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

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**Date:** Friday, 14 March 2008  
**Location:** Amsterdam, Netherlands  
**Time:** 1:00 p.m. – 5:00 p.m. (Amsterdam 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:** Peter Luntang Christensen – Denmark  
Martin Codina – Australia  
Zhang Daiping – China  
João Cantiga Esteves – Portugal  
Miklos Farkas – Hungary  
Monica Gordillo – Spain  
David Gould – United Kingdom  
Charles Granquist, CFA, CIPM – Norway  
Catherine Jasserand – France  
Kazumichi Karita – Japan  
Angela Keane – Australia  
Susanne Klemm – Switzerland  
Peter König – Germany  
Karl Lung, CFA – Hong Kong  
Peter McCaffrey, CFA – New Zealand  
Colin Morrison – United Kingdom  
Giri Mudeliar – Singapore  
Joe O'Donnell – Ireland  
Malgorzata Oganisyan – Germany  
Yücel Özkaya – Liechtenstein  
Eric Pagniez – France  
Hans Pieper – Germany  
Corné Reniers – Netherland

Neil Riddles, CFA, CIPM – United States and Canada  
Daniel Roland – Micronesia  
Martin Schliemann – Germany  
Michael Schmid – Austria  
Dimitri Senik, CFA – Switzerland  
Mohammad Shoaib, CFA – Pakistan  
Stephen Sobhi – Ashland Partners  
Mark van Eijk – Netherlands  
Christoph Weder – Liechtenstein  
Veronique Wegnez – Belgium  
Madeleine Lindblad Woodward – Sweden  
Sung Jin Yoon, CFA – Korea  
Liudmyla Zhurakhovska – Ukraine

**CFA Institute:**

Ray DeAngelo – Managing Director, CFA Institute  
Fannie Fang, CFA, CIPM – Investment Performance Specialist, CFA  
Institute Centre for Financial Market Integrity  
Polly Johnson – Administrative Assistant, CFA Institute Centre  
for Financial Market Integrity  
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  
Ken Robinson, CFA – Investment Performance Specialist, CFA Institute Centre  
for Financial Market Integrity

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**Action Items**

- CFA Institute staff will present the Revised GIPS Executive Committee Constitution and the Revised EC Operating Policies and Procedures to the CFA Institute Board for review and approval before this change can be implemented. When the documents have been approved by the CFA Institute Board, Country Sponsors will be notified.
- CFA Institute staff will update the draft Verification Disclosure Statements for the GIPS 2010 Exposure Draft posted on the GIPS website.
- It was suggested to post a communication on the GIPS website explaining the process regarding the GIPS 2010 Review project outlining:
  - what sections of the GIPS standards are being examined and the decisions specific to these sections at this stage;
  - clarify effective dates;
  - the GIPS standards Exposure Draft will go out for public comment by 1 January 2009;
  - any revision to the GIPS standards will be published by 1 January 2010 (allowing the industry one year to adopt the changes); and
  - any revision from the GIPS standards review process will become effective for industry implementation by 1 January 2011.
- CFA Institute will consider the naming convention for the GIPS 2010 Review project.

- The Process Working Group was asked to review the EC comments on the proposals regarding what the EC can and cannot decide in closed sessions; and to re-consider the issues on approving provisions and guidance statements as well as the endorsement of GIPS Country Sponsors due to the limitations this imposes and delay in approving provisions, guidance and country sponsors.
- The Verification/Practitioner Subcommittee plans to complete their review regarding the Verification section of the Standards and related materials for the GIPS 2010 Review and provide their input to the Interpretations Subcommittee by the end of May 2008.
- Country Sponsors will be asked to review the draft EC Strategic Plan and to provide comments on the goals, objectives, and priorities identified for the next four-year period.
- CFA Institute staff will make certain permission has been given by subcommittee members for their names to be listed on the GIPS website.
- Country Sponsors are encouraged to contact their local regulators about investigating claims of compliance with the GIPS standards during firm examinations.
- EC members will discuss the possibility of scheduling two open conference calls during the year at their conference call in April 2008.
- CFA Institute staff will review how best to alert users about new items on the GIPS website

