



Society of Investment Professionals in Germany

CFA Institute  
CFA Centre for Financial Market Integrity  
Reference: Guidance Statement on  
Error Correction  
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**via Email:**  
**standardsetting@cfainstitute.org**

## **GIPS Guidance Statement on Error Correction of October 2004 Comments by DVFA<sup>1</sup>**

Dear Madam,  
Dear Sir,

We are grateful for the opportunity to comment on the proposed GIPS Guidance Statement on Error Correction.

DVFA – Deutsche Vereinigung für Finanzanalyse und Asset Management – is the Society of Investment Professionals in Germany with more than 1,100 members representing over 400 investment firms, banks, asset managers, consultants and counselling businesses. DVFA is a member of EFFAS, the umbrella organisation of European Analysts Societies, building a network of more than 14,000 investment professionals in 23 nations.

Please find enclosed the comments of DVFA following the questions asked by CFAI:

### **1. Do you support CFA Institute's effort to develop provisions to be added to the GIPS standards addressing the guidance of error correction?**

In our opinion, it is useful to establish a guidance on error correction which should be applicable to all types of errors (for example, not only calculation methodology, but also input data, composite construction, presentation and reporting, etc.). Considering the level of detail of the proposed guidance, it should be formulated as a guidance statement and not be incorporated into GIPS standards as additional provisions. A future provision of the GIPS standards could be to require a firm to document in writing the error correction policy.

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<sup>1</sup> These comments are a joint statement of BVI German Investment and Asset Management Association, DVFA Society of Investment Professionals in Germany, and GCFAS German CFA Society.

**2. Do you agree that the guidance should be applied to all types of errors?**

Yes, we agree.

**3. Do you agree with firms not making retrospective changes to previously presented information?**

We suggest that retrospective changes may be made subject to disclosures on the changes and their effects in the corrected presentation as well as notification to those to whom the presentation was provided. We acknowledge, however, that firms may not necessarily know who had relied on previously presented information. For errors that are considered immaterial, retrospective changes are not considered necessary. Alternatively, retrospective changes could be made for fixed time periods only.

**4. Should the GIPS standards require firms to have documented policies and procedures for correcting errors?**

Yes. In our opinion, it would be appropriate for firms to document internally the error correction policy and, in the case of verification, have it reviewed by the verifier. This documentation also helps GIPS to develop the error correction process.

**5. Do you agree with the guiding principles provided to firms when determining how to handle errors?**

No, we do not agree with the concept of "Reporting of errors (republishing) to prospective clients". From a cost and reputation perspective, the impact would be enormous. Instead, we share precisely the argumentation of the Swiss Performance Presentation Standards Committee (Comment Jan 19th 2005, point 1d). In our opinion firms should be obligated to document any material error and provide access to all (existing and prospective) clients. Clients also should be informed about material error corrections by informing about the fact within the subsequent or updated presentation (e.g., by a footnote or disclaimer). However, if the client wants detailed information, he should ask the firm to provide him with an error correction documentation.

As this is a very important issue, we propose to alter the passage "Reporting of errors (republishing) to prospective clients" accordingly.

In order to give all relevant participants an equal status – and this should be the task of a globally accepted guidance statement – there must be definitions of corridors regarding materiality and working/practical examples. Disclosure alone seems to be insufficient.

**6. Do you agree with the application questions and responses provided?**

We do agree with the questions but we would ask to edit the response to the approach explained above (point 5).

Please feel free to contact us with any questions or comments.

Sincerely yours,

Fritz H. Rau  
Chairman of DVFA