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

The GIPS Technical Committee chair reported the following update on the Committee’s progress.

- The second round of editing was completed on the Guidance Statement on the Application of the GIPS Standards to Asset Owners (Asset Owners Guidance Statement). The Asset Owners Guidance Statement is finalized and has an effective date of 1 January 2018. It was explained that the Asset Owners Guidance Statement was updated primarily to encourage more asset owners to claim compliance with the GIPS.
standards. The major change to the Guidance Statement is to allow asset owners to claim GIPS compliance initially by presenting a one-year track record as opposed to the traditional five-year track record. It was mentioned that a couple of big asset owners are in the process of becoming GIPS compliant with this change to the guidance.

- The Guidance Statement on Risk is currently out for public comment with a comment deadline of 26 September 2017. The purpose of the Guidance Statement on Risk is to provide interpretation of the risk provisions of the GIPS standards. The biggest proposed change to the Guidance Statement on Risk Exposure Draft is the elimination of the provision to show an additional risk measure, if the firm believes that the three-year annualized ex-post standard deviation is not relevant or appropriate. It was commented that this provision has caused a lot of confusion and removing it will simplify the process.

- The Guidance Statement on Verifier Independence has been released for public comment with a comment deadline of 28 October 2017. The Guidance Statement on Verifier Independence has been enhanced to clarify what it means for a verifier to be independent and adds some new requirements for firms. Firms will be required to establish their own policies and procedures to determine that a verifier is independent. The language is stronger about what it means for a verifier to be independent and much more explicit about situations that would cause a verifier not to be independent.

- The Guidance Statement on Overlay Strategies was released for public comment with a comment deadline of 27 November 2017. The Guidance Statement on Overlay Strategies provides information on how a firm can apply the GIPS standards to an overlay strategy. An important aspect of this Guidance Statement, is that it addresses the challenges an overlay manager faces when reporting GIPS firm assets because an overlay manager does not typically manage the underlying portfolio. For that reason, underlying portfolio assets cannot be included in GIPS firm assets. But often an overlay manager has exposure to a larger amount of assets than what appears in the GIPS firm assets. A new category of assets is being proposed, “composite overlay assets” and “firm overlay assets” to show the measure of the exposure the firm is managing. So, firms would be required for overlay strategies to include overlay asset information in compliant presentations. Additionally, the firm would also be allowed not to present firm assets or composite assets, if the firm believes the asset information is not meaningful.

- The GIPS Technical Committee and the GIPS Executive Committee both reviewed a final draft of the Guidance Statement on Benchmarks. Both committees approved the final draft of the Guidance Statement on Benchmarks subject to some minor edits. It is anticipated that this Guidance Statement will go out for public comment in the next few weeks after it has been edited by CFA Institute staff. It was mentioned that the Guidance Statement on Benchmarks does not contain many changes. The Benchmark Guidance Statement was created to bring the benchmark-related guidance together and provide additional interpretation.

- Another project on the GIPS Technical Committee’s Strategic Plan is issuing safe harbor guidance for Broadly Distributed Pooled Funds. It was reported that CFA Institute is reviewing research, done by an outside law firm, to identify jurisdictions where regulatory requirements might meet some or all the requirements for Broadly Distributed Pooled Funds in the GIPS standards. It is anticipated that a preliminary summary with information about safe harbor for some jurisdictions will be available in the near future.
• Another potential project being worked on by several subcommittees is to determine if any new guidance is needed to inform the GIPS 20/20 process and those topics being considered included:
  o performance fees;
  o additional guidance on fees in general;
  o private wealth; and
  o OCIOs.

• Two new Q&As have been issued within the last month addressing:
  o real estate - a firm’s responsibility for external valuations when a property is being sold or in default; and
  o swing-pricing – when a firm is managing funds and is placing reliance on the fund NAVs for calculating performance, the firm can choose whether to use the swung or the unswung NAV for performance purposes. The unswung NAV is recommended but there is acknowledgement that there may be instances where it may be most efficient for a firm to use the swung NAV in return calculations.

• A revision of the Guidance Statement on the Use of Supplemental Information is in process. The GIPS Interpretations Subcommittee reviewed the public comments received and presented a draft to the GIPS Technical Committee and received feedback. The goal is to finalize the Guidance Statement on the Use of Supplemental Information in the next few months.

2. GIPS Executive Director Update
   GIPS 20/20 Project
   It was reported that CFA Institute staff is working with a small group of volunteers and is making progress on creating the initial draft of the 2020 edition of the GIPS Standards Exposure Draft based on the responses received from the GIPS 20/20 Consultation Paper.

