review Committee (DRC) Chair, Craig Giventer, CFA, introduced himself to the group. The Board was thanked for their support and recognition of the DRC.

The DRC was a volunteer body of 32 members who were charterholders and certainly took their position very seriously. The committee's primary purpose was to enforce the codes and standards, and protect the Charter, the membership, and CFA Institute. On average, a DRC member spent approximately 300 hours a year preparing for and adjudicating cases. It was noted that this did not include all the travel time associated with these cases.

During FY2016, the DRC had heard over 125 different cases, both on the exam and industry side. It was highlighted that the Early Resolution Agreement (ERA), which had recently been implemented by the Professional Conduct Program (PCP), had allowed for the PCP and covered persons to go through the disciplinary process in a faster manner and, at the same time, also helped the DRC with its workload.

In addition to hearing many cases in the past year, the DRC had also conducted a great deal of training, especially at the formal spring and fall meetings. One of the DRC Chair's objectives for the upcoming year would be to establish online and on-demand training. It was also emphasized that the Board's role on appeal panels had increased with the new rule and procedures that went into effect in late 2015. There were now two voting members from the Board instead of one voting member and one alternate. As such, the governors were encouraged to ask for training and support from the DRC and/or PCP at any time.

In terms of trends, caseload volume had been increasing and was expected to continue to increase going forward. On the exam side, it was explained that the exam counts drove the volume of exam cases. While the infractions were typically a very small percentage of overall exam counts, about 1%, the absolute numbers still increased as the exam counts increased.

As compared to exam cases, there were normally fewer industry ones. However, the organization had been preparing for more industry cases to come out of the APAC region. The PCP had been committing additional resources to their efforts by increasing their staffing in Hong Kong. Industry cases were also expected to increase due to the fact that global regulators had become more active. It would be imperative for CFA

Institute staff, both through advocacy and enforcement, to maintain and build solid relationships with regulators worldwide.

Lastly, it was remarked that the DRC had been eager to see the results of the organization's benchmarking study. The committee looked forward to learning about best practices from others and integrating those into the disciplinary process as well.

Questions, Comments and Resulting Discussions from the Board:

The DRC membership was available to accompany staff to meetings with regulators and had done so in the past. The more connections between the organization and the regulators the better.

It was clarified that the PCP was responsible for handling the investigations. Looking at the industry cases, there had been a smaller amount of industry cases originating from APAC than the membership numbers seemed to suggest, especially as this volume related to other memberships of similar size. The additional resources in Hong Kong would cast a wider net and help the organization catch more instances of misconduct.

The potential for litigation to come out of the disciplinary process had remained one of the biggest risks for the DRC. It was stated, however, that the process from an investigation, documentation, and diligence standpoint was very solid. Furthermore, the governing documents, training efforts, and communication between the DRC and PCP, would help to mitigate any risk factors.

With regards to the disciplinary process, it was not permitted to review previously adjudicated cases as a reference point. At present, the organization had guidelines on applying sanctions to ensure the DRC was as consistent as possible in these determinations as they applied to different cases. This had provided a level of protection against an arbitrary or capricious argument made against CFA Institute for the imposition of sanctions. It was added that the benchmarking results would show whether or not this was something being done at other organizations.

The Chief Legal Officer believed that the program itself was robust and that the real focus should be on refining the rules to be more efficient and able to handle an increased caseload in the future. These efforts would help protect the organization against litigation. The training provided in advance of the hearing panels had been another way to alleviate risk. The governors were once again encouraged to participate.

There was value to publicizing the disciplinary process of CFA Institute, especially to inform local societies that the organization was available to them for support. While the DRC was happy to assist in this regard, it was stated that staff had been the better medium to drive that interaction. The PCP had been working to increase the level of engagement and communication with the societies; and, to further collaborate, there had been an effort to create a PCP liaison position. Moreover, publicizing the fact that CFA Institute had a DRC and a place for people to turn if they had been mistreated by a charterholder, would confirm that the organization was a leader of the profession.

Largely due to the introduction of the ERA, the completion time frame for a case opened on the exam side had been moving in a favorable direction. If accepted, a candidate could remove anywhere from two to twelve months from the process. It was stated that the benchmarking results would probably offer some additional lessons learned in this area.

