Minutes of the GIPS COUNCIL

Date: Friday 23 March 2007
Location: Cape Town, South Africa
Time: 8:00 a.m. – 12:00 p.m. (South Africa Time)

Members Present: Hans-Jörg von Euw – GIPS Council Chair
Olivier Bomborie – Belgium
Louis Boulanger, CFA – Asia-Pacific RIPS Chair
Alain Ernewein – France
João Cantiga Esteves - Portugal
Stefan Illmer – EC Chair and EMEA RIPS Chair
Todd Juillerat, CFA – Americas RIPS Chair
Kazumichi Karita – Japan
Angela Keane - Australia
Jorn Gunnar Kleven – Norway
Karl Lung, CFA – Hong Kong
Miklós Farkas - Hungary
Peter B. Lynn, CFA – New Zealand
Colin Morrison – United Kingdom
Giri Mudelian - Singapore
Sunette Mulder – South Africa
Joe O’Donnell – Ireland
Corné Reniers – Netherland
Neil Riddles, CFA – United States and Canada
Martin Schliemann – Germany
Dimitri Senik, CFA – Switzerland
Madeleine Woodward – Sweden

Members Not Present: Peter Luntang Christensen – Denmark
Laurent Fedrigo – Luxembourg
Frank Härterl – Liechtenstein
Daniel Roland – APAFS
Alessandro Rota – Italy
Michael Schmid – Austria
EC Members
Present: Jonathan Boersma, CFA GIPS Executive Director
Carol Kennedy – Investor/Consultant Chair
Yoh Kuwabara – Verification/Practitioner Chair
Karyn Vincent, CFA – Interpretations Chair

Observers Present: Leon Campher – South Africa
Hilton Greybe – South Africa
Susanne Klemm – Switzerland
Leanne Micklewood, CFA – South Africa
Eric Pagniez – France
Jacobus van Nierkerk – South Africa
Shelley Vander Westhuizen – South Africa
Liudmyla Zhurakhovska - Ukraine

CFA Institute: Jeannie Anderson – Associate General Counsel, CFA Institute
Carl Bacon – Consultant, CFA Institute Centre for Financial Market Integrity
Ray DeAngelo – Managing Director, Member and Society Division
Polly Johnson – Administrative Assistant, CFA Institute Centre for Financial Market Integrity
Cindy Kent – GIPS Development Specialist, CFA Institute Centre for Financial Market Integrity
Matt Orsagh, CFA – Senior Policy Analyst, CFA Institute Centre for Financial Market Integrity

Action Items
1. CFA Institute will distribute the Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent to GIPS Country Sponsors the first week of April for a three-month public comment period.
2. CFA Institute will distribute the revised Country Sponsor Agreement and Adoption Guidelines and Process documents the first week of April.
4. Country Sponsors are requested to supply one contact person per country for GIPS communication purposes to CFA Institute.
5. Mr. Kleven will circulate his working paper on mutual fund returns to all Country Sponsors for their comments.
6. CFA Institute will post generic GIPS presentations on the GIPS Web site for use by Country Sponsors.
7. Country Sponsors are asked to respond to the Country Sponsor Questionnaire sent out in January, if they have not already done so, to assist the process of developing content for the Standards.
Decision Points

- The Minutes of the GIPS Council meeting on 23 June 2006 were unanimously approved as presented.
- The GIPS Council Operating Policies and Procedures, the RIPS Operating Policies and Procedures, and the GIPS EC Standing Subcommittee Operating Policies and Procedures documents were unanimously agreed upon by the GIPS Council for the GIPS EC approval.
- The GIPS Council Terms of Reference was unanimously approved by the GIPS Council as presented.
- The GIPS standards Country Sponsor Agreement and GIPS Adoption Guidelines and Process documents were unanimously agreed upon by the GIPS Council as amended.

1. **Approve of GIPS Council Minutes of 23 June 2006**
The Minutes of the GIPS Council meeting on 23 June 2006 were unanimously approved (19 votes) as presented.

2. **Presentation by the South African Country Sponsor**
Mr. Campher, Executive Director of IMASA, addressed the Council on the status of the South African Market and the activities of the IMASA, the South Africa Country Sponsor.

3. **Approve GIPS Organization Operating Policies and Procedures**
Upon a motion made and seconded, the GIPS Council Operating Policies and Procedures were unanimously agreed upon by the GIPS Council (19 votes) for the GIPS EC approval.

