

## Board of Governors Meeting Minutes 24-26 February 2017 Dubai

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### **Board of Governors Present:**

Heather Brilliant, CFA	Frederic Lebel, CFA (Meeting Chair)	Paul Smith, CFA
Elizabeth Corley, CBE	Mark Lazberger, CFA	George Spentzos, CFA, FSIP
Daniel Gamba, CFA	Colin McLean, FSIP	Lynn Stout*
Beth Hamilton-Keen, CFA	Diane Nordin, CFA	Zouheir Tamim El Jarkass, CFA
Robert Jenkins, FSIP	Scott Proctor, CFA*	Michael Trotsky, CFA
Attila Koksál, CFA	Sunil Singhania, CFA	Yu Hua, CFA

### **Presidents Council Representatives Present:**

Lamees Al-Baharna, CFA	Daniel Fasciano, CFA	Christian Heuer, CFA
James Bailey, CFA	Clayton Gall, CFA	Anne-Katrin Scherer, CFA
Simon Cawdery, CFA	Steven Gattuso, CFA*	Ken Yee, CFA
BD Deora, CFA	Phil Graham, CFA	Susan Williams, CFA

### **Leadership Team Members Present:**

Gary Baker	Bjorn Forfang	Sheri Littlefield
Diane Basile, CFA	Darin Goodwiler	Nitin Mehta, CFA
Michael Collins	Stephen Horan, CFA	

### **Leadership Team Members Absent:**

John Bowman, CFA	Nick Pollard, CFA	Kurt Schacht, CFA
Elaine Cheng		

### **Others Present:**

Joe Clift	Joseph Lange (Meeting Secretary)	Tom Porter
Stephanie Ennaco	Peter Mackey, CFA	Roger Urwin, FSIP
Brenda Hou		

### **Materials Provided:**

Board Meeting Pack

\* Present for part of the meeting

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**Green – Approved Resolutions**

**Blue – Action Items**

FRIDAY, 24 FEBRUARY

**WELCOME/MEETING OVERVIEW, CONFLICTS OF INTEREST DECLARATIONS, AND ACTION ITEMS**

*Presenter: Fred Lebel, Board of Governors Chair*

*Mr. Gattuso attended the discussion via conference call.*

The Board meeting was called to order, quorum obtained, and brief welcoming remarks with an overview of the meeting agenda provided. It was remarked that the Board had last visited the Middle East eight years ago, and that the governors would have an opportunity to connect with the local society leaders during their time in Dubai.

The group was reminded of the new Board Events Website, which had been launched to replace the information previously circulated in the Welcome Pack. Mr. Jenkins had been appointed as the new Chair of the Audit and Risk Committee for the remainder of FY2017 and was thanked for taking on this role. Lastly, Ms. Diane Basile, CFA, who had recently been hired as the Chief Financial Officer of CFA Institute, was introduced to the group.

The Board Chair asked if there were any conflicts of interest as they pertained to the three-day meeting agenda, and none were reported.

**CEO REPORT**

*Presenter: Paul Smith, President and CEO at CFA Institute*

*Mr. Gattuso attended the discussion via conference call.*

The CEO Report provided in the meeting materials endeavored to show the work being done across CFA Institute.

It was clarified that the scope of the Digital Core Transformation (DCT) project had remained unchanged since the onset. The request for additional funding at the July meeting in Santa Monica had been to cover the underestimated expenses associated with engaging third party vendors. The Board was reminded that it had approved a \$6m increase in the DCT budget and a \$3m Chairman's Reserve Fund, which was anticipated to remain untouched throughout the project's lifespan. The DCT work was reaffirmed to be on track.

In terms of the Strategic Risk Indicators, it was noted that there had been a forecast increase for the Certificate in Investment Performance Measurement (CIPM) and Investment Foundations. The group was reminded that the organization had changed the name of Claritas, reduced the price of the program quite significantly, and increased engagement at the c-suite level to have a bigger impact on the registration numbers. It was clarified that sales resources and efforts had not been elevated; the only adjustment had been where to target the program's client base. The group was reminded that CIPM could not be sold in China while Investment Foundations could.

