



**Minutes of the GIPS EXECUTIVE COMMITTEE
Open Session**

Date: Friday, 1 December 2006
Location: Keswick Hall, Charlottesville, Virginia, USA
Time: 9:00 a.m. – 2:00 p.m. Eastern Standard Time

Members Present: Louis Boulanger – Asia-Pacific RIPS Chair
Ray DeAngelo – Acting EC Meeting Chair
Stefan Illmer – EMEA RIPS Chair
Todd Juillerat – Americas RIPS Chair
Carol Anne Kennedy – Investor/Consultant Seat
Yoh Kuwabara – Verification/Practitioner Seat
Sunette Mulder – Investment Manager Seat
Karyn D. Vincent – Interpretations Seat
Hans-Jörg von Euw – GIPS Council Chair

Observers Present: Brian Chapman – United Kingdom #
Lynn Clark – Canada (Former IPC Member)
Jeff Diermeier – CFA Institute
James Hollis – United States (Former IPC Chair)
Kazumichi Karita – Japan #
Jennifer Kim – United States #
Joe Lange – CFA Institute
Ehsan Rahman – United States (Former IPC Member)
Corné A.G.M. Reniers – Netherlands
Neil Riddles – United States
Linda Rittenhouse – CFA Institute
Charles Tschampion – CFA Institute
James Albertini – CFA Institute*

GIPS Secretariat: Jessika Bohon – Helpdesk Representative, CFA Centre for Financial Market Integrity
Anju Grover – GIPS Analyst, CFA Centre for Financial Market Integrity
Polly Johnson – Administrative Assistant, CFA Centre for Financial Market Integrity
Cindy Kent – GIPS Development Specialist, CFA Centre for Financial Market Integrity
Carol Lindsey – GIPS Administration Specialist, CFA Centre for Financial Market Integrity

Participated by Telephone
* Partial Attendance

Action Items

1. The GIPS Secretariat will review the Spanish TG submission that was received this morning over the next month for approval by the GIPS EC.
2. Verification/Practitioner Subcommittee will begin to study the issue of Mandatory Verification and submit an action plan in two months.
3. The Nominations Committee will present its final report to the GIPS Council in September 2007 for the nomination process to begin.
4. At the strategic planning session of the GIPS EC, future work of the GIPS Organization was grouped into three areas: Content, Branding, and Process. Going forward the various subcommittee chairs are responsible to include these three areas when reporting on their projects, when applicable.
5. Interpretations Subcommittee will review existing standards to include possible guidance on Hedge Funds within the next 12 months.
6. GIPS EC members are to engage in discussions with regulators and industry associations regarding the adoption of GIPS during the next 12 months.
7. Promotion and Awareness Subcommittee to determine industry educational opportunities regarding existing guidance on Private Equity in the Standards.
8. GIPS Secretariat will consider the proposals by the Asia Pacific RIPS in the development of future funding for GIPS Organization.
9. GIPS EC members are to forward their ideas on more effective ways to fund the GIPS Organization initiatives.
10. Mr. Albertini, Web Project Manager at CFA Institute, will have the new GIPS Web site fully functioning by 22 March 2007.
11. GIPS Secretariat will work with the Swiss Country Sponsor on transferring the url address www.gipsstandards.org to CFA Institute for the new GIPS Web site within the next couple of months.

Decision Points

- The GIPS EC approved the Terms of Reference for the Investment Manager Subcommittee, the Investor/Consultant Subcommittee, and the Promotion and Awareness Subcommittee.
 - The GIPS EC approved the chairs of the Investment Manager Subcommittee, the Investor/Consultant Subcommittee, the Promotion and Awareness Subcommittee, the Interpretations Subcommittee, and the Verification/Practitioner Subcommittee.
 - GIPS EC decided the Spanish translation can be approved as an official translation of GIPS at an upcoming monthly conference call after review by the GIPS Secretariat of the EC requested changes.
 - The GIPS EC decided that the Verification/Practitioner Subcommittee should begin to study the issue of Mandatory Verification and submit an action plan in two months.
 - GIPS EC decided to complete Process items identified earlier this year and bring them to resolution within the next 12 months.
 - The GIPS EC decided that after the Country Sponsor Agreement is presented and approved at the March 2007 meetings in Cape Town, Country Sponsors will have a deadline of June 2007 to sign and submit their Country Sponsor Agreement and the Adoption Guidelines to be official Country Sponsors of GIPS. After the deadline countries would be welcome to attend future GIPS meetings as observers but would not be officially recognized as Country Sponsors.
 - The GIPS EC decided to expand existing guidance statements in two areas: Hedge Funds and Client Reporting.
 - The GIPS EC has decided to hold closed meetings via conference call on a monthly basis and that the action items and decisions points will be posted on the Web from those closed meetings.
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Mr. DeAngelo welcomed everyone to the GIPS Executive Committee (GIPS EC) December open meeting, acknowledging former Investment Performance Council members in attendance and observers attending by telephone.

He announced that an important decision was made at the GIPS EC Closed Session on 30 November 2006 to elect an EC Chair and EC Chair Elect for the GIPS EC. Mr. DeAngelo reported that the elections were unanimous and introduced Mr. Illmer as the inaugural EC Chair. Mr. Illmer will be chairing the meetings of the GIPS Executive Committee after today. He then introduced Ms. Mulder as the EC Chair Elect who will assume the EC Chair responsibilities when Mr. Illmer's term ends. Mr. DeAngelo formally congratulated both individuals on their new positions.

1. Approve EC Subcommittee TORs

Mr. DeAngelo presented the following resolution for the GIPS EC's approval:

RESOLVED, that the GIPS Executive Committee approves each of the Terms of Reference indicated below substantially in the form presented.

- Investment Manager Subcommittee
- Investor/Consultant Subcommittee
- Promotion and Awareness Subcommittee

RESOLVED, that the GIPS Executive Committee appoints each of the following individuals to serve as chair of the subcommittee indicated below for a one (1) year term commencing as of 1 September 2006 and until their successors are chosen and qualified.

