



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

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**Date:** Friday 21 September 2007  
**Location:** Hong Kong  
**Time:** 1:00 p.m. – 5:00 p.m. (Hong Kong Time)

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**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, CIPM – Interpretations Chair  
Hans-Jörg von Euw – GIPS Council Chair

**Observers Present:** Jerome Chung – Hong Kong  
Kazumichi Karita – Japan  
Michael Sung-Soon Kim, CFA - Korea  
C. K. Lee, CFA – Korea  
Sussie Lin – Ashland Partners  
Karl Lung, CFA – Hong Kong  
Peter B. Lynn, CFA – New Zealand  
Naoko Mori – Japan  
Giri Mudeliar – Singapore  
Christian Nelson – Ashland Partners  
John O’Shaughnessy – Australia  
Mohammad Shoaib, CFA – Pakistan  
David Spaulding, CIPM – United States and Canada  
Germaine Sze, CFA – Hong Kong  
Xiaodong Stephen Zhu – Ashland Partners

**CFA Institute:** Beth Kaiser, CFA – Investment Performance Specialist, CFA  
Institute Centre for Financial Market  
Integrity  
Cindy Kent – GIPS Development Specialist, CFA Institute Centre  
for Financial Market Integrity  
Kha Loon Lee, CFA – Head CFA Institute Centre, Asia Pacific  
Shirley Ng – Administrative Assistant, CFA Institute Hong Kong

\* Partial Attendance

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### Action Items

- CFA Institute will send to Country Sponsors the draft revisions of the GIPS EC Constitution and the GIPS EC Operating Policies and Procedures for a 90-day public comment period on the GIPS EC 75% Vote Requirement proposal.
- The GIPS EC provided their opinions on the recommendations and future effective dates for the GIPS 2010 Review to the Interpretations Subcommittee.
- CFA Institute will send an e-mail to Country Sponsors asking them to nominate risk experts for the Risk Working Subgroup being formed.
- Country Sponsors will be asked to submit nominees for the Nominations Committee to be elected for a one-year term.
- The Process Working Group will present a draft process for creating/revising GIPS Provisions and Guidance Statements to be presented to the GIPS EC for their discussion and approval.
- CFA Institute will prepare a summary of the results of the GIPS Questionnaire to be posted on the GIPS Website. The survey data will be filtered and provided to respective subcommittees for their information. Where there were sufficient stakeholder responses, these responses will be sent to the respective Country Sponsor.
- CFA Institute will prepare a summary of the EC's statement on verification that will be e-mailed to all Country Sponsors.
- CFA Institute is in the process of making additional enhancements to the GIPS Website Discussion Forums such as password recognition and the ability to change passwords.
- The RIPS Associate Member Agreement and revised RIPS OPPs will be presented to the RIPS and GIPS Council for their review and approval at the in-person meetings in March 2008 prior to being submitted to the EC for their approval.
- CFA Institute is actively reviewing options on the use of the GIPS logo by firms that are claiming compliance with the Standards with legal counsel.

## Decision Points

- The GIPS EC approved the CFA Association of Pakistan as the endorsed Country Sponsor of Pakistan.
- The Country Sponsor Endorsement Process was unanimously approved by the GIPS EC as amended:
  - The Assessment Team will be comprised of three (3) members that will include the EC Chair, relevant RIPS Chair, and the GIPS Executive Director.
  - When multiple organizations apply to be the Country Sponsor for a country, the organizations will be allowed no more than six (6) months to consider working together as a Country Sponsor.
- The GIPS EC approved the Italian TG contingent upon minor edits and clarifications being resolved.
- The GIPS EC decided that the draft revisions of the GIPS EC Constitution and the GIPS EC Operating Policies and Procedures will be sent to the Country Sponsors for a 90-day public comment period on the GIPS EC 75% Vote Requirement proposal.
- The GIPS EC decided to ask for a five (5) year rotation in the nomination process to allow for continuity on the EC.
- The GIPS EC agreed to the following statement regarding verification:

“After the reviewing the 736 responses and feedback from the GIPS Questionnaire on “Compliance, Verification, and 2010 Review” and considerable deliberations of the Verification/Practitioners Subcommittee on the requirement for verification, the EC has decided to propose a change in the current GIPS Compliance Statement to include a explicit disclosure on whether or not the firm has been verified. This proposal will be included as part of the GIPS 2010 Exposure Draft. The EC continues to strongly encourage firms to be verified, but does not consider it appropriate to require verification. Therefore any references to expected future mandatory verification will be removed.”
- The GIPS EC decided not to ask the Intellectual Property Working Group to address the CFA Logo on translations of GIPS. They unanimously agreed the CFA Institute logo should appear on the front cover of the Standards. Having both the CFA Institute and Country Sponsor logos on a translation is a clear sign of partnership and cooperation.

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Participants were informed that the meeting was recorded and will be available later on the GIPS Web site [www.gipsstandards.org](http://www.gipsstandards.org).

## 1. Approve Country Sponsor Agreements

Korea – It was reported that two Korean organizations submitted separate Country Sponsor Applications. One application was received prior to the 31 of August deadline for meeting materials and the other after the deadline. The GIPS EC requested the two organizations discuss the situation and consider joining together to form one Country Sponsor for Korea. The GIPS EC will not take action on these applications until further discussion occurs between and with the two organizations.

Pakistan – The EC members reviewed the Country Sponsor Agreement and Adoption Guidelines and Process documents from the CFA Association of Pakistan (CFAAP). They plan to adopt GIPS in English. The GIPS EC approved the CFA Association of Pakistan as the endorsed Country Sponsor of Pakistan (9 votes).

Kazakhstan – An application has been received from an organization in Kazakhstan to serve as the Country Sponsor, but they have not completed all the documents for the GIPS EC to review and approve.

Poland – An application has been received from an organization in Poland to serve as the Country Sponsor, but they have not completed all the documents for the GIPS EC to review and approve.

## 2. Approve Country Sponsor Endorsement Process

The Process Working Group presented the Country Sponsor Endorsement Process for review and discussion.

Upon a motion made and seconded, the Country Sponsor Endorsement Process was unanimously approved by the GIPS EC (9 votes) as amended:

- The Assessment Team will be comprised of three (3) members that will include the EC Chair, relevant RIPS Chair, and the GIPS Executive Director.
- When multiple organizations apply to be the Country Sponsor for a country, the organizations will be allowed no more than six (6) months to consider working together as a Country Sponsor.

## 3. Approve Italian TG

The EC members reviewed and discussed the Italian TG reverse translation issues. The GIPS EC approved the Italian TG contingent upon minor outstanding issues in the translation being resolved (9 votes).

## 4. Approve EC 75% Vote Requirement

It was reported that only 9 Country Sponsors out of 27 commented on the exposure draft to increase the voting percentage from 66% to 75% for the GIPS EC. While the EC is disappointed in the low number of Country Sponsor comments, it was decided

that the draft revisions of the GIPS EC Constitution and the GIPS EC Operating Policies and Procedures will be sent to the Country Sponsors for a 90-day public comment period on the GIPS EC 75% Vote Requirement proposal (8 votes).

#### **5. GIPS 2010 Project Team**

It was reported that the GIPS 2010 review is underway and the Interpretations Subcommittee is performing a three-part review:

- reviewing whether any edits are needed to the existing Standards;
- reviewing whether any recommendations should become requirements; and
- consider whether any future effective dates should be revised.

The GIPS EC will provide their opinions on the recommendations and future effective dates for the GIPS 2010 Review to the Interpretations Subcommittee from their closed in-person meeting on 20 September 2007. Results and feedback from the recent Promotion and Awareness Subcommittee GIPS Questionnaire will also provide information for the GIPS 2010 Review.

It was mentioned that Chairs for private equity and real estate working groups have been identified. These two working groups are being formed to provide additional industry expertise in these areas and to review the existing provisions in these technical areas in preparation for the GIPS 2010 review.