#### **Decision Points**

- The EC members approved the revised RIPS Associate Member Agreement and revised RIPS Operating Policies and Procedures, as amended, effective as of 14 March 2008. (9 Votes)
- The EC members approved the revised GIPS Executive Committee Constitution and the revised EC Operating Policies and Procedures to incorporate the 75% (3/4) majority voting requirement for the GIPS Executive Committee to approve measures. (9 Votes)
- The EC members approved the wording of the Disclosure Statements incorporating text regarding verification to be included in the GIPS 2010 Exposure Draft, as amended. (9 Votes)

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#### **1. Approve Country Sponsor Agreements**

It was noted that there are no Country Sponsor Agreements currently ready for the EC to review and approve.

#### **2. Approve Revised RIPS Associate Member Agreement and RIPS Operating Policies and Procedures**

It was reported that discussions at the RIPS and the GIPS Council meetings have resulted in the need for one proposed amendment to the Revised RIPS Operating Policies and Procedures. In Section 8, second paragraph, first sentence add the word “non” before the word “membership.” The GIPS Council agreed to this proposed amendment and asks that the EC approve the documents.

The EC members approved the revised RIPS Associate Member Agreement and revised RIPS Operating Policies and Procedures, as amended, effective as of 14 March 2008. (9 Votes)

### **3. Approve Executive Committee 75% Voting Requirement**

It was mentioned that the 75% voting requirement for the Executive Committee to approve measures was first proposed at the GIPS Summit held in London in March 2006. The proposed change to the Executive Committee Constitution and Operating Policies and Procedures requires a 75% (3/4) majority to pass any motion at the Executive Committee from the current requirement of 66% (2/3) majority. Country Sponsors were given an opportunity to submit comments on the change and the few comments received were in support of the proposal.

The EC members approved the revised Executive Committee Constitution and revised Operating Policies and Procedures to incorporate the 75% (3/4) majority voting requirement for the Executive Committee. (9 Votes)

It was noted that the next step is that the revised Executive Committee Constitution and the revised Operating Policies and Procedures will be presented to the CFA Institute Board of Governors for review and approval before this change can be implemented. When this has been finalized Country Sponsors and the industry will be notified.

### **4. Approve Verification Proposal for Inclusion in GIPS 2010 Exposure Draft**

The proposed Disclosure Statements on verified status to be included in the GIPS 2010 Exposure Draft was discussed. The Verification/Practitioner Subcommittee also suggested including a definition in the glossary to describe a Verification Report. EC members proposed the following amendments to the Disclosure Statements:

- delete the sentence, “GIPS standards encourages verification.”;
- delete the sentence, “The current verifier is [name of verifier].”;
- maintain the current recommendation 0.B.3; and
- a sample of a Verification Report be added in the appendix.

The EC members approved the wording of the Disclosure Statements to be included in the GIPS 2010 Exposure Draft, as amended. (9 Votes)

An update will be added to the GIPS website on the changes made to the wording of the Disclosure Statements by the EC for the GIPS 2010 Exposure Draft.

### **5. Interpretations Subcommittee**

#### GIPS 2010 Update

It was mentioned that there was confusion surrounding the name GIPS 2010 and the effective dates in the past. The EC was asked to consider adjusting the effective dates for the GIPS 2010 review and to change the name of the project. It was reported that results from the Country Sponsor Questionnaire distributed last summer reflected there was minimal concern expressed regarding the 2010 effective dates. Many responded it would be helpful to clarify that the effective dates for 2010 will be implemented as stated in the 2005 GIPS standards to avoid further confusion and to maintain credibility.

It was discussed that a communication on the GIPS website explaining the process regarding the GIPS 2010 Review project could be helpful outlining:

- what sections of the GIPS standards are being examined and the decisions specific to these sections at this stage;
- clarify effective dates;
- the GIPS standards Exposure Draft will go out for public comment by 1 January 2009;
- any revision to the GIPS standards will be published by 1 January 2010 (allowing the industry one year to adopt the changes); and
- any revision from the GIPS standards review process will become effective for industry implementation by 1 January 2011.

