

## Consultation on the Exposure Draft of the 2010 Global Investment Performance Standards (GIPS)

A response by

The UK Verifiers Focus Group (UKVFG)

### Introduction

The UKVFG is an informal grouping of verifiers practicing in the UK market. StatPro Plc organises and attends meetings as well as providing administrative support.

UKVFG members:

Ashland Partners  
Deloitte  
Ernst & Young  
HSBC  
KPMG  
Pricewaterhouse Coopers  
WM Company

The UKVFG have responded to issues of concern to them and their clients.

### Comments

#### 1. GIPS Compliance Statement. 0.A.7

Three different forms of the claim of compliance will be confusing. The claim of compliance for firms that have been verified, but are not currently verified is unnecessary because it is already proposed to include the dates for periods that have been independently verified. The prospective client can make their own judgement.

Therefore there is no need to determine if the verification is current or not.

#### 2. Fundamentals of Compliance

0.A.16 and 0.A.17 concern verifiers because they are too wide ranging and potentially increase significantly the scope of verification. These points are best made in the introduction of the standards rather than in the fundamentals of compliance.

#### 3 Fair Value

Accurate valuation is of course a fundamental component of accurate performance return calculations, however GIPS are not valuations standards, nor should they be.

Valuation standards will vary at different times, in different countries and for different products. Clearly managers must apply valuation policies and procedures consistently, however flexibility is required and the proposed hierarchy in appendix D is too rigid

Managers are also concerned with comparability both with other managers and index providers. Market values do at least aid comparability

#### 4 Risk Disclosure

4.A.20 will be problematic for many managers and does not add value for clients. Managers likely response will be to provide lengthy descriptions with a catch all list of risks. Guidance for composite descriptions is best addressed by a specific question and answer

#### 5. Proprietary Assets

##### 5.A.8

We suggest that the definition of proprietary assets is narrowed specifically to only include those strategies initiated by the firms using own capital in order to establish a track record. We also suggest that firms retain the discretion to include proprietary assets, or not, however if any proprietary asset accounts are included then all such accounts must be included.

#### 6. Minimum asset level.

##### 3.A.9

We believe that this rule is difficult to implement for managers and extremely difficult to verify in practice. We see little value from the client's perspective in potentially denying information relating to the performance of larger portfolios if they do not have sufficient assets currently. We do understand that the strategy may not be able to be implemented for lower asset size – but the minimum asset level is disclosed.

We suggest leaving 3.A.9 as a recommendation.

#### 7. Standard Deviation

##### 4.A.29

We support the inclusion of a risk measure, however standard deviation is simply not suitable for all investment strategies. We believe the manager should be able to choose an alternative risk measure provided they disclose why standard deviation is

not appropriate. Managers should make available their calculation methodologies on request.

In addition we believe (provided there is sufficient historical information) that the risk measure should be shown for each year. (This is fairly standard, the fact that risk is calculated over 3 years and performance over 1 readily accepted)

It should also be noted that some benchmarks are not available on a monthly basis and allowance should be made for this.