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| - Investment Manager Subcommittee: | Sunette Mulder |
| - Investor/Consultant Subcommittee Chair: | Carol Anne Kennedy |
| - Promotion and Awareness Subcommittee Chair: | Carol Anne Kennedy |
| - Interpretations Subcommittee Chair: | Karyn D. Vincent |
| - Verification/Practitioner Subcommittee Chair: | Yoh Kuwabara |

Ms. Kent reviewed the Terms of Reference documents with the meeting participants. She stated that the EC Constitution was approved by the CFA Institute Board in July 2005 and is intended to be the higher-arching document that governs the GIPS EC and its subcommittee structure. Under the Constitution, the Operating Policies and Procedures (OPPs), which are currently being circulated to Country Sponsors, will further define governance and process oriented details. Terms of Reference (TORs) are more specific as to who the chair is, who the members are, how the minutes will be done, and the purpose of that subcommittee. The TORs represent the more detail oriented document and will be updated more frequently as members change, as the subcommittee's tasks change. The OPPs documents should not change as frequently. The EC Constitution is a strategic document and not subject to change as frequently.

A motion was made, seconded and approved with one abstention, by the Acting EC Meeting Chair, that:

The GIPS EC approves, as stated in the written Resolution, the Terms of Reference for the Investment Manager Subcommittee, the Investor/Consultant Subcommittee, and the Promotion and Awareness Subcommittee.

A motion was made, seconded and approved with one abstention, by the Acting EC Meeting Chair, that:

The GIPS EC approves, as stated in the written Resolution, the chairs of the Investment Manager Subcommittee, the Investor/Consultant Subcommittee, the Promotion and Awareness Subcommittee, the Interpretations Subcommittee, and the Verification/Practitioner Subcommittee.

2. Approve Spanish TG Submission

Mr. DeAngelo reported that the Spanish Country Sponsor has moved forward to develop a Spanish language translation (TG) of the GIPS[®] Standards. It was anticipated that their submission of that translation would arrive in time for review and approval at this meeting. The submission arrived sometime last night by e-mail too late for approval at today's meeting. The initial draft of this document has been reviewed. Following the EC Rome meeting in June, the GIPS EC requested minor text changes and submission of the TG cover before the EC is able to approve the TG. Mr. DeAngelo recommended that the GIPS Secretariat review the recent Spanish TG submission to verify the requested changes by the GIPS EC have been incorporated. Hopefully, the Spanish TG can be approved at an upcoming monthly conference call of the GIPS EC.

3. Approve Process Working Group Proposal on Job Descriptions for EC Chair and Director Positions

Mr. DeAngelo briefly outlined the project assigned to the Process Working Group initially last March at the GIPS Summit meeting in London. During the closed session yesterday, the GIPS EC discussed the job descriptions proposed by the Process Working Group. Mr. Kuwabara reported the working group has spent a couple months reviewing the initial job description drafts provided by the GIPS EC and debating whether the job descriptions were in line with the EC Constitution. There was some dispute on that issue and it was felt that a hierarchy within the GIPS EC should not be established by assigning superior functions to an EC Director. Based on that principle they reviewed the original proposed job descriptions and finally developed the proposal presented today.

Mr. Kuwabara stated that at the EC closed meeting yesterday, GIPS EC members expressed a need for the EC Director to have more of an executive, visionary and leadership role and asked that the proposal be adjusted. Mr. Illmer commented that it is very important to have a proper job description for the EC Director which will be called Executive Director going forward.

Mr. DeAngelo summarized that since there will be changes made to the initial draft job description and a title change to Executive Director, the GIPS Secretariat will revise the job description to include the leadership, visionary, and authority aspect of that particular role. The final drafts of the job descriptions for both the Executive Director and the EC Chair will be reviewed with Mr. Kuwabara to make sure they are fully complementary and there are no conflicts in the positions. The revised draft job descriptions will be presented to the GIPS EC for approval.

4. Discuss RIPS Authorized Observer Proposal

Mr. Illmer provided background information that in Europe there are several supranational organizations. He stated that within the EMEA RIPS today there are four supranational organizations being represented: the European and Private Equity and Venture Capital Association (EVCA); the European Federation of Financial Analysts Societies (EFFAS); the European Fund and Asset Management Association (EFAMA); and the European Federation for Retirement Provision (EFRP). These supranational organizations have a huge interest in the GIPS Standards because they are affected by the Standards and deal with performance on a daily basis as members of these organizations. Mr. Illmer reported that at the June meeting of the EMEA RIPS, the members agreed they are willing to give these supranational organizations in Europe a voting right at the RIPS level as an authorized observer. The GIPS EC decided not to finalize this now but to have a placeholder in the OPPs of the RIPS that states that the status of the supranational organizations will be clarified in future.

The EC agreed that the EMEA RIPS would draft a side letter clarifying the status of the supranational organizations that will be reviewed by and submitted for approval to the GIPS EC. Along with the right to vote at the RIPS level there will also be obligations for Authorized Observers. The EC will request the

Intellectual Property Working Group to draft an Authorized Observers Agreement, a document similar to the Country Sponsor Agreement.

Mr. von Euw explained the supranational organizations will be members at the RIPS level only and not at the Council level. It is more complicated to extend global level voting rights to these organizations. He anticipates that the Agreement cannot be drafted until June 2007.

Mr. DeAngelo mentioned that the framework to be established to allow voting rights for supranational organizations within the EMEA RIPS, must be established for similar type organizations that may wish to join in the Asia Pacific or the Americas regions. This will establish continuity between the requirements and the obligations of the voting Authorized Observers at the RIPS level. Mr. Illmer stated that the RIPS members will determine which organizations may serve as Authorized Observers in their own region.

5. Discuss Verification/Practitioner Subcommittee Beginning Study on Mandatory Verification

Mr. DeAngelo briefly mentioned that the issue of mandatory verification has a wide variety of viewpoints around the world in terms of the desirability or lack thereof to require firms who claim compliance with the GIPS standards to have a formal and required verification process.

Mr. Kuwabara reported that mandatory verification is one of the big challenges proposed for the GIPS 2010 revision. The CSSC (Country Sponsor Subcommittee) proposed Mandatory Verification in the draft proposed for the GIPS 2005 revision. However, it was not realized because there were several opinions against mandatory verification at that time and the decision was deferred to the next revision of GIPS in 2010.