The organization was sufficiently staffed to handle the current caseload volume. On the industry side, there was no way to measure the timeline, because each case was different and often had to go through its

particular regulatory, civil, or criminal system as well. By the time a case had reached the DRC from that standpoint, it could be a multi-year case.

It was agreed that there were opportunities for the DRC and Standards of Practice Council (SPC) to come together and refine the Standards of Practice Handbook to include some of the industry cases.

The DRC had a tremendous amount of procedure, including governing documents, staff commitment, and proper funding, built into the disciplinary review process. A covered person had many chances to defend himself or herself, appeal, and receive a fair and objective hearing before his or her peers. In fact, the benchmarking results would likely show that CFA Institute was doing quite a few things other organizations were not doing or not doing to the same extent. While a heavy process, management was encouraged to think of these dedicated resources as an insurance policy that ultimately protected CFA Institute's reputation, integrity, and each charterholder's reputation and integrity.

FRIDAY, 22 JULY
12:30 TO 16:00

PUBLIC COMPANY STANDARDS 302/404 TRAINING

Presenter: Sandy Peters, Interim Chief Financial Officer at CFA Institute

The Board received a thorough training session on the background of Sarbanes-Oxley (SOX), which required the implementation of reporting on internal controls over financial reporting (ICFR) (Sections 302 and 404) for public companies in the United States. It was explained that Section 302 involved the management certification of filing accuracy and control effectiveness while Section 404 involved the management report and auditor attestation on effectiveness of ICFR. The latter was more heavily focused on the documentation of controls.

The group was reminded that the training had been prepared in response to an action item from the March meeting stating that management would provide an educational session to the governors on the implementation of an ICFR certification as required under public company standard in the US, and an analysis of the costs and considerations associated with implementing an ICFR assessment at CFA Institute.

The principal consideration for the Board would be to evaluate the costs and benefits associated with the adoption of an ICFR assessment in light of the objectives (i.e. transparency, risk management, process documentation, etc.) they had been seeking to achieve.

Examples of the certifications required by public company management and their auditors, as well as an illustration of the American Institute of Certified Public Accountants (AICPA) attestation for non-public entities such as CFA Institute, were displayed. There was also an illustration of what a typical ICFR assessment entailed, including information on the documentation necessary.

Perhaps most important, the Board received an overview of what an ICFR implementation would entail at CFA Institute. There would be many processes to document, IT systems involved, and costs associated with such a decision. The presentation had offered several observations on the current state of internal controls and as well as other considerations, including the degree of overlap between the risk assessment provided by an ICFR assessment and the work already being done internally. Implementation would also require a degree of staff training and the replacement of two key items, the general ledger and order management system.

Staff had concluded with a series of alternative adoption scenarios, each giving consideration to the objectives, costs, and benefits associated with an ICFR implementation. Option 1 would entail full ICFR management reporting with external auditor validation, cost approximately \$1.5 to \$2.4 million to implement and approximately \$0.6 to \$1 million to maintain, and achieve all of the aforementioned objectives. Option 2 would entail full ICFR management reporting without the external auditor validation, cost approximately \$1.2 to \$2 million to implement and approximately \$0.5 to 0.9 million to maintain, and achieve all the aforementioned objectives with the exception of accessing public markets and signaling transparency. Option 4 would entail retaining the current state.

Option 3, which had been recommended by staff, would entail a partial ICFR management reporting based on risk. The costs would vary depending on the processes selected; these would likely include ones pertaining to revenue and collections, expenditures, and treasury and tax. The objectives would be focused on enhanced risk management, improved documentation of processes and controls, process improvement, and increased management accountability. Option 3 would provide a risk based assessment that focused on the key priorities of process documentation and improvement, and be more cost effective and better able to integrate with internal audit. It would be challenging to make these adjustments as the highest priority processes had been undergoing significant change (i.e. general ledger upgrade in 2017, revenue and collection transition in 2017 with DCT, and accounts payable process automation). A timeline of activity through 2019 would need to be established and resources would need to be engaged.

Overall, management had advised that CFA Institute not adopt the full ICFR compliance with external reporting. While the transparency and signaling would be important, management did not believe that the associated costs would outweigh the ultimate benefits. Instead, it was recommended that the organization embrace a more prudent approach to better document the most significant routine processes and to utilize the funds to improve underlying processes.

