Minutes of the GIPS EXECUTIVE COMMITTEE
Open Session

Date: Friday 6 June 2014

Location: In-Person Meeting – Charlottesville, Virginia, USA

Time: 8:30 to 9:30

Members Present: Jonathan Boersma, CFA – GIPS Executive Director
Andrew Bragg - Asia Pacific RIPS Chair
Yoh Kuwabara – Interpretations Chair
Sue Pike, CFA, CIPM – Investment Manager Chair
Ann Putallaz, Ph.D., CIPM – Americas RIPS Chair
Martin Schliemann – GIPS Council Chair
Dimitri Senik, CFA – EC Chair and EMEA RIPS Chair
Karyn Vincent, CFA, CIPM - Verification/Practitioner Chair

Member Absent: John Meier, CFA – Investor/Consultant Chair

Observer Present: Todd Juillerat, CFA – Promotion & Awareness Chair

Staff Present: Anju Grover, CIPM – Senior GIPS Analyst
Polly Johnson – GIPS Project Coordinator
Beth Kaiser, CFA, CIPM – Director, Global Investment Performance Standards
Cindy Kent – Director, Global Investment Performance Standards
Annie Lo, CFA, CIPM – Director, Global Investment Performance Standards
Ken Robinson, CFA, CIPM – Director, Global Investment Performance Standards

Action Items
• CFA Institute staff will post an update of the GIPS Strategic Plan on the GIPS Standards Website outlining the progress of the different projects.

Decision Points
• The Executive Committee members approved the final draft of the Guidance Statement on the Application of the GIPS Standards to Asset Owners (Pension Funds, Endowments, Foundations and Other Similar Entities) subject to the amendments previously discussed. (8 Votes)

Mr. Senik welcomed everyone to the GIPS Executive Committee Open Meeting. He announced that the open meeting is being recorded and will be posted on the GIPS standards website as an audio recording, and the Minutes will be posted for public record.

1. Approve Pension Funds, Endowments, Foundations and Other Similar Entities Guidance Statement
   The GIPS Executive Committee reviewed the final draft of the Guidance Statement on the Application of the GIPS standards to Asset Owners (Pension Funds, Endowments, Foundations and Other Similar Entities) that incorporates public comments received and held an extensive discussion regarding the comments.
An overview was presented of the major changes to the final draft of the Pension Funds, Endowments, Foundations and Other Similar Entities Guidance Statement.

- As a result of public comments, the name of this guidance will be changed to “Guidance Statement on the Application of the GIPS Standards to Asset Owners (Pension Funds, Endowments, Foundations and Other Similar Entities)” and the term “Asset Owners” will be used when referring to the entities in this Guidance Statement.
- More clarification and examples were added to the Guidance Statement as requested by public comments.
- Composite Construction – In the situation where an asset owner may be managing two funds with the same investment mandate for two separate groups (e.g., pension funds for firefighters and teachers), they do not have to be combined into one composite when presented to the pension fund board. However, if the asset owner did market to prospective clients, then any investment mandate marketed to prospective clients has to include all of the total funds managed to the same mandate included in that composite.
- Fees – Requirement to present net-of-fees returns that reflect the performance after all costs associated with the management of the assets have been deducted.

The Executive Committee members approved the final draft of the Guidance Statement on the Application of the GIPS Standards to Asset Owners (Pension Funds, Endowments, Foundations and Other Similar Entities) subject to the amendments previously discussed. (8 Votes)

It was stated that the Guidance Statement on the Application of the GIPS Standards to Asset Owners (Pension Funds, Endowments, Foundations and Other Similar Entities) is landmark guidance for the GIPS standards as it casts a wider net in the industry. It was mentioned that a tremendous amount of credit should be given to two highly-involved asset owners in the industry, Lynn Hoover and Jenny Tsouvalis, who were engaged from the beginning of the Asset Owners Guidance Statement and to Garvin Deokiesingh, CFA for their many contributions.

2. Update on the GIPS Governance Restructure

It was reported that volunteers are currently being sought for three at-large positions on the GIPS Executive Committee and two positions on the Technical Committee with a deadline for applications on Friday 20 June 2014. It was announced that three regional positions on the Technical Committee are elected and two of the three elections concluded. One election resulted in a tie vote so a run-off election has been organized.

It was explained that the GIPS Nominations Committee includes three elected, regional representatives. The GIPS Nominations Committee will meet to review nominees after the application deadline.