With the organization lacking overall industry oversight, some of the issues for the standards and advocacy function were identified. There was a question as to whether the Global Investment Performance Standards (GIPS) should be moving from its current technical approach to a more principles based one, and whether governance oversight of the GIPS Executive Committee should fall under the Board. The CEO explained that it would make sense for the codes and standards to be at the Board level to start with the delegation of specific

tasks trickling down over time. The overarching industry vision should come through the Board, and it would be important to think about the type of governance structure needed to make that happen.

Feedback from the Board was that the organization should be thoughtful about making strategic changes to its codes and standards, especially GIPS or the Asset Manager Code (AMC), because it could have negative consequences in the industry. The CEO agreed that it would need to be a careful approach, and that the Board's guidance would be critical in that regard. Furthermore, in terms of extracting the principle from the standard, the organization would need to be cautious about removing the explicit detail of what compliance meant and how to evidence compliance. It was noted that there was a big difference between codes of conduct and ethics vs. technical professional standards, and that there needed to be a proportionate view of both.

The CEO commented that advocacy was distinct from the codes and standards and needed to be done at the local level. The Board was reminded that society councils had been formed to drive a more relevant advocacy agenda at the granular level.

#### **FINANCIAL REPORT**

*Presenter: Diane Basile, Managing Director and Chief Financial Officer at CFA Institute*

*Mr. Gattuso attended the discussion via conference call.*

Within the finance function, the new CFO saw opportunities to update the accounting systems, conduct internal talent reviews, and increase operational efficiencies.

Looking at the financial report, the December year to date figures showed revenue coming in at \$211m and expenses coming in at \$91m. It was noted that both had gone up 11% year over year. Total operating expenses had come in at about \$9m less than budgeted, which could largely be attributed to project timing differences. In terms of staffing, the organization had ended the year at 599 positions with 27 in active recruitment, leading CFA Institute toward a headcount of 626, fewer than the Board-approved headcount of 637. It was projected that FY2017 would come in at \$315m in revenues vs. the \$309m originally budgeted. Beyond FY2017, it was remarked that a deeper understanding of the registration deadlines would need to be incorporated into the forecast.

The current accounting system was functional, but it would not move the organization to the next level. Improvements would need to be done in a thoughtful manner as this was not a mere technology upgrade but rather a process redesign. The finance team would intentionally take on some risk to make these changes over the next 12 to 18 months with the ultimate objective of mitigating risk overall in the long term.

With regards to the adoption of Public Company Standards, the CFO's top priority would be to validate and verify the organization's internal books and records before committing to a new external data point.

#### **MARKETING REPORT**

*Presenters: Michael Collins, Managing Director of Services Delivery at CFA Institute  
Joe Clift, Head of Services Delivery for EMEA at CFA Institute*

*Mr. Gattuso attended the discussion via conference call.*

The Board received an update on the Global Brand Campaign, which included information on the new "cityscapes" piece and its four-pillar messaging approach (introductory, talent development, charterholder

value, and diversity). The institutional audience targeted would be represented by 11 countries globally from 22 March through August, and the market research had been tested and vetted with the XL societies, PCRs and Society Brand Council. It was stated that the local societies in these 11 countries would decide which of the four pillars to implement for the biggest impact, and that the ads would be translated and adapted in the non-English speaking markets.

In consultation with the Americas team, the organization would also be targeting high net worth individuals (HNWIs) in four cities in FY2017 and expanding to 11 cities in FY2018. The campaign would reach over 1m HNWIs and in markets representing 8,000 members, 31% of whom served in private wealth

[The Board would receive a report at the end of March on the campaign results for the previous round of advertising, and would also receive an updated report at the July meeting.](#)

The organization had increased its advertising, public relations, social and digital support for all societies, focusing first on the top 30 with the greatest member reach and then moving to the other 117. It was noted that 70 out of the 147 had been actively engaged thus far.

