



Minutes of the GIPS EXECUTIVE COMMITTEE
Open Session

Date: Friday 27 March 2009
Location: In-Person Meeting – Dublin, Ireland
Time: 1:00 p.m. - 4:00 p.m. (Dublin Time)

Members Present: Carl R. Bacon, CIPM – Verification/Practitioner Chair
Jonathan Boersma, CFA – GIPS Executive Director
Louis Boulanger, CFA – Asia-Pacific RIPS Chair
Stefan Illmer – EC Chair Elect and EMEA RIPS Chair
Todd Juillerat, CFA – Americas RIPS Chair
Carol Kennedy – Investor/Consultant Chair
Sunette Mulder – EC Chair and Investment Manager Chair
Neil E. Riddles, CFA, CIPM – GIPS Council Chair
Karyn Vincent, CFA, CIPM – Interpretations Chair

Observers:

Joseph Sorby – Australia	Naoko Mori – Japan
Wolfgang Mayer – Austria	Youngmin Kim – Korea
Christophe Javaux – Belgium	Yücel Özkaya - Liechtenstein
Veronique Wegnez – Belgium	Peter McCaffrey – New Zealand
Garvin Deokiesingh, CFA – Canada	Jørn Gunnar Kleven - Norway
Daiping Zhang – China	Mir M. Ali, CFA - Pakistan
Joachim Hein - EFAMA	João Cantiga Esteves - Portugal
Yoh Kuwabara – Ernst & Young ShinNihon	Trevor Persaud - Singapore
Catherine Jasserand – France	Lesley Harvey – South Africa
Eric Pagniez – France	Madeleine Woodward - Sweden
Hans Pieper – Germany	Susanne Klemm - Switzerland
Martin Schliemann – Germany	Liudmyla Zhurakhovska - Ukraine
Volua Fasoulioti – Greece	Joyce Martindale – United Kingdom
Karl Lung, CFA – Hong Kong	Colin Morrison – United Kingdom
Joe O'Donnell – Ireland	Iain McAra – United States
Kazumichi Karita – Japan	

CFA Institute Staff: Ray DeAngelo – Managing Director
Fannie Fang, CFA, CIPM – Investment Performance Specialist
Polly Johnson – Administrative Assistant
Beth Kaiser, CFA – Investment Performance Specialist
Cindy Kent – Investment Performance Specialist
Ken Robinson, CFA, CIPM – Investment Performance Specialist

Action Items

- The GIPS EC asked the Verification/Practitioner Subcommittee to draft a definition on what is meant by “qualified verifier” for the EC to review.
- The GIPS EC asked the Interpretations Subcommittee to review the terms composite definition and composite description, and to provide clarification to the EC.
- The GIPS EC asked the Nominations Committee to provide feedback on options to handle a tie vote situation for the EC to review.
- CFA Institute was asked to consider disclosing the names of firms that enter into the GIPS Logo Licensing Agreement to the Country Sponsor in that local market.
- CFA Institute was asked to consider clarifying that Country Sponsors are not responsible for enforcing the GIPS Logo usage.

Decision Points

- The GIPS EC decided to do a final review and consider the Country Sponsor Review Process document for approval during an upcoming conference call.
 - The GIPS EC reaffirmed the current Guidelines for Nominations document with the inclusion of Appendix B. (9 votes)
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Before the GIPS EC Open meeting began, Mr. Boersma thanked Mr. O’Donnell, Mr. O’Dwyer, and Ms. O’Connor from the Ireland Country Sponsor for the excellent job of hosting the March 2009 meetings.

Participants were notified that the meeting is being recorded and will be uploaded and available on the GIPS Website as has been done previously with GIPS EC Open Meetings.

Mr. Boersma also expressed his personal thanks to Ms Mulder as this is her last in-person meeting as the EC Chair. He noted that she will continue in her role as the Investment Manager Subcommittee Chair and as a member of the GIPS EC. Mr. Boersma mentioned that this is last in-person meeting for Ms. Kennedy as the Investor/Consultant Subcommittee Chair and Mr. Boulanger as the Asia Pacific RIPS Chair. Mr. Boersma expressed his personal thanks to all three for their time and energy spent in support and promotion of the GIPS standards.

