



Minutes of the GIPS EXECUTIVE COMMITTEE Open Session

Date: Friday 19 March 2010
Location: In-Person Meeting – Lisbon, Portugal
Time: 1:00 p.m. - 5:00 p.m. (Lisbon Time)

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

Observers:

John O’Shaughnessy – Australia	Bum-suk Lee – Korea
Christophe Javaux – Belgium	Adrian Doswald - Liechtenstein
Garvin Deokiesingh, CFA – Canada	Mark van Eijk – The Netherlands
Xiaobing Yang – China	Peter McCaffrey – New Zealand
Cheng-Sen Yeh – China	Jørn Gunnar Kleven - Norway
Daiping Zhang – China	Mir M. Ali, CFA - Pakistan
Lars Bejerre Hansen - Denmark	João Cantiga Esteves – Portugal
Adina Gurau-Audibert - France	Michael Lim – Singapore
Sylvain Lallement – France	Prassanna S.R. Casie Chitty, CFA – Sri Lanka
Martin Schliemann – Germany	Jonas Arsjo - Sweden
Kyriakos Tsakirides, CFA – Greece	Susanne Klemm - Switzerland
Karl Lung, CFA – Hong Kong	Dimitri Senik, CFA - Switzerland
Joe O’Donnell – Ireland	Julian Le Fanu – United Kingdom
Kazumichi Karita – Japan	Iain McAra – United States

CFA Institute Staff: Fannie Fang, CFA, CIPM – Director, Global Investment Performance Standards
Polly Johnson – Administrative Assistant
Beth Kaiser, CFA, CIPM - Director, Global Investment Performance Standards
Cindy Kent – Director, Global Investment Performance Standards
Ken Robinson, CFA, CIPM – Director, Global Investment Performance Standards

Action Items

- The Executive Committee will add the development of a memorandum of understanding to further clarify the RIPS Associate Membership process to the GIPS Strategic Plan.
- The Executive Committee will add the development of terms of reference for each of the GIPS Working Groups to the GIPS Strategic Plan.
- CFA Institute staff will edit the GIPS Guidance Statement Process on the GIPS website and post the revision early next week.
- Executive Committee members will review the Question and Answer Process for possible revisions.
- CFA Institute staff will draft a plan addressing Q&As that are no longer applicable, superseded, or need to be revised to reflect the 2010 edition of the GIPS standards for the GIPS Executive Committee members to review.
- CFA Institute will post a summary of the Question and Answer Process on the GIPS website as an intermediary step while the process is under review.
- CFA Institute staff will email a reminder to Country Sponsors to submit qualified, willing volunteers to serve as GIPS Council Chair and EMEA RIPS Chair.
- Executive Committee members will review and revise the GIPS Strategic Plan at the September 2010 closed in-person meetings in San Francisco.
- Executive Committee members were requested to provide guidance on the issue of retail funds comparing total returns to price-only benchmarks.
- Country Sponsors and Observers were requested to e-mail CFA Institute staff suggested topics or areas to be considered for the GIPS Strategic Plan.
- The Interpretations Subcommittee was requested to transform the USIPC “Trade Date versus Settlement Date” paper into a Q&A to allow for greater exposure and clarification for firms.
- USIPC was requested to review their paper on “Considerations for Third-Party Relationships” for consistency with the 2010 edition of the GIPS standards, and then draft a Q&A that provides a link to the USIPC’s “Considerations for Third-Party Relationships” paper to be posted on the GIPS website.
- The Interpretations Subcommittee was requested to review two additional USIPC papers submitted entitled, “Cash Flow Timing Issue” and “Maintaining Compliance with the GIPS standards in the Intermediary and Retail Channel” and provide feedback to the Executive Committee at a future meeting.
- CFA Institute staff will post the USIPC papers that were discussed at the open Executive Committee meeting on the GIPS website, as part of the meeting materials for the participants.

Decision Points

- The Executive Committee made a revision to the GIPS Country Sponsor Notification of Potential Violation and Resolution Process document on the second page, the last sentence of the fourth bullet to read:
 “~~If the EC determines~~If the potential violation is resolved, then the EC can determine not to invite the Country Sponsor to a closed meeting, it will inform the Country Sponsor of that decision in writing and include a summary of its reasoning.”

