

Country Sponsor Endorsement Criteria **The Role and Responsibilities of a Country Sponsor**

The EC has asked the GIPS Council Chairman and the RIPS Chairmen to review and describe the role and responsibilities of a Country Sponsor. The following is a draft of a memorandum to the EC.

The role and responsibilities are already well described in the GIPS documents. The GIPS Adoption Guidelines must be reviewed to reflect the new GIPS organisation and the new GIPS Country Sponsor Agreement. The termination clause should be completed with some more language to ensure that the country sponsors understand and are reassured that termination by the EC will be the rare exception and only be executed if no other possibility exists.

Once the EC has agreed on the memorandum it will be passed to the Intellectual Property Working Group for further discussion and implementation in the documents.

Content

1. Description of GIPS documents related to country sponsors
2. Some thoughts about the Organisation of Country Sponsors (May 2006)

1.) Description of documents

The responsibilities of a country sponsor are described in three documents

- A) GIPS Standards
- B) GIPS Country Sponsor Agreement
- C) GIPS Adoption Guidelines (With a new termination paragraph)

A GIPS Standards

G. Implementing a Global Standard (page 5)

20. The presence of a local sponsoring organization for investment performance standards is essential for their effective implementation and on-going operation within a country. Such country sponsors also provide an important link between the IPC, the governing body for the GIPS standards, and the local markets where investment managers operate.

The country sponsor, by actively supporting the GIPS standards and the work of the IPC, will ensure that the country's interests can and will be taken into account as the GIPS standards are developed going forward. Compliance with the GIPS standards is voluntary, but support from the local country sponsor will help drive the success of the GIPS standards.

B GIPS Country Sponsor Agreement

By signing this Agreement, each party agrees to abide by and perform their responsibilities described in the revised *GIPS Standards Adoption Guidelines and Process* and be subject to the governance process and documents of the GIPS organization as those materials and documents may be amended from time to time pursuant to GIPS governance processes.

3. Termination. The GIPS EC may terminate this Agreement and NAME's participation as a GIPS Country Sponsor, in accordance with the GIPS Country Sponsor Adoption Guidelines and Process and the governance process and documents of the GIPS organization. In addition, NAME may cancel this Agreement and its participation as a GIPS Country Sponsor by providing six months advance written notice to the GIPS EC. The GIPS EC may endorse a new Country Sponsor in [insert region]. Upon termination of this Agreement:

- NAME must discontinue its use of the GIPS Brands and the GIPS Materials;
- NAME will assign to the new Country Sponsor in [insert region] endorsed by the GIPS EC the ownership of NAME's Translated Materials by an agreement of the two parties (NAME will inform any other Country Sponsors using the Translated Materials of this change in ownership); and
- NAME agrees that it will not challenge or otherwise object to a new Country Sponsor in [insert region] or to a new Country Sponsor's use and translation of the GIPS Brands and the GIPS Materials.

Term. This Agreement shall continue and remain in effect until terminated under the process provided in section 3. All previous agreements are superseded by this Agreement.

→ Please note: Final draft will be presented by the chair of the Intellectual Property working Group at the EC September Telephone Conference call.

C GIPS Adoption Guidelines Process

III. Endorsement Process/Conditions of Endorsement

Once the EC agrees and endorses the submission, the EC, CFA Institute, and the Country Sponsor must all agree to certain Conditions of Endorsement. These conditions of endorsement will form the basis upon which the Country Sponsor will use, refer, or relate to the GIPS standards.

Country Sponsor

To receive endorsement by the EC, the Country Sponsor agrees to the following conditions:

1. Incorporate, acknowledge and promote the GIPS standards in full and all future modifications and/or additions to the GIPS standards, that are approved by the EC in

accordance with the due process, within the local marketplace no later than the appropriate effective date of the addition or change.

2. Embrace the centralized GIPS interpretations database published by the EC and/or the Interpretations Subcommittee of the EC, which are approved in accordance with the due process along with future guidance and interpretations.
3. The Country Sponsor agrees to notify the EC and CFA Institute of any future changes to the TG prior to their adoption.
4. The Country Sponsor must not alter the GIPS standards in any way.
5. Country Sponsor must not use the GIPS standards in an inappropriate or misleading manner and must not use the Standards directly in its own business name, products or trademarks.
6. The Country Sponsor must include the following notice in any reprint of the GIPS standards or use of the GIPS name (or logo, if created) “[insert Sponsor name] is an endorsed Country Sponsor authorized by the GIPS Executive Committee of the CFA Centre for Financial Market Integrity to promote the GIPS standards. The GIPS® name (and logo, if created) and the GIPS standards are owned by CFA Institute. www.cfainstitute.org.”

