# Minutes of the GIPS Executive Committee

## Open In-Person Meeting

**Date:** Thursday 27 April 2017  
**Location:** London, England, United Kingdom  
**Time:** 8:30 to 9:30

**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 Shoaib, CFA – At-Large Member  
Arin Stancil, CFA, CIPM – At-Large Member  
Karyn Vincent, CFA, CIPM – GIPS Technical Committee Chair

**Observers Present:**  
Amy Boudreau – United Kingdom  
Amy Jones, CIPM – United States  
Sunette Mulder – South Africa  
Steve Wallace – United Kingdom  
Matt Price – United Kingdom  
Nicholas Miller – United Kingdom  
Stephen Xiaodong Zhu, CIPM, China

**Staff Present:**  
Polly Johnson – GIPS Project Coordinator  
Beth Kaiser, CFA, CIPM – Director, Global Investment Performance Standards  
Cindy Kent – Director, Global Investment Performance Standards  
Iain McAra – Director, Global Investment Performance Standards  
Antonella Puca, CFA, CIPM – Director, Global Investment Performance Standards  
Ken Robinson, CFA, CIPM – Director, Global Investment Performance Standards

### Action Items

1. CFA Institute staff plan to release the GIPS 2020 consultation paper for public comment in the next few weeks.

### Decision Points

1. The GIPS Executive Committee members elected Carl Bacon, CIPM, to serve as the GIPS Executive Committee chair for FY2018. (8 Votes Yes – 1 Abstention)

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.

### GIPS Technical Committee Update

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

- The revised final draft of the Guidance Statement on the Application of the GIPS Standards to Asset Owners (Asset Owners Guidance Statement) has been approved to be published and will be released soon. It was mentioned that there are several asset owners waiting to become GIPS compliant once the Asset Owners Guidance Statement is issued.
A key change in 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 explained that by changing the requirement to allow asset owners to initially claim GIPS compliance with one-year track record was based on feedback from asset owners that presenting a five-year track record would be very challenging. Most asset owners do not have the ability to re-state their past performance as it is embedded into their actuarial assumptions and funding requirements. It was further explained that asset owners are different as they do not compete for business and are only reporting their performance internally, typically to an oversight board.

An important exception of the Asset Owners Guidance Statement is if an asset owner has a separate firm where they do compete with external managers to manage assets, that separate firm will be required to present the traditional five-year track record to be GIPS compliant.

- The purpose of the Guidance Statement on Risk is to provide guidance around the risk provisions of the GIPS standards. The Guidance Statement on Risk was approved by the GIPS Technical and GIPS Executive Committees to be released for public comments sometime in June or July.

- Verifier Independence Guidance Statement has been reviewed, updated, and approved by the GIPS Technical and GIPS Executive Committees to be released for public comments probably in July or August.

- An Overlay Guidance Statement has been drafted by a working group to provide guidance on how firms that manage overlay strategies can calculate and report performance to claim GIPS compliance. The GIPS Technical Committee approved the Guidance Statement on Overlay Strategies, subject to some minor modifications, to be released for public comment. It is anticipated that a revised draft of this Guidance Statement will be submitted to the GIPS Executive Committee at their next meeting to review and approve for public comment.

- The revised Supplemental Information Guidance Statement public comment period closed and over 30 public comment letters are being reviewed by the Interpretations Subcommittee. It is anticipated that the revised Guidance Statement will be submitted to the GIPS Technical Committee at their September in-person meeting or by year end.

- The GIPS Technical Committee reviewed a first draft of the Benchmark Guidance Statement earlier this year and provided feedback. The Benchmark Working Group presented some key questions about the Guidance Statement earlier this week to the GIPS Technical Committee and they provided additional guidance for this document. The plan is for the Working Group to submit another draft of the Benchmark Guidance Statement to the GIPS Technical Committee in either the second or third quarter of this year.

- A Swing Pricing Q&A was drafted by the Interpretations Subcommittee to provide guidance on whether to use the swung or unswung NAV. It was reviewed and approved by the GIPS Technical, and because there is no new requirement the Swing Pricing Q&A will be issued in the near future.

- The draft Guidance on the Use and Calculation of Performance Fees is expected to be presented to the GIPS Technical Committee in June or July.

- A draft Guidance Statement on expanding the use of Internal Rates of Returns (IRR) beyond closed-end private equity funds and closed-end real estate funds was reviewed by the GIPS Technical Committee earlier this week. The Technical Committee is determining the best way forward with this issue.
• A special working group has been working on updating the Guidance Statement on Performance Reporting Portability. The Verification Subcommittee has volunteered to take on this project to update the Guidance Statement on Performance Reporting Portability. It is believed this is a perfect fit as verifiers often become involved in portability issues from a consulting or verification perspective.

