Minutes of the GIPS Executive Committee
Open In-Person Meeting

Date: Tuesday 20 September 2016
Location: Boston, Massachusetts, USA
Time: 15:30 to 17:00 US ET

Members
Present: Carl Bacon, CIPM – EC Chair and At-Large Member
Jonathan Boersma, CFA – GIPS Executive Director
Stefan Illmer, Ph.D., - At-Large Member
Gabriele Montalbetti, CFA, CIPM – At-Large Member
Trevor Persaud – At-Large Member
Neil Riddles, CFA, CIPM – At-Large Member
Mohammad Shoai, CFA – At-Large Member
Arin Stancil, CFA, CIPM – At-Large Member
Karyn Vincent, CFA, CIPM – GIPS Technical Committee Chair

Observers
Present: Garvin Deokiesingh, CFA – United States
Ambika D’Souza, CIPM – United States*
Amy Jones, CIPM – United States
L. Todd Juillerat, CFA – United States
Joe Kavanagh, CFA - Ireland
Richard Kemmling, CIPM – United States
Yoh Kuwabara - Japan
Sunette Mulder – South Africa
Hans Pieper - Germany
Ann Putallaz, Ph.D., CIPM – United States
Dimitri Senik, CFA - Switzerland
Stephen Zhu, CIPM - China

Staff
Present: Irene Cheung – Director, Standards of Practice
Anju Grover, CIPM – GIPS Senior Analyst
Polly Johnson – GIPS Project Coordinator
Beth Kaiser, CFA, CIPM – Director, Global Investment Performance Standards
Cindy Kent – Director, Global Investment Performance Standards
Tina Le – Coordinator, Standards & Advocacy
Nicole Lee – Manager, Content Engagement & Publishing
Iain McAra – Director, Global Investment Performance Standards
Ken Robinson, CFA, CIPM – Director, Global Investment Performance Standards
Trudy Via – Administrative Assistant
Robin Willis – GIPS Program Coordinator

*PARTIAL ATTENDANCE

Action Items
1. Mr. Boersma will create and send out a consultation document to explain the outline and broad ideas for the GIPS 20:20 project to ask the public for feedback.
2. Mr. Boersma will send the GIPS 20:20 project consultation paper directly to all GIPS Country Sponsors.
Mr. Bacon welcomed everyone to the GIPS Executive Committee open in-person meeting. He announced that the meeting is being recorded and will be posted on the GIPS standards website as an audio recording, and the Minutes will be posted as a public record.

1. **Technical Committee Update**
   
   **Pooled Funds Guidance Statement**
   The Guidance Statement on Broadly Distributed Pooled Funds was distributed for public comment and a subset of the Pooled Fund Working Group is currently reviewing all of the comments. Based on the comments received, some basic principles were drafted and presented for review and approval by the GIPS Technical Committee. Those basic principles will shape the content of the final Guidance Statement on Broadly Distributed Pooled Funds. It is anticipated that the Guidance Statement on Broadly Distributed Pooled Funds will be finalized by the end of first quarter of 2017.

   **Performance-based Fees/Clawbacks Q&A**
   To address a question on how a firm should handle clawbacks for return calculations, a Q&A was drafted and reviewed by the GIPS Technical Committee. When reviewing the Q&A and trying to provide guidance about how to treat a clawback in a return calculation, it was determined that no guidance exists for how to treat the performance fee that created the clawback. It was decided to ask the Interpretations Subcommittee to look at issues related to performance fees to determine if a white paper or guidance statement is needed.

   **Asset Owners Guidance Statement**
   The revised Guidance Statement on the Application of the GIPS Standards to Asset Owners is currently out for public comment until 29 October 2016. This Guidance Statement was revised to incorporate some needed technical changes and some key changes that will encourage more asset owners to comply with the GIPS standards. After the release of the revised Asset Owners Guidance Statement for public comment, two educational webinars were held in August 2016. To date one comment has been received regarding this revised Guidance Statement.