It was stated that the society brand logo would be used in the advertisements for the societies not in the 11 markets. If societies in the 11 markets wished to use their own logo, however, this could be done as well. Over time, the organization would have to manage this piece to ensure a certain level of CFA Institute branded advertising. In FY2017, 12.5% of the media buys had the society logo, and this figure was expected to increase to 25% in FY2018 and 50% in FY2019.

The updated three-year plan had remained the same, and the reading materials had included an update on the status of the brand awareness metrics. It was also stated that the Society Brand Council had contributed a great deal to the Brand Campaign, and the organization was looking at potentially expanding the representation and purpose of the council to have a broader marketing impact in FY2018.

#### **SATURDAY, 25 FEBRUARY**

##### **FUTURE OF FINANCE INITIATIVE: FUTURE OF THE INVESTMENT PROFESSION WORKSHOP**

*Presenter: Roger Urwin, Consultant for the Future of Finance at CFA Institute*

The Board was reminded of the Future of Finance session held at the meeting in October 2016, and the questions and concepts stemming from that discussion were reviewed with the group. The idea was to continue the conversation on the beliefs and related values of the Board and to consider the future of the organization and the industry 5 to 10 years down the road. The governors would be asked to answer six key questions during the discussion.

One of the goals of the session would be to create a framework that could be judged through the lens of the curriculum to start and then move to the continuing education perspective. It would be important to think about the curriculum as something other than a collection of tools and to consider how the investment landscape could evolve in the future. The exercise would also help determine how much of an advocate CFA Institute wanted to be for the industry. The other goals of the session would be to produce strategic dialogue, socialize the Future State of the Investment Profession (F-SIP) project, identify a pathway to the creation of Board beliefs to update those from 2013, and inform future strategy.

The term, “financial ecosystem,” was defined for the group as supported by real world evidence that the industry was very heterogeneous, had many complex co-dependencies, had large behavioral components and

exhibited abrupt and non-linear changes following shocks. It was also explained that scenarios provided investment organizations and investment professionals with tools to explore new investment, business and career models and business models, particularly by mixing scenarios as sensible what-ifs for the future. The governors were then posed with the six key questions.

1. **Will there need to be greater movement in the CFA curriculum in future reflecting the (faster) changing investment landscape?** / *Majority Response: Yes*
2. **Will peak investment industry core employment be reached in the next 5-10 years (excluding China, India)?** / *Majority Response: No*
3. **Will it be new players (like 'FANGs' or fintech start-ups) that disrupt the asset management space?** / *Majority Response: Yes*
4. **Will sustainability/ESG factors become a much larger part of decision-making/engagement alongside amore societally-responsible ideology?** / *Majority Response: Yes*
5. **Do you see the financial ecosystem concept used in FSIP as intuitive/helpful?** / *Majority Response: Neutral*
6. **Do you find the four scenarios chosen in FSIP as plausible and helpful? -Low4LongerFintech Disruption/Parallel Worlds/Inclusive Capitalism** / *Majority Response: Yes*

The group discussed their responses and the reasoning for questions one through four; however, there was not sufficient time to discuss in-depth questions five and six. It was agreed that follow up saloon sessions would be held with the governors prior to their July in-person meeting.

#### **MEMBER VALUE ENGAGEMENT SESSION**

*Presenter: Nitin Mehta, Managing Director of Member Value at CFA Institute*

The organization had expanded its footprint in EMEA by adding more societies (Bahrain, Egypt, Kuwait, Qatar, and Oman), establishing the Middle East Investment Conference, signing a memorandum of understanding with the local regulator, building relationships with employers (i.e. ADIA), engaging the London office and an outside public relations firm for additional support, and increasing the Board's presence in the region. It was stated that EMEA still held great opportunities for CFA Institute.

The group was reminded of the summary results member value breakout sessions that took place at the October meeting, which looked at what members wanted, how the organization delivered it, and how to measure that delivery. Current challenges involved the gap between member priorities and satisfaction rates as well as the membership gap between CFA Institute and the societies. The group was also reminded of the organization's ongoing strategy for member value.

Next, a member value breakout session was conducted to discuss corporate strategy, content, community, and continuing professional development. These four groups met and then shared their results with the full group.