   Firm Notification Requirement
   This is the second year that CFA Institute tracked the number of firms that claim compliance with the GIPS standards through the Firm Notification Requirement. Firms are still becoming used to the GIPS compliance annual reporting requirement. Several firms had to be reminded to submit their GIPS Compliance Form. The number of firms claiming GIPS compliance in FY2017, presently is slightly less than last year. There is always some variation in the number of firms claiming compliance for different reasons (e.g., mergers and acquisitions, the firm has gone out of business, etc.). However, CFA Institute staff is continuing to reach out to firms to remind them to submit their GIPS Compliance Form for 2017, so the number of GIPS compliant firms for FY2017 may increase.

   It was reported that 24 of the 25 largest and 86 of the top 100 asset management firms in the world claim GIPS compliance, either for the entire firm or some segment of the firm. When a portion of a firm claims GIPS compliance it shows there is a foothold in that firm. Of firms that have submitted their claim GIPS compliance the percentage of firms that are verified increased this year.

3. GIPS 2020
   When the GIPS Executive Committee and GIPS Technical Committee members met last April 2017, it was decided to draft a consultation document that would outline some of the ideas being considered for the next edition of the GIPS standards. The GIPS 20/20 Consultation Paper was released for public comment to gather some preliminary feedback. Approximately 70 public comment letters were received in response to the GIPS 20/20 Consultation Paper. The public comments were consolidated and used to inform a small group of CFA Institute staff members and volunteers (“20/20 Working Group”) to propose some preliminary concepts to begin the drafting process for the 2020 edition of the GIPS Standards Exposure Draft. Those preliminary
concepts were reviewed by the GIPS Technical Committee and GIPS Executive Committee at the San Diego in-person meetings. It was emphasized that no final decisions about changes to GIPS 2020 have been made and there is still time for the public to provide additional comments to assist the 20/20 Working Group in this massive revision of the GIPS standards.

A review of the preliminary concepts from the 20/20 Working Group was presented.

- There was broad agreement from the public on the pillar approach to better accommodate composites, funds, asset owners and to minimize asset class differences. Firms will need to evaluate what they are selling
  - Composites – firms will provide information just like they do now;
  - Broadly distributed pooled fund – firms will follow the Guidance Statement for Broadly Distributed Pooled Funds;
  - Limited distribution funds (term still to be decided) – firms will need to provide a presentation and follow other requirements when selling participation in a specific fund/private fund/limited distribution fund and meet one on one with a prospective fund investor.

It was explained that no big changes regarding composites are expected. All actual fee-paying discretionary portfolios, whether a fund or a segregated account will need to go into a composite, if it meets the definition of a composite.

A proposed change in the GIPS 20/20 Consultation Paper that caused confusion was the concept of single-fund composites:

- a firm is managing a fund;
- selling participation in a specific fund and it is the only fund managed in that strategy;
- not selling that strategy to a composite participant; then
- a composite will not need to be created to hold that single fund.

Firms selling a fund will need to follow the fund reporting track and will not need to create a composite to hold one fund. Firms may choose to create a composite, if they want to hold one fund. In the instance where the firm manages only a small-cap retail fund and wants to sell a small-cap composite and have small-cap segregated account, then a composite would need to be created.

In an effort to eliminate some of the asset class guidance and include guidance on the selling of specific funds, the idea is being proposed to expand the use of Money-Weighted Returns (MWR a/k/a Internal Rates of Return) versus Time-Weighted Rates of Returns (TWRR). There was broad acceptance from the public to expand the use of MWR versus TWRR. It is being proposed that a firm will be able to choose on either a composite-specific basis or a fund-specific basis which is most appropriate to present for their strategy - a MWR or a TWRR, if certain criteria is met. To present MWR the firm must control the cash flows and meet one of the other four tests:

1. assets are illiquid;
2. closed-end funds or accounts;
3. fixed-life funds or accounts; or
4. fixed-commitment funds or accounts.

It was pointed out that TWRR is still the preferred calculation methodology as it allows for comparability.
It was explained that the thinking of how the GIPS 2020 structure will work is that firms (not asset owners) would comply on a firm-wide basis to Section 0-3 and the Valuation Principles of the GIPS standards. Sections 0-3 are:

- Section 0 – Fundamentals of Compliance
- Section 1 – Input Data
- Section 2 – Calculation Methodology
- Section 3 – Composite Construction

The next step would be for a firm to determine the type of performance that is being reported: composite, limited/private distribution fund, or a broadly distributed fund. There will be different reporting paths for those three types of performance. Once the reporting path is chosen, the firm will be able to decide if they meet the criteria to present a MWR or will present a TWRR.

It was reported that it is a goal to eliminate any type of asset class-specific guidance but that may not be possible. But an attempt is being made to make the information as consistent as possible without regard to asset class to be as accommodating for future strategies (i.e., crypto currency strategies) that cannot be contemplated. The concept of verification and advertising guidelines will still be applicable firm-wide.

