

June 25, 2009

Mr. Jonathan Boersma  
CFA Institute  
Centre for Financial Market Integrity  
Reference: Global Investment Performance Standards  
PO Box 3668  
Charlottesville, Virginia 22903

Dear Mr. Boersma:

Global Currents Investment Management is grateful for the opportunity to comment on the Exposure Draft of the 2010 Global Investment Performance Standards. Please find our comments below:

### **Fundamentals of Compliance**

#### **1. Requirement 0.A.7: Verification**

We support the concept of verification remaining a recommendation, and not a requirement of GIPS. We also support that a firm should be required to disclose if they have or have not been verified. However, we believe the current requirement is more complicated than necessary. We support that the change could be accomplished with two compliance statements: one for firms that are verified and one for firms that are not verified.

We do not support the need for defining a “current verification” as one that has occurred within 24 months. The compliance statement for a firm that has been verified will include the date of the verification. This will be enough for a potential client to derive if it is current in the way that is meaningful to them. The 24 months limit seems a bit arbitrary. Some prospective clients may think 24 months is too short a time period, while others may think it is too long. We believe having a second statement for firms that have not been currently verified is unnecessary.

#### **2. Requirement 0.A.11: Regarding Wrap-fee/SMA**

This requirement enlists a firm to make every possible effort to get a compliant presentation to every prospective client, at least once a year. Regarding the Wrap fee/SMA business, we ask for clarification that delivering the compliant presentation to the wrap sponsor, is deemed to satisfy this requirement.

### **Input Data**

#### **3. Requirement 1.A.1: Supplemental Data**

We see this as a broadening of the requirement, especially in regards to supplemental information and portability of track record resulting from mergers and acquisitions. The current Guidance Statement on Recordkeeping Requirements makes an exception for supplemental information that is included in a compliant presentation, and does not require a firm to maintain records to support such information. In the example of non-portable returns, if a firm had the records to support a track record, they probably would not consider the track record as supplemental data at all. We support continuance of the

current exception for supplemental data to continue in the Standards in reference to this issue.

#### **4. Requirement 1.A.2: Fair Valuation**

We support a recommendation for FAIR VALUATION, however we do not support a requirement, at this time. While we agree, conceptually, with this change, currently a firm is allowed to exclude from firm assets those assets which are based on cost or book values rather than market values. While accounting standards throughout the world are moving toward fair valuation, there are many firms that are not subject to either SEC requirements. While we agree with the general idea of using fair value, we think it may be premature to require all firms throughout the world to use fair value.

#### **Calculation Methodology**

#### **5. Requirement 2.A.2: External Cash Flows**

We support the proposed change.

#### **Composite Construction**

#### **6. Requirement 3.A.1: Non-fee Paying Portfolios**

We support the proposal to require non-fee paying, discretionary accounts to be included in at least one composite.

#### **7. Requirement 3.A.6: Cash Carve Out**

We support the redefinition of the CARVEOUT to ensure it represents a separate mandate managed in a particular style. We believe those in the industry who were stripping securities from a mandate, and calling it a CARVEOUT, were not acting in the spirit of the GIPS standards. We strongly disagree with the removal of CARVEOUTS with cash allocation for purposes of COMPOSITE construction. We believe the use of CARVEOUTS (with a standardized, repeatable, documented cash allocation method) is a functional, cost effective, unbiased way of achieving single style portfolio returns for compositing, for firms with balanced mandates.

#### **8. Requirement 3.A.9: Composite Asset Minimum**

We do not support raising this recommendation to a requirement. A manager may not know if a prospective client meets the asset minimum for a particular composite until the prospective client becomes an actual client

#### **Disclosures:**

#### **9. Requirement 4.A.20: Risk Measures**

While we support full disclosure of the strategy and its risks to prospective clients, we believe managers provide this information to prospective clients and that the GIPS compliant presentation is likely not the appropriate place for this information. Additionally, we find this guidance to be vague and further clarification must be provided on what types of disclosures are necessary to fulfill this requirement. Without appropriate detail on this provision, we do not support the requirement.

## Appendix

### 10. Definition of prospective client

We do not support this definition as written, as we believe it is much too broad. We see this definition issue as a very serious issue, as it is at the core of GIPS Provision 0.A.11 – which requires a firm to make every reasonable effort to provide a compliant presentation to all prospective clients.

Two examples that demonstrate how the proposed definition meaningfully alters two business sectors:

- a) Wrap-fee/SMA – Most wrap-fee/SMA end clients are contractually clients of the SMA Sponsor. The sponsor is the client and prospective client for the compliant firm. It is critical that the standards continue to support the acknowledgement of this client arrangement as set forth in the original SMA/wrap fee Guidance Statement. It is our concern, that as written – the requirement to deliver a compliant presentation to the end clients of the SMA Sponsor, exists. This is a significant issue, as many SMA sponsors contractually forbid the manager from reporting directly to the end client.
- b) Pooled Unitized Products: In our view, investors in mutual funds and other pooled unitized products cannot trigger this requirement. It is our concern, that as written – the requirement to deliver a compliant presentation to the investors in mutual funds and pooled unitized vehicles, exists. This is a significant issue that must be clarified.

### Wrap-fee/SMA:

#### 11. Provision 8.A.6: Wrap Fee/SMA

We support the continuance of this provision, and to allow for sponsor specific composites. This practice has been in place since the adoption of the Wrap-fee/SMA Guidance Statement and is widely used in this market. The sponsor is the client and the prospective client when considering wrap-fee/SMA. The ability to create sponsor specific composites has encouraged and enabled wrap managers to comply with the Standards and to address their clients' needs. We would not support any change to this current provision.

Sincerely,



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