#### Alternative Investment Strategies Subgroup Update

It was reported that the Alternative Investment Strategies Subgroup, co-chaired by Colin Morrison and Dimitri Senik, is a working group of the Interpretations Subcommittee. It was initially formed to provide guidance on hedge fund strategies but has been expanded to address other types of alternative investments. The clear message for alternative investment managers and the industry is that the GIPS standards can be applied to alternative investments. Guidance is being drafted to assist with the implementation. It was mentioned that the working group would like to receive additional names of experts who would be willing to serve.

#### **6. Nominations Committee Update**

It was reported that vacancies on all GIPS subcommittees are announced to Country Sponsors via e-mail with the request to submit names of individuals willing to volunteers for Subcommittee openings. Current subcommittee vacancies are:

- Investment Manager Subcommittee – 2 members;
- Interpretations Subcommittee – 2 members; and
- Investor/Consultant Subcommittee – 1 member.

It was reported that the respective Subcommittee Chair and the GIPS Executive Director will review subcommittee applicants and select the volunteer to fill the vacancy. All membership selections will be reported to the EC to keep them informed.

#### **7. Process Working Group Update**

An update on the Process Working Group tasks was provided. Currently the Interpretations Subcommittee is reviewing their proposal on creating/revising GIPS Provisions/Guidance Statements and will provide their feedback to the EC. For clarification purposes, the Interpretations Subcommittee is also developing draft definitions of provision/requirement/guidance to include in the proposal.

The Process Working Group proposals on decisions the EC can or cannot make in closed sessions is as follows:

1. Generally open session is the best place for discussions and decisions by the EC.
2. The EC is entitled to have closed sessions and can discuss anything in closed session.

3. The following EC decisions must be made in open session:
  - a. creation or modification of GIPS Provisions or Guidance Statements;
  - b. any proposals with regards to the governance structure of the GIPS organization; or
  - c. the endorsement or expulsion of GIPS Country Sponsors.
4. This does not preclude the EC from discussing these issues in closed session prior to the open session. There are some items that cannot be discussed in open sessions (e.g., strategic planning or the performance review of existing Country Sponsors).

The EC members discussed the impact of implementing this proposal. It was mentioned that EC open, in-person, meetings are only held every six months and this could delay timely decisions regarding provisions and country sponsors. The EC could schedule additional open meetings via conference calls, but it was noted that recent experience has been that Country Sponsors show little interest in attending an open conference call of the EC. The EC members believe that the approval of the creation or modification of GIPS Provisions or Guidance Statements being held only in open sessions would delay the progress of the GIPS standards and is unnecessary due to the public-comment vetting process regarding these important documents. The EC members believe endorsing/approving GIPS Country Sponsors only in open sessions would also delay the process of adding new countries who apply as Country Sponsors. The Process Working Group was asked to review the EC comments on their proposals and re-consider the issues of concern.

The Process Working Group asked the EC to consider Section 7 of the GIPS Council Operating Policies and Procedures which states:

“...matters likely to be reviewed or endorsed by the EC should be tabled at a preceding RIPS and GIPS Council meeting to give all members the opportunity to discuss, and if necessary vote. ...”

The EC was asked to comment on how comfortable they are with the current language in this Operating Policies and Procedures section. The EC members believe that it is a general principle that allows them to consult with Country Sponsors and receive feedback before any decisions are made using the public comment vetting process. It was mentioned that GIPS Council was created to provide a forum for the Country Sponsors to provide input.

The development of a proposal on criteria evaluating existing Country Sponsors' performance has not been started. It was reported that this is an additional task that resulted from the development of the Country Sponsor Endorsement Process, and CFA Institute staff will build on this work in drafting a proposal for evaluating existing Country Sponsors for review.

## **8. Verification/Practitioner Subcommittee Update**

It was reported that as part of the GIPS 2010 Review project the Verification/Practitioner Subcommittee is charged with reviewing the Verification section of the GIPS standards, guidance statements, proposed guidance statements and relevant Q&As. It was reported that the Subcommittee plans to complete this review and provide their input to the Interpretations Subcommittee by the end of May 2008.