#### Timeline for the GIPS 2010 Review

Proposed changes to the GIPS<sup>®</sup> standards for public comment will be sent out by 1 January 2009. Complete final revision to the GIPS standards for approval by the GIPS EC will be presented by 1 January 2010 to become effective 1 January 2011. (Agenda Item for March 2008)

#### **6. Americas RIPS Update Report (*see written report*)**

#### **7. Asia Pacific RIPS Update Report**

It was reported that regulation in China recently addressed compliance with the GIPS standards regarding QDII assets. It was mentioned that it will be important to monitor this development.

It was suggested that the Asia Pacific RIPS may want to consider creating a leaflet for the region to help the industry better understand GIPS in order to communicate the principle points of the Standards benefits to firms, to the industry, and to investors.

#### **8. EMEA RIPS Update Report**

It was reported that the EMEA RIPS is working with a real estate organization (INREV) in Europe. The organization has been invited to become involved as observers.

It was mentioned that two long-term EMEA RIPS volunteers decided to step down from their position as the Country Sponsor representatives – Phillipe Gregorie in Belgium and Corne Reniers in The Netherlands. They were publicly thanked for their contributions to the GIPS standards and for their many years of service.

#### **9. GIPS Council Update Report**

It was reported that the GIPS Council decided to hold annual meetings. The next GIPS Council meeting will be held in Europe in March 2008. Next year the new GIPS Council Chair will be elected.

#### **10. Interpretations Subcommittee Update Report**

It was reported that the Recordkeeping Guidance Statement has been completed. It was mentioned that the Alternative Strategies Working Group has a goal of bringing experts together to evaluate applying the GIPS standards to alternative investment products and strategies. The work is not limited to hedge funds as there are common issues that need to be addressed such as performance based fees. This working group is in the process of inviting volunteers and will be co-chaired by Colin Morrison and Dimitri Senik.

#### **11. Investment Manager Subcommittee Update Report**

It was mentioned that two working groups are being formed. One is in conjunction with the Investor/Consultant Subcommittee on performance reporting to existing clients and the other is the application of risk in the GIPS framework. The scope of the Risk Working Group is being defined. Risk experts are currently being sought to volunteer.

It was reported that the Subcommittee has been developing a list of potential remedies for market abuses of the GIPS standards. The document may become a working paper or be incorporated as Q&As. It was suggested that examples of abuses and remedies be incorporated in the GIPS Toolkit as educational support for asset management companies and investors.

#### **12. Investor/Consultant Subcommittee Update Report**

It was reported that the Subcommittee is working on developing standardized questions related to GIPS compliance for a model RFP being created by the CFA Institute Centre for Financial Market Integrity.

The Subcommittee formed a joint working group with the Investment Manager Subcommittee to explore the possibility of expanding the GIPS provisions to include performance reporting to existing clients as a recommendation or an option. A draft document has been circulated to Country Sponsors for their review and feedback.

It was mentioned that the Investor/Consultant Subcommittee is looking for nominations of an investment consultant volunteer due to a recent opening on the Subcommittee.

### **13. Nominations Committee**

The Nominations Committee is being formed. One of their first tasks will be to develop a succession plan for the GIPS EC.

The Nominations Committee must be established to finalize its guiding documents and to begin the rotation of EC members. The current members of the Nominations Committee are: Jonathan Boersma, CFA as Executive Director and Hans-Joerg von Euw as GIPS Council Chair. The two remaining seats will be filled as follows: CFA Institute will appoint one seat and Country Sponsors will elect one seat. Country Sponsors will be asked to submit nominees for the Nominations Committee to be elected for a one-year term.

In consideration of the many critical projects currently underway, the EC agreed that it will propose an extension to the rotation of the current four year terms of EC members to a one-time five year rotation cycle. This will require a revision to the EC Constitution. CFA Institute staff will revise the draft succession plan for further EC review. The GIPS Council Chair position is scheduled to rotate in September 2008.

