

**USIPC's response to GIPS Executive Committee's (EC) invitation to comment on proposed GIPS 2010 Exposure Draft (Sections 0 , 1, and 2):**

07 April, 2009

GIPS Executive Committee  
c/o CFA Institute Centre for Financial Market Integrity  
Global Investment Performance Standards  
560 Ray C. Hunt Drive  
Charlottesville, VA 22903

Re: GIPS2010 Exposure Draft – Comments on Section 0, 1, 2

Dear GIPS Executive Committee:

On behalf of the United States Investment Performance Committee (USIPC), I am pleased to attach our initial comments concerning Sections 0 through 2 of the GIPS 2010 Exposure Draft.

The USIPC is conducting the comprehensive assessment of each provision section by section. The approach we adopt is:

- 1) Members submit their individual comments along with feedback from their contacts in the performance measurement industry;
- 2) Members review and debate in-depth the various viewpoints on the scheduled committee conference calls;
- 3) Members reach consensus where possible and the consolidated view of the committee is presented to the GIPS EC.

Our goal is to provide simultaneous feedback to the GIPS EC during the 5 months review period and to provide final remarks on key issues and summary view at the end of the public comment period in late June. We hope these incremental submissions facilitate your review process.

As ever, we thank you for giving us the opportunity to comment on this work and look forward to the publication of the final document.

On behalf of USIPC

A handwritten signature in black ink that reads "Iain McAra". The signature is written in a cursive, flowing style.

Iain McAra  
Chairman, USIPC

## SECTION 0 FUNDAMENTAL OF COMPLIANCE

Provisions	USIPC	Comments
0.A.1	Agree	
0.A.2	Agree	The Committee will discuss and address the definition of Prospective Client upon review of Appendix E - GIPS Glossary.
0.A.3	Agree	The Committee concurs with the concept of firm assets in the provision but will discuss the implication of fair value upon review of Appendix D - GIPS Valuation Principles.
0.A.4	Agree	
0.A.5	Agree	
0.A.6	Agree	
0.A.7	Agree	The Committee supports the revised claim of compliance statements and the identification of "stale" verification as a compromise to mandatory verification. It suggests additional guidance on the three options including clarification of the term "24 months ago" (Is it from the date the verification report is issued or from the last period verified?)
0.A.8	Agree	Consider starting the provision with FIRM MUST NOT which places greater emphasis on full compliance to the standards.
0.A.9	Agree	
0.A.10	<b>Eliminate Provision</b>	The Committee disagrees with the provision and requests that it be deleted for the following reasons: 1) GIPS speaks to firm-wide compliance, not individual client portfolio; 2) Compliance statement relates to the preparation and presentation of composite report, not the calculation of single portfolio; 3) This exception is inconsistent with 0.A.8 that addressed partial compliance.
0.A.11	Agree	The Committee asks for additional guidance on how to fulfill this requirement in the intermediary channel and complex arrangements where third parties are involved.
0.A.12	<b>Agree (with Amendment)</b>	The Committee recommends the following language edits: 1) Reword the phrase "existing or PROSPECTIVE CLIENT" to "client or PROSPECTIVE CLIENT" as proposed definition of prospective client includes existing client; 2.) Change the term "closed" to "terminated" as the former refers to active funds closed to new money and the latter is more consistent with the term used in provision 3.A.4
0.A.13	<b>Agree (with Amendment)</b>	Similar to 0.A.12 above, the Committee recommends revising the phrase "existing or PROSPECTIVE CLIENT" to "client or PROSPECTIVE CLIENT"

O.A.14	Agree	The Committee endorses the revision from "FIRMS" to "firms" as to broaden the concept of joint marketing efforts with compliant and non-compliant firms.
O.A.15	Agree	
O.A.16	<b>Agree (with Amendment)</b>	The Committee understands the reasoning to incorporate this objective into a provision but believes the stated provision may unnecessarily endanger compliance by firms due to its broad scope. It asks for further definition on "applicable laws and regulations" to qualify those related to GIPS compliant presentation. Suggests changing the provision to read: FIRMS MUST comply with all applicable laws and regulations regarding the calculation and reporting of returns in the COMPLIANT PRESENTATION in all material respects.
O.A.17	Agree	
O.B.1	Agree	
O.B.2	<b>Eliminate Provision</b>	The Committee does not view this provision as best practice. It creates unnecessary noise and confusion to clients and may be burdensome to firms without much added benefits.
O.B.3	<b>Agree (with Amendment)</b>	The Committee understands that the word "SHOULD" is used for consistency throughout the Standards and acknowledges "SHOULD" as a task or action that is recommended to be performed but not required. However, the word is too strong given the significance of this particular statement from the regulator's perspective and requests that "SHOULD" be replaced with "encouraged to". The Committee is agreeable to the usage of "SHOULD" in all other recommendations as they are subordinate to this provision.
O.B.4	<b>Expand Provision</b>	It is best practice to have verification, on an annual basis, and conducted by qualified independent verifier. The Committee recommends expanding the provision to "FIRMS SHOULD be verified by a qualified independent third party on an annual basis."

## SECTION 1: INPUT DATA

Provisions	USIPC	Comments
1.A.1	<b>Agree (with Amendment)</b>	The addition of "all items included in" is unnecessary and should be deleted.
1.A.2	<b>TBD</b>	The Committee will discuss the concept of fair value upon review of Appendix D - GIPS Valuation Principles.
1.A.3	<b>Agree (with Amendment)</b>	The section can be improved for clarity if it is rephrased to "FIRMS MUST value PORTFOLIOS consistently and in accordance with the FIRMS' COMPOSITE-specific valuation policy" follow by PORTFOLIOS MUST be valued: a) & b) with c) deleted.
1.A.4	Agree	

1.A.5	Agree	
1.A.6	Agree	
1.A.7	Agree	The Committee concurs with the concept of accrual accounting and will discuss the implication of fair value upon review of Appendix D - GIPS Valuation Principles.
1.B.1	Agree	Acceptable with the recommendation with fair value to be discussed.
1.B.2	Agree	
1.B.3	Agree	
1.B.4	Agree	

## SECTION 2: CALCULATION METHODOLOGY

Provisions	USIPC	Comments
2.A.1	Agree	
2.A.2	Agree	
2.A.3	Agree	
2.A.4	Agree	
2.A.5	Agree	
2.A.6	Agree	
2.A.7	Agree	The Committee recommends that 2.A.7 follows 2.A.5 as both refer to trading expenses where 2.A.7 speaks specifically to bundled fee.
2.B.1	Agree	Suggests using the term "TOTAL RETURNS" to be consistent.