It was mentioned that there is a lot of interest on what we can or should do to improve the quality of verification or verifiers in almost every market. It was mentioned that one way to improve the quality of verification is to improve the description of the verification procedures that must be followed. A fresh look at some of the procedures could contribute to increasing the value of the verification. It is also important to consider the qualifications of the verifier. It was reported that the Verification/Practitioner Subcommittee plans to review the various inconsistencies in verification practices, but they are currently concentrating on the GIPS 2010 Review project.

## **9. Review Revised EC Strategic Plan**

An update was given on the revised EC Strategic Plan for the next four years. The EC Strategic Plan will be posted on the GIPS website. The revised EC Strategic Plan is a working document and feedback from Country Sponsors will be welcomed. Three main strategic objectives have been identified:

1. Maintain GIPS as Current and Relevant for the Investment Performance Industry
2. Promote and Protect GIPS Brand
3. Complete and Evaluate Governance Structure

The first objective is to maintain the GIPS standards as current and relevant for the investment performance industry. This initiative is largely related to the GIPS 2010 Project as well as developing additional guidance for the GIPS standards and other performance related topics. Examples of some of the topics being considered for additional guidance are:

- Valuation;
- Performance Fees and Other Fee Arrangements;
- Attribution;
- Benchmark Selection;
- Client Reporting;
- Tax Issues;
- Mergers and Acquisitions or Portability related items;
- Application of the Standards related to the Retail Market;
- Transition Management;
- Model or Hypothetical Performance; and
- Asset-Liability Matching.

There is a plan to conduct outreach and education for investors about the benefits of verification as best practice.

The second objective on promoting and protecting the GIPS brand includes the revised GIPS website, developing additional brochures and materials that explain the benefits of the Standards for different target audiences or different types of investment management firms. CFA Institute continues to pursue the creation of a license agreement and guidelines for firms to use the GIPS logo. Plans are to develop a marketing strategy to attempt to benchmark the progress of the adopting of the GIPS standards. We will continue to develop conferences and workshop and the creation of other educational materials. Build brand awareness by identifying key markets and countries where the

GIPS standards could be adopted as well as certain segments of the market (i.e., hedge funds, alternatives, private equity, and real estate) that are slow to adopt the Standards.

The third objective on completing and evaluating the governance structure includes reviewing the current structure (e.g., addressing Intellectual Property and joint ownership). It also includes finalizing the process of developing and improving new standards or guidance. An ongoing evaluation process for Country Sponsors will be created. The Nominations Committee is drafting a rotation process for GIPS Subcommittees. The Process Working Group is drafting a proposal to determine decisions that can be made in open/closed EC meetings.

Country Sponsors were asked to review the draft EC Strategic Plan and provide comments on the goals, objectives, and priorities identified for the next four-year period.

### **Update on In-Person EC Meeting in September 2008**

It was reported that the next in-person meeting of the EC will be held 22-23 September 2008 in conjunction with the CFA Institute GIPS Annual Conference on 25-26 September 2008 in Boston.

The EC is scheduled to hold another in-person meeting in March 2009 in the EMEA RIPS region.

### **Review and Update on Discussion Forum**

It was mentioned that the GIPS website has a discussion forum section where different subcommittees can hold online discussions, access a message board, and post meeting materials. Access to the discussion forum on the GIPS website is being rolled out slowly. It is anticipated that all subcommittees will be given access to the discussion forum within the next six months. It was mentioned that any feedback on the discussion forum would be welcomed.

### **Other Business**

#### Communication

Concern was raised that some Country Sponsors may complain that there are too many e-mails but it is important to help them feel more connected to the activities that are happening regarding the GIPS standards. It was mentioned that it is important for Country Sponsors to read the e-mails and stay up-to-date on GIPS developments.

It was reported that Subcommittee member names are now posted on the GIPS website and it is important to make certain they have given permission to have their names posted.

#### SEC Compliance Alert

It was reported that the U.S. Securities and Exchange Commission issued a Compliance Alert regarding firms they had recently examined that had claimed compliance with the GIPS standards; in fact only one was found to be in compliance with the GIPS standards and several of those firms had been verified. Regulators can be a very effective enforcement tool. There was a brief discussion that there is an enforcement problem with firms claiming compliance with the GIPS standards that should be addressed.