Questions, Comments and Resulting Discussions from the Board:

It was noted that there would be a time burden on IT to set up the systems and monitor the controls. More complex processes required more complex controls a more complex system, which could be very costly. Furthermore, the timing of the DCT could create an issue should the Board wish to move forward with the 302 and 404 standards now. It might make more sense to wait until the project had been completed.

Most organizations adopted 302 and 404, because they wanted to go public and be able to show their transparency and reasoning to shareholders. CFA Institute was a nonprofit organization without shareholders, which made 302 and 404 highly inapplicable, especially when looking at the costs and benefits. CFA Institute would not endeavor to access capital markets now or ever. Additionally, the organization was already transparent and signaling in other ways.

One of the shortcomings of fully adopting ICFR management reporting was that once an organization started, it was every difficult to stop. Should an organization start the process and determine to stop it later on, this could raise issues with public perception.

Compared with other countries, the degree of documentation and rigor was likely higher in the US.

Option 3 would require more staff and improve CFA Institute's documentation. It was noted that the organization was a cash business for the most part, meaning that the biggest controls would be the safeguarding of assets, valuation of investments, valuation of deferred revenue, and tax positions.

The Board would need to make a choice on 302 and 404 by no later than July 2017, especially since there were hard deadlines associated with Options 1 and 2. The timing for Option 3 was more flexible. Regardless, once there was a decision, the organization would need to document the rationale behind it to share with the membership. There would be certain items, such as the automation of process for accounts payable, moving forward in the meantime.

There was a reluctance to start anything new until the systems and process were in place. Moving forward with implementation now could create a litany of operational issues and put undue pressure on the organization. Pursuing Options 1 and 2 now might not be the best course of action. Furthermore, it was argued that achieving the optics of best practice might not be a compelling enough reason. It would be more important for CFA Institute to be a better managed business.

It was clarified that in the absence of the Board enforcing Option 1 or 2, management would still be looking to address gaps in the internal controls. There were, however, absolutely no concerns that the numbers were wrong. The primary focus would be adding documentation, automated systems, and other improvements. If the Board wanted outside input, a firm could be hired at any time to evaluate and identify any gaps for management to address.

A little over year ago at the March 2015 meeting, it was the opinion of the Board that CFA Institute was not a public company and should therefore only do what was necessary in terms of aligning its operations with Public Company Standards. Per that guidance, Options 1 and 2 did not seem to be options as they had the potential to incur more problems and costs for the organization. It was emphasized that just because something was considered PCS did not automatically mean it was better.

It was suggested that the Board should not feel bound by the framework of the presentation. The real issue was whether or not the organization had any weaknesses; if it did, then it would be up to the ARC to discuss these and determine if outside assistance was warranted. Based on the presentation, it seemed apparent that there were no compelling problems. The main purpose of the discussion had been to show the Board what would be involved with adopting 302 and 404 as part of the PCS work. It was acceptable for the Board to simply absorb the information provided and do nothing at this point.

The idea of using an external firm to ensure CFA Institute had good internal controls was a welcome one. However, the level of external attestation required for ICFR compliance on an annual basis would create more costs than the organization would ever be able to justify. While there had been many elements of PCS that applied to CFA Institute, this did not seem to be one of them. The organization should worry about the controls only to the extent that they helped drive forward its non-profit mission.

Management had been anxious to implement several new processes and would likely use a third party audit firm to help the organization design these functions and assess everything after the work had been completed. It was understood that the first step should be improving processes and controls before beginning to document them.

Adding more complexity with SOX 302 and 404, especially when there did not seem to be a strong link to CFA Institute, would be ill advised. While management largely agreed that these specific measures were unnecessary, they still wanted good controls in place and perfect documentation of these controls. It was argued that the main objective should be risk management.

In the end, the Board decided not to pass any recommendations at this time. While there had not been a strong push for SOX 302 and 404, the Board believed more dialogue was needed in FY2017 before making a firm recommendation to management. It was added that the ARC would be involved in oversight of management's improvements to internal controls in the coming year.

ETHICS AND COMPLIANCE AT CFA INSTITUTE

Presenter: Darin Goodwiler, Chief Compliance, Risk and Ethics Officer at CFA Institute

To align with best practices for an effective Compliance and Ethics Program, the Compliance and Ethics Department had established annual training for the Board. Looking at the current state of ethics, KPMG's Organizational Integrity Survey showed that 76% of employees in business had observed a high level of illegal or unethical conduct at work in the last 12 months. However, the number of ethics hotline calls in the industry only made up about 1% to 2% of the total population.