The Verification/Practitioner Subcommittee has questioned whether it is appropriate for them to draft a proposal on this issue since most members are from the verification industry, and decided to request permission of the EC to begin a study on mandatory verification. The EC decided that the Verification/Practitioner Subcommittee should begin to study the issue of mandatory verification. Mr. Kuwabara stated that his subcommittee will be submitting an action plan in two months on this issue. It is important to reach out to all countries in the industry for their input on this proposal.

Mr. von Euw reminded the GIPS EC of the commitment made at the IPC meeting in Hong Kong where Mr. Solomon stated in the minutes that, "The IPC would like to assure the public that it is intended that verification be required in 2010..."

Ms. Vincent clarified the context of that statement by stating that the intent behind that sentence was acknowledgement of two issues: (1) there were not then and there are not now adequate verification service providers in all locations around the world; and (2) what may be reasonable in the U.K. or the U.S. is not necessarily reasonable in some country that is newly considering adhering to GIPS standards. She stated that it is vital to clarify what verification is and what it is not.

Ms. Mulder requested that Mr. Kuwabara and his subcommittee solicit ideas from the Investment Manager Subcommittee and the Investor/Consultant Subcommittee. Ms. Kennedy also suggested the UKIPC, having an understanding of this topic, would be very happy to provide resources and help.

Mr. von Euw believes that the task for the Verification/Practitioner Subcommittee is to find a solution. The fact that Mandatory Verification is on the table is written on CFA letterhead dated 5 May 2005, addressed to the UKIPC, "The IPC confirms that mandatory verification will be proposed in the exposure draft of 2010 revisions to the GIPS standards." Mr. von Euw stated that he is in favor of finding a good solution for all but it must be addressed with clarity.

Mr. Illmer stated there are solutions available and he is confident that Mr. Kuwabara will come up with a good solution to discuss.

6. Discuss Evaluation of New Ideas and Guidance Coming from RIPS

Ms. Vincent briefly reviewed that the Interpretations Subcommittee decided that a formal structure does not need to be created for soliciting input. The Interpretations Subcommittee members believe that their participation in their RIPS, with their local Country Sponsors, and other arrangements ensure that they know what issues need to be addressed. She stated that the Interpretations Subcommittee believes they do not need to look for new guidance that they have the resources from within the Subcommittee to proceed and will solicit feedback from the GIPS EC.

Mr. Illmer commented regional discussions should continue because of the global nature of the issues discussed. Regional working groups are more than willing to invite people from other regions to participate. Mr. Boulanger stated he is in favor of flexibility and informality in terms of new ideas generation process.

Mr. von Euw mentioned that in the Operating Policies and Procedures of the RIPS it is clearly stated that they can form working groups. He is in favor of the RIPS forming working groups. The European RIPS is older and has more members and he believes the GIPS EC should profit from a number of specialists in each field; Client Reporting is one. Mr. von Euw believes they should produce working papers and not provisions for GIPS but that they help the standing subcommittees with their resources.

Mr. Juillerat believes there are some topics which are regional in nature and can be handled with working groups as provided in the Operating Policies and Procedures. However, there are specialists in other regions on Client Reporting even though there has not been a lot of interest on the topic yet in other regions. He believes that Client Reporting and Attribution are global topics.

Mr. Illmer mentioned that with the supranational organizations it is important to work on topics in certain regions or countries in specific areas or other organizations will step in and develop the standards. This would cause future problems in bringing all these ideas together again for one global standard. Mr. Illmer stated the GIPS EC needs to be flexible and if there is a need in the market and volunteers would like to do work on the topic, they should do it.

Ms. Kennedy stated it is important to encourage not only the work that is going on within the RIPS but also the cross fertilization of those ideas across into other things that are going on so that we maintain a global perspective on the topic. Involving the supranational organizations in the subcommittees of the GIPS EC was encouraged. It is important to encourage the ideas that are coming from those organizations to be cross fertilized across our subcommittees so that we consider topics from a global perspective rather than a regional perspective. The ideas being generated in Europe need to be considered for how best capitalize on that from Mr. Boulanger's region and from Mr. Juillerat's region to pull those things together.

Mr. DeAngelo briefly reviewed the strategic planning session held with the GIPS EC yesterday. The GIPS EC members determined three areas they need to focus on in the near term:

1. Complete Process Items – Items identified earlier this year and bring them to resolution within the next 12 months.
2. Principal Business of GIPS (long-term and large issue) - The development of future content of the GIPS standards.
3. Branding and Awareness – To continue to build awareness throughout the world of the GIPS standards and participation of new Country Sponsors who in their own countries and regions would assist the GIPS EC and the Promotion and Awareness Subcommittee in advancing those interests.

7. Discuss Asia-Pacific RIPS Proposal for Funding for Travel for Country Sponsors from Asia Pacific Region

Mr. Boulanger reported on the Asia Pacific RIPS initial meeting discussions at the Rome meeting regarding ongoing funding of travel costs for their members. The CFA Institute is to provide substantial funding as opposed to full funding for travel of Country Sponsors to in-person meetings. This is an issue of materiality for some Country Sponsors. Two proposals have been developed for discussion and consideration by the GIPS EC:

1. That a set amount in US\$ be fixed in advance as the cost to be met by any member the GIPS Council/RIPS to attend an in-person meeting and that the full balance of all travel costs (business class airfare for flights longer than six hours in duration and economy class airfare for shorter flights) be fully reimbursed by CFA Institute.
2. That the “substantial” level of funding be determined on the basis of the number of hours of flying required by the member to attend the in-person meeting, recognizing that above a certain cut-off (business class airfare for flights longer than six hours in duration and economy class airfare for shorter flights) point the travel class to be business.

Mr. Boulanger further outlined that an example under the first proposal would be for each Country Sponsor to pay US\$500 to attend GIPS Council/RIPS in-person meetings. Then all remaining costs would be reimbursed by CFA Institute. An example under the second proposal all members would pay 20% of the actual travel expenses incurred by their representative to attend in-person meetings with CFA Institute funding the balance.