• The Interpretations Subcommittee is drafting a document on calculating multi-asset portfolios. It was pointed out that there is some new guidance in the Asset Owners Guidance Statement on how an asset owner would deal with multi-asset portfolios as they typically have some real estate and some private equity. The Subcommittee plans to utilize the guidance in the Asset Owners Guidance Statement and revise it to be more broadly applicable for all firms.

• The GIPS 2020 review process will be discussed later.

The GIPS Technical Committee chair explained the plan to stagger the release of upcoming guidance. The primary audience for the guidance is a key consideration to alleviate “GIPS fatigue” when releasing the documents to the public for comment. It was recommended to share the timeline of when guidance will be released for public comment to alert GIPS Country Sponsors and the industry through the GIPS Newsletter and GIPS Country Sponsor Communique.

2. GIPS Executive Director Update

Nominations Committee

The GIPS Nominations Committee has been formed with representatives from the GIPS Executive Committee, the GIPS Technical Committee, as well as the GIPS Executive Director, and elected members from each of the three regions. The nominations application period closed on 10 April 2017. It was explained that the Nominations Committee will review applications submitted for two volunteers on the GIPS Executive Committee and an at-large volunteer position on the GIPS Technical Committee. An election was held to fill the rotating Asia Pacific Regional Technical Subcommittee (RTS) chair on the GIPS Technical Committee. The GIPS Nominations Committee is currently evaluating the nominees that applied for these three volunteer positions.

There was a discussion about the geographic dispersion considered in the nominating process. It was explained that there are three elected representatives from each region serving on the GIPS Technical Committee and four other positions that serve as the chairs of GIPS Subcommittees (Asset Owner, Interpretations, Investment Manager, and Verification) and one at-large position. The composition of the GIPS Executive Committee also includes geographic diversity. This year both volunteers rotating off the GIPS Executive Committee are from the Asia Pacific region. At least one of the positions on the GIPS Executive Committee will need to be filled by someone from the Asia Pacific region this year and maybe one for next year to stagger the geographic representation. However, the nominations process is heavily dependent on the nominees that are put forward to fill volunteer openings.

GIPS Executive Committee Chair Election

It was announced that Carl Bacon, CIPM, has volunteered to serve a second term as the GIPS Executive Committee chair for FY 2018.

The GIPS Executive Committee members elected Carl Bacon, CIPM, to serve a second term as the GIPS Executive Committee chair for FY2018. (8 Votes Yes – 1 Abstention)
Firm Notification
Approximately 1,600 firms registered their GIPS compliance during the second year of the Firm Notification Requirement, which is a slight reduction from last year. There were approximately 250 to 300 firms that did not submit a GIPS Compliance Form this year. CFA Institute staff have contacted these firms and some of the reasons a firm may not have submitted a form this year can be due to mergers and acquisitions, the firm has gone out of business, stopped claiming compliance, etc. There are several new firms that are claiming compliance for the first time. This year 86 of the top 100 asset management firms claimed GIPS compliance and last year it was 74 of the top 100 firms. It was clarified that those 86 firms are considered GIPS complaint based on a portion of, a subsidiary, or because the entire firm claimed GIPS compliance.

CFA Institute Staff Update
A new CFA Institute staff member, Antonella Puca, CFA, CIPM, was introduced and welcomed as part of the GIPS team.

3. GIPS Executive Committee Strategic Plan
A draft of the GIPS Executive Committee Strategic Plan was discussed and approved by the GIPS Executive Committee members. The Plan will now go back to CFA Institute for the normal budgetary process. It was stated that the GIPS Executive Committee Strategic Plan is very ambitious, includes key dates and milestones to be able to mark process and to ensure that the appropriate resources match the ambition of the Plan. It is anticipated that a version of the GIPS Executive Committee Strategic Plan will be published for the public after the next GIPS Executive Committee conference call in June.

A main part of the GIPS Executive Committee Strategic Plan is the GIPS 2020 project. A GIPS 2020 consultative paper will be released shortly to the industry allowing them the opportunity to provide input. The Paper will address the main themes of what is planned for GIPS 2020 and asking a number of questions to provide direction for the next version of the GIPS standards. The responses received from the industry on the GIPS 2020 consultative paper will inform the GIPS Technical Committee on the framework as they work on the GIPS 2020 details going forward. It was mentioned that the responses are important for developing the framework for the first draft of GIPS 2020. CFA Institute staff plan to release the GIPS 2020 consultation paper for public comment within the next several weeks. It is anticipated that the Exposure Draft for GIPS 2020 will be issued in the first quarter of 2018.