1. GIPS Country Sponsor Review Process

The GIPS Country Sponsor Review Process document has been revised and the termination process has been separated from the review process.

It was reported Country Sponsors believe that the review process is going in the right direction. It is important to focus on the positive activities being done by Country Sponsors and that more transparency is better. Country Sponsors agree with the decision to separate the termination process from the review process, and would like to see a refined termination process developed. Country Sponsors were encouraged to use the Country Sponsor Review Matrix as a self-assessment tool, and to use the matrix when submitting their Country Sponsor Updates Reports for the GIPS meeting materials, and to share ideas among other Country Sponsors.

The EC will conduct a final review of the Country Sponsor Review Process document and consider for approval at an upcoming EC conference call.

2. Interpretations Subcommittee

GIPS 2010 Update

There was a brief review of the Interpretations Subcommittee Update Report and it was noted that the GIPS 2010 Exposure Draft has been completed and is now available for public comments. The next step is to review guidance statements and Q&As to determine what may need to be updated or clarified. It was reported that the Alternative Investment Strategies Working Group, a sub-group of the Interpretations Subcommittee, is developing a Guidance Statement for hedge funds and other alternative investments to be submitted for public comment.

The GIPS EC reviewed key issues for the Interpretations Subcommittee to address in the GIPS 2010 Exposure Draft. The term “qualified verifier” in the proposed language of Section III of the exposure draft was discussed. The GIPS EC asked the Verification/Practitioner Subcommittee to draft a definition on what is meant by “qualified verifier” for the EC to review.

The GIPS EC reviewed the proposed provisions 0.A.16 and 0.A.17 that states firms must comply with all applicable laws and regulations regarding the calculation and reporting of returns and that firms must not present performance or performance related information that is false or misleading. The GIPS EC discussed that this was previously implied in the GIPS standards, how the concept of materiality affects these provisions, and that firms should always be presenting performance in a fair and consistent manner.

The GIPS EC reviewed the addition of the key risk language to the composite description. It was reported that the Risk Working Group is drafting a Guidance Statement that will include examples of qualitative risk disclosures and a sample presentation of quantitative risk showing how to incorporate standard deviation and other risk measures that firms may deem necessary.

The GIPS EC asked the Interpretations Subcommittee to review the terms composite definition and composite description, and to provide clarification to the EC. The GIPS EC briefly discussed whether there should be a requirement for disclosure of a definition or a description of the composite benchmark(s) to be consistent.

The GIPS EC discussed the concept of fair value and valuation guidelines. It was suggested that there may be too much detail and that it may be better to stay with higher level valuation principles combined with clear recommendations on disclosures. It was mentioned that the GIPS standards are performance standards and are not intended to be valuation standards. The valuations must have integrity, otherwise the performance numbers are meaningless and the challenge is to find the right balance.

It was reported there are two webcasts reviewing the details of the GIPS 2010 Exposure Draft from the 2009 European GIPS Standards Conference held in London this past February. These webcasts are available for free on the GIPS Website.

It was also reported that there is an update of the “GIPS Today” presentation available on the GIPS Website which contains a section that outlines the major changes in the GIPS 2010 Exposure Draft.

3. Investment Manager Subcommittee Risk Working Group

There was a brief update on the Risk Working Group, their work to create a guidance statement, and how to incorporate risk in the composite description. The working group is considering the risk work currently being developed by regulators in an effort to avoid conflicting with regulations.

Defining Prospective Client

Background was provided that this project was undertaken due to a requirement in the GIPS standards to provide a GIPS compliant presentation to all prospective clients. A draft definition of a Prospective Client has been included in the Glossary of the GIPS 2010 Exposure Draft.

The GIPS EC reviewed the Prospective Client Q&As drafted by the Investment Manager Subcommittee, including the changes proposed by the Investor/Consultant Subcommittee. It was mentioned that the only change to the document since the last time it was presented to the EC is the addition of the last sentence to Question #1’s answer – “In addition to general information being provided to persons determined not to be prospective clients, providing GIPS compliant information is strongly encouraged.”

It was reported that it was initially planned to include a Q&A on retail clients, but that Q&A has been put on hold since the meaning of the word “retail” differs by country. The GIPS EC will consider the concept of what should be provided to a retail client and continue to discuss this issue in the near future.

