

Global Investment Performance Standards (GIPS®) Research Survey Results

January 2008

Global Investment Performance Standards (GIPS®) Research Survey

Purpose & Methodology

The research consisted of a Web-based survey sent to 25 to GIPS Country Sponsors and global stakeholders (investment managers, consultants, verifiers, investors, and regulators). Responses were received from 20 Country Sponsors and 806 stakeholders worldwide. The survey asked questions on compliance rates, verification, and topics related to the 2010 review of the GIPS standards.

Verification

A subject of much debate has been the question of whether to require firms' compliance with the GIPS standards should be verified. The survey asked a number of questions about verification.

Opinions among stakeholders in various countries on whether investors are aware of and value the benefits of independent verification are quite mixed. The main benefit respondents see of independent verification is increased credibility.

The majority of Country Sponsors indicated that required verification of compliance with the GIPS standards would have little local impact, as most firms' compliance is already verified. While a positive impact of mandatory verification would be an increase in the Standards' quality, Country Sponsors also saw it as a potential barrier to some firms and thus, could produce a lower likelihood of the Standards being accepted and adopted. Several key findings include:

- If verification is required on a country-by-country basis, several Country Sponsors indicated concerns about the GIPS standards no longer being a "global standard."
- Some Country Sponsors indicated that mandatory verification would have no impact, as most of their compliant firms are already verified.
- For firms currently claiming compliance, required verification would have limited or no impact, and for firms considering claiming compliance, Country Sponsors feel it could create a barrier to entry.
- Most Country Sponsors indicate there would be no impact on firms that were already verified if verification is not required.

The verification feedback was valuable to the GIPS Executive Committee and contributed to the EC developing its statement on mandatory verification. See the 8 November 2007 Press Release: http://www.cfainstitute.org/aboutus/press/release/07releases/20071108_01.html

GIPS 2010 Review

A comprehensive review of the GIPS standards is conducted every five years. The current review will result in the 2010 version of the Standards. The survey asked several questions on issues related to the 2010 review.

The majority of respondents, both stakeholders and Country Sponsors, do not feel any of the current 2005 GIPS standards future effective dates need to be re-evaluated/adjusted.

62% of Country Sponsors, but only 14% of stakeholders, indicated there are recommendations in the 2005 GIPS standards that should become requirements in the 2010 GIPS standards.

New areas or issues respondents believe need addressing are focused on alternative investment strategies/products, in particular, hedge funds and derivatives. Alternative investment vehicles and strategies emerged as an important topic (on an importance score, it ranked greater than 7 out of 10 points) to be developed for inclusion in the GIPS standards among both stakeholders and Country Sponsors. The use of leverage and performance fees were the next most important among stakeholders, and risk measures and benchmarks also ranked high among Country Sponsors.

Ongoing Analysis and Review of Survey Data

Survey responses were filtered by specific topics and the data provided for further analysis to the Interpretations Subcommittee (in preparation for GIPS 2010 project) and to the Verification Subcommittee (in preparation of the proposal regarding verification).

Stakeholder responses in countries where 10 or more responded to the survey were sent to the respective Country Sponsor (maintaining respondent anonymity at all times). Having this data will enable Country Sponsors to better understand the issues and promotion needs specific to their region.

Final comments regarding the GIPS standards indicate stakeholders want to increase awareness of the Standards (through advertising and public awareness efforts), educate clients, and consultants, users, etc., and maintain the integrity of the Standards.