CFA Institute

GIPS EXECUTIVE COMMITTEE
CONSTITUTION

Approved by the CFA Institute Board of Governors
5 March 2014

The GIPS Executive Committee is a standing committee of CFA Institute. The Executive Committee’s activities will be guided by CFA Institute’s Executive Director of the Global Investment Performance Standards and subject to annual reporting to the CFA Institute Board of Governors. In accordance with the Oversight and Policy Guidelines for Advocacy, the CFA Institute Board of Governors’ External Relations and Volunteer Involvement Committee (ERVIC) serves as the oversight committee for the GIPS standards and GIPS Executive Committee.

Purpose

The Executive Committee serves as the body responsible for the strategic development, promotion, and implementation of the Global Investment Performance Standards (GIPS®). The purpose of the Executive Committee is to promote the adoption and implementation of a single investment performance presentation standard throughout the world as the common method for calculating and presenting investment performance.

Objectives

1. The mission of the GIPS standards is to promote ethics and integrity and instill trust through the use of the GIPS 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.

The Executive Committee will be responsible for the overall strategy and oversight of the GIPS standards, including development of the strategic plan, and approving all new or modified requirements of the GIPS standards. The Executive Committee will be responsible for raising awareness and promoting the use of the GIPS standards. To achieve this purpose, the Executive Committee will, among other things:
• Oversee the strategic development and promulgation of the GIPS standards and maintain their integrity
  i. approve all new or modified requirements of the GIPS standards, and
  ii. raise awareness and promote the use of the GIPS standards
• Encourage regulators to endorse the GIPS standards and/or adopt regulations consistent with the GIPS standards and work with regulators and standard setters to adopt the GIPS standards
• Be the leading, global organization for investment performance issues and operate as the investment industry’s “think tank” for performance measurement and presentation

Membership

2. The Executive Committee will consist of nine (9) members and will be structured to achieve a broad spectrum of representation across key geographical areas (countries and regions) and stakeholder groups (e.g., asset owners, consultants, investment managers, regulators, verifiers). Members will be in positions of influence within the financial services industry, yet with a balance of knowledge of the GIPS standards and include:
  • Executive Director, appointed by CFA Institute;
  • Technical Committee Chair, selected by the Nominations Committee and approved by the CFA Institute Board of Governors’ ERVIC;
  • seven (7) industry-at-large members selected by the Nominations Committee and approved by the CFA Institute Board of Governors’ ERVIC.

To ensure geographic distribution, at least one member of the Executive Committee will be from each of the three (3) regions: Americas, Asia-Pacific, and EMEA.

The Technical Committee Chair and the Executive Director will be ex-officio members of the Executive Committee, with full voting rights. The Nominations Committee will strive to obtain candidates to be nominated to serve on the Executive Committee based on their skills and abilities to advance the mission of the GIPS standards. The Executive Committee’s composition will be reviewed periodically by the Nominations Committee to ensure that it reflects the knowledge, experience, skills, and diversity required to fulfill its duties.

3. Executive Committee members will be appointed to one (1) year terms, renewable annually for up to four (4) years (with the exception of the Executive Director who is a standing member). Members may serve up to two (2) additional years, for a maximum of six (6) consecutive years in total, at the discretion of the Nominations Committee and with approval of the CFA Institute Board of Governors’ ERVIC. Terms of office begin on 1 September of each year. Membership terms for both the Executive and Technical Committees will be staggered as needed to ensure appropriate rotation, provide continuity of knowledge, and appropriate succession planning.

4. The Executive Committee will nominate and elect a Chair from among its nine (9) members for a one (1) year term and will begin on 1 September. The role and responsibilities of the Chair are to ensure the Executive Committee purposes and objectives are achieved and the Executive Committee fulfills its governance function.

5. Executive Committee members are appointed as individuals, and not as representatives of their employers or other third-parties. Members are expected to contribute to the debate and
decision-making of the Executive Committee so as to advance the cause of improving financial market integrity.

6. Active and consistent participation by members is critical to the development of sound, considered, and representative positions. Members are expected to participate in meetings, both in-person and via conference calls, and other committee activities. If a member misses two (2) meetings during any fiscal year, the Executive Director may, in his/her discretion, ask such member to resign and a replacement recruited through the Nominations Committee. Members may not send substitutes in their place, except in the case of an extenuating circumstance, where an alternate may be approved by the Executive Director.

