



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

Date: Friday 23 March 2007
Location: Cape Town, South Africa
Time: 1:00 p.m. – 5:00 p.m. (South Africa Time)

Members Present: Jonathan Boersma, CFA GIPS Executive Director
Louis Boulanger, CFA – Asia-Pacific RIPS Chair
Stefan Illmer – EC Chair and EMEA RIPS Chair
Todd Juillerat, CFA – Americas RIPS Chair
Carol Kennedy – Investor/Consultant Chair
Yoh Kuwabara – Verification/Practitioner Chair
Sunette Mulder – EC Chair Elect and Investment Manager Chair
Karyn Vincent, CFA – Interpretations Chair
Hans-Jörg von Euw – GIPS Council Chair

Observers Present: Alain Ernewein – France
João Cantiga Esteves - Portugal
Hilton Greybe – South Africa
Lesley Harvey – South Africa
Kazumichi Karita – Japan
Angela Keane - Australia
Susanne Klemm – Switzerland
Jorn Gunnar Kleven – Norway
Peter B. Lynn, CFA – New Zealand
Karl Lung, CFA – Hong Kong
Leanne Micklewood, CFA – South Africa
Colin Morrison – United Kingdom
Giri Mudeliar - Singapore
Joe O'Donnell – Ireland
Eric Pagniez – France
Corné Reniers – Netherland
Neil Riddles, CFA – United States and Canada
Martin Schliemann – Germany
Dimitri Senik, CFA – Switzerland

Remco Van Eeuwijk, CFA - EFFAS
Mark Van Eijk - Netherlands
Shelley Vander Westhuizen – South Africa
Linda Viviers –South Africa
Madeleine Woodward – Sweden
Liudmyla Zhurakhovska - Ukraine

CFA Institute: Jeannie Anderson – Associate General Counsel, CFA Institute
Carl Bacon – Consultant, CFA Institute Centre for Financial
Market Integrity
Ray DeAngelo – Managing Director, Member and Society
Division
Polly Johnson – Administrative Assistant, CFA Institute Centre
for Financial Market Integrity
Cindy Kent – GIPS Development Specialist, CFA Institute Centre
for Financial Market Integrity
Matt Orsagh, CFA – Senior Policy Analyst, CFA Institute Centre
for Financial Market Integrity

Action Items

1. Mr. Boersma will submit a proposal to the CFA Institute Board, if needed, to amend the GIPS EC Constitution for the first rotation process from a four (4) year to a five (5) year EC member nomination rotation process to ensure a smooth GIPS 2010 review process.
2. CFA Institute staff will notify Country Sponsor of the 30 June 2007 deadline to complete and return their Country Sponsor documents. A reminder will also be sent out one month prior to the deadline.
3. CFA Institute will distribute the Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent to GIPS Country Sponsors for a three-month public comment period.
4. CFA Institute will delete Section 2 in the Verification/Practitioner Subcommittee Terms of Reference and in all Terms of Reference documents as they are revised.
5. CFA Institute to send out a preview of the final version of the Recordkeeping Guidance Statement for 30 days to the Country Sponsors once it is finalized by the Interpretations Subcommittee.
6. Mr. Boersma to acknowledge receipt of the KCIAA's withdrawal of their Korea Country Sponsor application.
7. Promotion and Awareness Subcommittee to develop language to explain the Country Sponsor Application process.
8. CFA Institute will notify the Ukraine that their application to be an endorsed GIPS Country Sponsor has been approved and the GIPS Web site will be updated to reflect this addition.

7. CFA Institute will notify the Hong Kong Country Sponsor that the Chinese TG has been approved subject to the proposed changes or clarification in the reverse translation comparison document.
8. The Process Working Group is to present their final proposal on the Country Sponsor Evaluation Criteria at the July 2007 meeting.

