Proposal on Country Sponsor Evaluation Criteria

The proposal includes three different sets of criteria, (i.e., criteria for evaluating): (1) new application for new country; (2) new application for a country where there’s existing sponsor(s); and (3) existing country sponsors’ performance. Main body text has been approved by the Group at its 25 January 2007 conference call.

Criteria (1) has already been reflected in full to our proposal to revision to the Appendix A which has been approved by EC through e-mail voting, and has been distributed to Country Sponsors for their perusal as part of the GIPS Adoption Guidelines and Process document along with the revised Country Sponsor Agreement.

We deem it appropriate not to set a prohibitively high hurdle for criteria (1) as we expect more new applications from those countries with developing market and industry than from the developed countries. Rather we will have to set moderate, or possibly relatively low, hurdle at the entrance level, and review endorsed sponsor’s activities carefully and on an ongoing basis. Thus criteria for (3) become important, particularly how existing country sponsor is representative of the market and industry within their country/region.

To be precise, criteria (2) recommend certain process for decision-making by EC rather than evaluation criteria per se. Criteria (2) suggest that the existing country sponsor be entitled to comment on and explain about their activities as well as their thought on the new applicant during the EC discussion. We believe EC should listen to their explanation, assess the existing sponsor’s performance in an objective way (utilizing the criteria (3)), review the new application seeking additional explanation when deemed as appropriate, and then make a decision. Criteria (2) include 2
different alternatives in reaching a decision that the Group deemed appropriate are to be presented side by side to EC for discussion and determination. The Group also decided to attach comments from its members supporting each alternative. The alternatives and supporting comments (from members of the Group) are as follows (approved by the Group on 15 February 2007) -- please note the following comments are representative of particular member of the Group, not of the Group as a whole:

[Alternative 1]

“The EC decision should be made by a majority vote of 75% (at least 7 out of the 9).”

Comment Supporting Alternative 1:
Since the GIPS organization is still in its developing stage and we are in the process of disseminating the standards in countries and regions where the capital market activities are yet to be developed. Even in a market place where there is an existing country sponsor(s), in some cases it might be appropriate to make further promotional activities by forming co-sponsorship of the GIPS Country Sponsor. Therefore, it is our strong belief that there should be a room for future possibility to invite willing and competent new country sponsors to form the co-sponsorship.

Also, it is indispensable for the GIPS EC to maintain a healthy governance structure in order to be the highest governing body of the GIPS organizations. The protection of the existing country sponsor which has been making efforts and providing resources in a country/region should be also stressed.

In addition, according to the section 3 of this proposal the GIPS EC will review the performance of all existing country sponsors in every two years. If the unanimous voting is required for accepting the additional country sponsor, it would provide an unnecessary strength similar to “veto power” for protection of existing country sponsor.

Taking these conditions into consideration, this alternative avoids the requirement for unanimous voting in order to maintain healthy governance structure of the GIPS EC and at the same time to leave a room for accepting additional country sponsor. Since the normal decision making is made by 67% voting, we firmly believe that 75% provides enough protection to the existing country sponsor at the same time by providing an opportunity for competent additional country sponsor.
[Alternative 2]

“The decision should be made by a majority vote of 67% (at least 6 out of the 9). If the existing country sponsor opposes including the candidate sponsor in a co-sponsorship, however, EC should unanimously vote to approve the application and to form the co-sponsorship group.”

Comment Supporting Alternative 2:

(1) The existing sponsor has the best knowledge of the organization being considered. Many NGOs are in fact trade unions, and their objective is to protect commercial interest of their corporate members.

(2) The existing sponsor had committed numerous resources for the development of GIPS in their region. If these efforts (which are in fact intellectual property rights) are not properly protected, it will discourage other sponsors to put up efforts.

(3) Joint sponsorship is like a partnership that requires a high degree of trust, co-operation, mutual understanding, and respect. If one is being forced to accept the other, it will only create arguments, conflicts, distrusts, fight of control, etc. Instead of assisting the development of GIPS, it will end as a major set back.

It should also be noted that this should not be considered as a means to deal with poorly performed country sponsors (which should be dealt with in Appendix C).

Attachment: Country Sponsor Evaluation Criteria

Yoh Kuwabara
Chair, Process Working Group
Country Sponsor Evaluation Criteria

In this document, “Country Sponsor” means any organization, group, or group of organizations that is endorsed by GIPS Executive Committee (“EC”) as GIPS sponsoring body within a country or region.