The Executive Committee decided to add an additional sentence to the fourth bullet that will read:

“If it is not resolved, the EC will schedule a closed meeting.”

- Executive Committee members approved the following five GIPS governance documents:
 1. GIPS Executive Committee Operating Policies and Procedures;
 2. GIPS Council Operating Policies and Procedures;
 3. Regional Investment Performance Subcommittee Operating Policies and Procedures;
 4. GIPS Executive Committee Standing Subcommittees Operating Policies and Procedures; and
 5. GIPS Country Sponsor Notification of Potential Violation and Resolution Processsubject to the aforementioned changes. (9 Votes)
 - The Executive Committee tabled discussion on the following three technical issues for future review: 1) use of estimated values versus actual values when they are received on a delayed basis; 2) treatment of side pockets; and 3) performance fees.
 - The Executive Committee decided to table the USIPC Theoretical Best Practices Paper, until the revised Supplemental Information Guidance Statement is finalized.
 - Executive Committee members decided that the name of the USIPC Considerations for Third-Party Reliance Paper should be changed to: “USIPC Considerations for Third-Party Relationships”.
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Approve Revised GIPS Governance Documents

- 1. GIPS Executive Committee Operating Policies and Procedures;**
- 2. GIPS Council Operating Policies and Procedures;**
- 3. Regional Investment Performance Subcommittee Operating Policies and Procedures;**
- 4. GIPS Executive Committee Standing Subcommittees Operating Policies and Procedures; and**
- 5. GIPS Country Sponsor Notification of Potential Violation and Resolution Process.**

Executive Committee members discussed and reviewed the five GIPS governance documents.

It was mentioned that further clarification regarding the Associate Membership section of the Regional Investment Performance Subcommittees (“RIPS”) Operating Policies and Procedures would be helpful. Additional information should be developed to explain the process for organizations applying for RIPS Associate Membership. The Executive Committee requested a memorandum of understanding be developed on RIPS Associate Membership as a separate document, outside of the Operating Policies and Procedures

(OPPs), rather than waiting for the next revision of the governance documents. The Executive Committee suggested that development of a memorandum of understanding on RIPS Associate Membership be included in the GIPS Strategic Plan under the governance section to be addressed in the near future.

The Executive Committee discussed the need to provide more structure around the Working Groups that have been created and requested that Terms of Reference be developed for each GIPS Working Group.

It was reported that the Executive Committee members made a revision to the GIPS Country Sponsor Notification of Potential Violation and Resolution Process document on the second page, the last sentence of the fourth bullet to read:

~~“If the EC determines~~“If the potential violation is resolved, then the EC can determine not to invite the Country Sponsor to a closed meeting, it will inform the Country Sponsor of that decision in writing and include a summary of its reasoning.”

Executive Committee members decided to add an additional sentence to the fourth bullet that will read:

“If it is not resolved, the EC will schedule a closed meeting.”

Executive Committee members approved the following five revised GIPS governance documents:

- GIPS Executive Committee Operating Policies and Procedures;
- GIPS Council Operating Policies and Procedures;
- Regional Investment Performance Subcommittee Operating Policies and Procedures;
- GIPS Executive Committee Standing Subcommittees Operating Policies and Procedures; and
- GIPS Country Sponsor Notification of Potential Violation and Resolution Process

subject to the aforementioned changes. (9 Votes)

Dr. Illmer expressed his thanks to the Country Sponsors for their full support to evolve the GIPS standard in the right direction. He announced that 14 Country Sponsors provided comments on the five GIPS governance documents to assist with the revisions.

Approve Interpretations Subcommittee Recommendations

6. Process for Guidance Statements

It was reported that the Guidance Statement Process, which is posted on the GIPS website, was reviewed by the Executive Committee in relation to the current GIPS Executive Committee Operating Policies and Procedures (GIPS EC OPPs) to ensure consistency.

A revision was made to the Guidance Statement Process in the first sentence under the subheading “The Public Comment Period” to read:

“Proposed provisions and guidance statements are made available for public comment on this site for a ~~60 to~~ 90-day period (depending upon the complexity of the statement).”