Decision Points

- The GIPS EC unanimously approved the GIPS EC, GIPS Council, RIPS, and GIPS EC Standing Subcommittee Operating Policies and Procedures documents with minor changes proposed by the Asia Pacific RIPS.
- The GIPS EC unanimously approved the Nominations Timeline and Terms of Reference amended as follows: (1) add the following language “subject to changes” and (2) reformat the footnote to a larger size without brackets on the EC Nominations Timeline.
- The GIPS EC members decided to ask the CFA Institute Board for flexibility in the GIPS EC Constitution from a four (4) year to a five (5) year nomination rotation process, if needed, and to table the discussion and approval of the EC Nominations Rotation Timeline until the September 2007 meeting.
- The GIPS EC unanimously approved the GIPS standards Country Sponsor Agreement and GIPS Adoption Guidelines and Process documents amended as follows:
 - change the word “should” to “is” in Section IV, Who typically acts as a Country Sponsor? – GIPS Adoption Guidelines and Process;
 - change the words “North America” to “United States and Canada” in the last sentence. – GIPS Adoption Guidelines and Process;
 - change language “revised version of the GIPS Standards published in 2005” to “the most current version of the GIPS standards” in Section 2.b. – GIPS standards Country Sponsor Agreement.
- The GIPS EC agreed that Country Sponsors will be notified the deadline to return their completed and signed agreements is 30 June 2007 and that failure to do so will terminate their country sponsor status.
- The GIPS EC decided that Country Sponsors will be required to complete the Country Sponsor Agreement and GIPS Adoption Guidelines and Process documents to provide an accurate update of their status.
- The GIPS EC members unanimously approved distribution of the Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent to GIPS Country Sponsors for a three-month public comment period.
- The GIPS EC unanimously approved the GIPS Council Terms of Reference as presented.
- The GIPS EC unanimously approved the Verification/Practitioner Terms of Reference amended as follows: delete Section 2.
- The GIPS EC decided to delete Section 2 in all the Terms of Reference documents as those documents are revised.

- The GIPS EC agreed to send out a preview of the final version of the Recordkeeping Guidance Statement to the Country Sponsors for questions for 30-days prior to the approval by the GIPS EC at a future conference call.
 - The GIPS EC decided to acknowledge receipt of the KCIAA's withdrawal by their Korea Country Sponsor application.
 - The GIPS EC members unanimously approved the Ukraine Country Sponsor Application as presented.
 - The GIPS EC members unanimously approved the Chinese TG, submitted by the Hong Kong Country Sponsor, subject to the proposed changes or clarification in the reverse translation comparison document.
 - The GIPS EC decided it will not be the responsibility of CFA Institute to keep a record of the Country Sponsor recommitments or activities.
 - The GIPS EC decided that where more than one organization applies to be the GIPS Country Sponsor the organizations will be encouraged to work together as one Country Sponsor. However, if they are unable to form a joint Country Sponsorship, the GIPS EC will select which organization is the GIPS Country Sponsor.
 - The GIPS EC decided to recommend, back to the Process Working Group, Alternative 1 of the proposed working draft of the Country Sponsor Evaluation Criteria presented.
 - The GIPS EC agreed to continue to use the interim process for approving Country Sponsors until the new process being developed has been approved.
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1. Information about all approved items since last open EC meeting

The meeting was opened with a brief discussion of items approved since the last EC open meeting in December 2006. Highlights mentioned were: approved Job Descriptions for the EC Chair and Executive Director in January, Subcommittee Chairs may select candidates to fill vacancies on their subcommittees, approved preparation of an Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent for GIPS Country Sponsor review, and approval of the Spanish TG in February. Also reviewed were the Action and Decision Items approved at the 17 January 2007 meeting.

2. Approve GIPS Organization Operating Policies and Procedures

Upon a motion made and seconded, the GIPS EC, GIPS Council, RIPS, and GIPS EC Standing Subcommittee Operating Policies and Procedures documents were unanimously approved by the GIPS EC (9 votes).

The GIPS EC decided that comments made at the Asia Pacific RIPS meeting regarding minor changes to the Operating Policies and Procedures documents, of a non-material nature, will be incorporated in the final documents.

3. Approve EC Nominations Committee Documents

Upon a motion made and seconded, EC Nominations Timeline and Terms of Reference were unanimously approved by the GIPS EC (9 votes) as amended:

- add the following language “subject to changes” and reformat the footnote to a larger size without brackets on the EC Nominations Timeline; and
- to ask the CFA Institute Board for flexibility, if needed, in the GIPS EC Constitution for the first rotation process from a four (4) year to a five (5) year nomination rotation process to ensure a smooth GIPS 2010 review process and to table the discussion and approval of the EC Nominations Rotation Timeline until the September 2007 meeting.