   Upon a motion made and seconded, the RIPS Operating Policies and Procedures were unanimously agreed upon by the GIPS Council (19 votes) for the GIPS EC approval.

   The GIPS Council members agreed to the GIPS EC and GIPS EC Standing Subcommittee Operating Policies and Procedures documents for the GIPS EC approval.

   It was mentioned that comments were made at the Asia Pacific RIPS meeting regarding minor changes to the Operating Policies and Procedures documents, of a non-material nature, to be discussed at the GIPS EC meeting.

4. **Inform about Exposure Draft to Change EC Constitution Voting Requirement to 75 %**
GIPS Council members were informed about the Exposure Draft to Change EC Constitution Voting Requirement to 75 Percent. This document will be distributed to GIPS Country Sponsors the first week of April for a three-month public comment period.

5. **Approve GIPS Council Terms of Reference for GIPS Council Approval**
Upon a motion made and seconded, the GIPS Council Terms of Reference was unanimously approved by the GIPS Council (19 votes) as presented and will be forwarded to the GIPS EC for approval.

Upon a motion made and seconded, the GIPS standards Country Sponsor Agreement and GIPS Adoption Guidelines and Process documents were unanimously agreed upon by the GIPS Council (19 votes) as amended:

- GIPS standards Country Sponsor Agreement - change sentence “revised version of the GIPS Standards published in 2005” to “the most current version of the GIPS standards” in Section 2.b.;
- GIPS Adoption Guidelines and Process - change the word “should” to “is” in Section IV, Who typically acts as a Country Sponsor?; and
- GIPS Adoption Guidelines and Process - change the words “North America” to “United States and Canada” in the last sentence.

The GIPS EC decided that Country Sponsors are to return their completed and signed agreements by 30 June 2007.

It was mentioned that the GIPS EC will decide at their open meeting what Country Sponsors will be required to complete of the new documents.

7. RIPS Update

The Americas RIPS Chair briefly reported on countries with a potential interest in becoming Country Sponsors in the region.

It was reported that the Spain Country Sponsor has given their permission for their Spanish translation of the Standards to be used by other Spanish speaking countries.

The Asia Pacific RIPS Chair reported on countries expressing interest in becoming Country Sponsors in the Asia Pacific region. It was mentioned that a translation of the Standards in Simplified Chinese was submitted by the Hong Kong Country Sponsor for approval.

The EMEA RIPS Chair reported on the number of country sponsors in the region as well as countries interested in becoming Country Sponsors. It was mentioned that a proposal has been prepared on Supranational Organizations becoming Associate Members with voting rights at the RIPS level.

A brief discussion was held by GIPS Council members regarding meetings with Regulators. It was mentioned that it is important to involve the local Country Sponsor when communicating and/or scheduling contact with Regulators.

8. Inform about New GIPS Logo, GIPS Web site and GIPS Internet Address

The GIPS Web site was launched early in March with links to the Country Sponsor Web pages. The Internet address is: www.gipsstandards.org and the Internet address www.gipsstandards.com has been reserved.

It was suggested that Country Sponsors may want look into reserving a similar url Internet address for their country (e.g., for Italy - www.gipsstandards.it). Switzerland has already reserved www.gipsstandards.ch.
It was reported that the Communication Working Group and then the Promotion and Awareness Subcommittee will prepare a proposal on branding guidelines on the proper use of the GIPS logo by Country Sponsors and possible use by individual firms.

The Group briefly discussed whether a logo would be developed for use by firms to show GIPS compliance. This issue is under review due to the complexity of using a logo to show compliance and to determine who would monitor its use. It was suggested that individual firms could be charged a fee for using the logo as a source of revenue.

It was reported that there will be a section of the GIPS Website which is reserved specifically for the GIPS Council. Each member will receive an ID and password to login. There will be separate areas for: the RIPS, the EC, and each of the technical standing subcommittees with discussion forums.

It was noted that regarding the use of a GIPS logo by individual companies claiming GIPS compliance, the Swiss Country Sponsor surrendered their old SPPS logo a couple of years ago. There is a very strong demand in the Swiss industry to have a new GIPS logo available for the individual companies to use in their marketing materials and advertising and urged the Promotion and Awareness Subcommittee to treat this matter with due priority and include this comment in the minutes.

It was suggested that a survey be done in each country on whether investment managers believe their firms would be willing to pay a fee for use of the GIPS logo. It was mentioned that setting a fee for end users to use a logo will be very difficult. There were mixed views on whether there should be a logo for individual firms to show compliance and whether firms would be willing to pay a fee for the logo.