7. The Executive Committee has authority to create one or more Subcommittees or working groups as needed. Each Subcommittee or working group shall adhere to the same procedural requirements as applicable to the Executive Committee for the notice of meetings, quorums, and voting. The Executive Committee will approve Terms of Reference for each Subcommittee or working group that it creates and they will report directly to the Executive Committee.

8. Members are expected to keep certain, identified workings of the Committee confidential, including projects undertaken and positions under consideration until the information is made public or otherwise released by CFA Institute. This includes refraining from communicating to any external party any non-public information, including working papers of the Executive Committee and/or Technical Committee that may be obtained by serving as a member of the Committee or Subcommittee without the written permission of CFA Institute management.

Conflicts of Interest

9. Members of the Executive Committee, Technical Committee, and Subcommittees are permitted to make their membership on the Committee known to external parties. However, members are not permitted to use their relationship with the Committee, CFA Institute or the GIPS Standards to actively promote their own business interests, those of their employer, or a third party.

Any known existing or potential conflicts of interest must be disclosed to the GIPS Executive Director.

Meetings

10. The Executive Committee will meet periodically as needed. These meetings may be in-person or via conference call.

11. Executive Committee meetings will be open to the public and a summary of the meeting discussions and decisions will be made available to the public. The Executive Committee will also conduct executive sessions that will be closed to the public.

12. At any meeting of the Executive Committee, a majority (51%) of members then serving who are present in person or through the use of any means of communication by which all members may simultaneously hear each other during the meeting shall constitute a quorum. Members are not allowed to vote by proxy.
13. Each Executive Committee member will receive one vote. The act of a majority (51%) of the Executive Committee members voting at a meeting at which a quorum is present shall be the act of the Executive Committee.

14. CFA Institute will reimburse Executive Committee and Technical Committee members for reasonable, documented airfare and other travel expenses, hotel accommodations, and meals and such other expenses incurred in connection with attending any such meetings, in accordance with CFA Institute travel and reimbursement policies.

Technical Committee

15. The Executive Committee will establish the Technical Committee and approve its Terms of Reference. The GIPS Technical Committee will provide activity updates to the Executive Committee and be responsible for technical oversight of the GIPS standards. The Technical Committee is authorized to issue Questions & Answers (Q&As) and interpretations that do not contain new requirements.

The Technical Committee will consist of ten (10) members:
- Executive Director, appointed by CFA Institute;
- Technical Committee Chair, selected by the Nominations Committee and approved by the CFA Institute Board of Governors’ ERVIC;
- three (3) regional members [one from each of the three regions: Americas, Asia-Pacific, and EMEA] elected by Country Sponsors in accordance with the process outlined in the Nominations Committee Terms of Reference. The three (3) regional members will be nominated by Country Sponsors, existing volunteers, the public or may be self-nominated; and,
- Five (5) members [Interpretations Subcommittee Chair, Investment Manager Subcommittee Chair, Asset Owner Subcommittee Chair, Verification Subcommittee Chair, and one (1) industry-at-large member] selected by the Nominations Committee and approved by the CFA Institute Board of Governors’ ERVIC.

16. The Technical Committee has authority to create one or more Technical Subcommittees or working groups, who will report directly to the Technical Committee, to develop the GIPS standards on specific technical issues; to represent key industry groups in the development of the Standards; and to perform such duties as prescribed by the Technical Committee. The Technical Committee, all Subcommittees and working groups shall adhere to the same procedural requirements as applicable to the Executive Committee for the notice of meetings, quorums, and voting.

17. Technical Committee members will be appointed to one (1) year terms, renewable annually for up to four (4) years (with the exception of the Executive Director who is a standing member). Members may serve up to two (2) additional years for a maximum of six (6) consecutive years in total at the discretion of the Nominations Committee and with approval of the CFA Institute Board of Governors’ ERVIC. Terms of office begin on 1 September of each year.
Subcommittees

18. Reporting to the Technical Committee will be the following Subcommittees who will serve as stakeholder groups focused on technical content to develop guidance and interpretations and provide feedback on proposals:

- Interpretations Subcommittee: Responsible for development of technical guidance and interpretations not formally assigned to other Subcommittees or Working Groups.
- Investment Manager Subcommittee: Develop content specific to Investment Managers as identified and/or directed by the Technical Committee. Discuss investment manager issues and needs and provide feedback on proposals affecting investment managers.
- Asset Owner Subcommittee: Develop content specific to asset owners as identified and/or directed by the Technical Committee. Discuss asset owner issues and needs and provide feedback on proposals affecting asset owners.
- Verification Subcommittee: Develop content specific to verifiers and service providers as identified and/or directed by the Technical Committee. Discuss verification issues and needs and provide feedback on proposals affecting verifiers and service providers.
- Regional Technical Subcommittees: Identify specific regional technical issues as they relate to the GIPS standards and develop positions and proposals for consideration by the Technical Committee. The three (3) Regional Technical Subcommittees will be chaired by the elected regional member of the Technical Committee.

