CFA Institute Centre for Financial Market Integrity

GIPS EXECUTIVE COMMITTEE
CONSTITUTION

The GIPS Executive Committee (“EC”) is a standing committee of the CFA Institute Centre for Financial Market Integrity (“CFA Institute Centre”). The EC’s activities will be guided by the CFA Institute Centre’s Director of Investment Performance Standards, monitored by the CFA Institute Centre’s Managing Director, and subject to annual reporting to the CFA Institute Board of Governors.

Purpose

The EC serves as the decision-making body responsible for the development and implementation of GIPS standards provisions. The purpose of the EC is to promote the adoption and implementation of a single investment performance presentation standard throughout the world as the common method for calculating and presenting investment performance.

Objectives

1. To achieve this purpose, the EC (in consultation with GIPS Council) will, among other things:

   • Develop, promulgate, interpret, and maintain the integrity of the Global Investment Performance Standards (GIPS®):
      i. develop new performance standards as needed by the industry, and
      ii. implement new procedures and controls to ensure that GIPS are consistently applied, interpreted, and expanded with broad public comment;

   • Determine whether standards adopted by local or regional regulators or professional groups are consistent with the GIPS standards;

   • Work with national and regional standard setters to adopt GIPS and, where relevant, accelerate convergence between national standards and GIPS;

   • Be the leading, global organization for investment performance issues; and

   • Operate as the investment industry’s “think tank” for performance measurement and presentation.
Membership

2. The EC will consist of nine (9) members (including CFA Institute members and non-members).

3. The position of Director of the EC will be held by the CFA Institute Centre Director of Investment Performance Standards. This position will have one vote and will be responsible for ensuring that committee meetings are effectively administered and operated in accordance with the constitution and official operating policies and procedures. The role of the EC Director is to ensure the operation of the EC is conducted in the fairest, most expedient and impartial manner.

4. Of the remaining eight seats, fifty percent (i.e., four seats) will be allocated on the basis of representation appointed by Endorsed Country Sponsors (“Country Sponsors”). The remaining fifty percent (four seats) will be allocated on the basis of key industry and investor groups based on recommendations from the GIPS Council as well as the broader industry and appointed by the CFA Institute Board.

5. The EC will be structured to achieve a broad spectrum of representation across key geographical areas (countries and regions) and key industry and investor groups (e.g., plan sponsors, consultants, investment managers, regulators, individual investors, and verifiers/performance measurers).

6. EC members will be appointed to one (1) year terms, renewable annually at the discretion of the CFA Institute Board for a maximum of four (4) consecutive years. Terms of office begin on 1 September of each year.

7. Candidates for membership on the EC will be sought via a broad solicitation of the GIPS Council, Country Sponsors, CFA Institute members and Member Societies, as well as non-members.

8. EC members are appointed as individuals, to represent a specific constituency, and not as representatives of their employers or other third-parties. Members are expected to contribute to the debate and decision-making of the EC so as to advance the cause of improving financial market integrity.

9. Active and consistent participation by members in the work of the EC is critical to the development of sound, considered, and representative positions. Representatives are expected to participate in meetings, both in-person and telephone conference calls, and other committee activities on a regular basis. If two (2) meetings are missed during any fiscal year, the Director may in his/her discretion, ask such members of the EC to resign from the EC and solicit nominees for replacement. Members of the EC may not send substitutes in their place, except in the case of an extenuating circumstance, where an alternate may be approved by the EC Director.

10. Members are expected to keep certain, identified workings of the EC confidential, including projects undertaken and positions under consideration until the information is made public or otherwise released by CFA Institute Centre management or professional staff. This includes refraining from communicating to any external party any non-public information, including
working papers of the EC, that may be obtained by serving as a member of the EC or Subcommittee without the written permission of CFA Institute Centre management.

Conflicts of Interest

11. Members of the EC and its Subcommittees are permitted to make their membership on the Committee known to external parties. However, members are not permitted to use their relationship with the EC, the CFA Institute Centre, CFA Institute or the Global Investment Performance Standards to actively promote their own business interests, those of their employer, or a third party.

Meetings

12. The EC will meet at least three times each year. These meetings may be in-person or through conference calls with additional meetings scheduled as necessary.