The Guidance Statement Process, currently posted on the GIPS website, will be revised to incorporate this edit early next week.

The Executive Committee believes the Guidance Statement Process in its current form is working correctly and the document does describe the process. The GIPS EC OPPs detail the guidance statement process. With approval of the GIPS EC OPPs there is no need for the Executive Committee to approve the Process for Guidance Statements document.

7. Question and Answer Process

The Executive Committee discussed their initial review of the Question and Answer Process and decided that additional structure to detail the development and approval of GIPS Q&As is needed. It was mentioned that the Executive Committee may determine that Q&A needs to be exposed for public comment depending upon the content. However, it was noted that the goal is not to create new guidance or requirements in Q&As, as they are intended to provide additional guidance and interpretation of the GIPS standards.

It was reported that there is a plan to address the issue of Q&As which are no longer applicable, that have been superseded, or need to be revised. A system will be created to classify the Q&As on the GIPS website and archive those that are no longer valid, but need to be retained for historical purposes.

The Executive Committee requested that the Question and Answer Process be added to the GIPS website. CFA Institute will post a summary of the Question and Answer Process on the GIPS website as an intermediary step while it is under review.

The Executive Committee deferred approval of the Question and Answer Process until a final draft is presented.

8. Nominations Committee Update

It was reported that the 2010 Nominations Committee has conducted two conference calls to review the existing process, governing documents and materials. Members of the Nominations Committee are:

- Neil Riddles, CFA, CIPM – GIPS Council Chair;
- Jorn Gunnar Kleven (Norway) – CFA Institute appointed representative;
- David Spaulding, CIPM – GIPS Council elected representative; and
- Jonathan Boersma, CFA – GIPS Executive Director.

It was mentioned that three GIPS Executive Committee positions that will rotate on 1 September 2010:

- Investment Manager Subcommittee Chair;
- GIPS Council Chair, and
- EMEA RIPS Chair.

Active solicitation is underway for the Investment Manager Subcommittee Chair position. After the 1 April deadline to submit Nomination Applications, the Nominations Committee will review, select, and recommend a nominee to the CFA Institute Board for their review and approval. Currently, one completed application has been received, 16 individuals have expressed interest, and more completed applications are expected.

Both the GIPS Council Chair and EMEA RIPS Chair positions are Country Sponsor elected positions. Solicitation for nominees for these two positions will begin around 1 April 2010. Due to the rotation of the GIPS Council Chair position, between the three regions, the next GIPS Council Chair will be from the Asia Pacific RIPS region. It was explained that any Country Sponsor may nominate a candidate from the appropriate region for the GIPS Council Chair.

With approval of the GIPS operating policies and procedures at this in-person meeting, the nomination and voting periods will now be for a 30-day period.

9. Review GIPS Strategic Plan

The Executive Committee discussed the status of the objectives of the GIPS 2012 Strategic Plan and the next steps to revise the Strategic Plan.

It was mentioned that the main focus over the past two years has been revising the GIPS standards which has been completed.

The Executive Committee has identified key initiatives to focus on going forward include:

- outreach to asset owners, including sovereign wealth funds;
- target specific countries as potential GIPS Country Sponsors;
- develop guidance on benchmarks (appropriateness and selection);
- Islamic finance – application of the GIPS standards;
- Internal Rate of Return (both calculation and when to use it);
- Real Estate and Private Equity (which provisions to adhere to if there are cross-over investments);

- applying GIPS standards to retail and private clients;
- create metrics of various regulations (develop a consolidated regulation report);
- outreach to sales and marketing staff;
- gather market data;
- performance fees;
- transition management (consider if the GIPS standards can be applied);
- merger and acquisitions (consider integrating with portability guidance);
- multi-asset portfolios;
- submission of performance data to consultant databases and surveys; and
- applying the GIPS standards to pension funds.

An in-depth review and revision of the GIPS Strategic Plan will be conducted at the September 2010 GIPS Executive Committee closed meetings in San Francisco.

Executive Committee members were requested to provide guidance on the issue of retail funds comparing total returns to price-only benchmarks. The Executive Committee should consider whether this practice is a violation of the GIPS standards, would be allowed with the proper disclosures, or is governed by local laws and regulations.