   **Asset Owner Outsourcing Q&A**
   There continues to be a question from asset owners about being able to comply with the GIPS standards because often they outsource many of their functions including performance, administrative services, and investment management. The Asset Owner Subcommittee prepared a Q&A to address the issue of outsourcing for asset owners. Asset owners can comply with the GIPS standards as long as they take responsibility for all functions and meet all the GIPS requirements. This Q&A will be released to the public soon with the hope that it will further help promote the GIPS standards to asset owners.

   **Verifier Independence Guidance Statement**
   The Verification Subcommittee completed a revision of the Guidance Statement on Verifier Independence and presented it to the GIPS Technical Committee. The GIPS Technical Committee and the GIPS Executive Committee approved the revised Guidance Statement to be released for a 90-day public comment period. It is anticipated that the revised Guidance Statement on Verifier Independence will be released in the fourth quarter of 2016 or the first quarter of 2017.
Overlay Strategies Guidance Statement
There has been a long-standing need to provide guidance for overlay asset managers on how to calculate and report overlay assets for GIPS compliance. Current guidance states that assets that a firm overlays, that are managed by another firm, are not included in GIPS firm assets or composite assets. A special working group was formed to create a guidance statement on overlay strategies. The GIPS Technical Committee discussed the latest draft Guidance Statement on Overlay Strategies and believe the document is close to being completed. Additional work to create robust sample compliant presentations is continuing. It is hoped that a final draft of the Guidance Statement on Overlay Strategies will be ready for review in April 2017 at the GIPS Technical Committee’s in-person meeting.

Supplemental Information Guidance Statement
The final draft of a revised Guidance Statement on the Use of Supplemental Information was approved by the GIPS Technical Committee and the GIPS Executive Committee to be released for a 90-day public comment period. The revised, final draft of the Guidance Statement will now be edited by CFA Institute staff and then released in either late 2016 or early 2017.

Internal Rate of Return (IRR) Guidance Statement
The development of a Guidance Statement for internal rate of return (IRR) came from an idea to add flexibility for firms to be allowed to present internal rate of return instead of time-weighted rate of return for closed-end funds not invested in private equity. This would expand the use of IRR or money-weighted rate of return for specific private-equity like funds. The Interpretations Subcommittee presented a preliminary draft of a Guidance Statement on the use of IRR to the GIPS Technical Committee. The GIPS Technical Committee provided feedback and approval of the general direction of the draft Guidance Statement. It is anticipated that another draft of a Guidance Statement on the use of IRR will be presented to the GIPS Technical Committee early next year.

Risk Guidance Statement
A Guidance Statement on Risk was created to provide additional guidance related to risk and the provisions in the GIPS standards on risk. The GIPS Technical Committee reviewed a revised, final draft of the Guidance Statement on Risk and subject to some minor modifications, approved this guidance to be released for a 90-day public comment period. The GIPS Executive Committee has also approved the Guidance Statement on Risk to be released for public comment. The plan is to incorporate the modifications and release it for public comment in the second quarter of 2017.

Portability Guidance Statement
The Guidance Statement on Performance Record Portability has been revised by the Interpretations Subcommittee. A special working group approved by the GIPS Technical Committee is working to finalize the revised Guidance Statement on Performance Record Portability. The working group has developed some revised principles to be included in the revised guidance which were reviewed and approved by the GIPS Technical Committee. The working group will proceed to incorporate feedback from the GIPS Technical Committee into the revised Guidance Statement on Performance Record Portability.