13. EC meetings will be open to the public and a summary of the meeting discussions and findings will be made available to the public. The EC will also conduct executive sessions that will be closed to the public.

14. At any meeting of the EC, a 2/3 majority (66%) of all member seats must be present in person or by video or audio conference to constitute a quorum. Members are not allowed to vote by proxy.

15. Each EC seat will receive one vote. Each EC member will be responsible for representing its constituents and voting in the same manner. Approval of any measure requires the affirmative vote of \(\frac{3}{4} (75\%)\) of those constituting a quorum. [Deleted: 2/3 (66%)]

16. The CFA Institute Centre will reimburse the EC member for reasonable, documented airfare and other travel expenses, hotel accommodations, and meals and such other expenses incurred in connection with attending any such meetings, in accordance with CFA Institute travel and reimbursement policies.

Subcommittees

17. The EC has authority to create one or more Subcommittees to develop the GIPS standards on specific technical issues or to represent Country Sponsors and key industry groups in the development of the Standards.

18. The EC will establish a standing subcommittee that will engage all Country Sponsors in the development of the Standards – namely, the GIPS Council. Country Sponsors will appoint all members to the GIPS Council.

19. The EC will also determine the need for other Subcommittees and working groups and will appoint the chairs, members and terms of reference. When possible, a member of the EC or GIPS Council with sufficient expertise and interest will serve as the Chair of each Subcommittee. The Subcommittee Chair, Chair of GIPS Council, and Director of the EC will choose membership on the Subcommittee from nominations of individuals, EC, Council members, and interested, qualified volunteers.
20. All Subcommittees must abide by the relevant Subcommittee Terms of Reference, in addition to this Constitution.

21. Subcommittees will conduct business by conference call and hold in-person meetings.

22. All recommendations made by Subcommittees shall be subject to review by the EC and all actions taken shall be subject to approval by the EC.

**Meetings with Regulators and Standard-Setters**

23. EC members with relevant experience may be asked to meet with, and testify before, regulatory authorities to present EC and CFA Institute Centre views, or be asked to act as educational resources for these authorities. EC members are expected to participate in these meetings, when possible, particularly when the member has relevant experience.

24. Participation in meetings with regulatory authorities as a representative of the EC, the CFA Institute Centre, or CFA Institute must be approved and coordinated by the EC Director.

**Acting as a Representative**

25. EC members may also be asked to participate in or make presentations at non-CFA Institute conferences and seminars to present the views and positions of the EC, the CFA Institute Centre or CFA Institute. Participation as a “representative of” the EC, the CFA Institute Centre or CFA Institute, rather than as a private person, must be approved and coordinated by the EC Director to ensure that the individual has the requisite knowledge and understanding of the relevant EC, CFA Institute Centre or CFA Institute positions in order to present those views and positions effectively and appropriately.

**Accountability**

26. The EC is responsible ultimately to the CFA Institute Board to represent the views of investment professionals in a way that is consistent with the CFA Institute Code of Ethics and Standards of Professional Conduct and other applicable CFA Institute positions, standards, and practices. The EC is expected to take into account previous positions on a particular issue and understand and be able to defend deviations from those positions.

27. The EC will submit a written report on its activities to the CFA Institute Board of Governors at least once each fiscal year, including any correlated public awareness activities.

28. Any future proposed changes to the governance structure of the Executive Committee will be developed by the EC in consultation with the GIPS Council. Final decisions on the governance structure require CFA Institute Board review and approval.
CFA Institute Centre for Financial Market Integrity
GIPS EXECUTIVE COMMITTEE
OPERATING POLICIES AND PROCEDURES

Agreed by the GIPS EXECUTIVE COMMITTEE on (date)

The following operating policies and procedures are to serve as guidelines in implementing the work of the GIPS Executive Committee (EC). They may be amended by the EC on an as-needed basis to better serve the needs of the EC and to increase the efficiency of operations.

Purpose

The EC will be a standing committee of the CFA Institute Centre for Financial Market Integrity and will serve as the effective decision-making authority for the Global Investment Performance Standards (GIPS®). The EC will utilize the GIPS Council, Regional Investment Performance Subcommittees (RIPS), and other EC Subcommittees to facilitate the involvement of all Country Sponsors and key stakeholders in the ongoing oversight of the Standards to contribute significantly to the development, maintenance and promotion of GIPS standards. The Operating Policies and Procedures of the EC supersede the operating documents of its subcommittees.