Mr. DeAngelo commented that historically CFA Institute provided the lion share of funding for the GIPS enterprise. The issue of budgeting is on the agenda for discussion later today. He stated that this proposal will be taken into consideration as the framework is developed on future funding for GIPS.

8. Discuss EC Nominations Committee Process and Subcommittee Rotation

Mr. von Euw reported that the task of the Nominations Committee is to attract talent, have the right people in the GIPS EC and, of course, on the subcommittees, and to ensure a good balance of industry backgrounds and geographical representation.

Mr. von Euw then presented the Nominations Committee Terms of Reference and the Nominations Timeline. The GIPS EC has decided that the rotation process will start on 1 September 2008. The work of the Nominations Committee will begin early in the fourth quarter of 2007. The Nomination Committee will have been formed by then and will consist of four people:

- GIPS Executive Director
- CFA Institute appointed representative
- GIPS Council Chair
- GIPS Council representative (elected by the GIPS Council – not a current member of the GIPS EC)

He mentioned that there is one correction to the Terms of Reference document on page 3, under Approval Process, second paragraph the document titled “Guidelines for EC Nominations” will be changed to “Nominations Timeline.”

Mr. von Euw then reviewed the Nominations Timeline document describing the nominations process. The process will start every year in November, continuing through January when nominees will be requested, until the rotation of members in September. To establish the rotation process, there will be shorter periods

of service for some GIPS EC members. The normal duration of service for GIPS EC members will be four years. Due to starting the nominations process in 2008 some GIPS EC members will rotate off in two years, the same as the GIPS Council Chair which rotates every two years.

He reported that at the GIPS EC meeting March 2007 the details of the rotation timetable will be provided, including names. In the 2009 rotation, there will be GIPS EC members who have served three years rotating off and then the normal four year term of service will follow every year thereafter.

Mr. von Euw mentioned that with the election of an EC Chair and EC Chair Elect, the EC Chair Elect will not be rotated off in 2008 as their term would just be starting.

The final report of the Nominations Committee will be given to the GIPS Council in September, 2007 in time for the process to start.

9. Discuss GIPS 2010 Timeline

Mr. Boulanger, Project Manager for the GIPS 2010 Timeline gave an update on developments to date. He stated that there will be individuals from the GIPS EC involved on a regular basis to oversee and ensure progress is being made on a timely basis and he has agreed to lead the project team. Ms. Vincent, as chair of the Interpretations Subcommittee will serve on the team, along with Mr. von Euw, the GIPS Council Chair, and Ms. Lindsey, representing the GIPS Secretariat.

Mr. Boulanger mentioned that although it might appear that Mandatory Verification is the most important aspect of the 2010 revision to be considered, there are number of other issues of importance as well. As examples, he cited widening the scope of GIPS to include new asset classes as users are asking for standards on hedge funds and other issues such as risk and attribution. He mentioned another key element for the 2010 revision is whether to include the application of GIPS to existing clients as opposed to only prospective clients.

Mr. von Euw mentioned that his role on the GIPS 2010 Timeline project team is to be a liaison officer to the Country Sponsors, together with the RIPS. Ms. Vincent's role on the project team will be to address the technical issues. He commented that as there is a fine balance between principles and rules the GIPS EC wants to assure the industry that the intent of the GIPS 2010 revision is an evolution of the Standards not a revolution.

Mr. DeAngelo commented the success of achieving the 2010 objective will depend, in part, on the scope that it is established for the project. As the group within the GIPS EC identifies and clarifies the scope it will become clearer in terms of how dramatically or not changes will be made to the GIPS standards. This revision is intended to be evolutionary and not revolutionary. However, clearly there are some areas in the industry where guidance and standards are needed.

Ms. Vincent stated that her general view, from a technical perspective for 2010 is two things:

1. To fine tune the existing guidance to tighten up a few areas. No overall big changes.
2. The need to continue to expand the Standards is because of the requirement to be in compliance on a firm-wide basis. As firms that comply with these standards expand into areas we have to give them guidance so that they can apply the Standards. A foundation has been created that as more firms move into areas such as Hedge funds, we have to give them guidance. It is not necessarily viewed as a big change it is just continuing to help them comply on a firm-wide basis.

Mr. Hollis asked if there would be Hedge Fund guidance before 2010. Ms. Vincent replied that it is absolutely one of the priorities. The GIPS EC is discussing putting together a group to look at hedge funds.

Ms. Kennedy commented that one of the things discussed at yesterday's session was to be practical and pragmatic about what the GIPS EC can do and what they can deliver over the next 12 months toward 2010. Mr. Illmer cautioned that the GIPS EC must be very careful to be realistic with planning and careful with our limited resources. He stated that is why the EC has defined priorities for the next 12 months. The first priority is to complete the open issues and guidance statements under review and not to start new initiatives that we do not have the resources to develop. Mr. Illmer said it is important to be clear to the industry that we have limited resources and we will set priorities and work within our subcommittees and define what the real need in the market is for guidance.

Mr. Diermeier requested an outline of the milestones for the next 12 months. Mr. von Euw explained that the strategic planning was separated into three groups:

- Content
- Branding
- Process

Mr. von Euw explained that he worked with the group discussing Branding and the importance to establish the GIPS logo. Another important aspect of branding will be the GIPS Web page enabling the industry to easily find all content of the GIPS standards.

Mr. Kuwabara stated that one of the most important Process goals is to have all the Country Sponsors sign the Country Sponsor Agreement and officially become a GIPS EC endorsed Country Sponsor by mid year (June 2007). Second is to review and establish process for creating or amending GIPS provisions on all the guidance statements, including the creation, public comment period, and finalization. Third, a mechanism to regularly review the process and/or ongoing achievements of the various GIPS Organization's subcommittees, working groups, and GIPS Council. Mr. DeAngelo shared a fourth goal is a process by which new proposed standards or revisions to standards would undergo their creation, their public comment process, and the final adoption by the GIPS EC. He explained that there has been a process in place for sometime now but there have been suggested modifications to that process. So the Process Working Group is working on a proposal on how it should work going forward. This would apply mostly to standards but also to guidance as well since they are both important documents. Mr. DeAngelo stated the issue largely centers on how much public comment time and opportunity should be provided.