Benchmarks
A Benchmarks Working Group was created to address provisions in the GIPS standards related to benchmarks. The working group has been drafting a Guidance Statement on Benchmarks and hopes to have an initial draft ready for the GIPS Technical Committee to review by the end of 2016.
Real Estate
The Real Estate Working Group has been analysing whether or not the guidance that exists for real estate funds is appropriate and whether opportunistic, closed-end real estate funds should have different or modified guidance. The working group has been conducting a series of surveys to gather feedback from the real estate industry. Phase one, the test phase, of the Real Estate Survey has been completed. Phase two is to expand the Real Estate Survey to collect additional information in the fourth quarter of 2016. Information from the survey will be used to revise the real estate provisions going forward.

Multi-Asset Class Guidance
It has been agreed that additional guidance is needed on multi-asset class portfolios (e.g., portfolios with a portion of real estate, private equity, and liquid investments). The Interpretations Subcommittee will begin work on this topic and try to identify all the issues around multi-asset portfolios.

There was a brief discussion about having enough volunteers, and the right volunteers, to assist with the development of guidance for the GIPS standards. Ms. Vincent responded that a benefit of the new governance structure, and specifically creation of the GIPS Technical Committee, is that there is more flexibility to create special working groups to work on a topic. When needed, people with expertise on a specific topic can be contacted quickly without a huge formal structure. Ms. Vincent mentioned that a great example of that is the Benchmark Working Group, it is working well. From a staffing perspective, as far as the Technical Committee is concerned, the committee receives a ton of support from the GIPS staff. If the GIPS staff is understaffed they keep it well hidden from us. She suggested that Mr. Boersma would be the best person to answer questions about the GIPS staff.

Mr. Boersma stated that the GIPS staff is a small but powerful team that is very efficient. Currently, the GIPS staff is short one person but that position should be filled in the near future.

It was pointed out that there are several documents now approved to be released for public comment. Mr. Bacon mentioned that the schedule of releasing the documents to go out for public comment into the second quarter of 2017 is deliberate to make sure that there is not too much material out for comment at any one time. It was explained that the plan for the three documents that have been approved to be released for public comment is to send one in the fourth quarter of 2016, one in the first quarter of 2017, and one in the second quarter of 2017. At this time, it has not been determined which document will go out first. The good thing is that the documents are quite different so they are targeted to different audiences so firms should not feel too overwhelmed.

2. GIPS Executive Director Update
Mr. Boersma reported that the Firm Notification requirement has completed a full cycle of the annual renewal process. The Firm Notification process has not been without problems. Currently there are 1,560 firms that have notified CFA Institute of their claim of GIPS compliance. This is a slight reduction in the number of firms that notified CFA Institute last year of their GIPS compliance. It was mentioned that there are two reasons for this change: 1) consolidation within the industry (e.g., acquisitions) and 2) approximately 200 firms that notified CFA Institute of their claim of GIPS compliance last year did not notify CFA Institute this year. CFA Institute staff is currently reaching out to those 200 firms to explain that Firm Notification is an annual requirement and determine why their notification was not received this year. It was stated that the 1,560 number is a tentative figure at this time.

Mr. Boersma stated that 74 of the top 100 largest asset management firms claim GIPS compliance and CFA Institute will be working to make inroads with the last 26 firms.

Mr. Boersma announced that Annie Lo, a staff member in the CFA Institute Hong Kong office, has accepted another position and he is working to fill that open position.
3. GIPS Strategic Plan

Mr. Boersma explained that the GIPS Executive Committee Strategic Plan is focused around five key areas, and the first three are: 1) increase demand from asset owners; 2) increase adoption by asset managers; and 3) increase support from regulators. These three strategic priorities mirror the GIPS Mission Statement which states:

Promote ethics and integrity and instill trust through the use of the Global Investment Performance Standards by achieving universal demand for compliance by asset owners, adoption by asset managers, and support from regulators for the ultimate benefit of the global investment community.

Plans are being developed to address those three strategic priorities. The largest asset owners in the world have been identified and outreach materials are being created to educate and secure their support for the GIPS standards. Asset owners can support the GIPS standards by asking firms they hire to be GIPS compliant and also for asset owners to claim GIPS compliance themselves. It is believed that when asset owners demand GIPS compliance the asset managers will follow.