Country Sponsors and Observers were requested email CFA Institute staff with suggested topics they would like to have considered for the GIPS Strategic Plan.

10. Discuss Draft Guidance/Interpretations

Mr. Boersma took a moment to express his thanks to the GIPS Executive Committee members for all their hard work on the revisions to the 2010 edition of the GIPS standards. He mentioned that, in particular, Ms. Vincent spent many long hours, nights, and weekends working on the revisions. Mr. Boersma also extended his thanks to all the Country Sponsors and individuals who provided their comments and worked on the revisions. In addition, Mr. Boersma recognized and expressed his thanks to the CFA Institute staff.

Dr. Illmer, on behalf of the GIPS Executive Committee members, conveyed their thanks to the Country Sponsors and CFA Institute staff for their involvement and support with the GIPS initiative.

2010 Q&As

It was reported that the Executive Committee has reviewed approximately 50 Q&As created to assist with implementation of the 2010 edition of the GIPS standards. Approximately 22 Q&As were approved with minor edits and will be issued in the near future. The remaining drafted Q&As will require additional revisions before being presented to the Executive Committee for their approval.

Some of the topics being addressed in the Q&As are:

- addressing the effective date language (particularly regarding IRR);
- fair value;
- interpreting prospective client;
- early adoption of the 2010 edition of the GIPS standards;
- proper use of the new claim of compliance; and
- new requirement to disclose the three-year annualized ex-post standard deviation of the composite and the benchmark.

Ms. Vincent highlighted a Q&A approved by the Executive Committee at its closed meeting yesterday, regarding the Error Correction Guidance Statement. She explained that if a firm has a material error and corrects their compliant presentation they must make every reasonable effort to provide the corrected presentation to all prospective clients and other parties that may have received the erroneous presentation. However, a firm is not required to provide a corrected presentation to a former prospective client that is no longer interested in hiring the firm. If the firm wants to differentiate between prospects and ex-prospects, the firm must develop a system to track whether the prospective client is no longer interested in hiring the firm by establishing policies and procedures to ensure they can properly classify who are current or former prospective clients. It was mentioned that a firm should be keeping records of where they are sending their presentations as any standard sales process would be monitoring this information for marketing purposes.

Alternatives Guidance Statement

A preliminary draft of the Alternatives Guidance Statement was presented to the Executive Committee for review and to provide direction to the Alternatives Investment Strategies Working Group. Technical questions were presented on which the working group has requested feedback.

The Executive Committee concluded that it is not appropriate to address portfolios that are invested in multiple asset classes in the Alternatives Guidance Statement. This guidance should be developed in the broader context of the general provisions, not only for application of alternative strategies. Currently, it is not clear when to apply or not to apply this guidance statement. The guidance must be considered regardless of whether the firm invests in “alternative” strategies.

Another issue that was raised was about the nature of certain investment structures which are more prone to fall under the category of “alternative investments” and whether to dictate (or not) the use of Internal Rate of Return (IRR) versus Time Weighted Return (TWR). It was decided to remove this issue from the Alternatives Guidance Statement as it is a much broader issue and to deal with it separately.

The Executive Committee members held a lengthy discussion on three technical issues for which the Alternative Investment Working Group is looking for general guidance: 1) the use of estimated values versus actual values when they are received on a delayed basis; 2) treatment of side pockets; and 3) performance fees. The Executive Committee agreed to continue discussion on these areas at future meetings.

Discuss Guidance Statement Revisions

It was reported the Interpretations Subcommittee will review and edit all existing guidance statements and Q&As to be consistent with the 2010 edition of the GIPS standards. A project plan has been developed that shows the guidance statements that need only minor revisions and those guidance statements that require substantive revisions that may need to be released for public comment. Currently, the plan is to complete the Alternatives Guidance Statement and Risk Guidance Statements and release those for public comment. Throughout the year, new and updated Guidance Statements and Q&As will be posted on the GIPS website or released for public comment.

GIPS Handbook

Mr. Boersma explained that it is necessary to first complete the review, revisions and/or creation of guidance statement content, and then to revise the Q&A database before the *GIPS Handbook* can be revised. It was reported that the *GIPS Handbook* will be completed as soon as possible. It was reported that the revised *GIPS Handbook* will be available electronically at no cost. Hardcopies of the *GIPS Handbook* will be available for purchase.

