Minutes of the GIPS Executive Committee
Open Conference Call

Date: Wednesday 3 August 2016
Location: Conference Call
Time: 8:00 to 8:30 a.m. US ET

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

Members Absent: Andrew Bragg – At-Large Member

Staff Present: Anju Grover, CIPM – GIPS Analyst
Polly Johnson – GIPS Project Coordinator
Cindy Kent – Director, Global Investment Performance Standards
Iain McAra – Director, Global Investment Performance Standards
Trudy Via – Administrative Assistant

Dr. Putallaz welcomed everyone to the GIPS Executive Committee open conference call. She announced that the call 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. **GIPS Technical Committee Update**
Ms. Vincent provided a brief report on the various technical projects overseen by the GIPS Technical Committee.

**Pooled Funds**
The Guidance Statement on Broadly Distributed Pooled Funds Exposure Draft was posted for a 90-day public comment period that ended on 29 April 2016. A subgroup of the Pooled Funds Working Group has been formed to review the many public comments received. The Pooled Funds Subgroup has determined some basic principles that will be reflected in the revised Pooled Funds Guidance Statement. The Pooled Funds Subgroup will submit the proposed basic principles to the GIPS Technical Committee for their conference call next week. Once the GIPS Technical Committee approves the proposed basic principles, the Pooled Funds Subgroup will continue their work to prepare a revised final draft of the Guidance Statement on Broadly Distributed Pooled Funds.

**Performance-based Fee and Clawback Q&A**
Currently there is no guidance on how to handle clawbacks for performance purposes in the GIPS standards. The Interpretations Subcommittee drafted a Performance-based Fee and Clawback Q&A and presented it to the GIPS Technical Committee earlier this year for feedback. Based on that feedback, a revised draft Performance-based Fee and Clawback Q&A has been submitted to the GIPS Technical Committee to review on their conference call next week.
Revised Asset Owners Guidance Statement
The Guidance Statement on the Application of the GIPS Standards to Assets Owners was previously released but it was determined that the Guidance Statement needed to be updated. The revised Guidance Statement on the Application of the GIPS Standards to Assets Owners Exposure Draft was released on 1 August 2016 for a 90-day public comment period that will conclude on 29 October 2016. A webinar on the revised Asset Owners Guidance Statement was held on 2 August and another webinar is being held today, 3 August 2016 for anyone interested in registering.

Verifier Independence
The Guidance Statement on Verifier Independence was updated by the Verification Subcommittee. A revised draft of the Guidance Statement was presented earlier this year to the GIPS Technical Committee for feedback. Based on the feedback received, the Verification Subcommittee will submit a newly revised draft Guidance Statement on Verifier Independence to the GIPS Technical Committee at their in-person meeting in September.

Overlay Strategies
The Overlay Working Group created a draft Overlay Strategies Guidance Statement to address a number of technical issues for overlay strategies. The draft Guidance Statement was presented to the GIPS Technical Committee to review and provide feedback at their March 2016 in-person meeting. The Working Group utilized the feedback received from the GIPS Technical Committee and solicited the expertise of Carl Bacon to prepare an Exposure Draft of the Overlay Strategies Guidance Statement. The Overlay Working Group will submit a draft of the Guidance Statement on Overlay Strategies Exposure Draft to the GIPS Technical Committee to review at their in-person meeting in September for approval. Once approved the Exposure Draft will be released for a public comment period.

Portability
The Interpretations Subcommittee presented a revised draft of the Guidance Statement on Performance Record Portability to the GIPS Technical Committee at their in-person meeting in March. It was decided that a subgroup of volunteers from the GIPS Technical Committee would be utilized to work on the overarching principles in the draft Portability Guidance Statement. The Portability Subgroup met last week and provided further feedback on the Guidance Statement. Based on the work of the Portability Subgroup, revised principles for the draft Portability Guidance Statement will be submitted to the GIPS Technical Committee to review at their September in-person meeting.

Risk
A draft Guidance Statement on Risk was presented to the GIPS Technical Committee for their review at the March in-person meeting. Based on the feedback received from the GIPS Technical Committee the draft Risk Guidance Statement is being revised to be submitted to the GIPS Technical Committee to review at their in-person meeting in September.

Internal Rates of Return
It was decided that a guidance statement on the expanded use of Internal Rates of Return versus Time-Weighted Rates of Return is needed. The Interpretations Subcommittee created a draft Guidance Statement on the Use of Internal Rates of Return (IRR). It is anticipated that the draft IRR Guidance Statement will be presented to the GIPS Technical Committee to review at their September in-person meeting.
Benchmarks
The Benchmark Working Group is making good progress on creating a draft Benchmarks Guidance Statement. The Working Group was formed to address all the guidance related to benchmarks in the GIPS standards. The Benchmark Working Group anticipates having a draft of the Benchmarks Guidance Statement ready to be reviewed by the GIPS Technical Committee by the end of the year (December 2016).

Firm Notification
A couple of Q&As were drafted to address questions regarding the Firm Notification requirement for firms to notify CFA Institute of their claim of GIPS compliance and the verification information requested. After further debate and firms’ experience in completing the GIPS Compliance Form for the Firm Notification, it has been determined that these Q&As are no longer needed. These Firm Notification Q&As will be eliminated from the GIPS Technical Committee Strategic Plan.

Real Estate
The Real Estate Working Group has created a survey to address concerns regarding how the Real Estate Guidance Statement applies to opportunistic, closed-end funds and whether the guidance needs to be modified. The Real Estate Working Group anticipates that this survey project will be concluded in the near future.