It was mentioned that appointments are one-year terms, renewable up to four consecutive years.

4. Approve GIPS standards Country Sponsor Agreement and GIPS Adoption Guidelines and Process for GIPS Council Approval.

Upon a motion made and seconded, the GIPS standards Country Sponsor Agreement and GIPS Adoption Guidelines and Process documents were unanimously approved by the GIPS EC (9 votes) as amended:

- change the word “should” to “is” in Section IV, Who typically acts as a Country Sponsor? – GIPS Adoption Guidelines and Process;
- change the words “North America” to “United States and Canada” in the last sentence. – GIPS Adoption Guidelines and Process; and
- change language “revised version of the GIPS Standards published in 2005” to “the most current version of the GIPS standards” in Section 2.b. – GIPS standards Country Sponsor Agreement.

The GIPS EC decided that Country Sponsors will be notified the deadline to return their completed and signed agreements is 30 June 2007 and that failure to do so will terminate their country sponsor status. It was also decided that Country Sponsors will be required to complete the new documents to provide an update of their status.

5. Approve Exposure Draft to Change EC Constitution Voting Requirement to 75 %

Upon a motion made and seconded, distribution of the Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent to GIPS Country Sponsors for a three-month public comment period was unanimously approved by the GIPS EC (9 votes).

6. Approve GIPS Council Terms of Reference for GIPS Council Approval

Upon a motion made and seconded, the GIPS Council Terms of Reference was unanimously approved by the GIPS EC (9 votes) as presented.

7. Approve Verification/Practitioner Terms of Reference

Upon a motion made and seconded, the Verification/Practitioner Terms of Reference was unanimously approved by the GIPS EC (9 votes) as amended:

- delete Section 2 and in all the Terms of Reference documents as those documents are revised.

8. Approve Recordkeeping Guidance Statement

The GIPS EC agreed to send out a preview of the final version of the Recordkeeping Guidance Statement to the Country Sponsors for a 30-day period (not a public comment period) prior to the approval by the GIPS EC at a future conference call and posting to the Web site.

9. Approve Korea Country Sponsor Application

It was reported that the KCIAA withdrew their Country Sponsor Application, and an additional application has been received from Korea CFA Society, and communication has been received that a third organization intends to apply.

The GIPS EC will acknowledge receipt of the email from KCIAA withdrawing their application.

The Promotion and Awareness Subcommittee will develop language explaining the Country Sponsor application process. The group also discussed placing information on the GIPS Website on how to apply to become a GIPS Country Sponsor.

10. Approve Ukraine Country Sponsor Application

Upon a motion made and seconded, the UAIB as the Ukraine Country Sponsor Application was unanimously approved by the GIPS EC (9 votes) as presented.

It was mentioned that a Ukrainian TG has also been submitted and is currently being reviewed. The TG will be presented for discussion and approval at a later date.

11. Approve Chinese TG

Upon a motion made and seconded, the Chinese TG was unanimously approved by the GIPS EC (9 votes) subject to the proposed changes or clarification in the reverse translation comparison document.

12. Approve Country Sponsor Evaluation Criteria

The GIPS EC decided that when more than one organization applies to be the GIPS Country Sponsor the organizations will be encouraged to work together as one Country Sponsor. However, if they are unable to form a joint Country Sponsorship, the GIPS EC will select which organization is the GIPS Country Sponsor.

The GIPS EC decided to recommend Alternative 1 and delete Alternative 2 of the proposed working draft of the Country Sponsor Evaluation Criteria presented.

It was suggested that Country Sponsors be required to recommit on a yearly basis their country sponsor status along with an update of their activities on 30 June of each year. The GIPS EC decided Country Sponsors should be responsible for providing an annual update on their activities.

The GIPS EC agreed to continue to use the interim process for approving Country Sponsors until the new process being developed has been approved.

The final proposal on the Country Sponsor Evaluation and Criteria will be presented at the July 2007 meeting.

13. Update on EC Business

(a.) Strategic Plan and (b.) Action Items

It was mentioned the EC Strategic Plan and Action Items List will be distributed on a regular basis to keep Country Sponsors updated on the GIPS EC's progress.