The respective Subcommittee Chair, Chair of the Technical Committee, and Executive Director will appoint members to serve on each of the Subcommittees. Subcommittee members are intended to maintain geographic diversity while focusing primarily on technical expertise. Subcommittee members will be appointed to serve for a term of one (1) year, renewable annually for up to four (4) years and may serve up to two (2) additional years for a maximum of six (6) consecutive years in total at the discretion of the Subcommittee Chair, Chair of the Technical Committee, and the Executive Director.

19. The Chair of each Subcommittee, except for the Regional Technical Subcommittees, shall be nominated by the Nominations Committee and approved by the CFA Institute Board of Governors’ ERVIC to serve one (1) year terms, renewable annually for up to four (4) years. Subcommittee Chairs may serve up to two (2) additional years for a maximum of six (6) consecutive years in total at the discretion of the Nominations Committee and with approval of the CFA Institute Board of Governors’ ERVIC. Terms of office begin on 1 September of each year.

20. All Subcommittees and working groups must abide by the relevant Subcommittee or working group Terms of Reference, in addition to this Constitution.

21. Subcommittees and working groups will conduct business by in-person meetings and/or via conference call.

22. All recommendations made by Subcommittees and working groups shall be subject to review by the Technical Committee and all actions taken shall be subject to approval by the Technical Committee.
Nominations

23. The Nominations Committee will be responsible for recommending appointments for all members of the Executive Committee and Technical Committee, except for the GIPS Executive Director who is appointed by CFA Institute and the three (3) regional members of the Technical Committee who will be elected by endorsed Country Sponsors in accordance with the process outlined in the Nominations Committee Terms of Reference. All Nominations Committee recommendations must be submitted to and approved by the CFA Institute Board of Governors’ ERVIC.

Once a member ceases to serve on the Executive Committee or the Technical Committee (whether by resignation or expiration of their term limit), they must sit out for at least one (1) year before re-applying for a position on that same committee. However, they may apply for a position on another committee immediately upon their term ending.

No member of the Nominations Committee may be nominated for any positions being solicited.

24. Members of the Nominations Committee are:
   - Executive Director
   - Current member of the Executive Committee, selected by the Executive Committee
   - Current member of the Technical Committee, selected by the Technical Committee
   - Three (3) regional members elected by endorsed Country Sponsors (one from each region: Americas, Asia-Pacific, and EMEA) in accordance with the process outlined in the Nominations Committee Terms of Reference.

Nominations Committee members will serve one (1) year terms and the regional members will be annually elected by endorsed Country Sponsors in accordance with the process outlined in the Nominations Committee Terms of Reference. Terms of office begin on 1 September each year.

Meetings with Regulators and Standard-Setters

25. Participation in meetings with regulatory authorities as a representative of the Executive Committee or CFA Institute must be approved and coordinated by the GIPS Executive Director.

Acting as a Representative

26. Committee members may also be asked to participate in or make presentations at conferences and seminars to present the views and positions of the Committee or CFA Institute. Participation as a “representative of” the Committee or CFA Institute, rather than as a private person, must be approved and coordinated by the GIPS Executive Director to ensure that the individual has the requisite knowledge and understanding of the relevant Committee and CFA Institute positions in order to present those views and positions effectively and appropriately.
Accountability

27. The Executive Committee is ultimately responsible to the CFA Institute Board of Governors to represent the views of investment professionals in a way that is consistent with the CFA Institute Code of Ethics and Standards of Professional Conduct and other applicable CFA Institute positions and standards. The Executive Committee is expected to take into account previous positions on a particular issue and must understand and be able to defend deviations from those positions.

28. The Executive Committee will submit a written report on its activities to the CFA Institute Board of Governors at least once each fiscal year, including any correlated public awareness activities.

29. Any future proposed changes to the governance structure of the Executive Committee will be developed by the Executive Committee in consultation with the GIPS Country Sponsors. Final decisions on changes to the governance structure require CFA Institute Board of Governors review and approval.