2. GIPS Executive Director Update

Firm Notification Requirement
Mr. Boersma provided an update on the requirement for firms to notify CFA Institute of their claim of GIPS compliance. While additional analysis of the data received is underway, he reported that at this time 1,783 firms notified CFA Institute of their claim of GIPS compliance. Of the firms that responded to the Firm Notification, 87% agreed to have their firm listed on the GIPS standards website and 85% of the firms stated they are verified. With two years of data to compare, an analysis can begin to determine trends to assist in finding ways to promote the GIPS standards as well as develop the guidance.

GIPS Executive Committee Strategic Plan
Mr. Boersma explained the GIPS Executive Committee Strategic Plan is moving along. He mentioned that the GIPS Mission Statement is to “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.”

Mr. Boersma stated that the GIPS standards are being reviewed and developed for the next version/edition with the Mission Statement in mind. It has not been determined whether the GIPS 2020 project will be the date of the new edition or refers to a vision for the future of the GIPS standards.

How the GIPS standards are organized and oriented is being reviewed. Currently the GIPS standards are geared toward separate accounts and the aggregation of multiple portfolios into composites is a one to one relationship between an asset manager and the client. Then there is a relationship of one to many in the situation of the asset manager managing a mutual fund or a pooled fund with many investors invested in the same portfolio. The proposed Pooled Fund Guidance Statement will assist in laying the foundation for the next version of the GIPS standards. The goal is to have standards that are useable and suitable for all managers. A third situation is a one to zero relationship where an asset manager manages a proprietary portfolio. In practice this is an asset owner managing a pension plan...
or sovereign wealth fund (i.e., managing their own portfolio) where there is no marketing of services for clients. Mr. Boersma reported that the GIPS 2020 project is still in the very early stages of development.

Asset Owner Outreach
Mr. Boersma mentioned that the plan is for asset owners to demand GIPS compliance from the asset managers that they hire, and also for asset owners themselves to claim GIPS compliance. He stated there are some large public pension funds and sovereign wealth funds that are claiming GIPS compliance and others are in the process of becoming GIPS compliant. Outreach is being targeted to educate asset owners on the need for them to ask asset managers they hire to be GIPS compliant and to explain that the asset owners can also claim compliance with the GIPS standards. He pointed out that the Asset Owner Subcommittee is creating outreach materials targeted at asset owners, CFA Institute’s research is being leveraged as well in producing marketing materials, and GIPS Country Sponsors are being asked to reach out to asset owners.

Nominations Update
Mr. Boersma reported that this year’s nomination process is complete. CFA Institute Board met last week and approved the recommendations of the GIPS Nominations Committee. Two at-large volunteer positions on the GIPS Executive Committee, and two volunteer positions on the GIPS Technical Committee (one for the Chair of the Interpretations Subcommittee and one for the Chair of the Investment Manager Subcommittee) have been approved.

CFA Institute Board of Governors approved Neil Riddles, CFA, CIPM (United States) and Stefan Illmer, Ph.D. (Switzerland) as incoming GIPS Executive Committee At-Large members; Dimitri Senik, CFA (Switzerland) as the incoming GIPS Technical member and Chair of the Interpretations Subcommittee; and, Joseph Kavanagh, CFA (Ireland) as the incoming GIPS Technical member and Chair of the Investment Manager Subcommittee - all with terms beginning 1 September 2016.

Mr. Riddles and Dr. Illmer will be replacing Dr. Putallaz and Mr. Bragg on the GIPS Executive Committee. On the GIPS Technical Committee Mr. Senik will be replacing Mr. Kuwabara as the Interpretations Subcommittee chair and Mr. Kavanagh will be replacing Ms. Pike as the Investment Manager Subcommittee chair.

Other Business
This is the last GIPS Executive Committee meeting before membership terms rotate on 1 September 2016. Mr. Boersma recognized GIPS Executive Committee chair, Dr. Putallaz for her dedication. He stated that Dr. Putallaz has provided outstanding service as GIPS Executive Committee Chair for the past year and five years as an EC member. Her leadership through the GIPS governance restructure has provided steady guidance and ensured a stronger foundation. Dr. Putallaz’s tremendous contributions have included serving as Chair of the Pooled Funds Working Group and Chair of the Americas Regional Investment Performance Subcommittee.

Dr. Putallaz, thanked Mr. Boersma and mentioned that as any GIPS volunteer knows, when working with the other GIPS volunteers and CFA Institute staff, you get back much more than you give.
GIPS Country Sponsor Communique
Dr. Putallaz reported that the first GIPS Country Sponsor Communique was sent to all GIPS Country Sponsors on 28 July 2016. The Communique is a joint effort between the GIPS Executive Committee and CFA Institute staff. It is believed the Communique will be a good way to increase and improve communications with and among GIPS Country Sponsors. The first edition of the GIPS Country Sponsor Communique contained a very important announcement that a representative from each of the GIPS Country Sponsors is invited to attend and will receive complimentary registration to a GIPS Workshop on 21 September 2016 and the GIPS Standards Annual Conference on 22 and 23 September 2016 to be held in Boston, Massachusetts. In addition, CFA Institute will reimburse the GIPS Country Sponsor representative 75% of their travel and hotel expenses to attend. Dr. Putallaz stated that this is a very tangible sign of the appreciation and gratitude that everyone has for the work of the GIPS Country Sponsors.

Observer Questions
There were no questions from observers.

Meeting adjourned at 8:27 a.m.