Objectives

1. The objectives of the EC are as follows:

   a) Develop, promulgate, interpret, and maintain the integrity of the GIPS standards:
      i. develop new performance standards as needed by the industry, and
      ii. implement new procedures and controls to ensure that the GIPS standards are consistently applied, interpreted, and expanded with broad public comment;

   b) Determine whether standards adopted by local or regional regulators or professional groups are consistent with the GIPS standards;

   c) Work with national and regional standard setters to adopt the GIPS standards and, where relevant, accelerate convergence between national standards and the GIPS standards;
d) Be the leading, global organization for investment performance issues; and

e) Operate as the investment industry’s “think tank” for performance measurement and presentation.

Process

2. Proposed new GIPS provisions and Guidance Statements (or revised provisions and Guidance Statements) will be published in the form of an Exposure Draft for public comment via the GIPS website prior to adoption. The Exposure Draft will include the reason and basis for the change. The public comment period shall last at least ninety (90) days and the EC will make a reasonable effort to promote the availability of the Exposure Draft. New or revised GIPS standards and Guidance Statements will be published with an Adopting Release addressing all public comments received on the Exposure Draft, explaining how the EC reached its conclusions and providing background information that may help users of the GIPS standards to apply the Standards in practice. The EC will determine if any proposed revisions to existing Guidance Statements should be published in the form of an Exposure Draft for public comment.

3. Sponsors interested in being endorsed Country Sponsors of the GIPS standards must abide by GIPS Standards Adoption Guidelines and Process and submit the GIPS Standards Country Sponsor Agreement. This process is conducted by the EC which is responsible for the administration of the endorsement of GIPS Country Sponsors through the GIPS Standards Adoption Guidelines and Process.

4. The EC is responsible for the endorsement of all translated versions of GIPS standards (TGs). Countries wishing to translate GIPS standards into the local, native language must submit a draft to the EC for its review and approval prior to endorsement and printing.

Membership

5. The EC will consist of nine (9) seats with a balance of geographic and industry representation:
   - The Chair of the GIPS Council (1 vote), nominated and elected by GIPS Council members, to ensure all Country Sponsors are represented at the EC;
   - The Chair of the three Regional Investment Performance Subcommittees (RIPS) of the GIPS Council (3 votes), nominated and elected by Country Sponsors specific to their Region to represent regional markets, issues, and positions;
   - Chair of Industry Standing Subcommittees (4 votes), nominated by the Nominations Committee for non-Country Sponsor EC seats and appointed by the CFA Institute Board (or such committee as designated by the Board) to represent specific industry interests necessary for ongoing GIPS maintenance and development; and
   - EC Director (1 vote), which position is to be held by the CFA Institute Centre Director of Investment Performance Standards.
6. The EC will nominate and elect a Chair from among its nine members. The Chair will rotate annually on 1 September, along with all other rotations. The role and responsibilities of the Chair are as follows:

- Ensure the EC purposes and objectives are achieved
- Provide strong leadership to the EC
- Oversee the processes of the EC and EC Director for maximum efficiency and effectiveness
- With the EC members, ensure the EC fulfills its governance function
- Chair meetings of the EC
- Work with the EC Director to develop and approve agendas and meeting materials
- Help guide and mediate EC actions with respect to organizational priorities and governance concerns
- Act as a liaison between the EC and investment community, regulators and other relevant bodies, officially representing GIPS Organization

7. Members of the CFA Institute Board or CFA Institute Centre Advisory Council may not be members of the EC unless otherwise approved by the CFA Institute Board.

8. Country Sponsors and CFA Institute members and non-members may submit or refer names for consideration as members of the EC. In addition, interested parties may submit their own name for consideration as an EC member directly, including a résumé or a statement of interest outlining their qualifications for review.

9. EC members will be responsible for appropriately representing the interests of their constituent body in developing GIPS standards initiatives and ensuring that matters are fully discussed by each constituent body well in advance. Members are expected to contribute to the debate and decision-making of the EC so as to advance the cause of improving financial market integrity.