#### *Strategy*

The group discussed converting all practitioners into members via three options – regulation, influence or partnership – and discussed the pros and cons of each. In terms of partnering with the industry to support

members, it was suggested that the organization work on its relationships with firms and employers as well as trade associations increased buy-in.

#### *Content*

The group discussed content and agreed that the organization should focus on insights rather than news to preserve its neutrality and independence. Curation over creation was also recommended and leveraging platforms already in place. It was emphasized that content consumption needed to be viewed through the different perspectives of different generations. In terms of compilation, the organization should focus on generating ideas or themes; and the group could not agree on how much content should be provided.

#### *Community*

The group felt that the organization needed to be much more purposeful about prioritizing community, and believed it could increase the value of community through leveraging key data points and connecting people through means other than their local society. There was agreement that the community could help with careers and investment ideas through technology with the purpose of connecting rather than simply delivering content. Lastly, to better mobilize the community for volunteering participation, the organization needed to realize that members engaged in different ways and to continue to find ways to inspire and promote that engagement rather than taking a reactive approach.

#### *Continuing Professional Development*

The group discussed how it would define continuing professional development (CPD), and then talked about how incentivizing (CPD) would be more of a pull than a push, encouraging people to use CPD to stay relevant in their current or future career. The ideal structure would be outcome based, employ competency frameworks, and could perhaps use role models to show how CPD could progress one's career. It would also be useful to structure the organization's material offering such that an individual could match the CPD work to a specific role and understand what was necessary to do well in that role. It was suggested that the organization create a committee to ask the big employers whether the current CPD offering helped them or not.

#### **CFA PROGRAM FUTURE STRATEGY INITIATIVE**

*Presenter: Steve Horan, Managing Director of Credentialing at CFA Institute*

Ms. Corley disclosed that she was currently a non-executive director of Pearson. Mr. Horan stated that Ms. Corley did not have a conflict and should stay for the session.

The purpose of the discussion would be to provide an update and to solicit input on the CFA Program strategic visioning process and work plan, looking at the path for the CFA Program and CFA Institute's other credentialing programs 10 or more years into the future. The strategy was set to be completed over the next six months. The primary motivation of the exercise would be to ensure the continued relevance of the CFA Program in both content and format. While the credential seemed to be in good shape, the organization believed it was best practice to constantly question the status quo and seek improvements.

A brief overview of the evolution of the CFA Program was provided, noting some elements had changed while others had remained static over time. The organization was at 9% market penetration with plenty of room for growth, and it would be important to look at the current and future state of the investment industry to understand how best to capture that growth.

[It was requested that a detailed explanation of the evolution of the curriculum be provided at a future Board meeting. The governors wanted to understand what changes had been made and what prompted those changes as well as why some potential changes might have been considered but not adopted. This would be](#)

[helpful with regards to framing the strategy and when considering the Future of Finance initiative. In general, it was recommended that credentialing have a place on future Board meeting agendas to give the governors an opportunity to learn and provide feedback.](#)

It was suggested that the credentialing team form focus groups with different generations to learn more about how young people viewed the delivery of the curriculum and the exam.

A discussion on lifelong learning, whether through mandatory or continuous development, was recommended. The group was reminded that the CFA Program aimed to deliver an early career generalist credential. Charterholders should eventually outgrow the credential, and the strategic process needed to consider elements of continuing education delivery.

Practice analysis was explained to be a process that made incremental changes to the curriculum. With the industry going through a great deal of transformation, there were concerns about the curriculum staying relevant. There had been some ideas fueled by technology, such as crowd sourcing the organization's members to create a shadow curriculum alongside the standard one. In general, engaging with the membership on the curriculum was encouraged.

The idea of a Thought Leadership Council was discussed. This group would involve people from the industry, particularly C-suite level individuals who were no longer very interested in the Charter, to provide their views on the future direction of the industry and what they would do with the curriculum.

It was stated that line or team managers, those who were hiring CFA Program candidates, represented the most useful source for feedback as it related to the overall relevance and development of the curriculum. It was clarified that practice analysis used employer and regional expert panels for input.