CFA Institute has continued outreach to regulators in the form of GIPS training for U.S. Securities and Exchange Commission examiners. Mr. Boersma has also met with FINRA and with the European Commission on topics such as PRIIPS and the KIID.

Mr. Boersma mentioned that the fourth strategic priority is promotion and education to the different stakeholders of the GIPS standards. A number of webinars have been held to introduce new topics and/or guidance statements that are released for public comment. The webinars have been well received. GIPS standards marketing materials are being reviewed to create materials that firms can use or other stakeholders can use in the promotion of the GIPS standards.

Mr. Boersma stated that the fifth strategic priority is governance oversight of the GIPS standards. He pointed out that there is an ongoing evaluation of the governance structure. Approximately a year and half ago the GIPS governance structure was changed and the role of the GIPS Executive Committee was bifurcated. The GIPS Executive Committee now has strategic and oversight responsibility and the GIPS Technical Committee works on technical topics.

The current GIPS Executive Committee Strategic Plan is a living, breathing document and will be updated on an ongoing basis. CFA Institute staff will post a current copy of the GIPS Executive Committee Strategic Plan and the GIPS Technical Committee Strategic Plan on the GIPS standards website in the near future.

Mr. Boersma explained that the GIPS 20:20 project is to update the GIPS standards from the last edition that was published in 2010. He stated that due to changes in the market place, new and revised guidance, and Q&As that have been issued will be consolidated into the Standards. Mr. Boersma provided a brief overview of the GIPS 20:20 project to recast the GIPS standards into three relationship pillars, to be applicable to all asset managers across the board, as follows:

- One to one (e.g., separate accounts – current GIPS standards);
- One to many (e.g., pooled funds); and
- One to none (e.g., asset owners).

The GIPS Executive Committee approved naming the next version of the GIPS standards GIPS 2020. (9 Votes)

Mr. Boersma will create and send out a consultation document to outline the broad ideas for the GIPS 20:20 project and ask the public for feedback.
Other Business

There was a discussion regarding promoting the GIPS standards and the Asset Manager Code of Professional Conduct (AMC) together. It was explained that the AMC is another set of standards developed by CFA Institute as a code of conduct for asset management firms. The GIPS standards and AMC work quite nicely together and an analogy has been made that the GIPS standards is the quantitative side of ethics and AMC is the qualitative side of ethics. It was acknowledged that this is not a perfect analogy. AMC addresses ensuring that the asset management firm is putting the interests of the client first, with adequate risk management policies, disaster recovery, trading policies, etc.

This past year there was an initiative to reach out to asset owners through an open letter, signed by a number of the largest asset owners in North America. This letter was published in the Wall Street Journal, Pensions and Investments, and a number of other financial publications encouraging asset management firms to adopt the Asset Manager Code. Mr. Boersma stated that he is trying to tie the GIPS standards into that same initiative.

It was mentioned that a list of firms that have adopted the AMC are posted on the CFA Institute website. The list of firms that have adopted AMC and the list of firms who claim GIPS compliance have been compared. CFA Institute staff will be reaching out to firms that claim GIPS compliance that have not adopted AMC and will be encouraged to do so and vice versa. Additionally, the eVestment Alliance database is also compared to the list of firms that claim GIPS compliance and the list of firms that have adopted AMC to see if there are any firms that checked a box but do not appear on the CFA Institute lists for GIPS and AMC.

Observer Questions

Hans Pieper, GIPS EMEA RTS Chair – Germany

Mr. Pieper asked if it would be possible to send the GIPS 20:20 project consultation paper directly to the GIPS Country Sponsors for their feedback. He mentioned that it is important to make sure they receive the document and for them to provide their feedback.

Mr. Bacon said absolutely, they are key stakeholders in the process. He thanked Mr. Pieper for his question.

Meeting adjourned at 16:10