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JE/RAE/MXP/jc

Dear Sirs

**Comments on the Guidance Statement on Error Correction**

We would like to thank the CFA Institute for the opportunity to comment on the proposed GIPS Guidance Statement on Error Correction.

Please find enclosed the response of Ernst & Young, with comments and suggestions on the proposed Guidance Statement from our global network of GIPS verification practices.

If you wish to discuss any of our points further, please contact either Susanne Klemm (tel. + 41 58 286 69 14, e-mail: [susanne.klemm@ch.ey.com](mailto:susanne.klemm@ch.ey.com)) or Matt Price (tel. +44 20 7951 2223, e-mail [mprice1@uk.ey.com](mailto:mprice1@uk.ey.com)).

Yours faithfully

Ernst & Young welcomes the opportunity to comment on the proposed Guidance Statement on Error Correction.

**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 guidance on error correction. 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 inserted to require a firm to document in writing the error correction policy as proposed in the paragraph "Guiding Principles" (p.4.).

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

Yes, the guidance should be applicable to all types of errors (for example, not only calculation methodology, but also input data, composite construction, presentation and reporting, etc).

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

We suggest that retrospective changes may be made subject to informing the users of previously presented information of the nature and impact of the changes, as well as providing a corrected presentation. We acknowledge, however, a risk that compliant firms may not necessarily be aware of all individuals who may be relying on previously presented information, and the guidance should recommend procedures to allow compliant firms to minimise this risk. In our view this could be achieved by stressing the need to actively involve the marketing departments of compliant firms in the GIPS compliance process, to ensure that distribution of compliant data is tracked so that the firm can identify who might be relying on the data containing the error(s) identified.

For errors that are considered immaterial, we do not consider that retrospective changes are 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 their error correction policy as part of their GIPS compliance policies and procedures manual, which would be available to the verifier.

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

We agree, and the definition of materiality should be the core concept of this guidance. We also feel that some firms may not be familiar with the concept of materiality and it may therefore prove helpful to provide some working/practical examples on materiality, as well as to strongly encourage firms to seek guidance on the subject. Otherwise, firms may be tempted to set fairly high levels of materiality to avoid republishing reports and/or informing all prospective clients that received incorrect information.

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

Yes.