It was noted that “clients” should not be classified or described as retail or institutional, but any person or entity. It was suggested to address the issue in a broader sense by answering the questions of how to apply the GIPS standards to different client segments. It is important to identify what the particular issues are such as pooled vehicles, mutual funds, separately managed accounts program, wrap fee programs, etc. There are challenges in dealing with a prospective client interested in a pooled vehicle if that vehicle is part of a broader composite. It may actually be misleading to present the composite to that client when they are actually only investing in the pooled vehicle. It was suggested that the answer may be to provide some broader guidance on this issue instead of simply a Q&A.

4. Investor/Consultant Subcommittee Performance Reporting for Existing Clients

A brief update was given on the Performance Reporting for Existing Clients project, and Ms. Kennedy noted there is a growing demand for work in this area. There has been a suggestion for CFA Institute set up a working group on client reporting standards as a separate initiative outside of the umbrella of the GIPS standards.

Background was provided that the idea of developing standards for investment reporting was first discussed and addressed in 2006 by the EIPC (European Investment Performance Council). At

that time the EIPC found there was a big gap in this area and drafted a guidance paper entitled; “Guidance for Recipients of Investment Reporting.” The paper was finalized and is available on the GIPS Website as an additional resource document to educate investors.

The opinion was voiced that a standard on investment reporting should follow the same objectives as the GIPS Standards of transparency, self regulation, consistency, and disclosure; but not the objective to reach comparability of investment reporting throughout industry since this it may be considered proprietary knowledge of asset management companies to design their own investment reporting.

Mr. Illmer proposed that CFA Institute create a working group and begin to address this timely initiative and expressed his hope for a favorable reply.

5. Nominations Committee Update

It was reported that the 2009 Nominations Committee is working on the upcoming rotation of the GIPS EC, and that the Investor/Consultant Subcommittee Chair and the Asia Pacific RIPS Chair will rotate as of 1 September. Nominations for these two positions are currently being accepted until 1 April 2009. The nominees for the Asia Pacific RIPS Chair will be placed on a ballot for the Asia Pacific RIPS Country Sponsors to vote and elect that position.

The Nominations Committee will evaluate the nominees for the Investor/Consultant Subcommittee Chair, and will make a recommendation to the CFA Institute Board for their appointment of that position.

It was mentioned that the Guidelines for Nominations document, previously approved by the Nominations Committee and the GIPS EC, has been amended to include Appendix B. This appendix reflects decisions made by the EC since the finalization of the document due to issues that arose regarding who is eligible to vote during an election and how the results of an election are handled.

The GIPS EC was asked to consider how to handle the possibility of a tie vote. It was suggested that there could be a run-off election of the top two candidates or to communicate the situation of a tie vote to the Country Sponsors and conduct a second vote. Questions were raised regarding if a RIPS Chair has a vote. It was suggested that if not, the RIPS Chair could cast a tie-breaking vote.

The GIPS EC asked the Nominations Committee to provide feedback on options to handle a tie vote situation for the EC to review.

The GIPS EC reaffirmed the current Guidelines for Nominations document with the inclusion of Appendix B. (9 votes)

6. Promotion & Awareness Subcommittee

Private Equity and Real Estate Working Groups

It was reported that the Private Equity and Real Estate Working Groups have contributed an enormous amount of work to the GIPS 2010 Exposure Draft. Both of these Guidance Statements and Q&As will be reviewed as part of the overall guidance statement review associated with the 2010 project.

7. GIPS Council, RIPS Chairs Update

It was mentioned that Country Sponsors in the Asia Pacific region would like to be better informed of firms in their locality that claim compliance with the GIPS standards. Perhaps a section could be added in GIPS Logo Licensing Agreement that allows the firms' contact information to be shared with the appropriate Country Sponsor. However, it was questioned if the Country Sponsor would have any responsibility regarding the Agreement since it is a CFA Institute agreement with firms.

It was reported from the EMEA RIPS meeting that the GIPS governance structure is working. There was a lengthy discuss of the Country Sponsor Review Process document and the issue of Intellectual Property, which will be addressed by CFA Institute at the earliest in September 2009.