The nine objectives in the EC Strategic Plan, developed at the informal meeting in December 2006, were briefly reviewed.

14.

(h.) Intellectual Property Working Group

The GIPS EC distributed a proposed Agreement Letter regarding Supranational Organizations for review. The name will be changed for clarification from Supranational Organizations and/or Authorized Observers to "Associate Members." The proposal is to allow Associate Members to have voting rights at the RIPS level on technical, content issues.

14.

(m.) Promotion and Awareness Subcommittee

The Promotion and Awareness Subcommittee will coordinate responses, questions, and input regarding the GIPS Website. The Subcommittee will also be responsible for coordinating future questionnaires to be sent to Country Sponsors.

14.

(n.) Verification/Practitioner Subcommittee

The Verification/Practitioner Subcommittee is working on Verification Action Plan with a goal of proposing a "win-win solution." It was reported that a Verification Action Plan is to be developed in three phases:

1. Conduct a survey on required verification through Country Sponsors
2. Studies – Type I (Theoretical aspects)
 - Explore what ideal verification should be or how to manage cost for verification
- Studies – Type II (Environmental/Technical aspects)
 - Raise awareness for verification or raise confidence level on verification

3. Output or deliverable “win-win solution”

It was mentioned that the GIPS standards are ethical standards. It was suggested the easiest way to have mandatory verification is to have every investor demand it of their investment manager. This could be accomplished through outreach to investment groups, consultants, pension plans, and to raise education and awareness. It is important to review what required verification would mean to different countries and to the clients.

It was reported that the NAIPC drafted a White Paper last week which has a proposed compromise solution. The proposal is to require firms to disclose whether they have been verified or not thereby creating market demand. This would be done by incorporating a statement into the claim of compliance as well as including it in the advertising statement.

15.

(a.) Update In-Person Meeting in Asia Pacific

The location of the next in-person meeting to be held 20-21 September 2007 in the Asia Pacific RIPS is to be determined. Hong Kong, China and Singapore are being considered. A decision on the meeting location is expected at the next conference call.

(b.) Next EC Closed Conference Call

The next conference call of the GIPS EC is to be held on Wednesday 18 April 2007.

Observers’ Comments

Mr. Morrison stressed that the Process Working Group should focus on the second subsequent piece of the Country Sponsor Evaluation Criteria and Process to accelerate the work.

Mr. Kuwabara stated that the order of tasks for the Process Working Group is: 1. draft an endorsement process; 2. draft for process, creating and changing GIPS provisions and guidance; and 3. draft EC decision processes for open and closed sessions. When the EC approves the proposal on the Country Sponsor Evaluation Criteria and Process it will be distributed to Country Sponsors for a three-month public comment period.

Mr. Illmer stated that the Country Sponsor Evaluation Criteria and Process document should be ready for approval at the latest in July or August and questioned a three-month public comment period for approving Country Sponsors until the new process being developed has been approved. The GIPS EC members agreed to continue to use the interim process.

Mr. DeAngelo explained that public comment periods typically apply when new standards or guidance is being proposed. Then a formal process is used for exposing those proposals to the broad industry (beyond the organizations represented by GIPS Country Sponsors) allowing them a 60 to 90 day time period to submit comments. That is different from sending out internal documents for GIPS Country Sponsors to review.

Mr. Van Eijk questioned an earlier comment that there would be no new items for GIPS, but now the Recordkeeping Guidance Statement is being presented for approval. He stated that MiFID is an important topic in Europe.

Mr. Illmer explained this Guidance Statement is an open IPC action item. It has been exposed to the industry for the past two years along with the Error Correction Guidance Statement and the Leverage and Derivatives Guidance Statement.

Ms. Mulder stated that the Investment Manager Subcommittee is going to look at Risk Measures.

Mr. Lung voiced his concern about existing Country Sponsors being represented when another organization applies and suggests this situation be addressed in the Country Sponsor Evaluation Criteria and Process document.

Mr. Karita questioned the deleted paragraph in Country Sponsor Criteria and Process document regarding the role of RIPS.

Mr. Illmer stated that the paragraph will not be deleted but rather it will be changed to reflect that an application of a specific country sponsor will not be discussed at RIPS meetings.