Legal requirements had also been a reason for the training session. A firm must "promote an organizational culture that encouraged ethical conduct" as stated the US Sentencing Guidelines. Ethical culture was often described as an unwritten code by which employees defined their behavior within an organization. While compliance covered items that the organization was legal bound to do, ethics represented items the organization wanted to do and who it wanted to be. The Chief Compliance, Risk and Ethics Officer stated that CFA Institute exuded ethics, compliance, and integrity, and that his team would work to continue to raise this standard.

With regards to the Federal Sentencing Guidelines it was highlighted that in 1991, the United Sentencing Commission had implemented strong incentives for a company to earn credit for an effective corporate compliance program. In 2010, the guidelines had been amended to add the requirement for companies to establish a senior-level compliance officer in order to earn credit for an effective corporate compliance program.

One of the major concepts that had come out of the Federal Sentencing Guidelines had been organizational culpability. Criminal liability could now be attached to an organization whenever an employee of the organization committed an act within the apparent scope of his or her employment, even if the employee had acted directly contrary to company policy and instructions. There were four factors that increased the ultimate punishment of an organization, including the involvement in or tolerance of criminal activity; the prior history of the organization in terms of prior violations, such as civil and administrative dispositions; the violation of an earlier court order during the occurrence of the offence which is being prosecuted; and, the obstruction of justice. There were also two factors that could mitigate the punishment of an organization, including the existence of an effective compliance and ethics program, and the combination of the organization's efforts in self-reporting, cooperating with authorities, or accepting responsibility. There had been some cases where a company had been able to significantly reduce punishment down by 90% of the actual penalty.

There were seven elements of an effective compliance and ethics program: a compliance officer and committee oversight; standards of conduct, policies and procedures; education and training; monitoring and auditing; reporting and investigating; enforcement and program improvement; and, response and prevention. Management was pleased to report that CFA Institute had all of these aspects.

With regards to the first item, there was now a high level executive to oversee the program. The Chief Compliance, Risk and Ethics Officer had the support of a knowledgeable Board, no barriers to access (direct reporting line to CEO and ARC Chair), had the necessary resources, was credible and had no background issues, and had a seat at the table (with the Leadership Team).

With regards to the second item, there was a Code of Conduct that provided expectations and practical guidance for employees. This document was understandable (set at the appropriate reading level), would be revised as key risks evolved or as company values and/or direction changed, and was consistent and not duplicative of other policies.

With regards to the third item, the organization had partnered with an external vendor to ensure its training met the rigor associated with the various law, rules, and regulations. Internally, CFA Institute had received 99% completion for its six compliance and ethics modules. It was noted that the remaining 1% had been on maternity leave and would be included upon their return to the office.

With regards to the fourth item, specifically monitoring, the Board needed to have reasonable knowledge and oversight of the organization's compliance and ethics program. A director had the duty to ensure that a corporate information and reporting system existed (i.e. CFA Institute's ethics hotline and whistleblower policies), and that this reporting system would be adequate to assure the Board that appropriate information would come to its attention in a timely manner as a matter of ordinary operations. It was reported that there had been nine ethics hotline calls since the program's inception, which was consistent with the industry standard. These matters had been immediately escalated to the CEO and ARC Chair to determine the next steps. In addition, there was an incident register that was circulated to the CEO twice a month and to the ARC Chair once a month.

With regards to the fourth item, specifically auditing, the requirements were: documented evidence of actions taken when monitoring controls identify failure; instances of non-compliance documented and dealt with appropriately; instances of non-compliance reported to the Chief Compliance, Risk and Ethics Officer; documented training related to risk provided to all employees; documented training provided in each case of failure of operating controls or non-compliance; and, periodic reporting to the Board.

With regards to the fifth item, the organization was required to have an anonymous system for employees and stakeholders to receive guidance and report violations (ethics hotline). Furthermore a non-retaliation policy needed to be consistently applied, and all investigations needed to be conducted uniformly and by subject matter experts, and to be documented. It was reported that the compliance team had been developing investigative policies and training people the same way across the organization.