The Americas RIPS members discussed the governance structure and process, and concluded that things appear to be working well. The Americas RIPS members spent time on the Country Sponsor Review Process and suggested Country Sponsors use their committee minutes as part of the Country Sponsor Review Process, and attach their Minutes with the Matrix. The Americas RIPS focused most of the meeting on the content of the GIPS 2010 Exposure Draft.

8. Verification/Practitioner Subcommittee

It was reported that Verification/Practitioner Subcommittee continues to work on the three Guidance Statements that are relevant to verification (i.e., Verifier Independence Guidance Statement, Verification Guidance Statement, and Performance Examination Guidance Statement). It is anticipated that the proposed changes to the Verifier Independence Guidance Statement will require it to be submitted for public comment. This Guidance Statement will be forwarded to the GIPS EC for their review in the near future. Next steps are to review the verification Q&As and to devote some time to considering verification issues.

There was a brief discussion on the recent articles in the United States regarding firms that have been accused of committing fraud that claim compliance with the GIPS standards, with one of the firms having been verified. From this situation several questions have been raised such as: should any of the procedures be changed within verification, what is verification, and do we need to do a better job of educating the public on verification. Mr. Bacon stated that the Verification/Practitioner Subcommittee members are not keen to expand the scope of verification. The feedback on the GIPS 2010 Exposure Draft will be useful in determining changes to GIPS verification. The opinion was voiced that it is important to emphasize the benefits of verification and perhaps include what it is and is not in the Claim of Compliance Statement.

Mr. Riddles raised the issue that independence is a real problem.

9. Review Revised Strategic Plan

It was reported that the GIPS EC discussed the Revised 2012 EC Strategic Plan at their closed session. The plan now incorporates current and new initiatives. Over the past year, most of the EC's focus has been on completing the GIPS 2010 Exposure Draft. Some new topics in the 2012 Strategic Plan are: developing guidance for pooled vehicles, mutual funds, or retail clients, and guidance on applying the GIPS standards to Islamic funds. It was mentioned that the GIPS EC is

always looking to increase education and promotion programs, and to expand the number of Country Sponsors adopting the GIPS standards.

It was commented that the EC Strategic Plan is a very good measure on the success of how much work is being done and how much work is still needed. It was also commented that the GIPS Website has vastly improved and is easier to use.

Upcoming GIPS Executive Committee Meetings

It was reported that an in-person GIPS EC and Asia Pacific RIPS meeting is scheduled for September 2009 and will be held in Singapore thanks to the agreement of the Singapore Country Sponsor to host the meetings. The dates and location will be distributed in the near future.

It was also reported that an in-person meeting of the GIPS EC, GIPS Council, and three RIPS regions is scheduled to be held in March 2010 in Lisbon, Portugal with thanks to the Portugal Country Sponsor for agreeing to host the meetings.

The next GIPS EC Closed Conference Call is scheduled for Wednesday 15 April 2009.

Other Business

10. Update GIPS Logo Usage

Requests have been received from Country Sponsors and firms to provide the GIPS Logo to firms that claim GIPS compliance for use on compliant presentation or advertisements complying with the GIPS Advertising Guidelines. After much time working through legal issues and collaboration with the Swiss Country Sponsor regarding their previous logo program, a GIPS Logo Agreement, Application and Usage Guidelines have been designed. It was mentioned that CFA Institute decided not to charge firms for the use of the GIPS Logo. Mr. Boersma thanked the Swiss Country Sponsor for their collaboration, contributions and suggestions on structuring the program. CFA Institute was asked to consider disclosing the name of firms that enter into the GIPS Logo Licensing Agreement to the Country Sponsor in that local market. CFA Institute was also asked to provide documentation clarifying that Country Sponsors are not be responsible for enforcing the GIPS Logo usage.

Questions were raised regarding when a GIPS defined firm is different than the legal entity; who would sign the Agreement? CFA Institute staff will work to resolve this and other issues prior to promoting the use of the GIPS logo.

11. Enforcement Efforts

The GIPS EC discussed developing a framework with Country Sponsors, on appropriate measures when addressing a firm that claims compliance with the GIPS standards that is not believed to be in compliance. It was mentioned that it would be beneficial for all Country Sponsors to follow the same procedure and to make sure that enforcement efforts do not become an overwhelming responsibility for a Country Sponsor. It was briefly discussed whether informing the local regulator should become a part of the enforcement efforts.