Mr. Karita questioned the treatment of the KCIAA's application to be a Country Sponsor and their subsequent withdrawal of their application. He stressed the importance of responding to the KCIAA.

Mr. Boulanger and Mr. Illmer assured Mr. Karita that the GIPS EC will respond to the KCIAA.

Mr. Karita inquired about the invitation extended to the KCIAA to attend the GIPS meetings in South Africa.

Mr. Illmer stated that they received the same invitation that was sent to all GIPS Country Sponsors, proposed country sponsors and observers as had been done in the past.

Mr. Van Eeuwijk questioned the Strategic Plan including Risk Measures as a critical part of the future of GIPS. Mr. Illmer stated that Risk Measures can be explicitly added to the Strategic Plan as it is already a topic being reviewed.

Mr. Boersma stressed the importance of deciding and prioritizing the work to be done with the limited resources available.

Mr. Van Eeuwijk suggested that the Strategic Plan should be formally endorsed by the GIPS Council as it should be widely supported and provide the direction for the entire GIPS organization.

Mr. Illmer mentioned that the EC does not set their own priorities but as representatives of Country Sponsors, the industry, and clients they respond to topics that have been identified as having the highest priority. A recent Country Sponsor survey raised the issues of hedge funds and the reporting to existing clients and these items are currently being addressed.

Mr. Schliemann stated he would like the EC to find a final decision on mandatory verification.

Mr. Bacon stated the belief that mandatory verification will reduce the perceived value of verification by clients. He welcomes the U.S. position of a statement disclosing whether the firm has been verified or not. Educating the market and creating a demand for verification will make this a non-issue in the future.

Mr. Ernewein endorsed Supranational Organizations becoming observers, but is not in favor of giving them voting rights at the RIPS level. He voiced concern over what groups might be included under the definition of Supranational Organizations such as regional or specialized industry groups and national organizations would be included. An area of concern is that they do not have a direct link with the members (e.g., asset management firms, pension funds, etc.).

Mr. Illmer reiterated that the EMEA RIPS and the EC have already approved drafting a proposal to include Supranational Organizations at the RIPS level as associate members.

Mr. Lung agreed with Mr. Ernewein that associate members should not have the right to vote. Mr. Lung believes that verification is very important and suggested educating plan sponsors to create the demand for verification is good solution. He also suggested that verification requirements for smaller firms could be made easier allowing them to be verified every three years with additional interim disclosures or processes.

Mr. Senik stated that Mandatory Verification in Switzerland is not a concern because it is the current market practice due to regulation. However, he did mention that one

of the objectives of the GIPS Council is “to promote the establishment of an effective and consistent verification service throughout the regions.” Mr. Senik agrees that there is a big gap in the quality of verification services. He suggested that the EC consider how consistent quality verification services can be delivered and improved throughout the world.

Mr. Boulanger stated that verification is not an audit. It has become clear to him that there is no common, global understanding of what verification means. He believes that if verification is being abused the Country Sponsor has a role to play in ensuring the integrity and application of the Standards in their locality.

Mr. Senik commented that the verification process is based on auditing techniques and these auditing techniques have to be understood. Due to the confidential relationship between a company and a verifier you cannot get insight and information into the quality of the work. Consequently, he does not believe it is possible for a Country Sponsor to ensure the standard of quality is maintained.

Mr. Morrison stated that in the U.K. the FSA looks at claims of compliance and they take comfort from the audit opinions and statements provided by verifiers.

Mr. Karita discussed what the Japanese Country Sponsor is planning to do a survey regarding verification. They will include inquiries regarding the cost burden to firms. He believes that as the market perceives the importance of verification the issue will be resolved by natural selection of the market. He mentioned asking international auditing firms whether they have a variety of quality and costs of verification services.

Mr. Karita agreed with Mr. Ernewein’s comments regarding associate members. As a manager of ASAF it is very difficult for their Federation to have a single position to vote. He believes it would be better for Supranational Organizations not to have a voting right.

Mr. Illmer reminded everyone that the Supranational Organization document is a draft proposal and that there will be a public commenting period involved in changing any of the governance documents.

The meeting adjourned at 5:00 p.m.