CFA Institute and the EC

CFA Institute grants the Country Sponsor a limited, personal, non-exclusive, royalty-free license to use the GIPS mark and the GIPS standards solely for the purpose of publishing and promoting the GIPS standards in the local marketplace.

Termination

The GIPS EC and the Country Sponsor reserve the right to terminate this agreement if either party fails to perform in accordance with above specified conditions and the GIPS Country Sponsor Agreement. Upon termination of this agreement, the Country Sponsor shall discontinue its use of the GIPS standards and the GIPS brand in all mediums.

It is important to note that the GIPS EC will only in very rare occasions, when no other possibility exists, terminate an agreement. The following procedure was established to guarantee the country sponsor a fair and objective treatment should the EC need to terminate an agreement:

1. The EC has an annual evaluation process in place to review the activities of all country sponsors.
2. Should the EC come to the conclusion that a country sponsor has missed to fulfil important aspects of the agreement, the EC will warn the country sponsor via a written statement specifying the issues which are not fulfilled by the country sponsor.
3. Such a decision must be tabled at an EC meeting and accepted by the EC with a majority voted. The GIPS Council will not be informed at that stage.

4. The country sponsor then has six month time to improve the situation.
5. Should the country sponsor against all our not perform according to the contract, the EC will table the termination of the contract with the country sponsor. Again the EC must table the business at a regular EC meeting and the country sponsor has the right to present his arguments in writing or in person.
6. The EC must decide on a termination of a country sponsor with a 2/3 / 3/4 ? majority vote.
7. The GIPS Council will be informed about the termination and the reasons.

It is important to note that the EC has every interest to expand the GIPS country sponsor community and will support and encourage all country sponsors to fulfil their role and responsibilities.

IV. The Roles and Responsibilities of the Country Sponsor

The presence of a local sponsoring organization for investment performance standards is essential for their effective implementation and on-going operation within a country. Such Country Sponsors also provide an important link between the EC, the governing body for the GIPS standards, and the local markets in which investment managers operate. Country Sponsors need to ensure broad local representation and inclusivity so all interested parties are permitted the opportunity to participate at the local level.

The Country Sponsor, by actively supporting the Standards and the work of the EC, will ensure that the country's interests can and will be taken into account as the GIPS standards are developed going forward. Compliance with GIPS standards, as for other existing local standards, is voluntary. Local market support and competitive pressures will ultimately determine how successfully the GIPS standards will be embraced in different countries and regions around the world.

The EC has formalized a process by which the Country Sponsor and their adoption of the GIPS standards will be reviewed and assessed for endorsement by the EC as GIPS compatible. It is therefore important to clarify the role that the Country Sponsor will take in contributing to and interfacing with this process. These guidelines endeavor to answer some frequently asked questions with regard to Country Sponsors and to outline and recommend the particular responsibilities and functions which they should consider undertaking.

Who typically acts as a Country Sponsor?

Country Sponsors have tended to be a local association representing fund managers, pension funds, or professional societies (e.g. banking or asset management associations, financial analysts associations, CFA Institute societies), or a joint undertaking between these associations. One of the objectives of Country Sponsors, invariably similar to that of the EC and CFA Institute, should be to advance the interests of the local investment community by establishing and maintaining the highest standards of professional excellence and ethical integrity in regard to the calculation and reporting of performance information.

Country Sponsors need to ensure broad local representation and inclusivity so all interested parties are permitted the opportunity to participate at the local level.

What are the responsibilities or functions of a Country Sponsor?

As a general rule the most likely responsibilities accepted or functions undertaken by the Country Sponsor of investment performance standards fall into the following categories:

Within the country

1. Nominate a representative to serve on Regional Investment Performance Subcommittee (RIPS) and GIPS Council who is responsible to voice local issues, concerns and serve as a conduit between GIPS Council and Country Sponsor.
2. Promulgate locally GIPS standards and maintain their integrity.
3. Provide local market support for the GIPS standards by:
 - Encouraging local investment managers to comply
 - Enhancing public awareness
 - Seeking support from all investors in particular to endorse compliance
 - Determining the need for education programs and endorse and contribute to GIPS educational initiatives.
4. Commit to and ensure that a country's TG will incorporate, all future additions or improvements to GIPS and on-going new interpretations of existing GIPS provisions.
5. Determine whether translations of the GIPS standards, guidance statements and/or interpretations would be beneficial and if so, undertake the process according to EC guidance. Ensure, as far as possible, consistency in the application of the Standards due to language differences.
6. Provide interpretation and support to answer local-specific, historical standards issues.
7. Actively co-operate with the EC to market the GIPS standards within the country.
8. Ensure appropriate local market expertise or issues (i.e. clients, consultants, verifiers, plan sponsor, software, etc.) are represented within the Country Sponsor committee.