The organization was advised to emphasize the initial fact-finding stage of the strategic process. It would be important to learn from the different geographical locations, to inspect the pieces of the investment industry ecosystem and find areas of value the CFA Program could provide, and to consider substitutes (i.e. Fintech, regulators, etc.), especially through the lens of potential disruptive factors.

There was recognition that what clients expected from an investment management professional could be fundamentally changing, leading them to look for substitutes. The need for soft skills, such as common sense, communications, teamwork, was also apparent. It was noted that soft skills were part of the evaluation in the exam's non-multiple choice questions.

The strategic process was difficult, and it required listening to the customer and understanding the destructive forces facing the industry.

#### **FUTURE OF EXAM DELIVERY**

*Presenters: Steve Horan, Managing Director of Credentialing at CFA Institute  
Peter Mackey, Head of Exam Development at CFA Institute*

*Mr. Forfang exited the discussion due to a standing conflict of interest.*

The credentialing team was in the process of reviewing the future of exam delivery, and the work had been arranged into five progressive stages with the purpose of considering all viable alternative delivery models. The project was intended to ensure that the exam delivery initiative aligned with CFA Institute's strategic priorities,

that the CFA Program would be sustainable long-term and positioned for growth, and that there would be opportunities to reduce risk, improve customer service, and modernize in sync with the profession.

Stage one had run from August to January and engaged 60 staff members who had weighed the costs and benefits of alternative models. The organization was now entering stage two, which was scheduled to conclude in November, and looking for Board feedback. It was highlighted that the Board would be fully involved in the decision-making process. Much of the work in stage two would be soliciting opinions from CFA Institute's stakeholders via design surveys and focus groups.

There were many factors for the credentialing team to consider, such as producing more content to support more frequent exams, exploring the technology available and the legal rules on privacy issues and encryption across the world, and ensuring that the organization was partnering with trustworthy and reliable vendors in the computer based testing (CBT) space. It was remarked that since the CFA Program had a large, global footprint, it would be take time to make any significant changes.

There was a concern that CBT would affect the robustness of the testing of the curriculum, especially for Level II and III. It was clarified that the integrity of the questions would be preserved if the organization moved to CBT and that there were many advantages to digitizing the exam, such as the ability to scale grading for the essay questions.

It was not uncommon for credentialing organizations to run both models, CBT and paper based testing (PBT) for different levels. Furthermore, there was the potential for the exam to be delivered via CBT where there were test facilities and via PBT where there were not.

In some ways, risk reduction could drive innovation. If the CFA Program continued to grow, the potential risks associated with the current business model could come to pass. It was therefore prudent for the organization to evolve to the next level.

There was value in the fact that it took candidates a minimum of three years to complete the exam. The credential could be considered less prestigious if it only took three to six months to complete via CBT. It was noted that CBT would still give the organization control over how quickly an individual progressed through the exams.

There were some concerns over a loss of shared experience among charterholders at least in the short term, and it was unclear what would happen with revenues by moving to CBT.

#### **CIPM BUSINESS PLAN**

*Presenters: Steve Horan, Managing Director of Credentialing at CFA Institute  
Thomas Porter, Head of CIPM at CFA Institute*

The group was reminded that the CIPM Program had been approved by the Board in the early 2000s, with exams offered beginning in 2005. A brief overview of the program's evolution was also provided.

A little over a year ago, the organization had set key strategic objectives to establish the market for and viability of the CIPM Program. Externally, the goal was to penetrate the core market; and, internally, the goals was to manage the business operations efficiently. It was acknowledged that while performance evaluation was widely known and practiced, it was not universally recognized for its role and impact, and therefore not consistently applied and executed within firms. There was an opportunity for the organization to take the program to employers in an organized and formal way, something that had not been done before.