Country Sponsors were encouraged to contact their local regulators about investigating claims of compliance with the GIPS standards during firm examinations.

## Observers Comments:

Mr. Schliemann stated that he believes asset managers and verifiers sometimes do not understand the needs of investors or the risks of providing an incorrect performance presentation. He indicated that it is important to increase the quality and transparency of the verification process and to educate the industry about the needs of investors and how they use performance presentations. This first may help to reduce the risk for investors of misinterpretations and second lower the risk of potential legal suits against asset managers and verifiers.

Mr. Lung complimented the format of the EC open session meeting and stated is very helpful for observers to hear EC discussions, expressions of opinions, and witness how decisions are made. As a member of the Process Working Group, he stated it is critical that the EC's decisions on the GIPS standards or related matters be viewed as creditable and that can best be demonstrated by providing transparency in the decision-making process. Mr. Lung noted that closed sessions of the EC should only be held on an as needed basis. He briefly explained the recent proposal of the Process Working Group that recommends EC open sessions are the best place for EC discussions and decisions.

Mr. Illmer agreed that approval of new or revised GIPS provisions and Guidance Statements, revisions to the governance process and documents of the EC, GIPS Council, and Subcommittees must be decided during open sessions. The concern with the recent Process Working Group proposal is the significant delay of conducting important discussions and decisions regarding topics such as endorsement of Country Sponsors and key elements of the GIPS 2010 Review by only permitting these items in open session, which are held only every six months. Mr. Illmer stated the EC needs to review whether the period between open meetings is too long, but that closed meetings are needed for discussion of certain items that should not be discussed in an open meeting. Mr. von Euw reported that following each EC closed meeting, the action items and decision points of the meetings are published on the GIPS website to provide a high-level of transparency. He stated his support for the EC to continue to conduct closed meetings.

Mr. Boersma noted that the EC meeting in Hong Kong was conducted as an open meeting and all Country Sponsors were invited to join by conference call. However, no Country Sponsors participated despite the significant cost that was incurred in order to make the meeting open for their involvement.

Mr. Karita agreed with the Mr. Lung's comments regarding the need for the EC to conduct business in open session and recommended to have open, in-person EC meetings in March and September and hold interim open conference calls so that we have quarterly open sessions (similar to the format of the IPC meetings). Mr. Karita also expressed gratitude to the EC members and also the CFA Institute staff members for their efforts; and also thanked the Dutch Country Sponsors for their excellent work in hosting the Amsterdam meetings.

Mr. Illmer noted that the comparison of the former IPC to the EC is difficult because they are two totally different organizational structures. He explained that in the past the CSSC (subcommittee of the IPC) discussed all the closed issues and that the Interpretations Subcommittee was responsible for a significant amount of the work that the EC is currently doing. The new organizational structure of the EC represents the work of all the Subcommittees and working groups and this new structure is significantly more transparent than in the past.

Mr. van Eijk questioned the new proposed verification text of the GIPS claims of compliance statement and the advertising guidelines. To be consistent, he suggested the same claim of compliance for both presentations and advertising so that a firm states its verified status throughout all compliance claims, including the advertising guidelines, or the firm doesn't state it at all. Mrs. Kennedy responded that the advertising guidelines language mirrors the language proposed for the compliance statement. Mr. Boersma explained that the language is similar for both presentations and advertising claims of compliance, but slightly different as the two claims are slightly different.

Mr. van Eijk further suggested there should be a level of education and/or qualifications that raises the bar for all who provide verification services.

Mr. Shoaib suggested the inclusion of a section "What Is New?" for the GIPS website so that perhaps once a month (or determined time frame) all new items posted for that period would be compiled and conveniently listed for users of the GIPS website to be updated on the latest news and developments. Mr. Boersma noted that CFA Institute staff will review this suggestion and also reported that the Q&A database on the GIPS website has been changed to allow users to search by date, this new feature enhances the previous capabilities to help locate new and old Q&As.

**Adjourn –**