

CFA Institute
CFA Centre for Financial Market Integrity
Reference: Guidance Statement on Error Correction
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Utrecht, March 11th 2005

Dear IPC Members,

We hereby send you the response of the VBA-IPM Committee, the Dutch Investment Performance Measurement Committee of VBA, the local sponsor of GIPS in the Netherlands, regarding the “Guidance Statement on Error Correction”.

For questions and/or comments, please contact the following individuals:

Corné Reniers, Chairman, VBA-IPM Committee, C.G.A.M.Reniers@robeco.nl
Paul de Beus, Secretary, VBA-IPM Committee, paul.de.beus@nl.ey.com

General comments

Generally, we welcome the proposed Guidance Statement for the type of errors mentioned in the Guidance Statement. However, in terms of identifying errors we see two different types of corrections of a performance presentation:

- Error correction due to incorrect (data) input
- Correction due to changes in the application of GIPS

This proposed Guidance Statement on error correction deals with the correction of the first type of error correction. Therefore, in order to enhance the clarity of this Guidance Statement we recommend an add-on for other types of errors such as strategy errors made in the past.

Example of second type of error correction

During first process of GIPS compliance, the asset management firm can decide not to gross up the performances for custodian fee, because it's too difficult or too time consuming (though the pressure for being GIPS compliant is present from the market). In order to become compliant as soon as possible, the asset management firm decides not to gross up the performances. If, in a later stage, the asset management firm decides that it would be beneficiary for the prospects/clients of the firm, as well as for the asset management firm to gross up the performances with the custody fee, can this be done retroactively? In our opinion this should be allowed, because it provides the clients/ prospect a better overview of the performance of the asset management company.

This last option, restating figures based on management's decisions is not mentioned by this guidance statement.

Specific comments:

Definition of Materiality

We suggest an indication in the Guidance Statement that different materiality levels can be established for republishing and restating. We also suggest considering adding text in this section that states that republishing or restatement is allowed but not required for items not deemed to be material. Of course these suggestions can only be valid if it is mentioned in the firms written policies and procedures on handling errors.

Presentation and reporting

Firms should not be allowed to publish GIPS composite presentations before appropriate controls are in place and operating effectively, especially as it relates to data quality. Statements that the presented performance is subject to change may potentially result in misrepresentation of performance returns. We understand that there may be circumstances when preliminary results need to be issued. However, we do not believe that such results should include the GIPS claim of compliance.

Disclosure

In Application 6 is mentioned that a firm should include a disclosure on all presentations that indicates the presentation had been changed due to an error on a specified date and that the information provided may differ from previous presentations. This disclosure should remain on the presentation a minimum of twelve months. We recommend to mention this period in the Guidance Statement itself.

If you have any remarks regarding our comments, please do not hesitate to contact us.

Kind regards,

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Secretary, VBA-IPM Committee
The Netherlands