With regards to the sixth item, it was stated that non-compliance would be punished and failure to report non-compliance would be punished as well. There was an outline of the disciplinary procedures, and there were parties responsible for taking the appropriate action, which would be fair and consistent for all employees. Following a risk assessment process, improvements would be considered, such as addressing the lessons learned or trends, and determining aspects of the program that needed refinement. The program should never be static.

With regards to the seventh item, the organization would take steps to ensure that its compliance and ethics program was followed, including monitoring and auditing to detect criminal conduct; to evaluate periodically the effectiveness of its compliance and ethics program; and, to have and publicize a system, which might include mechanisms that allowed for anonymity or confidentiality, whereby the employees and agents might report or seek guidance regarding potential or actual criminal conduct without fear of retaliation. It was highlighted that there would be a framework structural analysis of CFA Institute's ethics and compliance program available by October.

Questions, Comments and Resulting Discussions from the Board:

Professor Lynn Stout was thanked for her input prior to the meeting in Santa Monica.

It was clarified that the governors were not meant to make active investigations. Their duty was to make sure there was a system in place whereby information could reach the Board if there was a problem.

There was a compliance department, but not a compliance committee. The ARC had been used in this capacity for the organization.

CFA Institute did not have a security department charged with the detection and reporting of suspicious activity. There was a security manager, however, who had been working with the rest of the risk management team.

There would be another campaign launch of the ethics hotline. The number would be printed on the back of people's name badges and posted to the website going forward. The objective was to increase visibility both internally and externally. The PCRs were encouraged to invite the Chief Compliance, Risk and Ethics Officer to present at any of the societies.

The Chief Compliance, Risk and Ethics Officer planned to visit every office at least twice a year to talk about ethics and compliance, and how employees could reach him and his team.

It was recognized that employees completing the ethics and compliance training did not necessarily mean they had been engaged and felt like they were part of the culture. The ESG program, however, had really put ethics into action, moving employees to embrace corporate responsibility and sustainability efforts.

INCOMING CHAIR REMARKS

Presenter: Fred Lebel, Board of Governors Vice Chair

The incoming Board Chair stated that he had been shadowing the Board Chair for 11 months and had been very impressed with her achievements, work ethic, and dedication to the mission. The notion of the Arch would continue to cement the relationship between the Past Chair, Board Chair, and Vice Chair in the coming year.

The incoming Board Chair remarked that three words would drive his term as Board Chair: lead, work, and harmony. "Lead" represented the mission and what the Board was supposed to do to show courage and be at the forefront of the investment management profession; "Work" represented the Board's time and patience to make a difference; and, "Harmony" represented the strong relationships between the various groups that needed to be nurtured and maintained. With these three elements in mind, there should be some shared fun among colleagues as well.

BOARD MEETING CALENDAR

Presenter: Fred Lebel, Board of Governors Vice Chair

An overview of the Board meeting calendar was provided. There would be a continued effort to plan ahead by at least two years. The calendar would be revisited and built out even further with the Board leadership every June in Charlottesville.

It was highlighted that the Board Retreat would take place on 10 September in London. The main points of discussion would be defining the priorities to pass along to the CEO and the Leadership Team for the upcoming year, establishing the Board culture, and working on personal development.

It was also noted that the Annual General Meeting would be taking place on a Tuesday for the first time in FY2017. The primary purpose would be to increase attendance

Lastly, it was stated that the Board would return to four in-person meetings a year in FY2018.; however, each would be 1- 1 ½ days in length, and the Board meeting in between Society Leadership Conference and Annual Conference would take place in one day and occur without any committee meetings.

CONSENT ITEMS

Presenter: Beth Hamilton-Keen, Board of Governors Chair

It was clarified that the Board had removed its caveat to the approval of the FY2017 budget and operating work plan in executive session. There had been no additional constraints noted, and the Claritas budget had been approved.

The following resolutions were unanimously approved

CIPM Program Principles Level Exemption for CFA Charterholders

RESOLVED, that the Board of Governors accepts and approves CFA charterholders and others who have passed CFA Program level III be granted an exemption to the CIPM Principles exam and be eligible to sit for the CIPM Expert exam.