Mr. Diermeier cautioned that a process containing a second public comment period has a negative impact on the first public comment period.

Mr. von Euw reminded EC members that in March the GIPS Council formed the Intellectual Property Working Group with the task of reviewing the Country Sponsor Agreement. He reported that the final draft of the Country Sponsor Agreement which will be sent out to Country Sponsors in the next several weeks. It will be officially presented in March 2007 and then Country Sponsors will be asked to sign this revised agreement by June 2007. This document is in final form and will not be sent out for another round of comments. Countries that wanted to participate were represented on the Intellectual Property Working Group. He believes that the Country Sponsors have been able to have their input on the Agreement.

Mr. DeAngelo stated that there is recognition by the GIPS EC that going forward after the March 2007 meetings in Cape Town, the Country Sponsors will have a deadline of June 2007 to sign and submit their Country Sponsor Agreement and the Adoption Guidelines to be an official Country Sponsor of GIPS. He further stated that Country Sponsors who, for whatever reason, that are unwilling or unable to sign these documents by the deadline would be welcome to future GIPS meetings as observers. They would not be officially recognized as Country Sponsors. It would then be up to the GIPS EC and RIPS to encourage other organizations in the same countries to consider becoming official Country Sponsors.

Ms. Kennedy reported on the Content group from the strategic planning session. Her group divided Content into: open issues and developmental issues over the next 12 months. With open issues it was decided that the Error Correction and Recordkeeping Guidance Statements, which are open, must be completed. They also decided to develop an action plan for handling the Leverage and Derivatives Guidance Statement since there is a level of uncertainty on this guidance statement. Developmental issues need to be reviewed to consider which require recommendations and whether there are gaps on those. The Group decided to explore guidance statements in two areas: hedge funds and client reporting. These are specific steps on route to the wider agenda that Mr. Boulanger has outlined for 2010. Mr. Hollis asked if the GIPS EC expects to issue guidance statements on those subjects in 12 months.

Ms. Kennedy clarified that within the next 12 months the GIPS EC expects to identify steps and ways forward. She stated that it may be that these projects cannot be done by 2010, but there is need to place them on the agenda with an action plan in place.

Mr. Illmer commented that going forward the GIPS EC has monthly conference calls and several meetings. An agenda item will be three different streams report to the GIPS EC on where they stand with their activities. He believes that the guidance statement issues will come up earlier than 12 months. The work will be ongoing and not just for one deadline.

Ms. Mulder mentioned that for each of the issues, they identified a group or person responsible to report back to the GIPS EC.

Ms. Kennedy mentioned that something that is helpful for the GIPS standards is that the United Kingdom regulator, Financial Services Authority (FSA), mentioned in their report on Private Equity that they are watching the implementation of GIPS and its adoption. However, the associations have not yet fully adopted GIPS at this stage. The GIPS EC plans to engage in discussions with the FSA and the industry associations to make sure everyone is observing GIPS.

Ms. Mulder reported that the Investment Manager Subcommittee has also discussed the Private Equity as a potential agenda item. She agrees with Ms. Kennedy that this is now an industry educational process of the guidance that exists within GIPS. It is a topic being discussed and people are requesting information.

Ms. Kennedy explained the issue to some extent with private equity is the confusion around about the time-weighted IRRs versus inception IRRs and wanting to composite them together which is not possible. The Standards have adopted the norm of the private equity industry because time-weighted IRRs do not work for private equity and, therefore, it is impossible to composite the two together. That is a practical aspect of people applying the Standards for something for which they were not designed at that stage.

Mr. Illmer mentioned this is a U.S. issue of a global standard. He believes it is absolute best practice and that it is a requirement in most European countries in their mutual fund law. On a regular basis Real Estate must be re-valued, at least every three years. Mr. Illmer stated that the U.S. should consider adopting this as a best practice.

10. Discuss CFA Institute Budgeting Process

Mr. DeAngelo mentioned the process of considering the budget for the GIPS Organization and the development and promotion of the Standards going forward and since we have a different structure for the development of the Standards with the closing of the Investment Performance Council, which was a subcommittee of CFA Institute. He stated that the promotion and awareness efforts for GIPS are important going forward. Now that the Standards have become well established in some parts of the world, we want to encourage other country sponsors to sign on, to become part of the GIPS Organization, and assume responsibilities for local awareness, promotional, and adoptions efforts. Until now, CFA Institute has been the principal financial supporter of the development of the GIPS standards. The costs of

holding the meetings of the GIPS Organization, the transportation costs associated with that for individual participants to attend the meetings and, of course, with the support of the GIPS Secretariat which resides within CFA Institute. Given the ideas and suggestions that are coming forward now from the GIPS Executive Committee and its subcommittees with regard to the number of projects that need to be undertaken by the GIPS Organization and with an expectation that more country sponsors will be joining our organization, he believes it is appropriate for both the GIPS EC and CFA Institute to begin a process of looking at how we might go forward with the budgeting to support GIPS moving forward. Mr. DeAngelo has been working with the chief financial officer of CFA Institute and members of his staff to bring some possibilities forward to the GIPS EC for contemplation and review. One of the things to be considered is how we could expand the funding sources for the GIPS Organization so that some of the additional projects that we would like to undertake as a body could perhaps provide additional support beyond what CFA Institute has traditionally provided. He requested ideas from the GIPS EC members and others on how we might accomplish this goal.

Mr. DeAngelo also clarified that reviewing the funding model for GIPS in no way should be taken as an implication that CFA Institute is intending to lessen its commitment to the ongoing development of the GIPS standards. CFA Institute believes that GIPS is extremely important intellectual property and the process of promulgating GIPS going forward is as important to all who participate in the process.

Ms. Kennedy pointed out on a positive note that for the in-person meeting in Cape Town, the local Country Sponsor is funding the whole of the land costs for the meeting in March 2007. Perhaps we can use South Africa as a model going forward to ask Country Sponsors to underwrite some of the costs for meetings.