A couple of additional key, preliminary decisions:

- returns for funds must be net of all fees and expenses, that a fund investor would pay;
- returns for composites would not be changed, regarding the firm’s ability to choose gross or net in most cases;

Currently, it has been decided not to require firms to provide a current client with composite information or a fund report.

There is a preliminary decision to require firms to update their compliant presentations on a timely basis (timely meaning every six months). It was mentioned that waiting on a verification would not be an appropriate excuse for not updating the firm’s compliant presentation.

The 20/20 Working Group is currently reviewing all the information that is required to be provided in compliant presentations, both from the numerical information and the disclosures. It is being reviewed whether it is the right information, anything can be deleted, or if anything needs to be added.

Also under review are the disclosures to see which ones add value and if there are any that can and should be deleted.

To raise the profile of the GIPS standards, more flexibility is being considered for firms to list their GIPS claim of compliance, when performance information is not included. The GIPS Advertising Guidelines are also being reviewed to relax some requirements even when performance information is included. If a firm claims GIPS compliance in an advertisement, that does not relieve the firm from the obligation to provide a GIPS compliant report or GIPS limited fund report.

The proposed timeline is to release the 2020 edition of the GIPS Standards Exposure Draft for public comment by the 30 June 2018 and allow a three or four-month public comment period.
4. **Other Business**

**CFA Institute Board of Governors Meeting**

It was explained that the GIPS Executive Committee requested and received approval to provide an update to the CFA Institute Board of Governors in October 2017. Mr. Bacon will share statistics regarding the success of the GIPS standards, outline what an asset the Standards are for CFA Institute and its membership, and share the work being done with the GIPS 2020 Project. It was suggested to highlight compliance and emphasize the number of:

- GIPS Country Sponsors;
- CFA Institute societies involved; and
- Volunteers.

**Observer Questions**

Hans Pieper, EMEA RTS Chair - DPG Deutsche Performancemessungs - Gesellschaft für Wertpapierportfolios mbH, Germany – Thank you for sharing the timeline planned to release the GIPS 2020 Exposure Draft. Announcing the timeline for the GIPS 20/20 information will help more GIPS Country Sponsors have time to respond. At the annual EMEA RTS meeting, the question was raised about inviting the press to attend future EMEA RTS meetings. Is there a framework on inviting the press or what they publish? The Germany GIPS Country Sponsor hosts an annual GIPS Day and invites the local press to attend and an article is always published about the event.

Carl Bacon - The Germany GIPS Country Sponsor GIPS Day is scheduled for 20 March 2018.

Jonathan Boersma – There is an entire public relations and media group, that handles inviting the press to various CFA Institute events. The press is not specifically invited but receives information, just like the public is informed and invited, to attend CFA Institute GIPS events.

There are no set rules about inviting the press to attend a regional committee meeting. Mr. Boersma mentioned that there is always some interpretation by the press and very few accurate quotes in the press. However, raising the visible of the GIPS standards is a good thing as the topics being discussed at GIPS committee meetings are not controversial.

Krista Harvey, TIAA, United States – It was mentioned that the GIPS standards will be expanding into areas such as private funds and private wealth. Has there been any thought about bringing in people from those areas, who are not very familiar with the GIPS standards, to provide fresh perspectives on what they need in the Standards?

Jonathan Boersma – Fresh perspectives are always being sought. But it is a balancing act, particularly now with the fundamental work being done and the need is for people who are well-versed in the core concepts of the GIPS standards. CFA Institute tries to provide opportunities through working groups and country sponsor committees to include people with fresh perspectives to participate in the development of the GIPS standards.

Carl Bacon – The consultation process (i.e., GIPS 20/20 Consultation Paper) was a good opportunity for people to respond from those areas. Obviously, people from those areas might not be looking for this request for feedback on proposed changes to the GIPS standards. If you know of anybody particularly interested, encourage them to respond and let them know about the process currently underway to revise the Standards. Hopefully they will provide good comments that can be built into the GIPS standards going forward. Yes, you are right the scope of the GIPS standards is being expanded to significantly increase the number of firms using the Standards through extra asset categories, extra types of asset managers, and asset owners.
Mr. Boersma – A lot of outreach is being done regarding pooled funds and alternatives with other organizations such as the ICI, ILPA, and AIMA. Although these organizations are not adopting the GIPS standards, their members are adopting the Standards. Mr. McAra has been meeting with fiduciary managers in the United Kingdom who are highly interested in adopting the GIPS standards around their business.

Carl Bacon – There will also be two speakers presenting the topic of private wealth at the GIPS Standards Annual Conference on Thursday.

Meeting Adjourned at 16:37