### **14. Process Working Group Update Report**

It was reported that the Process Working Group is currently developing a process for creating/revising GIPS Provisions and Guidance Statements and it is anticipated that this proposal will be presented to the GIPS EC for discussion at their October 2007 conference call.

### **15. Promotion and Awareness Subcommittee Update Report**

It was reported that 736 responses were received from the GIPS Questionnaire. A summary of the results will be created and posted on the GIPS Website. The three main areas of the questionnaire were: GIPS compliance rates, verification, and the GIPS 2010 Review. It was mentioned that the responses on verification were very mixed. In general, both Country Sponsors and Stakeholders believe the future effective dates in the Standards are workable and should not be altered. The survey data will be filtered and provided to respective subcommittees for their information. Where there were sufficient stakeholder responses, these responses will be sent to the respective Country Sponsor.

### **16. Verification/Practitioner Subcommittee Update Report**

Yoh Kuwabara explained the report submitted by the Verification/Practitioner Subcommittee that offered various proposals to achieve a solution on the controversial issue of mandating verification. The EC has had many lengthy discussions in determining a potential solution on this important issue.

The EC concluded that the best possible solution is to revise the GIPS compliance statement to require an explicit disclosure regarding the firm's verification status. At

their closed meeting on 20 September 2007, the GIPS EC agreed to the following statement that should be included in the GIPS 2010 draft:

“After reviewing the 736 responses and feedback from the GIPS Questionnaire on “Compliance, Verification, and 2010 Review” and considerable deliberations of the Verification/Practitioner Subcommittee on the requirement for verification, the EC has decided to propose a change in the current GIPS Compliance Statement to include an explicit disclosure on whether or not the firm has been verified. This proposal will be included as part of the GIPS 2010 Exposure Draft. The EC continues to strongly encourage firms to be verified, but does not consider it appropriate to require verification. Therefore any references to expected future mandatory verification will be removed.”

A summary of the EC’s statement on verification will be e-mailed to all Country Sponsors.

#### **17. Review and Confirmation of EC Strategic Plan**

There was a brief review of the major accomplishments from the EC Strategic Plan.

#### **18. Review and Update on GIPS Website Discussion Forum**

It was reported that Discussion Forums have been created for all subcommittees but has not yet been released. The EC Discussion Forum has been implemented and is currently being tested.

#### **19. Update on In-Person EC Meeting in March 2008**

It was mentioned that the next in-person meetings are being planned for 13 and 14 March 2008 in Amsterdam. The GIPS Council, all RIPS, and GIPS EC will meet in Amsterdam.

#### **20. Next EC Closed Conference Call**

The next GIPS EC Closed Conference Call is scheduled for Wednesday 17 October 2007 at 8:00 a.m. Eastern Time.

#### **21. Update on RIPS Associate Member Proposal**

The draft RIPS Associate Member Agreement and RIPS Operating Policies and Procedures documents were distributed to Country Sponsors on 5 June. The comment period ended on 31 August and comments were received from eight Country Sponsors. Only one Country Sponsor opposed the creation of RIPS Associate Members. The suggestion from the two Country Sponsors to include a provision to remove Associate Members has been incorporated. The next step is for the EC to approve the revised RIPS Associate Member Agreement and revised RIPS OPPs. It is anticipated that the RIPS members and GIPS Council members will review and approve the documents at their in-person meetings in March 2008 followed by final approval by the GIPS EC.

## **22. Branding Guidelines**

Stefan Illmer reported that the GIPS Branding Guidelines were distributed in early August to Country Sponsors after review and input from the GIPS Promotion and Awareness Subcommittee and the GIPS EC. From the input received, several major changes were incorporated including clarification on the copyright statement on the back cover and a complete change of appearance of the front cover that prominently features the GIPS logo. Several Country Sponsors have responded very favorably to the Branding Guidelines and several others have expressed concerns.