For the investment management profession, a credible understanding of performance was essential, because investment management and investment performance were inseparable at their core. The CIPM Program's strategy was to professionalize performance evaluation and qualify talent, and the organization now had a clear idea of the program's target audience: performance analysts, investment consultants, and portfolio managers. To reach that audience, there was an internal team purposed to: align and integrate the program strategy (i.e. align with CFA Program, integrate with CFA Institute Master Brand Strategy, unify CIPM membership with CFA Institute regular membership); leverage CFA Institute expertise and investment (i.e. Digital Core Transformation, institutional relationship expertise and access, credentialing core competencies); and, implement three levers for growth (i.e. rename, reprice, introduce employer strategy).

There was a question about the reasoning behind unifying CIPM membership with CFA Institute regular membership. It was explained that the CIPM Association had been formed 10 years ago per the Board's approval in 2005 and that the governance was to be restructured when the membership reach 1,500 members, which it had this past summer. Furthermore, given the increasing crossover between charterholders and CIPM professionals (50% by year end), the ongoing work on the membership front, and the member benefit of the CIPM Program in terms of continuing education for the CFA Program, it seemed unnecessary to have these two populations obtaining different menus of benefits from the same organization. It was stated that CFA Institute offered more than just the CFA Program, such as advocacy work and member value, and if the CIPM was a credential, it did not make sense to exclude it from those benefits. The objective was to increase the prominence of the CIPM credential and to provide resources, programming, and support for individuals holding the credential going forward.

It was remarked that the CIPM Program's performance over the years had been a bit disappointing and that there did not seem to be much evidence in the business plan to change that. There was also a question regarding how the societies benefited from unifying the membership. It was clarified that this could add to the society population and give members access to the continuing professional development of the CIPM Program. In addition, the program represented the core work of the largest segment of the membership.

There was a comment that it was a marketing stretch to say that the designation would signify competency in manager selection. Furthermore, the goal to improve program value assessment among charterholders by 10% seemed like a public awareness item. It was explained that this was not a marketing piece and that the goal was to have charterholders increase their evaluation of the CIPM Program by 10% (current score between 0-10 being 8).

The CIPM Program would be the capstone of the portfolio evaluation competency of the CFA Program. In terms of competitors, CIMA offered some material on both evaluation and manager selection, but not nearly as much or in the same format. Lastly, it was noted that the designation was application to high net worth money managers, but that they were not currently considered part of the core target.

It was clarified that the organization was not about to add CIPM to the CFA curriculum. The two did have an overlapping ethics component.

There was a comment that it might not be the right time to add CIPM professionals to the regular membership. There was also a concern about creating tiers of membership or handling an increasing number of CIPM professionals resulting from the updated business plan. The organization needed to consider all the implications that went with that potential growth. The organization was not looking to add additional tiers of membership, and it believed that adding CIPM professionals to the membership would enhance the value proposition of the program, especially when presented to employers.

The organization would be starting the financial planning to coincide with the CIPM business plan and did not expect to break even until 2020. [The Board requested that the CIPM business plan success metrics, as provided in the materials, be reviewed at the October meeting.](#)

The following resolution was approved:

**RESOLVED, that the Board of Governors accepts and approves the business plan for the Certificate in Investment Performance Measurement (CIPM) Program.**

**Against:** Beth Hamilton-Keen, CFA, and Diane Nordin, CFA

The following resolution was approved:

**FURTHER RESOLVED, that the Board of Governors accepts and approves the CIPM Expert exam as an “appropriate examination” as outlined in Section 3.2(b)(i) of the CFA Institute Bylaws, joining the Level I exam of the CFA Program**

**Abstained:** Heather Brilliant, CFA

#### SUNDAY, 26 FEBRUARY

#### **DELEGATION OF AUTHORITY**

*Presenter: Sheri Littlefield, Managing Director and Chief Legal Officer at CFA Institute*

*Mr. Gattuso attended the discussion via conference call.*

The Delegation of Authority (DOA) document had been created to establish clarity around decision-making, approvals, and notifications for the Board and management. It was emphasized that this was a living document that could be modified by the Board at any time.

If the DOA document was approved by the Board, management would then develop its own operational delegation of authority within each department and function. The employee engagement survey had revealed that staff wanted increased accountability at CFA Institute, and the DOA document sought to address that very point. Furthermore, the document would aim to drive the Board to focus on strategic matters and leave the operational matters to staff. It was also noted that the document would be forward looking and would not apply retroactively.