Observers Questions

Mr. Lung asked for clarification on the term “firm” that would be eligible to enter into the GIPS Logo License Agreement, as firm is not defined as a legal entity in the GIPS standards. He questioned whether it would only be the part of the company that claims compliance with the GIPS standards, particularly an issue for the large global investment firms. Mr. Lung asked if there are basic minimum criteria for applying to use the GIPS Logo.

Mr. Boersma responded that there are no minimum criteria, as far as who can fill out the form. However, the use of the logo is limited to a GIPS compliant presentation or an advertisement that adheres to the advertising guidelines. He further explained that a broad multi-national firm that has a division or unit that is defined as a GIPS firm could only allow the defined GIPS firm to use the logo because they are the only area with a GIPS compliant presentation or advertisement that adheres to the GIPS advertising guidelines.

Mr. Lung asked about including the name of firms entering into the GIPS Logo License Agreement on the GIPS Website, and which firm name would appear on the web listing as maybe only a small portion of the firm is GIPS compliant. He commented that by listing the common name of a firm it may give a false impression that a multi-national firm is a GIPS compliant firm at the global level.

Mr. Lung raised this issue because the GIPS Logo License Agreement does not appear to require such specific information. He mentioned that only the legal entity of the firm’s name is required and suggested this be reviewed.

Mr. Boersma responded that part of the reason for requesting the name of firm’s legal entity is that usually that portion of the firm has the authority to enter into agreements. Mr. Boersma agreed that it is a fine point and thanked Mr. Lung for his suggestion.

Ms. Vincent agreed that this is a good question. She inquired that if there is one legal entity firm with six compliant firms within it, is it the intention that each of those six compliant firms would have to complete a GIPS Logo License Agreement or just the one legal entity firm?

Mr. Bacon responded that in his opinion each defined firm should apply separately for a license. He mentioned that is one of the consequences of defining a series of separate firms. Mr. Juillerat agreed with Mr. Bacon’s opinion.

Mr. Illmer stated that in Switzerland it was per defined GIPS firm within a legal entity firm. He mentioned that the defined GIPS FIRMS within a legal entity firm are separate as they have separate track records and marketing campaigns.

Mr. Boersma stated that he would work to address this issue and that there will be an announcement once the logo can be used.

Mr. Morrison inquired about the status of the Mergers and Acquisitions Guidance Statement.

Mr. Boersma stated that the Mergers and Acquisitions Guidance Statement was started a few years ago needs to be readdressed. He mentioned that he believes the delay in developing this guidance statement was due the GIPS restructuring and the GIPS 2010 Exposure Draft. Mr. Boersma acknowledged that the issues related to portability, mergers, and acquisitions are important topics given the current market environment.

Ms. Klemm mentioned that the Promotion & Awareness Subcommittee has requested Country Sponsors provide information on generalist conferences in their local market where the topic of the GIPS standards could be added to the agenda, and to provide the name of the contact person in their organization or within the conference organization. She also asked Country Sponsors for a separate list of speakers within their Country Sponsor committee who would be willing to speak at those conferences regarding the GIPS standards.

Ms. Klemm inquired about the status of the draft promotion piece on the benefits of verification. CFA Institute staff is coordinating the development of the piece with the Verification/Practitioner Subcommittee and the Promotion & Awareness Subcommittee can be included on this project as well.

Mr. Bacon mentioned that the Verification/Practitioner Subcommittee is currently working to develop a statement on what verification is and is not and is drafting similar language for inclusion in the statement of compliance as well.

Ms. Mori mentioned the concern among Asia Pacific RIPS members that new Country Sponsors endorsed during the voting period may impact on the result of the election. She stated that a resolution was agreed upon at the Asia Pacific RIPS meeting yesterday stating that only the existing members would be allowed to vote in the upcoming Asia Pacific RIPS Chair election. Ms. Mori noted that Appendix B of the Nominations Guidelines allows new Country Sponsors entering after the voting period begins to vote for the chair in the election. She asked whether the Asia Pacific RIPS resolution agreed upon at their meeting yesterday would have priority over Appendix B of the Nominations Guidelines.