The Country Sponsors from Japan, Germany, France and Luxembourg asked that the Intellectual Property Working Group (IPWG) review whether the CFA Institute logo should be removed from the front cover of TGs. The GIPS EC decided not to ask the Intellectual Property Working Group to address the CFA Logo on translations of the GIPS standards. They unanimously agreed the CFA Institute logo should appear on the front cover of the Standards and noted that including both the CFA Institute and Country Sponsor logos on a translation is a clear sign of partnership and cooperation.

It was reported that a proposal to use of the GIPS logo by firms that are claiming compliance with the Standards is actively being reviewed with the legal counsel at CFA Institute.

### **Other Business**

It was reported that Angela Keane, from Australia, received the IFSA Industry Excellence Award. Ms. Keane received this award for her contribution to industry integrity and efficiency, including leadership of the IFSA's P Group. Also cited were her contributions to the development, information, education, and promotion of the Australian Investment Performance Standards and the GIPS standards, and for her contribution to the International Investment Funds community through her involvement with the GIPS standards.

### **Observers – Question and Answer Session**

David Spaulding – Commenting, individually, on the formation of the Alternative Strategies Working Group, he stated that the Performance Measurement Forum has already created a Hedge Fund Working Group after a three-year attempt to get the IPC to move forward on Hedge Funds. It was suggested that this is a duplicate effort and it might be more efficient to delay this working group for six months to year for the PMF to complete their work and share their findings.

Mr. Spaulding also commented that the Real Estate effective date of 2008 does not need to be clarified as you need to value the portfolio on a quarterly basis.

He voiced his strong opposition to reporting standards recommendations becoming requirements and stated that reporting guidance is an acceptable alternative.

Mr. Spaulding suggested that the EC consider having alternates for the seats of the nine GIPS EC members in case someone cannot attend a meeting.

He applauded the efforts and the statement on verification and hopes it will be broadly accepted by the industry.

Mr. Spaulding formally acknowledged and welcomed Pakistan on becoming a GIPS Country Sponsor in the global industry.

EC Response: The comments will be taken under consideration by the GIPS EC.

The Alternative Investment Strategies Working Group is not a Hedge Fund Working Group even though it is the impetus behind forming this group. It is to address the strategies being employed in all alternative investments.

It was also mentioned that recommendations are not future requirements. In the past there has been a notion that recommendations will at some time become requirements. The EC reiterated that this is not the case as recommendations are industry best practices.

Kazumichi Karita – Requested clarification about Associate Membership and voting rights issue as there has been objection raised to allowing Associate Members being allowed to have voting rights.

EC Response: It was stated that Associate Members would be allowed to vote on non-governance related issues at the RIPS level only. Most Country Sponsors were in favor of allowing Associate Members the ability to vote at the RIPS level. Input was received on implementing a process to terminate Associate Members.

Karl Lung – Are Associate Members allowed to vote on termination of Associate Members?

EC Response: No, they will not vote on Associate Member termination.

John O'Shaughnessy – Mentioned Australia's support and enthusiasm for the Market Abuses Report. Suggested re-labeling the report as Irregular Use of GIPS or something less objectionable will be less likely to elicit misbehavior whether it is deliberate or not.

Karl Lung – Commented on the Statement of Verification. One of the references is to the survey. How does the survey responses from different areas of the industry compare on verification?

Commenting on the use of the GIPS Logo by fund managers, a disclaimer may not avoid possible lawsuits that may involve monetary damages so use caution in allowing the use of the logo by fund managers to show compliance.

EC Response: The survey results need to be reviewed in-depth.

Naoko Mori – Questioned if compliant investment manager firms would like to use GIPS logo to indicate their compliance with the Standards would firms be charged a fee for use of the logo?

EC Response: Charging for the use of the GIPS logo is being reviewed. Previously the Swiss Country Sponsor charged a fee for the use of a logo showing compliance with the Swiss Performance Presentation Standards (SPPS). Implementing such a program would involve explicit costs to administer, so a fee may be considered to offset some of the administrative costs.

The meeting adjourned at 5:00 p.m.