

## IPC Seeks to Raise Profile of GIPS® Standards

BY RHEA WESSEL

**A**IMR's Investment Performance Council (IPC) spoke out strongly in support of broader education on Global Investment Performance Standards (GIPS) at its 4 March meeting in Brussels.

Members of the IPC, which promotes the implementation of the GIPS standards throughout the world, unanimously agreed that steps must be taken immediately to raise the profile of GIPS standards, to eliminate confusion about the differences between the GIPS standards and local versions of GIPS, and to ensure that all GIPS-compliant firms are able to compete for business in markets outside their home turf.

"Now that the 'gold' GIPS standards are out, we're at a critical juncture where we have a tremendous opportunity to promote these standards and

educate people about them throughout the industry worldwide," said Jamie Hollis, IPC chairman.

The gold version of the GIPS standards, an updated version of the current Standards, is being circulated for public comment until 1 August.

The GIPS provisions standardize the calculation and presentation of investment performance information to make companies around the world more comparable and to give investors more transparency into the companies they are doing business with or are considering doing business with.

IPC members agreed that more needs to be done to educate investors on the GIPS standards, and a number of ideas on how to do this were offered. Suggestions ranged from formal education campaigns for investment consultants and verifiers to a global roadshow of presentations at industry associations.

"Firms are committing a great deal of money to come into compliance, and they are committing to follow an ethical standard," said AIMR Vice President Alecia Licata, who oversees the work of the IPC for AIMR. "They should be getting the benefit from this — making sure investors understand the rigorous process they've been through."

### Educating Clients and Firms

Although all IPC members want to see wider recognition of the GIPS standards, IPC members discussed the ideal target of a GIPS education campaign — the client side or the firm side.

Those in favor of targeting the firm side supported the idea of a global roadshow of presentations by IPC members and AIMR staff at high-profile association meetings and conferences. AIMR will develop an entertaining and enlightening slideshow presentation that members of the IPC will in turn present at meetings within their regions. These presentations will be targeted at a general audience of firms.

Another idea floated was for AIMR to work together with investment associations that currently sponsor the GIPS standards to educate their local industry on the GIPS standards.

Those who prefer to target the client side suggested:

- getting endorsements from influential pension trustees,
- creating a high-quality, glossy brochure that would explain the benefits of the GIPS standards to clients,
- publishing advertorials in key business media, such as the *Financial Times* and the *Economist*, to encourage all clients, particularly existing clients, to ask for more information from their investment firms.

"We need a thought leader — a really big institution — to give an endorsement of the GIPS standards and say, 'If you don't comply with GIPS standards, don't bother to turn up at my door,'"

### ASSESSING GIPS COMPLIANCE

Essential questions for pension trustees to ask the people who may manage their money:

#### Do you comply with the GIPS standards or a country version of GIPS?

- If so, is your claim verified? Who verifies your claim?
- Does this verifier act in any other capacity for your organization (i.e., as auditor or performance measurer)?
- How frequently is this verification carried out? (This will illustrate the manager's degree of commitment to GIPS.)
- How is your firm defined for purposes of GIPS compliance? Which parts of your business meet the compliance requirements? (This shows the scope of the practice across the group, across products, and by business unit.)
- What do you consider the main benefits that compliance with the GIPS standards delivers to trustees? (This reveals how GIPS standards are regarded — as a marketing lever, a tool for best practice, or a mechanism for operational efficiency.)
- Who has overall responsibility for GIPS compliance in your organization?

#### If you do not comply with the GIPS standards or a country version of GIPS, why not?

- Do you plan to?

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British Airways Pension

said UK member David Gamble, CEO of British Airways Pension.

#### Eliminating Confusion

The GIPS standards are evolving in such a way that there soon will be no differences between the various country versions of GIPS, such as the AIMR-PPS® standards. The goal is that the GIPS standards will eliminate the need for different local standards. When this point is reached, the local country sponsors must consider dropping the different brand name. The main difference between the GIPS and AIMR-PPS standards is the amount of annual return performance that must be presented. The GIPS standards require five years of historical information while the AIMR-PPS standards require 10 years.

Two ways to eliminate confusion about the differences between the AIMR-PPS and GIPS standards would be, first, to meet with targeted major investors (such as plan sponsors and consultants) to discuss the matter and, second, to create guidance for firms attempting to respond to consultant questionnaires and requests for proposals that ask whether they are compliant with a country version of GIPS.

#### Ensuring Equal Access

The IPC firmly supports the “right of access” position — that firms must not be excluded from a manager search in a local market if a firm is compliant with



The neogothic architecture of Brussels served as a dramatic backdrop to AIMR's Investment Performance Council, which met in the city on 4 March 2004. The Brussels City Museum, shown here, takes up the entire Maison du Roi, or King's House, on the square of the Brussels Grand Place.

the GIPS standards but not compliant with a country version of GIPS. In the United States, some firms have been denied access despite GIPS compliance because US-based consultants continue to require firms to comply with the AIMR-PPS standards, which remain the US and Canadian version of GIPS standards.

In most of these cases, access is denied because investors lack an understanding of the benefits of the GIPS standards and the relationship between GIPS standards and the country version.

One idea for ensuring equal access is to develop information for investors that provides general information on evaluating GIPS-compliant firms. Another possibility would be to create a system in which AIMR targets investors that are requiring country-version compliance and educates them about the GIPS standards.

The topic of education made for some of the liveliest discussion of the meeting, and IPC members clearly

voiced the need for a new campaign to promote the GIPS standards.

“We all agree something needs to be done and done now,” said Glenn Solomon of Australia. ▀

*Rhea Wessel is a freelance journalist based in Frankfurt, Germany. Her stories have appeared in Barron's, the Wall Street Journal, and the Christian Science Monitor.*

#### OPEN MEETING

The IPC formed a small task force to catalog and act on the suggestions that came out of the Brussels meeting. An update from the task force will be provided at the IPC's telephone conference call meeting on 29 June. The public is invited to observe this and all IPC meetings. If you have any further suggestions or would like to express support for a particular idea, please e-mail AIMR at [standardsetting@aimr.org](mailto:standardsetting@aimr.org).