It was explained that the GIPS Executive Committee Strategic Plan and the GIPS 2020 project are intertwined. The goals and priorities of the GIPS Executive Committee and for the GIPS standards mirror the GIPS Mission Statement that includes: increasing adoption by asset managers, increasing demand by asset owners, and increasing support from regulators. As well as generally raising awareness and expanding the global footprint of the GIPS standards (e.g., new countries, new country sponsors).

The GIPS Executive Committee is discussing the approach to take if they became aware of potential non-compliance with the GIPS standards by a firm(s). The discussion centered on the responsibility of CFA Institute and the appropriate steps to take if there is a known potential violation. It was stated that to do nothing would call into question the integrity of the GIPS standards. Currently, if CFA Institute becomes aware of a potential violation of GIPS compliance, staff reaches out to the firm with an educational approach detailing the requirements of the GIPS standards and asking the firm to confirm they are following those requirements. In most cases, this approach tends to solve the issue as it is believed that a great number of firms do not intentionally violate the Standards. However, if a firm does not respond, there are other steps that CFA Institute can take to try to get resolution. CFA Institute generally is aware of less than 10 firms a year with potential non-compliance issues. It was explained that CFA Institute staff is not actively searching for firms with non-compliance issues. The non-compliance issues CFA Institute sees are coming from regulatory actions or referrals.
GIPS 2020 is about addressing the changing dynamics of the industry. The current structure of the GIPS standards is broken up into specific provisions (i.e., asset classes, real estate, private equity, SMA Wrap Fees, etc.). In considering new ways to orient the GIPS standards, based on the asset manager and the client, three pillars have been developed:

1. one to one relationship - traditional separate account management, institutional management
2. one to many relationship - many investors invested in the same portfolio (e.g., pooled funds)
3. one to none relationship - managing a proprietary portfolio (e.g., asset owners, family office, insurance company)

There have been conversations about whether there should be other pillars and we hope that feedback will be provided by the industry through the GIPS 2020 consultation paper. It was explained that pillar 2 for pooled funds will likely be the pillar that requires the most work, even with the Guidance Statement on Pooled Funds. To the extent that differences can be eliminated we hope that pooled fund type vehicles like real estate and private equity can all be covered within the second pillar. The plan is to eliminate specific provisions as much as possible to streamline the GIPS standards and make it easier to implement. Private equity provisions will be closely reviewed due to the way that sector raises capital and the business model. It is recognized that a potential broader application of Money Weighted Rates of Returns versus Time Weighted Rates of Returns would assist with the objective of making the use and implementation of the GIPS standards universal.

A somewhat radical concept regarding pooled funds was explained to allow firms to present a fund to a prospective fund investor without showing a composite compliant presentation, but some type of fund report meeting certain requirements. Another revision to the GIPS standards being considered is to remove the phrase “all fee-paying” from the current requirement for all fee-paying, discretionary portfolios to be included in at least one composite.

It was mentioned that the industry will find the GIPS 2020 consultation paper very interesting with some revolutionary concepts that are outlined. However, all the ideas included in the paper may not necessarily be included in the GIPS 2020 version of the GIPS standards. This is the time for the industry to provide their input to embrace the ideas or to shoot them down and assist in developing the best path forward for GIPS 2020.

Observer Questions

Amy Bourdeau, ACA Performance Services, United Kingdom – In the newly released Guidance Statement for Asset Owners, will a listing be made available of the jurisdictions that fall under Safe Harbor provision?

Jonathan Boersma – Yes. The list is not yet available as legal counsel is currently mapping the different jurisdictions. We will approach the big markets that cover the majority of GIPS compliant firms. Fortunately, now we have an idea of where GIPS compliant firms are located. For other markets requesting safe harbor, the jurisdiction will be reviewed and to the extent that they match up, CFA Institute will be able to offer the official safe harbor.

Arin Stancil – The intent is for the list to be a living document that will continue to grow. Firms can submit to have their jurisdiction reviewed. Will the list be issued at an early stage when jurisdictions have been issued safe harbor even if other jurisdictions are still being evaluated so that people can get an assessment of the jurisdictions that have been finalized?

Jonathan Boersma – Absolutely. It will be an ongoing list and the jurisdictions issued safe harbor will be announced as they are issued.