10. The Nominations Committee will develop an objective and fair process for the nomination and selection of members that possess the key criteria as set out in the EC Constitution for the non-Country Sponsor seats of the EC. The Nominations Committee for the non-Country Sponsor EC seats shall consist of Country Sponsors, non-Country Sponsors and other independent individuals:

- The current EC Director;
- Appointed representative of CFA Institute Centre;
- The Chair of the GIPS Council; and
- GIPS Council representative that is not a current member of the EC elected by the GIPS Council.

11. The nominations process will seek to nominate individuals to the EC who have the requisite knowledge of the investment management industry and who are committed to the goals of the EC and the CFA Institute Centre. The EC selection process will strive to achieve a balance with respect to professional background, financial industry expertise, and geography/cultural diversity. The four non-Country Sponsor seats will be allocated to key industry and investor groups based
on recommendations from the GIPS Council, Country Sponsors, CFA Institute members and Member Societies as well as the broader industry and appointed by the CFA Institute Board.

12. Criteria to be considered when nominating and electing/appointing individuals to the EC include:
   • Commitment and ability to speak on behalf of a broad constituency;
   • Demonstrated competency and knowledge of investment performance presentation;
   • Awareness of local and global investment performance environment;
   • Ability to work in a collegial atmosphere;
   • A positive balance of cultures and language;
   • Integrity, objectivity, and discipline;
   • Commitment to the EC’s purpose and objectives, and the public interest;
   • Commitment and availability of the persons involved; and
   • Demonstrated communication skills.

Subcommittees

13. The EC has authority to create one or more Subcommittees to represent endorsed Country Sponsors and key industry groups in the development of the Standards and to develop the GIPS standards on specific technical issues.

14. The EC will establish Subcommittees to support the role of the EC. These Subcommittees are formed to represent specific stakeholders (investors/consultants, investment managers, and practitioners). Additionally, Subcommittees may develop and address specific aspects of investment performance (e.g., Promotion and Awareness). Such Subcommittees may also be required to examine specific performance measurement issues associated with alternative asset categories or investment techniques. The Standing Subcommittees of the EC include: GIPS Council, Investor/Consultant, Investment Manager, Verification/Practitioner, and Interpretations.

a. The GIPS Council will engage and directly work with all Country Sponsors in the development, promotion, and maintenance of the GIPS standards. The GIPS Council members will be responsible for appropriately representing their local market and Country Sponsor in developing GIPS initiatives and ensuring the information flow between Country Sponsor and the GIPS Council is seamless. The GIPS Council will elect its Chair who will represent the GIPS Council at the EC. The Chair of the GIPS Council will rotate every 2 years between the three regions (Europe, Middle East & Africa; Asia Pacific Region; and the Americas). The first and second Chair of the GIPS Council elections will be open with the third (and beyond) rotating to the remaining regions and following the chosen regional schedule. Additionally, RIPS will be created as part of the GIPS Council structure to provide a forum for Country Sponsors to discuss regional markets, issues, and positions;

b. The Investor/Consultant Subcommittee will be composed of investors (and those representing investors), regulators and consultants from the investment industry, including: clients, plan sponsors, retail investors, and others to provide a forum for the end user of investment performance information. It will be responsible for assisting in the development and direction of
the GIPS standards. The Chair will be nominated by the Nominations Committee for the non-
Country Sponsor EC seats and appointed by the CFA Institute Board as detailed in the
nominations process.

c. The Investment Manager Subcommittee will consist of a consultative group of representatives
from investment management firms that face the challenges to abide by the GIPS standards in
order to claim compliance, including: representatives from investment firms, hedge funds, fund
managers, and advisors to provide a forum related to the application, implementation, and impact
of the Standards. The Chair will be nominated by the Nominations Committee for the non-
Country Sponsor EC seats and appointed by the CFA Institute Board as detailed in the
nominations process.

d. The Verification/Practitioner Subcommittee will be composed of third-party service providers
that assist investment management firms in the implementation and application of the Standards,
including: verifiers, software developers, and custodians to provide a forum related to the
application, implementation, and impact of the Standards. The Chair will be nominated by the
Nominations Committee for the non-Country Sponsor EC seats and appointed by the CFA
Institute Board as detailed in the nominations process.

e. The Interpretations Subcommittee will have the responsibility to interpret the GIPS standards
through interpretations regarding the applications of the GIPS standards and to provide guidance
on new issues presented by the global investment industry. The Chair will be nominated by the
Nominations Committee for the non-Country Sponsor EC seats and appointed by the CFA
Institute Board as detailed in the nominations process.

