

IFSWF statement

Generally Accepted Principles and Practices (“GAPP”): Purpose and objectives

The purpose of the Generally Accepted Principles and Practices is to identify a framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by SWFs on a prudent and sound basis. SWFs adopted the GAPP in Santiago as a voluntary set of guidelines, which they either have implemented or aspire to implement.

The guiding objectives for the SWFs, as it is stated in the Santiago Principles, are:

- i. to help maintain a stable global financial system and free flow of capital and investment;
- ii. to comply with all applicable regulatory and disclosure requirements in the countries in which they invest;
- iii. to invest on the basis of economic and financial risk and return-related considerations; and
- iv. to have in place a transparent and sound governance structure that provides for adequate operational controls, risk management, and accountability.

Thus, in spite of SWFs' diversity they joined efforts to meet expectations of recipient countries and backed this document on a consensus basis to demonstrate their willingness to act as responsible investors on a good faith basis.

It should be recognized that some SWFs are still in the process of establishing their operations. Therefore, especially for newer SWFs, the full implementation of the Santiago Principles (e.g. GAPPs 17 and 22) may require an appropriate transitional period. Each SWF will have to determine for itself their own timeline for implementation of the GAPP as appropriate for their individual circumstances. The IFSWF encourages well established SWFs to share their experiences and knowledge with the newer SWFs thus helping the latter achieve full implementation in a shorter time period.

Undoubtedly, the current financial crisis has influenced SWFs' asset allocation and some SWFs were obliged to maintain financial system and stability of their origin counties. However, despite the circumstances of the financial crisis, the SWFs continue to implement the Santiago Principles in accordance with the level of development of their operations.

One of the stated purposes of the IFSWF is to provide a platform for sharing views on the application of the Santiago Principles. The Forum has established a Sub-committee to facilitate

(1) sharing of experiences by all members of the Forum in implementing the Santiago Principles; (2) identifying and dealing with issues that the members face in the implementation process; and (3) contribute towards facilitating an understanding of the Santiago Principles. It was not the intention of the IWG nor is it the intention of the IFSWF to create any kind of regulatory body to monitor or evaluate SWFs.

Exchanging ideas and views with recipient countries

The IFSWF reiterates its invitation to recipient countries to use the open sessions of the Forum as a place for exchanging ideas and views on the issues of common interest. From time to time the IFSWF may use its website and other media to disseminate its discussions to a wider audience. Alternatively, individual SWFs may decide to make bilateral statements regarding the implementation of the GAPP.

In order to encourage an ongoing dialogue between SWFs and the recipient countries, the IFSWF has created a Sub-committee to consider related matters including: consulting recipient countries, the EU and relevant international and regional investment and trade associations (such as APEC, ASEAN, GCC, EC and OECD) on methodologies by which SWFs may demonstrate their commitment to: (i) abide by any national securities laws, including disclosure requirements and market integrity rules addressing insider trading and market manipulation; (ii) provide disclosure to local regulators, upon request and in confidence, of financial and non-financial information as required by applicable laws and regulation; (iii) where required by applicable law or regulation, be subject to local regulators, and cooperate with investigations and comply with regulatory actions initiated by local regulators or other relevant authorities; (iv) abide by any anti-monopoly rules; and (v) comply with all applicable tax rules. It should be kept in mind that in many cases the information on SWFs operations and activities in host countries is non-public material, and is handled on a confidential bilateral basis between the SWF and the regulatory authorities of the recipient country.

Part of the remit of the sub-committee is to focus on discriminatory laws, regulations and practices that affect SWF and to seek recipient countries' confirmation that they reciprocate the SWF's commitments to the GAPP and do not subject SWFs to any requirement, obligation, restriction, or regulatory action exceeding that to which other investors in similar circumstance may be subject (c.f. GAPP 15 and its Commentary).

The IFSWF requests recipient countries to increase transparency on their investment screening processes and inform the Forum about relevant regulatory changes and movement toward equal treatment of investors.

Therefore, the IFSWF welcomes continued cooperation with the EU and relevant recipient countries.