It was mentioned that translations of the Standards could be posted on the GIPS Web site with the translating Country Sponsor’s approval.

It was requested that every Country Sponsor supply one contact person per country for GIPS communication purposes.

It was reported that generic GIPS presentations will be available on the Web site for use by Country Sponsors.

9. Inform about GIPS 2010 Project
It was reported that the GIPS 2010 Project is a commitment by the previous governing body to perform a review of the GIPS standards every five years. The project team has been formed for the 2010 review of the Standards. It was mentioned that this review is to fine tune the existing content and not to create new content for the Standards. The two main areas of review are: review all the future effective dates in the body of the Standards and review all recommendations and decide if the status should change. A questionnaire is being developed to gather input regarding the existing Standards in conjunction with other questionnaires to be sent to Country Sponsors.

It was mentioned that adding new content and extending the scope of compliance may be done in parallel but it is not necessarily a part of the project.
A request was made for an elaboration on the areas being considered for the expansion of the scope of compliance. Discussions are beginning, at the subcommittee level, on the possibility of extending compliance on existing client reporting and standardizing requests for proposals.

It was reported that the questionnaires being coordinated that will cover three areas: 2010 Review, Content and Development, and Promotional and Outreach. It was stressed that it is necessary to identify a list of top priorities due to limited resources.

It was reported that the Interpretations Subcommittee has discussed hedge funds and believe the Standards may need to be refined but the current Standards can be applied to hedge funds. A recommendation was made that additional guidance or best practices on alternative investment strategies should not be limited to hedge funds. Four areas of market abuses are: presentational requirements in terms of alternative investments, performance fee clarification (i.e., gross and net), valuation, and risk.

It was mentioned that when the GIPS EC finalizes their initial discussions on the 2010 Review Project, the Country Sponsors will be asked for input.

Mr. Kleven briefly reviewed his working paper discussing the different methods of how to gross up returns. He wrote the paper to help Mutual Fund Managers with calculation hurdles to become GIPS compliant and to start discussions on how to gross up net asset value returns. The paper is specific to the mutual fund industry in Norway. The paper has been circulated to the EMEA RIPS members and he agreed to circulate the working paper to all Country Sponsors as he would welcome any comments on the paper.

It was mentioned that in France many mutual funds are included in GIPS composites so the firms gross up returns in order to include in composites. Working papers on these questions would be welcome for discussion at their Investment Performance Committee meetings.

It was stated that Belgium struggles with the impact of derivatives in the Standards. It was suggested to give further consideration to derivative provisions in GIPS.

It was suggested consolidating the feedback from GIPS Country Sponsor Questionnaire where members were asked about areas needing further guidance or development to provide content for the Standards. Country Sponsors were advised that there is still time to respond to the questionnaire to assist in the development of content for the Standards.

In Sweden an area of concern is abuse and different interpretations in mentioning GIPS compliance in connection with RFPs. Specific guidance in this area would be most welcome.

10. Updates from GIPS EC Subcommittees/Working Groups

Interpretations Subcommittee

The Subcommittee has substantially completed their review of the Recordkeeping Guidance Statement and the accompanying Adopting Release. The next step will be discussed in the GIPS EC meeting this afternoon. Once the Recordkeeping Guidance Statement is released there will be specific questions regarding WRAP and SMA portfolios. The Subcommittee will develop a series of Q&As to assist with those questions.
The previous draft of the Leverage and Derivatives Guidance Statement contained several formulas. These formulas have been finalized and are posted on the Web site to assist in answering questions on calculating performance on a short portfolio. The Subcommittee is determining how to proceed with the Leverage and Derivatives Guidance Statement as it is a much broader topic which includes the topic of Risk.

Discussions have begun on finalizing the Error Correction Guidance Statement and reacting to public comments.

The Subcommittee started discussions on applying the Standards to hedge strategies.

Process Working Group
The Group was originally assigned three projects. The first completed project, Defining the Roles and Responsibilities of the Executive Director and EC Chair, was approved by the EC in December. The second project, Country Sponsor Evaluation Criteria, has been submitted as a proposal for discussion at the GIPS EC meeting this afternoon. The third project is to establishing process for creating, amending GIPS provisions and/or guidance statements. Two additional tasks have been assigned to the Process Work Group - Country Sponsor Endorsement Process and GIPS EC Open and Closed Meeting Decision Processes.

Intellectual Property Working Group
The Group has completed their major project with the redraft of the Country Sponsor Agreement and the Adoption Guidelines. New initiatives will be started during the summer.