The Adopting Release for the 2010 edition of the GIPS standards is currently being drafted. In the past, all comments were listed in the Adopting Release, however all comments will not be included in the Adopting Release for the 2010 edition of the GIPS standards. Due to the more than 150 public comments received on the 2010 Exposure Draft, and following the method used by most standard setters, summaries of the major issues and comments will be presented in a general format.

11. USIPC Papers

Executive Committee members reviewed five working papers drafted and submitted by the United States Investment Performance Committee (“USIPC”):

- Theoretical Best Practices;
- Trade Date versus Settlement Date;
- Consideration for Third Party Reliance;
- Cash Flow Timing Issue; and
- Maintaining Compliance with the GIPS standards in the Intermediary and Retail Channel.

USIPC Theoretical Best Practices

Mr. Juillerat explained that the USIPC Theoretical Best Practices Paper relates to performance results that are either: model, backtested, or hypothetical performance. There is a good deal of debate on whether these results can be shown in the context of the GIPS standards with a compliant presentation, as either supplemental information or in some other format. The USIPC believes this paper is relevant on a global level as firms in any country may want to provide this type of theoretical performance data to prospective clients.

Mr. Persaud reported that the Asia Pacific RIPS members believe it is a well written paper. However, the Asia Pacific RIPS members provided feedback to the GIPS Executive Committee members that they are not in favor of allowing the use of simulated and theoretical results in the GIPS standards. Regulators in some jurisdictions of the Asia Pacific region prohibit providing performance based on hypothesis as there is always the possibility

for misunderstanding. Asia Pacific RIPS members advocate moving away from the current guidance around supplemental information and pushing simulated results completely out of the scope of the GIPS standards.

It was mentioned that model, backtested, and hypothetical performance results are used in the industry but that it cannot be linked to actual performance in a GIPS compliant presentation.

Executive Committee members agreed that the USIPC Theoretical Best Practices paper is well written and provides good definitions on model, hypothetical, and back-tested performance. It was debated that firms can show other supplemental information which can be skewed to provide only favorable risk measures or attribution. It was pointed out that risk measures and attribution is based on real data but firms can be selective so long as it is not misleading.

Mr. Persaud stated that theoretical performance results are currently allowed to be included in supplemental information in a GIPS compliant presentation. The USIPC has provided very good guidance on best practices dealing with theoretical performance. However, he reiterated that the Asia Pacific RIPS members believe that including theoretical performance results in supplemental information should be excluded as it may give credibility to it if it is included.

It was stated that 2010 edition of the GIPS standards includes a new provision that prohibits the inclusion of any information that is false or misleading and that would include what is presented in supplemental information, and firms are not allowed to link the theoretical performance results to actual results.

It was mentioned that the Asia Pacific RIPS members recommend that in drafting the Supplemental Information Guidance Statement to explicitly prohibit model, hypothetical, or back-tested performance as supplemental. It was mentioned that there is a precedent as non-portable performance that is linked to current on-going performance is prohibited from being presented as supplemental information.

Ms. Mulder reported that the Investment Manager Subcommittee has also done work on supplemental information and information that is not linked to a specific composite such as a new strategy a firm wants to launch. Ms. Mulder noted that the work the Investment Manager Subcommittee drafted on potential supplemental information is waiting to be reviewed as part of the revision of the Supplemental Information Guidance Statement. It was mentioned that supplemental information is defined in the Supplemental Information Guidance Statement as information that is provided as part of a compliant presentation, not information that is provided at a later date and/or that only makes reference to a compliant presentation.

It was discussed whether the USIPC Theoretical Best Practices Paper should be distributed to all GIPS Country Sponsors for review, or distributed to the public with the explanation that it is not official guidance, but should be considered a useful resource document. The Executive Committee agreed to wait until the Supplemental Information Guidance Statement is revised

before circulating the USIPC Theoretical Best Practices Paper, as the revisions may impact how the Executive Committee decide to proceed with this particular paper.