Outside the country

9. Interface with the EC to:
 - Nominate appropriate EC candidates and technical sub-committee members
 - Provide relevant response to requests for public comment

10. Undertake the interactive relationship with the EC to:
 - Submit to the EC either their *GIPS in English* or *TG*
 - Represent local issues and concerns
11. Provide interpretations support to:
 - Interface between the EC's Interpretations Subcommittee and the local market for questions and answers related to the core GIPS standards (which could include, for instance, providing translation where necessary)
12. Participate in cross-border activities to:
 - Provide a country representative who will serve on the appropriate Regional Investment Performance Subcommittee (RIPS) and GIPS Council
 - to represent the local issues and views, and to exchange cross border considerations
 - to provide input to further develop the GIPS standards as the "gold standard" (e.g. identifying local "best practices" for possible incorporation into the GIPS standards)
 - Promote and support fair "right of access" competition for all investment managers
 - Liaise to promote uniformity in the provision of verification services

Relationship with Regulators

It is important that Country Sponsors appreciate what the relationship is between CFA Institute, the EC and many local regulators and the basis upon which it is recommended a Country Sponsor should forge a similar relationship with the local regulator.

The self-regulatory nature of the GIPS standards, which necessitates a strong commitment to ethical integrity, is fully endorsed and supported by both the EC and CFA Institute. Self-regulation also facilitates country regulators in exercising their responsibility for ensuring the fair disclosure of information to and within the financial markets in general. CFA Institute through its standards setting experience, together with the EC's technical expertise can, with the support of the Country Sponsor, further aid regulators who are actively looking at performance reporting. A Country Sponsor can therefore help foster good communication with the local regulator alongside CFA Institute and the EC and can encourage regulators to:

- recognize the benefit of voluntary compliance with standards which represent global best practices;
- give consideration to adopting a function favored by some regulators, namely to enforce sanctions upon false claims of compliance as fraudulent advertising;
- recognize and encourage independent verification services.

2.) Some thoughts about the Organisation of Country Sponsors (May 2006)

Re: Our discussion about multiple stakeholders in a country sponsor: It is clear that a GIPS country sponsor should consist of and therefore represent ideally all important stakeholders in it's country.

When we look at the GIPS Country Sponsor List as of 30 March 2006 we see that there are many possibilities of organising the country sponsor and representing the country sponsor to the outside:

a) One organisation is representing the country sponsor

aa) in it's own name: (e.g. Japan, SAAJ; South Africa, IMASA; New Zealand, CFA Society; Switzerland: the Swiss Bankers Association; US/Canada: AIPM-PPS CFA Society) or

ab) in the name of the group of experts (e.g. Australia, P Group, represented by IFSA, UK: UK Investment Performance Committee (UKIPC), represented by NAPF).

b) Multiple organisations share the representation of the country sponsor:

ba) The country sponsor is an organisation by it's own name, represented jointly by the stakeholders (Germany: "German Asset Management Standards Committee", sponsored and represented by 3 organisations; or Italy: "Italian Investment Performance Committee (IIPC)", sponsored and represented by 6 organisations.

bb) No organisation is formed to represent the country sponsor: (e.g. Austria, represented jointly by (1) Österreichischen Vereinigung für Finanzanalyse und Asset Management (ÖVFA) and (2) Vereinigung österreichischer Investmentgesellschaften (VÖIG); or Luxembourg, represented jointly by (1) Association Luxembourgeoise des Fonds d'Investissement (ALFI (=FEFSI)), and (2) Association Luxembourgeoise des gestionnaires de portefeuilles et analystes financiers (ALGAFI (=EFFAS society)).

Important with type a) is that the country sponsor consists of many stakeholders, regardless of the representation to the outside by "only" one organisation. If this is given, then this organisational form is to be preferred over type b).

Important with type b) is that the co-ordination and the representation to the outside are organised well.

Thank you for your feed back.

Zurich, 17 August 2006