It was mentioned that the revised draft Country Sponsor Agreement had been distributed to all GIPS Country Sponsors with a deadline of 7 July to submit comments. It was stated that some initial feedback may result in amendments to the Agreement. After the comment deadline, all feedback will be reviewed and evaluated prior to finalizing the Country Sponsor Agreement.

It is anticipated that the new GIPS committee members’ terms will begin 1 September. In the meantime, the existing GIPS governance structure will continue.

3. GIPS EC Subcommittee and Working Group Update Reports

It was announced that the GIPS EC Subcommittee and Working Group Update Reports for the June 2014 meeting are posted on the GIPS Standards Website for the public.

4. Guide for Creating, Maintaining and Reviewing GIPS Disclosures

It was explained that the United States Investment Performance Committee (USIPC) has undertaken the task of accumulating and researching all the disclosures in the GIPS standards provisions, interpretations, etc. The USIPC
has prepared a draft Disclosure Guide as a comprehensive checklist of disclosures that also includes how long a disclosure is required, conditions requiring disclosure, and proposing if a disclosure can be discontinued at some point.

The USIPC will submit the draft Disclosure Guide to the Interpretations Subcommittee for review. Once the draft Disclosure Guide has been finalized and approved it will be carefully maintained by CFA Institute staff.

5. Performance Record Portability
It was noted that the GIPS Executive Committee had an extensive discussion on the revised draft of the Guidance Statement of the Performance Record Portability presented by the Interpretations Subcommittee. The Executive Committee agreed on several key changes to be proposed in the revised draft of the Guidance Statement. One major change proposed is:

- 5.A.8 “Performance of a past firm or affiliation must may be linked to or used to represent the historical performance of a new or acquiring firm if, on a composite-specific basis:…..”

This would allow acquiring firms to be able to make a choice about linking historical performance, if the portability criteria are met. This proposed major change will be presented in the revised draft of the Guidance Statement of the Performance Record Portability when it is released for public comment.

It was mentioned that the Executive Committee is hoping to provide additional portability guidance on:
- the length of the performance track record for portable composites;
- addressing specific situations that arise when a merger/acquisition occurs; and
- clearer definition of the application of the grace period.

It was stated that the Executive Committee believes that it would be good to maintain the existing Executive Committee members as a working group to focus on the revised Guidance Statement of the Performance Record Portability given the technical nature and enormous amount of time that has been invested by the Interpretations Subcommittee and prior to that the USIPC on revising this guidance.

The next step is for the Interpretations Subcommittee to review the Executive Committee’s feedback to prepare a second revised draft of the Guidance Statement on Performance Record Portability for review by either the Executive Committee or the Technical Committee.

6. Risk Guidance Statement
It was reported that the Executive Committee has performed a detailed review of the first draft of the Guidance Statement on Risk. It was stated there may be new requirements proposed in this Guidance Statement and there has been consideration given to upgrading a recommendation to a requirement. It is anticipated that the draft Guidance Statement on Risk may be separated into a white paper with educational content and a Guidance Statement that concentrates on the GIPS standards provisions. The Guidance Statement on Risk is still a work in progress. The Risk Guidance Statement will be released for public comment after a final draft has been approved.

7. Pooled Funds Guidance Statement
It was reported that since the last Executive Committee in-person meeting in November, a detailed summary has been prepared of all the comments received from the Pooled Funds Working Group and the Pooled Funds Advisory Group on the initial draft of the Guidance Statement on Pooled Funds. Based on their feedback and comments from the Executive Committee, a second draft of the Guidance Statement on Pooled Funds has been created. The Pooled Funds Working Group believe that the current draft of the Guidance Statement takes into account the practicalities as well as the complexities in the pooled funds arena and does represent a good step forward. Additionally, based on discussions with regulators in various countries, this may be a very important time to be taking this first step regarding Pooled Funds with this Guidance Statement.
8. Overlay Strategies Guidance Statement
   The Overlay Strategies Working Group is a relatively new working group that is working to establish proposed
guidance for not only calculating overlay strategy portfolio performance but also how to calculate composite assets,
firm assets, and address some presentation issues.

   It was mentioned that a first draft of the Overlay Guidance Statement had been developed by a working group of
selected Executive Committee members and that draft had been passed to the Overlay Strategies Working Group as
the basis for the Guidance Statement. The involved Executive Committee members now participate as observers on
the Overlay Strategies Working Group conference calls.

9. Supplemental Information Guidance Statement
   It was reported that the Interpretations Subcommittee has been planning to do an overall revision of the Supplemental
Information Guidance Statement for some time. The Interpretations Subcommittee is prepared to start work on this
Guidance Statement once the revision of the Guidance Statement on Performance Record Portability has been
completed.