The Executive Committee discussed that this is an obvious example of how GIPS practice and local regulation or supranational regulation are entirely at odds. There is a categorical prohibition on linking real performance with manufactured or proxy performance. That is the exact opposite of what lies behind the UCITS (Undertakings for Collective Investments in Transferable Securities) Key Information document where firms can manufacture performance through a model or by the selection of proxy. It was suggested that the EMEA RIPS Regulators Working Group should include this issue at the top of their list of items to be addressed.

It was mentioned that the GIPS standards clearly state that firms must comply with local laws and regulations.

Executive Committee members discussed various options to address best practice papers submitted by Country Sponsors or by regional subcommittees for review. It was proposed that after reviewing feedback on the best practices paper, the Executive Committee could decide whether a best practices paper should be:

- converted into a Guidance Statement;
- converted into Q&As; or
- posted as a useful resource document with a disclaimer that it is not official GIPS guidance on the GIPS website (like previous EIPC best practices papers).

USIPC Trade Date versus Settlement Date Paper

It was reported that the Interpretations Subcommittee reviewed the USIPC Trade Date versus Settlement Date paper and found the guidance to be very helpful and that firms could benefit from the guidance. The Subcommittee had a few recommendations of revised language and proposed edits. It was mentioned that this USIPC Paper was released prior to finalization of the 2010 edition of the GIPS standards and the Interpretations Subcommittee recommends that this USIPC paper be transformed into a Q&A.

It was stated that interpretations of the GIPS standards do not have to take the form of a Guidance Statement or a Q&A; it could be presented as a much shorter guidance note or statement.

The Executive Committee acknowledged that the USIPC Trade Date versus Settlement Date Paper is a good resource, and requested the Interpretations Subcommittee to review it for consistency with the 2010 edition of the GIPS standards and draft it into a Q&A.

USIPC Considerations for Third-Party Reliance Paper

It was explained that the USIPC Considerations for Third-Party Reliance Paper guidance was developed for firms that rely on third-parties for part of their work product (e.g., wrap sponsor, custodian, vendor, etc.). The Interpretations Subcommittee reviewed this USIPC Paper and found the guidance to be very helpful as it consolidates useful information into one place. The Subcommittee recommends renaming the paper or removing the reference to verifiers, as well as some additional edits. It was reported that the Subcommittee did not

come to a definitive recommendation for this guidance but noted that this USIPC Paper should be reviewed to ensure consistency with the 2010 edition of the GIPS standards.

It was stated that the information on verifiers should be removed from the USIPC Considerations for Third-Party Reliance Paper as that information will be covered in the Verifier Independence Guidance Statement.

The Executive Committee decided to change the name of this USIPC paper to “Considerations for Third-Party Relationships”. The Interpretations Subcommittee will review it for consistency with the 2010 edition of the GIPS standards, and coordinate with USIPC for final review, then a Q&A will be drafted that provides a link to the USIPC paper posted on the GIPS website.

USIPC: Cash Flow Timing Issues and Maintaining Compliance with the GIPS standards in the Intermediary and Retail Channel Papers

The Executive Committee requested that the Interpretations Subcommittee review the two additional USIPC papers submitted entitled, “Cash Flow Timing Issues” and “Maintaining Compliance with the GIPS standards in the Intermediary and Retail Channel” and provide feedback to the Executive Committee at a future meeting.

Other Business

Upcoming GIPS Executive Committee Meetings

It was reported that the next in-person GIPS Executive Committee and Americas RIPS meetings are scheduled to be held in San Francisco. The date of the open GIPS Executive Committee and the Americas RIPS meetings is Monday, 27 September 2010.

The March 2011 in-person meetings of the GIPS Executive Committee, GIPS Council, and the three RIPS regions are scheduled to be held in Zurich. The dates of the March 2011 GIPS meetings will be announced as soon as they are determined.

GIPS Promotion & Awareness Subcommittee Chair

The Executive Committee announced they selected Sunette Mulder to Chair the GIPS Promotion & Awareness Subcommittee as of 1 September 2010 to replace Carol Kennedy, who has submitted her resignation

Update on GIPS Logo

It was reported that the GIPS logo is now available for firms to use on compliant presentations and on advertisements that adhere to the GIPS Advertising Guidelines provided that they register, and submit information online to CFA Institute. GIPS logo registration instructions are available on the GIPS website at <http://www.gipsstandards.org/>.