Matt Price, Ernst & Young, United Kingdom – I believe the layout of GIPS 2020 is right for a number of reasons. One of the things mentioned in GIPS 2020 was about enforcement and the need to engage with
regulators. When discussing how to do that, what resources do you have, what has been done already to date, and what kind of a program there is? It is quite an easy thing to say but quite a difficult thing to do over the next three years given how full their (regulators) agendas are.

Jonathan Boersma – There are a number of resources available at CFA Institute. We have staff that focuses on our relationship with regulators, and several CFA Institute staff members sit on a number of regulatory committees providing inroads. It is a challenge; regulators do have a full agenda and we have a full agenda. But it is essential to work together so that we do not come into conflict with things both are working on. You are probably familiar with the work that has been going on, particularly in Europe, that is perhaps in conflict with some of the things in the GIPS standards. CFA Institute has been very engaged in conversations with regulators and will continue to be. It is a balancing act of limited resources as there are lots of things to get involved in but we try to leverage not only CFA Institute staff, but our volunteers, our Country Sponsors, and CFA Institute Societies in various countries to help with outreach to regulators. CFA Institute does have a small office in Brussels with a team whose main focus is on regulatory issues. We do the best we can to keep after regulatory matters.

Carl Bacon – Do I detect a greater risk appetite from CFA Institute to become more involved in an enforcement-type agenda?

Jonathan Boersma – I do not know. I am hesitant to say as I have not thought about it in those terms. A conversation about enforcement was held and it is good to be transparent about the conversations that are happening. If firms get an email from CFA Institute, they should not be surprised. I mention that not as a top-level issue but part and parcel of some of the things CFA Institute is thinking about in terms of awareness and integrity.

Matt Price, Ernst & Young, United Kingdom – Instead of CFA Institute having to create things already created, the goal of the engagement should be to be able to plug into regulators, for example, the FCA (Financial Conduct Authority), ESMA (European Securities and Market Authority), SEC (United States Securities and Exchange Commission) that you could refer to and use. He suggested leveraging off what regulators have done with pooled funds. There might not be agreement with everything, but for the GIPS 2020 project the pooled fund guidance for firms would not need to require composite reporting if they have, for example in Europe, the KID. That would be the right way to go rather than, to create within the GIPS standards a framework for pooled fund reporting when regulators have already done that albeit with slight differences between the jurisdictions. That would be a goal toward more engagement with regulators. Mr. Persaud made a good point about fatigue.

Carl Bacon – That is a very good point. In many ways, the GIPS 2020 process is to make life a little bit easier, without losing any of the integrity and the aim of the standards. One of the goals is to remove some of those unnecessary difficulties for asset managers of various types. If there is anything that can help the industry, such as that, it would be very helpful feedback.

Jonathan Boersma – The Pooled Fund Guidance Statement that was just issued, has the safe harbor provision mentioned earlier, which is essentially what you are saying. For example, a firm in Europe with the KID would be exempted from X, Y, and Z in the GIPS standards, and this would be true in other jurisdictions provided they meet the minimum requirements. On the enforcement side, you are absolutely right, particularly in the United States, Canada, and some other jurisdictions the regulator has taken some strong views about compliance with the GIPS standards. If a firm claims GIPS compliance, the regulator will do some testing to make sure the firm is doing what they say they are doing and not misrepresenting themselves. That is a good model to leverage and to keep promoting that approach.
Other Business

Mr. Boersma thanked Mr. Shoaib and Mr. Persaud for their contributions as members of the GIPS Executive Committee. He said that it has been a delight and pleasure to work with them. On behalf of the whole GIPS team and CFA Institute, he wanted to thank them for their service and contributions to the GIPS standards. Mr. Boersma stated that we trust we will see them again in the future. He shared that both Mr. Shoaib and Mr. Persaud will be missed.

Mr. Shoaib thanked the GIPS Executive Committee for giving him the opportunity to work on the Committee. He stated that it has been a pleasure to work with everyone. Mr. Shoaib said that he is hopeful that the GIPS 2020 project will be a new dimension in terms of achieving the GIPS Mission Statement.

Mr. Persaud also conveyed his thanks. He mentioned that he thinks it is a wonderful privilege to be involved in the process and he has enjoyed it. Mr. Persaud stated that he wanted to express his thanks to Mr. Boersma and the GIPS team. He said it is a collection of individuals that gets such a significant amount of work done that is unbelievable. The structure of the organization and the use of volunteers is particularly successful and that is not by chance. Mr. Persaud acknowledged that there is a lot of work done in the background. Mr. Persaud recalled that in his prior term he rotated off in 2009 in the last stretch of the GIPS standards 2010 edition and he is glad to be rolling off before GIPS 2020. He wished the Executive Committee good luck.

Meeting adjourned at 9:40