1. **New Country Sponsor in one country/region**

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<thead>
<tr>
<th>Criterion/Condition</th>
<th>Information to be submitted</th>
<th>Priority (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-profit organization in a country/region. Non-profit organization Status</td>
<td>To be described in the Application form</td>
<td>A</td>
</tr>
<tr>
<td>2. Incorporated Status</td>
<td>Articles of incorporation or equivalent document</td>
<td>B</td>
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</tbody>
</table>
| 3. Broad representation of various GIPS stakeholders in a country/region | -Number of individual and/or corporate members (Note 1)  
-List of local stakeholders covered by the applicant organization and description of relationship/affiliation (Note 1)  
-Plans for establishing the local committee  
-Member list of such local committee and description of the activities, if any | B |
| 4. Ability to make promotional and educational activities with own resources | Description of plans and method of promotional activities including seminars, conferences and promotional materials. | A |
| 5. Ability to send/recommend members to EC, Council, RIPS and Technical Subcommittees  
1) Council/RIPS | To be described in the application form | A |
2) EC, Subcommittee representatives

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<tr>
<th>Item</th>
<th>Criteria</th>
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<tr>
<td>6. Ability to protect the GIPS intellectual property (see above 2)</td>
<td>To be described in the application form</td>
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<tr>
<td>7. Where it is appropriate to have the translation in the local language due to the market conditions, ability to translate the GIPS Standards and Guidance Statements in local language accurately and in high quality with own resources</td>
<td>To be described in the application form</td>
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<tr>
<td>8. Ability to make comments to the GIPS exposure drafts on GIPS Standards and/or Guidance Statements</td>
<td>To be described in the application form</td>
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<tr>
<td>9. Ability to provide basic interpretations in terms of language in country/region</td>
<td>To be described in the application form</td>
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<tr>
<td>10. Financial stability</td>
<td>Financial statements</td>
</tr>
<tr>
<td>11. Ability to cooperate with the local regulators where such local regulators exist.</td>
<td>Description of the relationship with appropriate local regulator. Pertinent contact information of the local regulator.</td>
</tr>
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</table>

(Note 1) The applicant organization should submit all the required documents and/or information to GIPS Secretariat. Upon receipt of such application, GIPS Secretariat should notify EC and the relevant RIPS of the submission. The relevant RIPS should discuss and establish an opinion on the application, and report the opinion to EC. Based on such opinion, EC will decide whether or not to endorse the applicant organization as new Country Sponsor for the country/region.

(Note 2) Priority: A: Prerequisite (required)
B: Preferable, but not required
C: Desirable and to be realized in the future
2. **Additional Country Sponsor to form a joint sponsorship**

Similar criteria should be applied to the additional country sponsors to form a co-sponsor group. Existing country sponsor(s) must be notified about such application at first by the GIPS Secretariat. They must provide opinions regarding the proposed candidate organization to other RIPS members, including a recommendation on whether or not the candidate organization be included in a joint sponsorship. Their recommendation should include an explanation and any supporting information they feel would be appropriate.

The RIPS will discuss the application and the opinions as well as recommendation of the existing country sponsor, and report the result of such discussion to the GIPS EC, along with their recommendation. If RIPS recommend contrary to the recommendation of the existing country sponsor(s), an explanation is required.

Based on such report, the EC will decide whether or not to approve the additional country sponsor and form the co-sponsor group. The existing country sponsor will be invited to either attend or participate by phone in the EC meeting or conference call, so they can answer any questions that may arise. [Alternative 1] The EC decision should be made by a majority vote of 75% (at least 7 out of the 9). [Alternative 2] The EC decision should be made by a majority vote of 67% (at least 6 out of the 9). If the existing country sponsor opposes including the candidate sponsor in a joint sponsorship, however, EC should unanimously vote to approve the application and to form the co-sponsor group.

3. **Continuous review of existing country sponsors**

1) The GIPS Secretariat will keep a record of the following country sponsor activities:
   a. Attendance at any RIPS, Council meeting, telephone meeting
   b. Comments to the exposure drafts of Standards, Guidance Statements etc.
   c. Number of members of committees/subcommittees
   d. Q & A activities in the local market
   e. List of GIPS Seminars/Workshops and other promotional activities
   f. Promotional activities through website etc.
   g. Copies of promotional materials
2) Above statistics will be submitted to RIPS, GIPS Council, and EC for review of existing country sponsors at least once in two biennially (once every two years).

3) Any change which materially affects the status of the Country Sponsor should be notified to the GIPS Secretariat without delay.