Promotion and Awareness Subcommittee
A summary of the responses received from the Country Sponsor Questionnaire was included in the meeting materials. From the questionnaire it was revealed that several of respondents have broad representation in their Country Sponsor organizations. The Subcommittee is reviewing and discussing whether there should be further surveys on GIPS compliance across the world, however, there could be a survivorship bias if the respondents are only those firms that are compliant. The Subcommittee would like hear other perspectives on how to conduct a reliable survey as it is will be very useful to know the compliance rate from country to country.

Japan reported that a compliance survey they conducted three or four years ago showed 90% of the firms were compliance with the GIPS standards. A new survey is being planned for all market participants and it is anticipated the ratio will be higher.

Hong Kong just completed a compliance survey with a 63% response rate showing an 80% compliance rate. All the compliant firms that responded plan to be verified. The results of this compliance survey will be published to announce this industry trend to non-compliant firms.
11. Discuss and Agree Actions of Country Sponsors for Next Six Months

Country Sponsors were asked to briefly outline: stakeholders represented by the Country Sponsor (e.g., regulators involvement), percentage of investment manager that are in compliance; special issues; and current or planned activities.

**Australia**
Stakeholders – Performance Analyst Group - regulators are not included.
Special Issues – See the Country Sponsor Questionnaire Summary.
Compliance – Funds under management basis – 65-70% of firms in compliance several years ago. No current survey.
Activities – Quarterly meetings, annual training courses, preparing guidance on After-Tax Performance Reporting, and present at the Annual Investment Management Conference in Australia.

**Belgium**
Stakeholders – Asset Managers, local verifiers, pension fund representatives, and attempting to include regulators.
Compliance – 70% of the managers are compliant, those not compliant are small firms.
Activities – Meetings are held two or four times a year. The Belgium Asset Management Association plans to join the current sponsor the Belgium Association of Pension Institute. Organize training seminars. Communication plans are to explain the new GIPS structure and future projects in the main financial papers. Holding discussions with leading faculties and business colleges to have specific GIPS training on performance and risk.

**France**
Stakeholders – Investment Managers and Verifiers but no regulator involvement.
Special Issues – Industry is waiting for promotion. Firms want benefits from the money they put into the process. Industry would like a logo for compliance and educational materials.
Compliance – 60% of funds under management are in compliance. Missing is retail business and private wealth management. Investors are not requiring compliance.
Activities – Preparing a translation of the current GIPS standards for approval.

**Germany**
Special Issues – Started working groups on Performance Fees, Derivatives and Leverage, and Governance.
Activities – Held three discussion seminars in different locations and plan to hold an educational seminar once a year. Currently have a Web site and a German translation of the GIPS standards.

**Hong Kong**
Compliance – 80% compliance.
Activities – Completed Simplified Chinese translation of GIPS. Will focus on promoting GIPS in China. Currently have working groups in Beijing and Shanghai. Organizing training workshops and/or seminars.
Hungary
Stakeholders – Official country sponsor is CFA society but working to broaden the committee. Compliance – Low level of compliance. Activities – Held performance seminar with supervisory authority for clients and investment managers and planning to do the seminar again this year. Continuing a series of lectures for fund managers which will include investment performance measurement stressing GIPS.

Ireland
Stakeholders – Investment Managers, Verifiers, Consultants, and End Users. No regulators are involved. Special Issues – Investor Protection Act being introduced by regulators. Compliance – Over 80%. Activities – Published articles. Working with CFA society in Ireland to define a program of awareness and education over the next six months.

Japan
Stakeholders – No regulator involvement but have established good contacts with regulators. Compliance – 90% compliance Activities – Last December held a seminar on practical application of GIPS in Real Estate and Private Equity. Preparing to publish the proceedings from the seminar to promote GIPS. In the next six months will be sending out a comprehensive survey to the market.

New Zealand
Special Issues – In 2007 the financial services industry faces the largest changes in the past 20 years: legislative changes, tax changes, structure changes, review of financial products and changes to the pension reform. Compliance – First GIPS compliant fund manager achieved. Activities – Working to get New Zealand Superannuation Fund to embrace GIPS as part of their best practices. Planning to promote GIPS in 2008 to be adopted by the major fund managers.