It was mentioned that the availability of the GIPS logo for use by firms will also be announced in the next E-mail Alert and on the GIPS website.

Observers Questions

Mr. van Eijk, The Netherlands, asked if the USIPC papers that were discussed by the Executive Committee at the open meeting would be posted on the GIPS website with the other meeting materials.

Dr. Illmer explained that the USIPC papers were initially to be discussed as part of the GIPS Executive Committee closed meetings, but the Executive Committee decided yesterday to discuss them at the open meeting. He stated that the documents would be posted with the other meeting materials and publicly available.

Mr. van Eijk stated that he was pleased that Ms. Mulder has agreed to Chair the Promotion & Awareness Subcommittee. However, he asked if the GIPS Executive Committee can decide to select a new chair for that Subcommittee or if that position should go through the Nominations Committee?

Mr. Boersma explained that the Promotion & Awareness Subcommittee is not a standing subcommittee and adheres to a different process for selecting its Chair. It was also mentioned that the Chair of Promotion & Awareness is not a member of the GIPS Executive Committee, and therefore does not go through the nominations process.

Mr. O'Donnell, Ireland, conveyed on behalf of the Investment Manager Subcommittee, their thanks to Ms. Mulder for all her hard work and wished her the very best of luck in her new role. He further stated that it has been an absolute pleasure working with Ms. Mulder, that she has been an excellent Chair, always very fair and very efficient.

Mr. Karita, Japan, expressed his sincere thanks to the GIPS Executive Committee, especially this year as they have done a tremendous job completing the 2010 edition of the GIPS standards. He stated that he is grateful for their hard work, as well as the hard work of the CFA Institute staff.

Mr. Karita mentioned that the Japan Country Sponsor is currently completing the Japanese translation of the 2010 edition of the GIPS standards and hopes to submit it within two weeks. Mr. Karita asked if they can use the same branding guidelines and template for the cover as the 2005 edition, or will a new template be provided?

Mr. Boersma responded that the 2010 guidelines would be provided to the Japan Country Sponsor shortly after he returns to the office. He mentioned that the guidelines for the 2010 edition are almost the same, with the exception of the date on the cover and the copyright date.

Mr. Senik, Switzerland, stated that performance fees have been discussed several times over the last several days and he believes this is a very important area where a lack of standardization and misunderstandings could lead to losses either in the client being overcharged or the investment manager not being properly compensated. He acknowledged this area may be outside the scope of the GIPS standards, but strongly encouraged and recommended that the Executive Committee add this topic to the strategic plan and to

develop guidance on the calculation methods of performance-based fees that is really needed in the industry, if not through a GIPS Guidance Statement, perhaps through industry guidance.

Mr. Bacon stated that this is very good input, but because of the potential differences in how performance fees are calculated, the area of performance fees might be outside the scope of GIPS.

Mr. Boersma agreed with Mr. Senik in saying that this issue maybe outside the scope of GIPS but it is an area that needs to be addressed. He stated that the Australia Country Sponsor has being doing work with regard to performance fees and their paper may be close to completion.

Dr. Illmer said that it should be decided whether this area will be addressed within the GIPS initiative or not. Then other organizations or constituencies may determine to develop guidance regarding performance fees.

Mr. Morrison said that there appear to be two issues in the industry that may warrant taking the performance fee issue outside the GIPS initiative, which are: relation to governance and negotiating mandates, and the other appears to be just the fiscal calculation of performance fees.

Mr. Morrison stated that at each of the meetings over the past several days, there have been repeated discussions about performance fees. He mentioned that it would be helpful to know what people do not understand about performance fees: is it governance, is it calculation, or is it the application? If the issues surrounding performance fees were outlined in order to get an idea of the shape or substance to be addressed, some volunteers could start working to identify the scope of the problem, outside of the current GIPS structure.

Mr. Bacon advised that there are four things performance fees should be: 1) fair and unambiguous; 2) risk adjusted; 3) symmetrical; and 4) simple. But he stated none of these are the normal situation with performance fees.

Dr. Illmer responded that exactly what performance fees should be is absolutely outside of the scope of the GIPS standards. Even the calculation of performance fees may be outside of the scope of the GIPS standards. He stated that how performance fees are incorporated into the return and the presentation is within the scope.