Mr. Illmer mentioned that in the former European Investment Performance Council the Country Sponsor always facilitated the meetings and organized other sponsors to host a reception, and so on. It was then up to the members to pay for their travel expenses. He believes conflict of interest already exists as this is a self-regulation standard and most of the GIPS EC members work for the industry.

11. Discuss EC Member Responsibility Grid

Mr. Illmer reviewed the background behind developing an EC Member Responsibility Grid. During the past six months the GIPS EC has addressed several issues which were not already assigned to specific EC member (e.g., nominations, human resources, research development, communications, legal and compliance, etc.). He stated that there was a realization that clarity was needed on responsibilities and the need to eliminate unstructured discussions that were taking place. A proposal is to define and assign activity leaders who lead the discussions on certain topics. The role of the activity leader and the deputy activity leader would be clearly defined. If for example the activity leader was unable to participate at a GIPS EC meeting or they do not have time to respond to a certain requests for discussions, the deputy activity leader would fill in. There would be GIPS Secretariat staff assigned to each of the activities and that the rules and responsibilities are defined and approved by the GIPS EC. The activity leader acts as the GIPS EC representative with pre-defined competencies and the activity leader serves as the single point of contact for this specific activity. This is very important. For example, if a Country Sponsor has a request he has the freedom to send an e-mail to everyone but it should be clearly stated that a certain request is coming up, the Country Sponsor or industry representative should contact this pre-defined activity leader. The activity leader reports to the GIPS EC and leads the discussion with the GIPS EC to get a broader picture on their issue. A good example is the GIPS 2010 project with Mr. Boulanger who is monitoring all the activities down into the specific subcommittees of the GIPS EC. Mr. Illmer asked the EC to decide whether they want to adopt the EC Responsibility Grid. And if so, to determine what kind of activities are to be addressed and who is the activity leader and deputy activity leader for a specific activity. Perhaps this can be determined at the next GIPS EC conference call.

Mr. von Euw and Mr. Boulanger agreed this is a good idea but the EC must avoid the impression that this is bureaucracy. Mr. von Euw agreed with the suggestion from the strategic planning session yesterday that Country Sponsors should use the contact point of the RIPS Chairs. This is a simple entry point, then the RIPS Chair would work internally with the person assigned to research or whatever the subject maybe. In general he agrees that the functions need to be assigned.

Ms. Kennedy stated that she believes there are two separate things when it comes to grids. One is the Responsibility Grid and two is Communication Grid, which is complex because of all the subcommittees. Work is being done to identify certain things issues that are directed to the RIPS Chairs and it is important to keep it simple on lines of communications or people are going to be confused. Moving to the monthly conference calls for the GIPS EC will improve communications on staying current on the status of different activities.

Ms. Kennedy mentioned that at the strategic planning session yesterday, the EC identified who was responsible for what in a number of areas. One thing that needs to be done is to integrate those responsibilities into the Communication Grid. She stated that the GIPS Secretariat should always know what is going on in terms of communications. Whatever communications that are being sent, a copy should be sent to the GIPS Secretariat.

Mr. DeAngelo explained that what Mr. Illmer has proposed is simply a way to have clear, single sheet document that if question X goes here, question Y goes there. This is not designed to be yet another layer of bureaucracy on top of what is a structured new organization for GIPS. But rather to provide greater clarity about this new organization and which particular topics are handled where so that as questions come in or comments are made they are directed properly and that there are not three different responses from the organization. He recommended that Grid structure not be over-designed.

Ms. Vincent is hesitant to empower any individual on the GIPS EC to speak for the GIPS EC. She believes that everything should be filtered through the GIPS Secretariat who would decide how to respond and maintain consistency. Mr. Boulanger agreed with Ms. Vincent but that someone on the GIPS EC could still be assigned to a project and work with the GIPS Secretariat so that the communication does go out in a quick and efficient fashion without having to consult everyone on the GIPS EC.

Ms. Kennedy confirmed that Mr. Illmer's suggestion is an extension of the work underway with the Communication Grids to make sure there is clarity on the responsibilities and activities that are going on. We need to review all of this in light of the appointment of the new Executive Director that will be made and the election of Mr. Illmer as the EC Chair. It is the intent of the Communication Grid that all communication will go to the Executive Director and the relevant person who will be working within the GIPS Secretariat.

Mr. Illmer mentioned that the responsibility does not mean people only have the rights, there are also obligations. If responsibilities are assigned on projects and/or activities, then a GIPS EC member can go to another GIPS EC member and ask them to deal with their assignments. Mr. Illmer suggested that the Communication Grid and the Responsibility Grid should be brought together. As a group of volunteers with an ambitious timeline for 2010, there are so many things to do a clear action plan is required.

Mr. Boulanger mentioned that the GIPS Organizational diagram will be posted on the Web site very soon that will help explain the organization to a lot of people. Ms. Kennedy asked that the diagram be posted on the Web site with the new GIPS logo.

Mr. Illmer commented that the Investment Performance Council (IPC) was also very complex. In comparing the GIPS Organization with the IPC before, it might be a bit more complicated but the situation changed dramatically. Country Sponsors are now empowered to actively participate in the process and this has made the situation more complex.

12. Discuss Need for Closed EC Meetings

Mr. Illmer explained that the GIPS EC started out intending to have only open meetings but decided there is a need to have detailed discussions which are not held in the public arena. Consequently, the GIPS EC will hold closed meetings via conference call on a monthly basis.

Mr. DeAngelo noted that the action items and decisions will be posted on the Web from the closed meetings.

13. Update on GIPS Web Site Design

Mr. Albertini, Web Project Manager at CFA Institute, presented a template of the new GIPS Web site being developed. He mentioned that he anticipates the Web site will fully functional no later than 22 March 2007. A collaborative forum section of the Web site will be password protected for members only to hold discussion threads and to share documents. Mr. Albertini stated that a demonstration site will be available in a couple of weeks via WebEx. It is hoped and anticipated that Country Sponsors will link to the new GIPS Web site.

Mr. DeAngelo noted that the Swiss Country Sponsor has agreed to transfer the URL address www.gipsstandards.org to CFA Institute for the new GIPS Web site with two conditions:

1. That the site be open to anyone wanting information on GIPS.
2. Secondly, that on the site of the mentioned domain the new GIPS logo shall be displayed prominently. That does not mean that the CFA logo should not be used; but it should be exhibited rather low-key in order to promote and improve in first place the worldwide conception of GIPS as the global performance standard.