15. Except as otherwise set forth in the CFA Institute Bylaws, the EC may create other subcommittees
to carry out the work of the full committee. Subcommittees created by the EC will generally be
formed to address technical or highly specialized issues that may require the participation of
individuals who are not members of the EC, the CFA Institute Centre or CFA Institute, but who
have relevant expertise to address the issue.

Conflicts of Interest

16. Members of the EC and its Subcommittees are permitted to make their membership on the
Committee/Subcommittee known to external parties. However, members are not permitted to use
their relationship with the EC, the CFA Institute Centre, CFA Institute or the Global Investment
Performance Standards to actively promote their own business interests, those of their employer,
or a third party.

Meetings

17. The EC will conduct business by conference call and hold in-person meetings. EC meetings are
open to the public except for closed sessions. In-person meetings will be held at locations and
times previously determined, disclosed in advance and rotated between regions. Individuals
seeking to attend a meeting of the EC must notify the GIPS Secretariat, in writing, no later than twenty-one (21) days prior to the scheduled meeting.

18. The agenda for the EC meetings will be developed and agreed upon by EC members. The GIPS Secretariat will ensure that the agenda and supporting materials for an upcoming meeting are submitted to the EC on a timely basis. Every reasonable effort will be made to post agenda and supporting materials to the GIPS website no later than twenty-one (21) days prior to the scheduled meeting.

19. At any meeting of the EC, a 2/3 majority (66%) of all member seats must be present in person or by video or audio conference to constitute a quorum. Members are not allowed to vote by proxy.

b. 20. Each EC seat will receive one vote. Each EC member will be responsible for representing its constituents and voting in the same manner. Approval of any measure requires the affirmative vote of \( \frac{3}{4} \) (75%) of those constituting a quorum, or 51% of the committee membership, whichever is greater. [Deleted: 2/3 (66%)]

21. The approval of new or revised GIPS provisions and Guidance Statements as well as that of revisions to the governance process and documents of the GIPS EC, GIPS Council, and Subcommittees must be decided during the EC meetings open to the public.

22. Minutes of the EC meetings will be the responsibility of the GIPS Secretariat (made by CFA Institute staff, and/or delegated regional resources) and will be approved either via e-mail vote or at the next EC succeeding meeting.

23. A summary of EC meetings, discussions and findings will be made available to the public via the GIPS Website. Closed session minutes will be made available to the public in a summary format via the GIPS Website.

Observers

24. The EC may appoint authorized observers who are not otherwise eligible for EC membership, including representatives of standard-setting or regulatory authorities, to be observers at EC in-person meetings or conference calls. Observers may be invited to attend all meetings, specific meetings, or parts of meetings.

25. Authorized observers may participate fully in committee discussions but are not permitted to vote.

Support

26. CFA Institute will sponsor the meetings and the work of the EC. CFA Institute will also provide administrative support (staffing, communication, scheduling of conference calls). CFA Institute will provide substantial funding for travel, including accommodations for all EC members to
encourage their active participation in EC meetings. EC members are expected to volunteer their time.

**Communication and Public Awareness Activities**

27. The EC, in conjunction with CFA Institute and Country Sponsors, is expected to use a wide variety of means to communicate to the industry on the initiatives undertaken by the EC, the GIPS Council, and the RIPS including among others: Country Sponsors and their membership, investors, investment managers, and regulators.

28. EC members are expected to identify public awareness opportunities and contribute actively to the GIPS Promotion and Awareness Subcommittee, Country Sponsor public awareness activities, including, but not limited to, web casts, interviews with print, radio, and TV journalists, and developing advertorials and other opinion or editorial pieces.

29. EC members, when representing (formally speaking or writing on behalf of) the EC or CFA Institute, must coordinate and obtain approval of all communications and responses with the GIPS Secretariat to ensure consistent messages are conveyed.