Mr. Juillerat stated that this issue falls outside of the scope of performance measurement. However, where it may fit in is in the guidance statement on fee provisions. He suggested a fresh look at the guidance on fee provisions, specifically with regard to performance based fees which are more prevalent now than when that guidance was first drafted.

Mr. O'Shaughnessy, Australia, suggested that a starting place might be to get an issues paper out to keep it contained to the issue of performance and not to get distracted on how they are constructed. The issues paper would provide input on what the actual concerns are to better categorize the issues.

Dr. Illmer explained that it is not the idea to start a discussion within the GIPS standards environment on what is a good fee structure, but rather how to treat fees with respect to performance return calculation and presentation.

Mr. Schliemann, Germany, mentioned that performance fees are a very individualized thing as each strategy, each fund, and each portfolio might have a different construction. He does not believe this is an area that should be standardized. Before starting this work he believes the fact that performance fees are very individualized should be considered.

Mr. Ali, Pakistan, expressed his thanks to the Portugal Country Sponsor stating that the meetings were very well arranged for the last two days. He agreed with the statements made earlier by Mr. O'Donnell that Ms. Mulder conducted the Investment Manager Subcommittee very well.

Mr. Ali mentioned that the Pakistan Country Sponsor received a lot of support from Dr. Illmer and the GIPS Help Desk on GIPS compliance. He stated that he believes it is important that the Executive Committee members focus on countries where there are no investment performance standards and to add this project to the strategic plan. Mr. Ali mentioned that introducing the GIPS standards in those countries would have a big impact because they may be at an important point in their market's development. Mr. Ali stressed that countries without investment performance standards need special focus, an allocation of resources, promotion, technical support, and that this is an area where a lot value can be added.

Mr. McAra, United States, thanked the Executive Committee for their time and effort given in reviewing the USIPC papers submitted to them.

Mr. McAra reported that the USIPC has a working group looking at net-of-fee presentation. This working group is doing exactly what Dr. Illmer suggested, and is looking at what the information prospective client receives, can they understand the information on the compliant presentation, can they identify precisely what has been done with the performance based fees in terms of generating the net numbers, and are there additional disclosures that should be included in order to make it crystal clear how those numbers have been generated. The working group is waiting on other documents that are currently being considered to contemplate whether there are points that should be included in their working group's paper. He stated that the USIPC will then submit its net-of-fees presentations paper to the Executive Committee.

Mr. O'Shaughnessy, Australia, asked about infrastructure as he is not sure about the issues in this growing asset class. From what he has observed there are some challenges or issues, and there is growing interest in this area.

Mr. Bacon stated work is currently underway on what type of provisions should be applied to different types of strategies and different types of approaches and that infrastructure asset management fits precisely into this effort. He stated that it could be argued that infrastructure asset management is very similar to private equity but it is clearly not the same

even if there are similarities. Labeling a specific asset category is going to be very difficult in the future.

Mr. O’Shaughnessy mentioned that labeling is an issue as the word “alternatives” has started to mean different things in different parts of the world. He suggested eliminating the term “alternatives” so that you would know exactly what someone is talking about.

Dr. Illmer conveyed his thanks to the Portugal Country Sponsor, especially João Esteves, Daniela Azeredo, and Raúl Marques who had important roles in organizing the meetings in Lisbon. He thanked CFA Institute for sponsoring the GIPS activities and the meetings. Dr. Illmer expressed his thanks again to the Association of Portuguese Financial Analysts for sponsoring Thursday’s evening event and supporting the whole GIPS initiative by promoting the GIPS standards in Portugal.

Mr. Boersma echoed Dr. Illmer’s sentiments and thanked everyone for attending the GIPS meetings.

Mr. Boersma particularly expressed his thanks to: Mr. Riddles, Ms. Mulder, and Dr. Illmer as this is their last in-person meeting as members of the GIPS Executive Committee. He stated that it has been an honor, a privilege, and great fun having them on the Committee. Mr. Boersma said that it has been a pleasure to get to know them, to call them colleagues, and friends. Mr. Boersma thanked them for their dedication, leadership, very good counsel, and guidance.

Adjourn – 4:50 p.m.