CFA Institute agreed to the conditions so the transfer will be made shortly.

Mr. von Euw stated that Switzerland has the address gipsstandards.ch for Switzerland so he recommends that Country Sponsors that they do the same (e.g., Italy – gipsstandards.it) to have unified branding for the home page.

14. Update Reports

Mr. DeAngelo asked that each subcommittee chair provided a brief update for the minutes.

Communications Task Force – Ms. Kennedy reported that the new GIPS logo is being incorporated into the GIPS Organisation documents and will be implemented shortly. Another work-in-progress is the Communication Grid that will be updated with the finalized job descriptions of the Executive Director, EC Chair, and the expanded GIPS Organization Chart.

Promotion and Awareness Subcommittee – Ms. Kennedy reported the drafting of a new questionnaire for Country Sponsors. Eighteen months ago a questionnaire was sent out to Country Sponsors to determine what help they need in various areas of promotion and education activity. A revised version, currently in draft form, will be circulated in early 2007 to Country Sponsors to solicit feedback to provide an updated Toolkit.

Investor/Consultant Subcommittee – Ms. Kennedy reported the Subcommittee decided to define initiatives as well as those determined by the GIPS EC. The Subcommittee initiatives will be proposed to the GIPS EC for approval before proceeding. The Subcommittee is reviewing its role in the 2010 rewrite, mandatory verification, and the potential of increasing the scope of GIPS for client reporting purposes. A

subcommittee member, Mr. Henderson, has written a brief background report looking at simple ways to increase the scope of GIPS for client reporting.

Interpretations Subcommittee – Ms. Vincent reported the Subcommittee has been working on completing the Recordkeeping Guidance Statement. They anticipate finalizing this, along with the Adopting Release at their December conference call for the GIPS EC approval. The Subcommittee is beginning to work on the Error Correction Guidance Statement and hope to complete it in the next couple of months. Ms. Vincent stated that the Subcommittee has decided to assist in answering questions sent to the GIPS Helpdesk regarding calculating performance for portfolios using leverage or derivatives. There are formulas included in the draft Leverage and Derivatives Guidance Statement which could be quite helpful. Those formulas have been reviewed and they hope to take those eight discrete items out and approve them in December and provide them to the GIPS Helpdesk. Ms. Vincent stated that the next step will be to determine how to address the Leverage and Derivatives Guidance Statement. The process is being reviewed with the plan to work closely with subcommittee members in the U.K. and Europe given their pressure from regulators.

Asia Pacific RIPS – Mr. Boulanger reported on the status of the region. There is a growing amount of activity in the area. A recent Country Sponsor from Micronesia, APAFS, held a conference in Manila co-sponsored with local organizations of financial experts along with the CFA Institute Society. Mr. Boulanger was featured on the front page of the local business paper regarding GIPS. There has been an ASAF meeting Korea where GIPS was discussed. The most important work in the region is that the Hong Kong Society has finished a first draft translation in Simplified Chinese and plan to have the translation completed by the end of 2006 for the GIPS EC's approval. The September 2007 in-person EC meeting is scheduled to be held in Asia, there is a hope to hold the meetings in Beijing. For the first time, there is active participation from a number of experts in the region, and representation by eighteen volunteers on the various GIPS subcommittees.

EMEA RIPS – Mr. Illmer reported the EMEA RIPS has established contact with a number of countries (e.g., Pakistan, Ukraine, Russia, and others). He mentioned that a new contact has been re-established in the Ukraine. Austria and Luxembourg indicated at the last meeting they are now ready to sign the Country Sponsor Agreement and Belgium has recently indicated their willingness to sign the Agreement. Spain sent in the final draft of the Spanish translation for approval by the GIPS EC. Mr. Illmer reported a need recently identified by the UKIPC, calculating and presenting performance fees or handling performance fees. This is a growing fee structure for use in the asset management industry and the industry is requesting guidance. The EMEA RIPS will form a small working group to come up with some ideas and principles or guidance on this to be considered by the GIPS EC or other subcommittees. He mentioned that anyone interested in participating is welcome to join them on the working group.

Investment Manager Subcommittee – Ms. Mulder reported that the Subcommittee has set a list of priorities they would like to address. The Subcommittee plans to work on client reporting by taking a different stance on it and how to highlight the benefits to prospective clients. Mr. Henderson's report will be utilized as a starting point. Next is how to address common abuses, firms claiming compliance that are actually not in compliance and how to address this problem globally. Other projects are: private equity and venture capital, treatment of performance fees, methodology for the use of benchmarks that need to be adjusted for timing, and the need for risk measurement guidance.

Ms. Mulder mentioned the next EC in-person meeting will be held in Cape Town with accommodations at Table Bay Hotel in the Waterfront. The reception for Thursday evening has been booked a venue in the Constantia wine lands to give everyone an exposure to South African wine and bit of South African culture. They are very excited to be hosting the meeting that has caused a buzz in the investment industry.

Americas RIPS – Mr. Juillerat reported they have discussed sharing working papers. A couple of topics were discussed that may be handled on a regional basis but other regions will be solicited for interest.

Client reporting was also discussed by the Americas RIPS members. Primary focus is on expanding the base of Country Sponsorships. He has had conversations with several countries, such as Argentina, Brazil, Cayman Islands, Mexico, and Uruguay. Mr. Juillerat stated that discussions continue with Canada regarding becoming a separate Country Sponsor.

Process Working Group – Mr. Kuwabara reported that defining job descriptions and/or roles of the EC Director and EC Chair has been completed by the Process Working Group. They have started working on establish criteria to assess and/or evaluate Country Sponsors at an entry level and periodic basis. He stated the Group hopes to have a draft proposal for their December conference call. Mr. Kuwabara stated that a third project is to establish processes with regard to approval of GIPS provisions and guidance statements as well as any revisions, including public comments and feedback.