10. Benchmarks
    The Investment Manager Subcommittee wrote a preliminary draft paper on Benchmarks to provide context from the
perspective of the GIPS standards to include examples and practical considerations. The draft Benchmarks paper is
currently under review by CFA Institute staff to compare the content to the GIPS Standards Handbook as well the
CIPM curriculum for consistency. The draft document on Benchmarks is currently a whitepaper but will be evaluated
to determine if it should become a Guidance Statement.

11. Verifier Independence Guidance Statement
    It was reported that the Verification/Practitioner Subcommittee has begun their review and update of the Guidance
Statement on Verifier Independence.

12. Implementation Assistance Paper
    It was reported that the Implementation Assistance paper is in its final review with CFA Institute staff and it is
anticipated that it will be released in the near future.

    It was mentioned that whitepapers will be posted on the GIPS standards website on the Resources webpage.

13. Notification Requirement regarding GIPS Claim of Compliance
    It was explained that there is a need to obtain comprehensive data on the number of firms that globally claim
compliance with the GIPS standards. Compliance data is frequently requested by regulators, industry groups, and
journalists. To acquire this comprehensive data, a Firm Notification proposal has been drafted to require firms to
annually notify CFA Institute of their claim of compliance with the GIPS standards.

    The Firm Notification form will also collect additional information about the firms such as: type of firm, strategies
offered, etc. in order to acquire demographic data about compliant firms. It was pointed out that the real success of
the GIPS standards cannot only be measured by the number of firms that claim compliance, but also how many assets
are covered by a claim of compliance.

    It was mentioned that the Exposure Draft for Firm Notification Requirement is currently out for public comment until
7 July 2014. To date both positive and negative feedback has been received, particularly on reporting the firm assets.
It was clarified that the data collected from firms will be accessible only to CFA Institute staff. None of the data will
be provided to the Executive Committee or subcommittees. Any publicly reported data will only be provided in a
summary or aggregate format, no individual firm information will be revealed. It was stated that CFA Institute’s security is state-of-the-art with the highest priority to maintain sensitive data.

14. GIPS Strategic Plan Update
It was mentioned that the Executive Committee will review the GIPS Strategic Plan during their closed session today. CFA Institute staff will post an update of the GIPS Strategic Plan on the GIPS Standards Website outlining the progress of the different projects.

15. Other Business
It was announced that the GIPS Standards Annual Conference will be held in Boston, Massachusetts, USA. More details will be provided soon.

Observer Question and Answer Session
Observers present were requested to pose their questions, comments, and/or general feedback.

Mr. Juillerat, United States, stated that he has heard some discussion from various individuals questioning how the Firm Notification requirement may or may not impact enforcement regarding a firm’s claim of compliance with the GIPS standards.

Mr. Boersma responded that from a CFA Institute perspective, the fact that we collect that information does not have any impact on enforcing a firm’s claim of GIPS compliance. CFA Institute would respond the same as it has in the past, by contacting a firm to notify them if it has been brought to our attention that there may be an issue. We would review with the firm the GIPS standards regarding the issue and offer to be a resource.

Mr. Boersma went on to share that recently in the United States there has been an initial ruling by the U.S. Securities and Exchange Commission regarding a firm that the regulator thought was falsely claiming GIPS compliance. He believes that serves as a good motivator for firms to follow the rules, at least in the United States.

Mr. Boersma also mentioned there are some parallels at CFA Institute with the Asset Manager Code of Professional Conduct, where we require firms to notify us when they have adopted the Code. He stated that over 1,000 firms from all over the world notified CFA Institute of their adoption of the Code and there have not been any “enforcement” issues to date.

In conclusion, Mr. Senik noted that this was the last Open Meeting of the current Executive Committee’s composition and structure as there will be a transition to a new governance structure in September 2014. He stated that it has been a pleasure and privilege to work with all the members of the Executive Committee and he thanked them for their contributions. Mr. Senik thanked CFA Institute for administrating and facilitating the work of the Committee. He mentioned that he is looking forward to further fruitful cooperation as they continue to work together next year in the new structure.

Mr. Boersma thanked Mr. Senik for serving as chair and everyone on the Executive Committee, on behalf of CFA Institute, for their long hours, extensive service and attention given to this Committee. He mentioned that this has been an exceptional group and it has been a privilege to work with all of them. Mr. Boersma commented that the structure the Executive Committee is leaving was the structure needed at the time, and he hopes the lessons learned will launch the GIPS standards into the future.

Meeting Adjourned