Mr. Boersma responded that the RIPS cannot override EC decisions and chose to implement a different set of rules for their own election. He mentioned that he understands that they have a concern, but allowing a separate set of rules directly contradicts the governing documents. Mr. Boersma reviewed the EC's decision from the Boston meetings and the rationale to allow an endorsed Country Sponsor to vote regardless of what point they are endorsed as long as it is before the close of the election. He stated that the EC believes endorsed Country Sponsors should have a voice in the selection and be able to vote for the person who represents them in that seat.

Mr. McCaffrey pointed out that the discussion at the Asia Pacific RIPS meeting was not in relation to this vote coming up, although he believes it is pertinent, but is more a general point of allowing Country Sponsors to vote prior to the close of an election. He mentioned that because the voting period is 60 days he believes it is strange that the voting population can change between when voting period opens and closes. Mr. McCaffrey voiced the opinion that Country Sponsors should only be allowed to vote if they were endorsed prior to the opening of the voting period.

Mr. Boersma asked Mr. McCaffrey to view this situation from the perspective of a newly endorsed Country Sponsor, endorsed during an election period. The new Country Sponsor may want to have a say in electing the representative of their region. The EC does not believe the New Country Sponsor should have less of a right to choose a representative.

Mr. Juillerat stated that he believes if a new Country Sponsor does not feel comfortable casting an informed ballot that they could abstain.

Mr. Lung stated that he agrees with Mr. McCaffrey and Ms. Mori and he believes that a new Country Sponsor would not be prepared to vote. He mentioned that it is usually standard practice to register to vote. Mr. Lung voiced his opinion that there should be enough time for people who are running for the election to know who will be voting and try to lobby for their votes.

Mr. Deokiesingh provided his perspective as a newly endorsed Country Sponsor and his experience of having to make a voting decision. The CIPC (Canadian Investment Performance Committee) assessed whether they could make an informed decision, did they have enough time to do it, did they have all the information, did they have a chance to review the candidates, and did they feel informed and comfortable about voting. Mr. Deokiesingh stated that from the CIPC's perspective they felt comfortable based on the candidate backgrounds, the information at their disposal, and knowing where they could go to find further information. So for them it was more of an assessment of whether they were capable and informed enough to vote. He stated that everybody has to make that call. Pursuant to Mr. Juillerat's comment, the CIPC would have abstained if they were not comfortable about voting. Mr. Deokiesingh believes having the right to vote is important because a representative is being elected to represent you for several years. He actually prefers having the opportunity to vote. The decision of whether to vote or not should belong to the Country Sponsor.

Ms. Mulder thanked the observers for their comments. She stated that the EC is trying to follow the policies and procedures that have been put in place and that the overriding factor is there cannot be different rules for different groups. Ms. Mulder mentioned that the policies and procedure may need to be revised but for now we need to follow what is in place.

Ms. Mulder stated that everyone entered into the new governance structure knowing it was new territory and as we go along we would come across things that would need clarification and that would need to be reviewed. She stated that the EC will address issues as they arise.

Mr. Karita expressed his sincere thanks to the members of the EC and the staff of CFA Institute for the tremendous and excellent job in organizing the GIPS meetings in the past three years. He also expressed special thanks to the Irish Country Sponsor led by Mr. O'Donnell for a tremendous job that is very much appreciated. Mr. Karita made a final request to the EC members to quickly process the submitted Japanese TG.

Ms. Mulder thanked Mr. Karita for his support of the GIPS standards. She assured him that the Japanese TG, the matrix supplied, and all the documentation will reviewed by the EC and get back to him as soon as possible.

Mr. O'Donnell issued a final word on behalf of the Irish Country Sponsor, stating that it has been a pleasure to host these meetings and to having everyone visit Ireland. He wished everyone a safe journey home and provided them with the traditional Gaelic blessing:

May the road rise to meet you,
May the wind be always at your back,
And may you be in heaven two hours
before the devil hears you are dead.

Ms. Mulder thanked everyone for attending the meetings in Dublin. And again, thanked the Irish Country Sponsor and advised everyone to travel safely.

Mr. Boersma thanked Ms. Mulder for chairing the EC meetings and continuing to do so until September 2009. He also thanked Mr. Boulanger and Ms. Kennedy as this will be their last in-person meeting as members of the GIPS EC.

Adjourn – 4:15 p.m.