Verification/Practitioner Subcommittee – Mr. Kuwabara reported that this subcommittee's most important project is to prepare a proposal on mandatory verification. They hope to have an action plan within the next two months.

GIPS Council – Mr. von Euw reported that the GIPS Council has the main task to coordinate with the Country Sponsors together with the three RIPS Chairs. The status of the GIPS Council is 26 Country Sponsors, 11 have signed the Country Sponsor Agreement. He believes the other Country Sponsors will sign by June 2007. Mr. von Euw mentioned that the target for new Country Sponsors is to grow to 40 Country Sponsors by 2010. He would like to discuss in Cape Town increasing the level activities by Country Sponsors by assisting them with ideas, materials and perhaps holding a regional conference like the GIPS Conference held in Toronto. Mr. von Euw mentioned that GIPS 2010 should be on every agenda of the GIPS Council for the next three years. He stated that for branding purposes being able to present the new GIPS logo and the GIPS Web site in Cape Town is very important.

Mr. von Euw further commented that the Operating Policies and Procedures are now out for a last round of public comment by the Country Sponsors for approval at the March 2007 meeting by the GIPS EC.

Intellectual Property Working Group – Mr. von Euw reported that the Working Group has completed the Country Sponsor Agreement and are currently working on the Adoption Guidelines. Both documents will be presented at the March 2007 meeting for approval the GIPS EC.

15. Questions from Observers

Mr. Ernewein inquired about the GIPS Council Report that states the GIPS EC agreed to leave the voting procedure at 66% instead of 75%. He mentioned that it was the wish of the European Country Sponsor to have veto rights of the GIPS Council. This was the initial proposal. The point was discussed in London and it was agreed by the Country Sponsors not to have veto right but to have 75% majority for adopting EC decisions.

Mr. von Euw responded GIPS EC has discussed this topic at length. But for practical reasons the GIPS EC has decided to leave it at 66% at the moment but not to forget this topic and to reexamine it again in next 12 to 18 months. As demonstrated during the meetings, the GIPS EC normally votes with all in favor, so this is not a problem at the moment. However, the EC does not want to have another round of Operating Policies and Procedures corrections at the moment.

Mr. Tschampion questioned sharing GIPS TGs with new Country Sponsors to further promote GIPS standards in new countries. Mr. von Euw stated that he has the details in the Country Sponsor Agreement that states that "the property of translation belongs to the Country Sponsor that has translated it. GIPS EC and CFA Institute are free to use it, royalty free, without permission of the Country Sponsor. But additional Country Sponsors should ask the Country Sponsor that executed the translated..." But normally, of course, it is understood that another Country Sponsor can use that translation.

Mr. Reniers as a chairman of the local experts committee provided feedback based upon his experience with GIPS evolution over the past two years. 2005 and 2006 both have been extremely important but very different. In 2005 we have created the new version of GIPS and 2006 brought branding issues and the governance issues to the table. He said that while reviewing new versions of GIPS and guidance statements there is real strengthening of the relationship between the EC and the local committees. And this year, he stated there is a weakening of that relationship. He is very happy that the project GIPS 2010 has been defined. He understands that some topics have been assigned to persons or subcommittees. Are there any thoughts to re-strengthening its users and re-thinking the relationship with the local GIPS experts and also making use of the capacity of those experts?

Mr. von Euw stated that is part of the Nominations Committee and the staffing of the subcommittees. He believes everyone agrees that we have enough subcommittees and there will be rotation process so new talents have vast possibilities to participate. Either on the local level in the Country Sponsor organizations like a group of experts, or in forming working groups under the RIPS and, of course, on a global level in the GIPS EC subcommittees. The organization has been set in place, the staffing is good, and we will now actively work on the job, on the content.

Mr. Illmer stated on behalf of the EMEA RIPS as in the past, there are working groups so the Country Sponsor can actively participate in the development of the performance standards. So there are lots of possibilities on a regional level to be involved and participate.

Mr. Hollis stated that this is a very significant meeting to him and he believes to everyone. He and Mr. Tschampion are in the room as Chapter One and Chapter Two and we are beginning a whole new chapter. Mr. Hollis said he feels the energy, he feels the respect for the Standards and he feels the focus. He is very impressed and believes the next chapter will be a page turner.

Mr. Tschampion stated that this was a very positive meeting and advised the EC to focus and carry the GIPS standards forward.

Mr. Diermeier agreed with the other comments that had been made by Mr. Hollis and Mr. Tschampion. He has been watching the progress because the investment markets are evolving as they sit there. He cautioned that if we do not maintain our leadership position that was once established we will have done great damage to a wonderful asset that all of us share. He is very heartened by all the conversations. Mr. Diermeier urged the EC to keep the big picture in mind at all times. Certain issues will require compromise because if we lock into minor details someone else will take the big picture for us. He is very encouraged and stated that it appears the EC structure that has been established is a good working structure when you consider the many Country Sponsors and the many permutations of an overall governance structure that could have been in place. It looks like this structure, under my observation here today, could work very well.

Mr. Ernewein mentioned that from the Country Sponsor's view the structure is performing nicely. In the past there have been different national standards, then a common standard, but remained local standards. Last year we achieved having one single global standard. Taking eighteen months to discuss the governance of the new single global standard is not too much. Many European Country Sponsors wanted to have this discussion finalized before signing up for the next period. It is really important to have clear governance for the future and a clear sharing between CFA Institute, who is the main sponsor, of course, and the other Country Sponsors. Thank you for having worked at least one year or eighteen months on that. We think that the next GIPS Council, the first GIPS Council meeting in Cape Town will be the final step of this organization setting up and then we will have a really working organization for the future. I am sure most of the European Country Sponsors today will commit between March and June next year.

Mr. DeAngelo commented that he has been serving as a transitional chair of the Executive Committee until the development yesterday officially electing a GIPS Organisation chair and chair elect. He thanked the members of the EC on behalf of the GIPS Secretariat for the close working relationship that we have been able to establish. Mr. DeAngelo appreciated the sense of collaboration and openness, and he looks forward to continuing to work with the EC but not in the capacity as a temporary chair. He stated that we look forward to carrying the work of GIPS rapidly forward now.

The meeting was adjourned at 1:05 p.m.