To ensure that the DOA was working as intended, staff would review the Board agendas to check that the items listed were consistent with the DOA. The CEO and LT would also need to work with the Chief Legal Officer (CLO) and Corporate Secretary to ensure that matters going before the LT were within their authority.

It was noted that the subcommittee, which had included several governors, had worked on the DOA and drawn some difficult lines in the sand; however, it was stated that the document had been based on past behaviors and that the subcommittee had therefore not felt it was overly contentious in that regard.

[It was suggested that the DOA document be included in every Board meeting pack going forward for constant review and reference.](#)

It was clarified that the document listed out authority to the Board itself and not to any specific committee. The DOA document would be helpful when it came time to review the committee Charters at the end of the

fiscal year to ensure an understanding of what needed to stay at the full Board, what should be delegated to the committees, and what should be delegated to the committees for full decision-making versus recommendations up to the full Board.

The DOA document did not alter any major approvals as they currently existed.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the CFA Institute Board of Governors Delegation of Authority (Version 5).**

**AMENDMENTS TO THE ARTICLES AND BYLAWS**

*Presenter: Sheri Littlefield, Managing Director and Chief Legal Officer at CFA Institute*

*Ms. Stout and Mr. Gattuso attended the discussion via conference call.*

The Board was reminded that the CLO had raised several potential amendments to the Articles and Bylaws during the October meeting. It was stated that some of these amendments had been removed from the scope due to the Board's decisions over the past few months.

The amendments had been outlined in the materials. The main ones related to the Board's reduction in size and the local law exception for societies in jurisdictions where they could not by law comply with CFA Institute's requirements.

It was clarified that the proposal was an administrative matter and not a contentious one in staff's view.

The local law exception for the societies posed a very low risk to the organization. It was a reasonable solution that allowed societies to meet the demands of their local government while also maintaining the principles of the CFA Institute bylaws.

The following resolution was approved:

**RESOLVED, that the Board of Governors accept and recommends for submission to the membership at the Annual Members Meeting in May 2017 the amendments to the CFA Institute Articles of Incorporation and Bylaws for approval substantially in the form submitted.**

**Abstained:** Lynn Stout

**CONSENT MATTERS**

*Presenter: Fred Lebel, Board of Governors Chair*

*Ms. Stout, Mr. Gattuso, and Ms. Hou attended the discussion via conference call.*

*CFA Society Shenzhen*

Mr. Yu and staff were commended for their efforts as they related to the application for CFA Society Shenzhen. It was noted that there were already 500 members in Shenzhen. This was a great step forward for the organization, and they hoped to set up several more societies in China in the near future.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves CFA Society Shenzhen for membership as an independent, constituent Member Society of CFA Institute.**

*CFA Program Pricing*

The proposed CFA Program Pricing for FY2018 included modest changes and had been developed per the pricing framework established by the credentialing group last year.

It was clarified that the organization was interested in mission over profit margins at this point in the life cycle of the product.

The following resolution was approved unanimously:

**RESOLVED, that the Board of Governors accepts and approves the pricing for the CFA Program for FY2018.**

**PRESIDENTS COUNCIL CHAIR REPORT**

*Presenter: Dan Fasciano, Presidents Council Chair*

*Ms. Stout and Mr. Gattuso attended the discussion via conference call.*

The meeting pack had included a summary of the PCRs' recent activities. It was highlighted that CFA Institute staff had hosted an XL society meeting, which had been well attended by the governors, PCRs and LT members. In addition, it was noted that the society funding project had been going well, that there would be seven PCR elections at the upcoming Society Leadership Conference in Philadelphia, that the planning for the Presidents Council meeting was underway, that Ms. Williams would be looking at whether the PCRs were representing all societies in a properly districted way, and that Mr. Graham would be Chair of the Governance Committee this year.