FY2017 Board Committee Appointments

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals to serve as Board committee and council chairs and co-chairs for a one-year term commencing 1 September 2016 and until their successors are chosen and qualified:

Audit and Risk Committee

Investment Committee

Society Partnership Advisory Council

Chair: Scott Proctor, CFA

Chair: Michael Trotsky, CFA

Co-Chair: Heather Brilliant, CFA

Co-Chair: Dan Fasciano, CFA

FURTHER RESOLVED, that member appointments to Board committees and councils for terms commencing 1 September 2016 and until their successors are chosen and qualified that are subject to Board of Governors ratification are hereby accepted and approved.

FY2017 Research Foundation Board of Trustee Appointments

RESOLVED, that Beth Hamilton-Keen, 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 Beth Hamilton-Keen, CFA, is authorized to vote for the approval of Joachim Klement, CFA, to serve as Chair for a two-year term commencing 1 September 2016;

FURTHER RESOLVED, that Beth Hamilton-Keen, CFA, is authorized to vote for the approval of John T. Grier, CFA, to serve as Interim Vice Chair for a term commencing 1 September 2016;

FURTHER RESOLVED, that Beth Hamilton-Keen, CFA, is authorized to vote for the approval of Ted Aronson, CFA, Diane Garnick, Joanne M. Hill, and George R. Hogue, CFA, to serve as Elected Trustees for a three-year term commencing 1 September 2016;

FURTHER RESOLVED, that Beth Hamilton-Keen, CFA, is authorized to vote for the approval of Jeffery V. Bailey, CFA, CFA, to serve as Emeritus Trustee for a three-year term commencing 1 September 2016;

FURTHER RESOLVED, that Beth Hamilton-Keen, 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.

FY2017 Volunteer Committee Chair Appointments

RESOLVED, that the Board of Governors accept and approve the appointment of the following individuals to serve as volunteer committee and council chairs for a one-year term commencing 1 September 2016 and until their successors are chosen and qualified:

- **Asset manager Code Advisory Committee**
 - Ronald D. Peyton
- **Capital Markets Policy Council**
 - Nicola Ralston, FSIP
- **Standards of Practice Council**
 - Edouard Senechal, CFA
- **United States Investment Performance Committee**
 - Krista Harvey, CFA
- **Education Advisory Council**
 - Ade Roberts, CFA
- **CIPM Program Advisory Committee**
 - Michael Brown, CIPM – Chair
 - Clemens Scweiggle, CFA, CIPM – Vice Chair
- **Council of Examiners**
 - David Smith, CFA

FY2017 CFA Program Committee Appointments

Education Advisory Committee Appointments

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals Ana Brízido, CFA, Chu (Greg) Gang, CFA and Navneet Munot, CFA to serve as members of the Education Advisory Committee for a one-year term commencing 1 September 2016 and until their successors are chosen and qualified.

FURTHER RESOLVED, that the Board of Governors approves the reappointments of Julio Cardozo, CFA, CIPM, Keisuke Ito, CFA, Mark Guthner, CFA, Ade Roberts, CFA, Mandagolathur Raghu, CFA, Elsie Fletcher, CFA, Suresh Raghavan, CFA, Ismail Erdem, CFA, Stefan Whitwell, CFA, CIPM, Anubhuti Gupta, CFA, CIPM, and Patrick Ranzjin, CFA as members of the Education Advisory Committee for a one-year term commencing 1 September 2016 and until their successors are chosen and qualified.

Council of Examiners

RESOLVED, that the Board of Governors accepts and approves the appointment of the following individuals Adam Thurgood, CFA, William Beisswanger, CFA, Jacques Gagne, CFA, CIPM, Gerhard

Hambusch, CFA, Joel Harper, CFA, Kanol Pal, CFA, Barbara Valbuzzi, CFA, Ada Woo to serve as members of the Council of Examiners for a one-year term commencing 1 September 2016 and until their successors are chosen and qualified.

FY2017 Corporate Secretary Appointment

RESOLVED, that pursuant to Article 6, section 6.6(a)(ii) of the CFA Institute Bylaws, Joseph P. Lange is appointed to serve as Secretary for a one-year term commencing 1 September 2016 and until his successor is chosen and qualified.

Recognition of Retiring BOG and PCR Members

RESOLVED, that the Board of Governors for CFA Institute expresses its most sincere appreciation to Giuseppe Balocchi, CFA, James Jones, CFA, and Aaron Low, 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 Leah Bennett, CFA, Aaron Brown, CFA, and Sharon Craggs, 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.

Meeting adjourned