The Netherlands
Stakeholders – All competencies on board with the exception of regulators, but they have contacts with regulators. Special Issues – Increasing interest by pension funds and insurance companies for internal control for quality purposes. First private equity firm became compliant. A complaint from large firms is that they expect verifiers to performance examination. Compliance – Top 20 players are compliant and verified. Small investment managers are not in compliance due to cost. Activities – Developed annual training program.
**Norway**
Stakeholders – No regulators involved.
Compliance – 60% of all assets under management in compliance.
Activities – Gave presentation on GIPS to supervisory authority in Norway. Have a yearly agreement with Norwegian Business Administration School to have a five hour course on GIPS. Planning to hold a Private Equity Seminar in cooperation with the Venture Capital Association in Norway. Recently wrote an article against European bodies that organize Real Estate Fund Managers.

**Portugal**
Stakeholders – Investors, pension funds, social security fund, asset managers, association of mutual pension fund management firms, verifiers, and two largest consultant firms, technical representatives (ratings agency), real estate firm, TI provider, and private equity association. All regulators attend as observers.
Compliance – One firm is compliant. Expect to attain 100% in the next six months.

**Singapore**
Stakeholders – All funds are controlled by the government.
Compliance – GIPS has not been formally accepted, but it is in the running. All fund managers will follow if the MAS (The Monetary Authority of Singapore) adopt GIPS.
Activities – Monthly basis hold talks on various topics, including GIPS. A yearly conference is held which GIPS is presented. Will work to prepare information about GIPS on their Web site.

**South Africa**
Stakeholders – Regulators are not a part of their committee but they are in close contact with their group.
Activities – Will be hosting an educational conference during the second part of the year.

**Sweden**
Stakeholders – Regulators are not a part of their committee but they have good relationship with the regulators. But virtually all other groups are a part of their committee.
Special Issues – Hedge Funds and Private Equity
Compliance – 96-97% compliant and of those 100% are verified.
Activities – The society has an in-house training program for regulators for the past two years. Statistics are published on their Web site. Activities include writing to stakeholders, phoning them, and holding presentations on GIPS.

**Switzerland**
Stakeholders – Asset managers, verifiers, and insurance companies. Regulators are kept informed of GIPS developments. Recently a representative from the EFFAS chapter has joined the committee and they are encouraging CFA society and pension fund associations to participate.
Special Issues – New regulations this year as they have adopted the European regulations on collective investments which causes challenges to some fund management companies in terms of risk management. MiFID is less of an issue for Switzerland but have formed a working group to monitoring the MiFID as it develops in Europe.
Compliance – 60 institutions claim compliance or are in the process of becoming compliant. One half of are GIPS compliant in the wealth management area with private clients.
Activities – Held a conference for alternative investment managers on GIPS. Organizing a full-day GIPS workshop for performance specialists. Hold annual GIPS events in autumn to be held in the German and French speaking areas of Switzerland. Maintain their GIPS Web site.

Ukraine
Stakeholders – Asset managers, pension funds, and insurance companies. There is a formal relationship with the regulator and they stay in contact.
Special Issues – Mostly venture firms.
Compliance – No firms yet, but there is intention by the firms to become compliant in the next three years.
Activities – Prepared a survey and approximately 60 asset managers participated. The Ukraine is waiting for endorsement of their Ukrainian TG.

United Kingdom
Special Issues – Fund attribution is one of the biggest topics as a direct result in the dramatic increase in the use of bonds, derivative products, and derivative strategies. Others are Recordkeeping and Error Correction where additional guidance is requested. Definitions of materiality, threshold of restatement, thresholds for republishing are very live issues.
Compliance – 90% compliance, some see very little benefit of complying with GIPS.

United States and Canada
Special Issues – Q&As and getting information out to people so they can comply.
Compliance – GIPS compliance is widely expected.
Activities – GIPS Annual Conference and Workshops

13. Future Meeting Dates
Future meetings – September 20 and 21 meeting in Asia Pacific the location is not yet defined. Possibilities include China, Hong Kong, or Singapore. CFA Institute will inform the Country Sponsors of the location.

In 2008 there is a meeting in March in the EMEA region and in September the meeting is to be held in the United States.

14. Questions from Observers
Mr. Morrison stressed the importance of using the GIPS Council as a forum to discuss local issues and topics, not activities of Country Sponsors.

Ms. Zhurakhovska requested RIPS council or a GIPS EC member to visit their GIPS seminar in November or December.

A Country Sponsor mentioned that they did not previously understand the importance of responding to communications, surveys, and questionnaires but after attending this meeting there is now an awareness of the importance and in the future will put more effort into providing useful feedback.

Meeting adjourned