**COMMITTEE AND GOVERNOR STRATEGIC LIAISON REPORTS**

*Presenters: Fred Lebel, Executive Committee Chair*

*Beth Hamilton-Keen, Compensation Committee and Nominating Committee Chair*

*Robert Jenkins, Audit and Risk Committee Chair*

*Michael Trotsky, Investment Committee Chair*

*Heather Brilliant and Dan Fasciano, Society Partnership Advisory Council Co-Chairs*

*Ms. Stout and Mr. Gattuso attended the discussion via conference call.*

*Executive Committee*

The Executive Committee (EC) had held three calls since the October meeting and discussed the February meeting, financial statements, DOA document and subcommittee, Board budget, Board Service Standards, and a few exam, information technology, and Audit and Risk Committee matters.

It was emphasized that the EC calls were open to the full Board, and the governors were encouraged to participate.

*Compensation Committee*

The Compensation Committee (CC) would meet next in March, mainly to review the executive benchmarking study from McLagan.

*Nominating Committee*

The Nominating Committee (NC) had identified a few award recipients at their last meeting, but would not bring these names to the full Board until the work on the recipient slate had been completed. In terms of

Board nominations, the NC would present the slate to the full Board for approval. It was noted that Mr. Proctor had not requested to be re-upped while Ms. Stout had for FY2018.

#### *Audit and Risk Committee*

The Audit and Risk Committee (ARC) had not met since Mr. Jenkins had taken over the role of Chair. The committee had met informally in Dubai and reviewed its objectives for the fiscal year. It had been suggested that the DCT be moved from the ARC to Board oversight going forward. In general, the group was leaning toward moving the cyber security items up the priority list and moving data governance as it related to the review of compensation metrics to the CC. The group had also talked about moving the approval of opening new office locations to the Board level. It was emphasized that the ARC had not held a formal meeting, but had merely discussed these items in Dubai.

The ARC would next meet in March to address the potential renewal of PwC as the organization's external auditor.

Mr. Proctor was thanked for his previous work as the ARC Chair.

#### *Investment Committee*

The Investment Committee (IC) reported that the reserves were in good shape and had increased 7.3% over a one-year period. There had been one social index fund that had underperformed, but the IC believed it would pick up over the long term. The IC would also be discussing the funds and their ESG ratings, the potential move toward active management, and other topics that would be reported to the full Board later in the year.

It was clarified that the Investment Policy Statement indicated the reserves should cover 12 months plus or minus 20% of operating costs for the organization. The reserves were currently within that bandwidth, but if assets went above the required reserve threshold, additional decision points would need to be made.

#### *Society Partnership Advisory Council*

The biggest topic that had been discussed by the Society Partnership Council (SPAC) had been one membership. The group had been pleased with the organization's efforts to spend more time with the XL societies to seek their feedback. SPAC had also spent time on society funding, the new Society Engagement Framework, and future society formations. It was also noted that the group would likely meet in person in Philadelphia in May.

#### *Governor Strategic Liaison Reports*

Mr. Trotsky and Mr. Jenkins were supporting the standards and advocacy function and updated the Board on its recent activities and events, including meetings of the Future of Finance Advisory Council, Standard in Advocacy Advisory Council, and Systemic Risk Council. Furthermore, it was highlighted that there was now a monthly Standards and Advocacy update. The governors briefly discussed the top regulatory changes impacting members in the current environment.

Mr. Tamim El Jarkass and Mr. Koksai were supporting the Credentialing function and had held regular conference calls with staff to discuss high priority topics. [It was suggested that the Board spend more time on credentialing at every meeting and that governor orientation focus more on this strategic function, perhaps even a full day. It was also suggested that the organization conduct more market intelligence to understand who was taking the CFA exam and why.](#) Governors were also encouraged to attend at least one practice analysis session to see where they could add value to the process.

**CLOSING REMARKS**

*Presenter: Fred Lebel, Board of Governors Chair*

*Ms. Stout and Mr. Gattuso attended the discussion via conference call.*

The Board Chair thanked everyone for a successful meeting and encouraged the attendees to read the book provided, which emphasized the importance of both trust and speed in facing challenges and grasping opportunities.

Meeting adjourned